

**kuraray**

Possible starts here

**Kuraray Report**

**2024**

For Fiscal 2023, Ended December 31, 2023

**For people and the planet—  
to achieve what no one else can.**



# About the Publication of Kuraray Report 2024

## Seeking to Further Dialogue and Deepen Trust with Stakeholders

Since 2018, the Kuraray Group has issued the Kuraray Report so that all stakeholders, including shareholders and investors, can gain a deeper understanding of our efforts toward value creation over the medium to long term.

We are currently implementing the Medium-Term Management Plan “PASSION 2026,” extending from 2022 until 2026, which marks our 100th anniversary. Kuraray Report 2024 reports on the progress, results, and issues of the three challenges set out in “PASSION 2026” and explains how we are working to fulfill our social responsibilities through business.

We will continue to pursue constructive dialogue with all of our stakeholders, using the Kuraray Report as one of our engagement tools. We look forward to hearing feedback from readers of this report.

## Editorial Policy

The Kuraray Report compiles financial and ESG-related non-financial information regarding the Kuraray Group’s efforts to create sustainable value.

In compiling the report, we referred to the International Integrated Reporting Framework of the IFRS Foundation and the Guidance for Collaborative Value Creation from the Japanese Ministry of Economy, Trade and Industry. The report also uses the Global Reporting Initiative (GRI) Standards as a reference. A comparison between them is shown on our website.

 GRI Standards Content Index

- \* All financial data is on a consolidated basis.
- \* Financial data (results) expressed in billions of yen are rounded to the nearest hundred million yen.
- \* Forecasts and outlooks are based on assumptions and suppositions regarding the future operating environment and economic conditions at the time of publication, which may differ from actual results.

## Reporting Period






January 1 to December 31, 2023

- \* Some information from after January 2024 is included.
- \* Please note that the “2024” in the title refers to the year this report was published.

## Scope of the Report

Kuraray Co., Ltd. and the Kuraray Group companies

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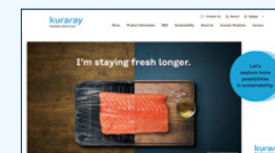
## Approach to Disclosure

### Kuraray Report (integrated report)



Puts priority on key financial and non-financial information related to the Kuraray Group’s sustainable value creation. Please see the website for a wider range of more comprehensive information and detailed data.

### Website



Offers general information about the Kuraray Group, including corporate information, products and services, R&D, IR activities and finance, sustainability, recruitment information, and news releases.


### Investor Relations

Offers information on management policy, the Medium-Term Management Plan, various briefing materials, and performance-related data.


### Sustainability Website

Offers information on material issues, our Sustainability Medium-Term Plan, and sustainability-related data.

## Corporate Reporting

 Announcement of Financial Results

 Management Briefings

 Kuraray Report (financial section)

 Fact Book

 Corporate Governance Report



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## Key Points of Kuraray Report 2024

### Point 1

Spells out our vision for the next generation, guided by the challenges we face

 P.07, P.16, P.17


### Point 2

Clarifies the relationship between efforts to create value and strengthen capital grounded in Our Mission

 P.20, P.21, P.26

### Point 3

Asserts the certainty of achieving our goals for fiscal 2026 through ROIC management

 P.24, P.48

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# At a Glance

(As of December 31, 2023)

Established



1926

Capital



¥89 billion

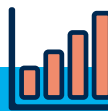
Employees  
(Consolidated)



11,906

(Ratio of overseas employees: 41.7%)

Net sales  
(Consolidated)



¥780.9 billion

101

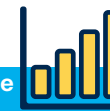
companies in

32

countries and regions  
around the world

(Production bases: 9 bases in Japan, 46 bases outside Japan)

Operating income  
(Consolidated)



¥75.5 billion

(Operating income ratio: 9.7%)

Overseas  
sales ratio



79%

## Business Segments of the Kuraray Group

### Vinyl Acetate

We manufacture and sell materials ranging from PVOH resin offering properties such as water solubility and high adhesiveness; materials for LCD display applications; PVOH film used in soluble unit dose system for detergent and other products; PVB film used as an interlayer for safety glass; to EVAL™ EVOH resin that offers excellent gas barrier properties.

### Isoprene

We manufacture and sell isoprene chemical products made with a synthesizing method as well as SEPTON™ thermoplastic elastomer and GENESTAR™ heat-resistant polyamide resin, which are derivatives of isoprene chemical products.

### Functional Materials

We manufacture and sell methacrylic resin that offers excellent transparency and weatherability, dental materials enabling restorations that closely resemble natural teeth, activated carbon whose high adsorption performance is used to purify air and water, and water treatment equipment.

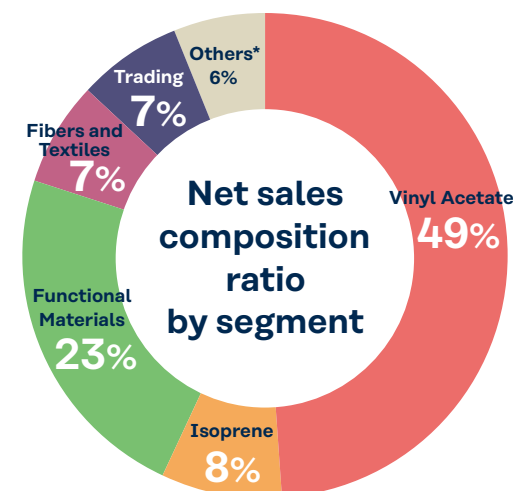
### Fibers and Textiles

We manufacture and sell KURALON™ PVA fiber, which is mainly used in reinforcing cement building materials and in automotive components; CLARINO™ man-made leather, which has a structure and functionality similar to natural leather; VECTRAN™ liquid crystal polymer fiber, mainly used as an industrial material due to characteristics such as high strength and low water absorption; KURAFLEX™ nonwoven fabrics which are used as household and industrial products; and MAGIC TAPE™ hook-and-loop fastener.

### Trading

In addition to the manufacture and sale of polyester and other fiber and textile products, we sell Kuraray Group products in Japan and other parts of Asia.

\* Others indicates business segments not included in the reportable segments, including the engineering business.



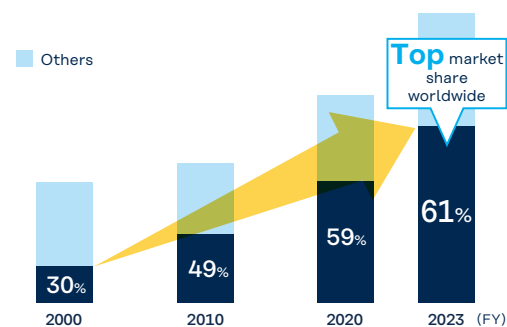
# Products with top market share worldwide and products that contribute to the natural and living environments

At Kuraray, we use our unique technical strengths to create products that the world has never seen before. Starting with the world's first commercialization of PVA fiber, we moved on to produce PVOH resin which is a raw material of PVA fiber; optical-use poval film, which is essential to liquid crystal displays; EVAL™ EVOH resin, which features excellent gas barrier properties; and a lineup of various commercialized chemical products that use the world's only synthetic isoprene monomers as materials. Sales of products with the highest<sup>1</sup> global market share that we have created using our unique technologies accounted for 61% of the Kuraray Group's total sales in 2023.

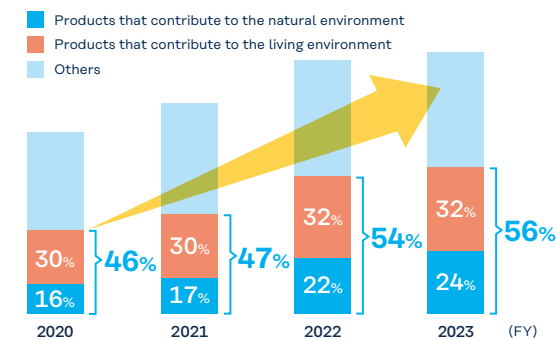
We are working to expand the lineup of these products, many of which also contribute to the Kuraray Group's mission of improving the natural and living environments, helping to bring about a sustainable society.

\*1 Based on in-house research

Proportion of sales of products with top market share worldwide



Sales ratio of products that contribute to the natural and living environments



## Products with Top Market Share Worldwide



PVOH resin (excluding China)



Optical-use poval film



Water-soluble PVOH film



EVAL™ EVOH resin (ethylene vinyl alcohol copolymer)



SentryGlas™ ionomer sheet for structural glazing<sup>\*2</sup>



Isoprene chemicals



GENESTAR™ heat-resistant polyamide resin



Activated carbon



KURALON™, KURALON K-II™ PVA fiber



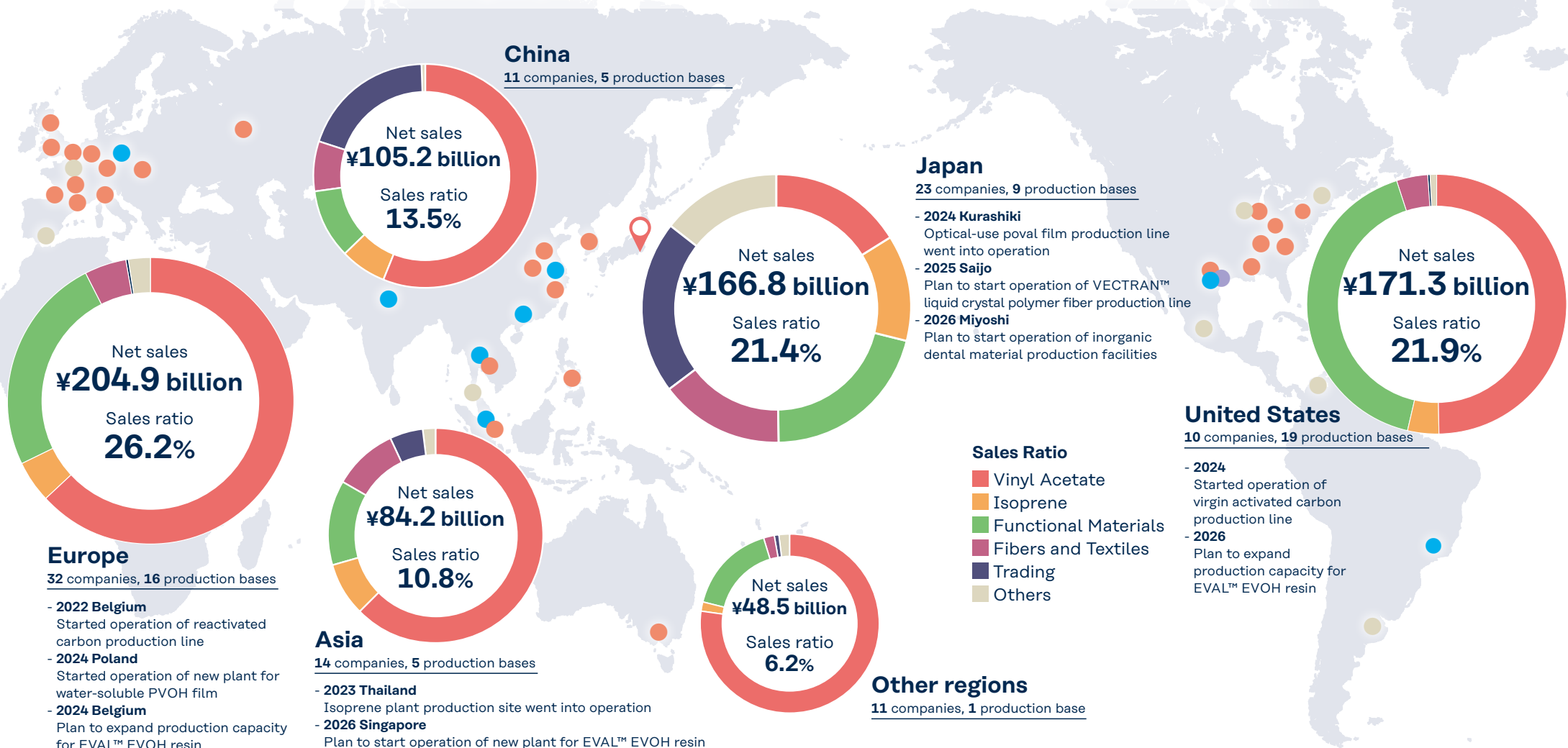
VECTRAN™ liquid crystal polymer fiber

\*2 In the high performance structural and stiff interlayer for the architectural glazing market

# Global Portfolio

Main Group Locations

The Kuraray Group has expanded its businesses globally under a principle of making and selling products in the best-situated regions. Our overseas network now includes 101 companies in 32 countries and regions, and sales outside Japan account for 79% of total sales. Going forward, we will continue to strengthen the global production and sales networks to meet the needs of countries and regions worldwide.



**Europe**  
32 companies, 16 production bases

- 2022 Belgium  
Started operation of reactivated carbon production line
- 2024 Poland  
Started operation of new plant for water-soluble PVOH film
- 2024 Belgium  
Plan to expand production capacity for EVAL™ EVOH resin

**Asia**  
14 companies, 5 production bases

- 2023 Thailand  
Isoprene plant production site went into operation
- 2026 Singapore  
Plan to start operation of new plant for EVAL™ EVOH resin

**China**  
11 companies, 5 production bases

**Japan**  
23 companies, 9 production bases

- 2024 Kurashiki  
Optical-use poval film production line went into operation
- 2025 Saijo  
Plan to start operation of VECTRAN™ liquid crystal polymer fiber production line
- 2026 Miyoshi  
Plan to start operation of inorganic dental material production facilities

**United States**  
10 companies, 19 production bases

- 2024  
Started operation of virgin activated carbon production line
- 2026  
Plan to expand production capacity for EVAL™ EVOH resin



Group Network Head Office | 9 Production bases | 2 Laboratories Regional sales locations Plants Laboratories Other sales locations

\* Net sales by region for fiscal 2023 are classified by country or region based on customer location.

\* Timelines for each region include trends in capital investment and M&A during the period of the Medium-Term Management Plan "PASSION 2026." (As of April 2024)



# Top Statement



*Hitoshi Kawahara*

President and  
Representative Director

**Aiming to be a company that seizes upon opportunities for change, transforms itself, and tackles issues facing society in the next generation: "For people and the planet."**

## Embracing challenges is essential for a company to evolve and grow

Since its founding in 1926, the Kuraray Group has strived both to achieve business growth and contribute to society. Our first President, Magosaburo Ohara, and our second President, Soichiro Ohara, through their ingenuity and hard work surmounted technical challenges to provide value to society. At the same time, stressing the importance of the Company's social responsibilities, they focused on addressing a variety of social issues, including labor and environmental issues.

This conviction has been passed down to the present day, as expressed in Our Mission: "We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world. 'For people and the planet—to achieve what no one else can.'"

The business of the Kuraray Group is manufacturing, centered on specialty chemical products created using our proprietary technology. Fulfilling Our Mission through our business activities requires us to generate innovation in step with the changing times. It is vital to maintain the outlook and the drive to embrace challenges without fear of small failures.

From the outset, the Kuraray Group has had an uninhibited, open-minded corporate culture. As the business has grown, though, a somewhat conservative mindset has begun to take root alongside that culture. It's wonderful to think things through carefully and take action to minimize risk, but in an era that changes moment by moment, such an approach alone cannot be expected to lead to significant new growth for the Company.

In implementing the Medium-Term Management Plan "PASSION 2026," a critical element will be collaboration across the Group, which calls for actions that transcend existing frameworks. Nothing changes overnight, but I sense that the mindset of our employees is gradually moving toward a greater openness to taking on challenges. While capitalizing on Kuraray's capacity for considering things carefully before acting, we will pursue a further shift in the mindset of all our employees, which will guide us in becoming a company that seizes upon changes in society as opportunities and responds agilely, while pursuing its own transformation as it continuously evolves and grows.

## Developing a growth strategy highly attuned to developments in the market

Looking at business performance in 2023, demand was down in the second half of the year and sales volume was sluggish in many of our businesses, yielding a decline in operating income. Market conditions are cyclical, however, we are sure to see a rebound in demand at some point. The important thing is to develop a growth strategy that takes into account the timing of such a rebound in demand and the future vision for the Group.

I try to consider the situation of each of our businesses by grouping them mainly into these categories: 1. businesses and products likely to see a return in demand that hold the promise of growth; 2. businesses and products likely to see a return in demand but that face difficulties in generating profits due to structural problems in the business area or industry; and 3. businesses and products that are seeing waning demand.

We expect a turnaround in demand in the Vinyl Acetate business, a mainstay segment, in the second half of 2024. To this end, we made various investments in growth. Among them, we started operations at our new water-soluble PVOH film plant in Poland in the first quarter of fiscal 2024. We also started operations at our new optical-use poval film production line at the Kurashiki Plant in the second quarter, ahead of schedule. By steadily tapping into demand, we aim to achieve the plan set out in "PASSION 2026" while also moving to start expanding at a pace that exceeds the plan.

In the activated carbon business of the Functional Materials segment, moves to tighten per- and poly-fluoroalkyl substance (PFAS) regulations, currently under discussion in the United States, are expected to gradually spread to Europe, Japan, and Asia. Anticipating this, we will develop and execute a clear blueprint for growth, including capital investment as well as acquisitions and other business expansion. We will take a similar approach to the dental materials area of the medical business, where we expect growing demand over the longer term.

The isoprene segment sees highly cyclical demand for GENESTAR™ heat-resistant polyamide resin and isoprene chemicals, and we anticipate ongoing adverse market conditions for the time being. However, we expect demand for GENESTAR™ to expand in the future in line with the shift to electric vehicles. Although the isoprene chemicals business has been hard hit by the current downturn in construction demand in China, we plan to steadily tap into rebounding demand. Meanwhile, in the elastomers business, we will move forward with a strategy of adding further value.

## Building a more sophisticated business portfolio that informs concrete business restructuring strategies

We evaluate our businesses using the two axes of social and environmental value and economic value, and consider market growth as we seek to build a more sophisticated portfolio. We assess social and environmental value using two indicators: the Kuraray PSA system, based on the Portfolio Sustainability Assessment (PSA) product portfolio evaluation method established by the WBCSD\*1, which offers a high degree of objectivity and transparency, and internal carbon pricing (ICP). We evaluate economic value using the twin indicators of earning power (operating cash flow) and efficiency (ROIC). During the first two years of "PASSION 2026," we used these indicators to identify businesses and products with high growth potential and competitiveness.

The next step will involve the Portfolio Strategy Department, which we established within the Corporate Management Planning Office in January 2024, taking the lead in determining whether to expand, maintain, downsize, or withdraw from businesses and products. We will pursue specific measures and allocate resources based on their findings. Resource allocation will include human capital as well as capital investment and acquisitions. Although the growth of a given business may not be feasible, we are looking to shift the many talented people

involved in it into businesses due to be expanded or maintained.

We have earmarked several businesses and products positioned for further growth or to strengthen the Group's foundation, including EVAL™ EVOH resin, PVOH resin, optical-use poval film, water-soluble PVOH film, advanced interlayer solutions, GENESTAR™ heat-resistant polyamide resin, activated carbon, dental materials, and VECTRAN™ liquid crystal polymer fiber. On the other hand, businesses that will be hard to maintain are those that offer little synergy or sense of ownership, even if they are currently profitable, and products that are not amenable to passing on the costs of raw materials when those costs rise. We plan to engage in more rigorous discussions regarding specific business restructuring and resource allocation at future meetings of the Board of Directors.

\*1 Abbreviation for the World Business Council for Sustainable Development.

## Transforming people and organizations through Our Challenges

The shift in mindset I mentioned earlier is incorporated into Our Challenges, which were laid out in the "PASSION 2026" Medium-Term Management Plan.

In terms of the first challenge, "Sustainability as an opportunity," we are taking sustainability as an opportunity for business creation and promoting it with the collective strength of the Group. In terms of "Innovations starting from networking," we will create a new growth driver by connecting people with people and technologies with technologies, both within and outside the Company. In terms of "Transformation of people and organization," we will work to transform people and organizations via digital-driven process innovation and the promotion of diversity, which will help us bring to bear a broad range of ideas.

All these themes apply to the whole Group, shaping our efforts to work together as "One Kuraray." Through collaborative exchanges that transcend divisions and organizations, we will foster a culture that encourages people to embrace challenge, in which employees stimulate one another.



Our  
Challenges  
1

## Sustainability as an Opportunity

### Accelerating the reinforcement of sustainability as a critical management strategy

Under the theme of "Sustainability as an opportunity," we have summarized our sustainability-related measures in the Sustainability Medium-Term Plan, based on the material issues of the Kuraray Group. We are working off a "3P" model, grouping measures into three Ps: Planet, Product, and People.

Sustainability is a critical element for a company to survive and grow. We also need to step up our sustainability initiatives to better serve society. We hear the concerns of consumer-facing manufacturers. They recognize that sustainability is a pressing issue. But they note that far-reaching measures like cutting greenhouse gas (GHG) emissions—including Scope 3 emissions—will require massive outlays and take several years to implement. Addressing the demands of the market is not something that can be done overnight. So they are giving a lot of thought and trying out a range of different approaches.

The Sustainability Committee I chair, which has met every quarter, is a venue for discussing Kuraray's response to such sustainability issues. To appropriately address rapidly emerging developments, we plan to increase the frequency of these meetings in 2024 to make faster decisions and take swift action.



#### Planet

Achieving net-zero carbon emissions by 2050 is a long-term theme guiding the efforts of the entire Group. We will reduce GHG emissions by 30% in 2030 compared to the benchmark year of 2019. Until around 2026, we plan to keep emissions below the 2019 level while expanding our businesses.

GHG emissions were down by about 500 thousand tons-CO<sub>2</sub>e in 2023 against to the 2019 benchmark, reflecting lower production amid weak demand in the second half of the year. We expect emissions to begin rising in 2024 due to production increases and the operation of new equipment to meet future demand growth, but we will address this by promoting renewable energy, mainly at overseas Group companies. In the United States, we are also exploring carbon capture, utilization and storage (CCUS\*<sup>2</sup>), where the carbon is a by-product of coal-based activated carbon production. We formed a cross-organizational project team and are seeking to expand this initiative as a corporate project. While exploring CO<sub>2</sub> capture equipment, the project is also studying potential storage sites, with an eye to obtaining financial assistance under the U.S. Inflation Reduction Act (IRA).

\*<sup>2</sup> Carbon dioxide Capture, Utilization, and Storage: An initiative to utilize or store CO<sub>2</sub> separated from exhaust gas from industrial facilities.



#### Product

We use the Kuraray PSA system to assess products that contribute to the natural and living environments. In 2023, we completed assessments of products accounting for roughly 80% of Group-wide sales. We were also able to achieve a 56% sales ratio of such products in 2023, in advance of the 54% target set for 2024 under "PASSION 2026."

We are particularly looking to activated carbon and EVAL™ EVOH resin as businesses and products that can make a significant contribution to the natural and living environments.

Activated carbon aids in water and air purification and in the removal of PFAS. As I mentioned earlier, market expectations are rising here, especially in the area of water supply, as PFAS regulations become more stringent, especially in the United States and Europe. Virgin activated carbon is not the only major



strength of the Kuraray Group—we have also built a system to collect used activated carbon from customers and reactivate and re-supply it. The issue, however, is that the manufacturing process for coal-based activated carbon inevitably produces CO<sub>2</sub> as a by-product. We are moving ahead with CCUS initiatives to resolve this issue.

A characteristic of EVAL™, used as a barrier layer in food packaging materials, is that it is difficult for oxygen to pass through. The material is thus useful in extending the expiration date of food, helping to reduce food waste. Storing harvested grains and seeds in storage bags made with EVAL™ also prevents oxygen from entering, creating an environment in which microorganisms and pests cannot survive. This helps in maintaining the quality of grains and seeds and expanding supply. Another outstanding feature of EVAL™ is its ease of recycling. Amid mounting attentiveness to the importance of a circular economy, we are receiving increased inquiries about EVAL™, especially in Europe. This is due to the fact that this material is effective when only a small amount is used and because it does not interfere with the recycling of the base polypropylene and polyethylene materials. We therefore resolved to build a new EVAL™ production plant in Singapore in March 2024. The Kuraray Group is aiming to further expand its business as a leading company in EVOH resin and barrier materials, continuing to contribute to the natural and living environments.



## People

In the manufacture of products, increasing importance is being placed on the provision of positive working environments and the responsible sourcing of raw materials. In light of this international trend, we formulated the Kuraray Group Human Rights Policy, which incorporates measures for carrying out human rights due diligence. We will continue to progressively implement such due diligence.

Since the early 2000s, the Kuraray Group has expanded its business scale through overseas acquisitions. Respecting local autonomy, we have pursued a gradual approach to post-merger integration<sup>\*3</sup>, slowly but surely gaining worldwide buy-in to our mission: "For people and the planet." However, there have been delays in compiling the data needing to be standardized globally, which have prevented our personnel systems from keeping up.

We are currently developing a common global HR platform and talent data, and working to give greater visibility across the Group to employees who are candidates for key positions. Part of this effort involved setting various key indicators for 2024 to measure the progress of our actions, including diversity in management and key positions (ratio of women and foreign nationals), the rate of preparing executive candidates, and the rate of participation in global talent development and diversity and inclusion training.

In terms of our HR approach, since laws and customs differ depending on various locations, countries, and regions, there are obviously areas where local management makes the most sense. While maintaining a certain degree of flexibility, we will define facets of our personnel approach that should be common across the Group. I believe this balance is important.

We conducted our first global engagement survey in 2022 to gauge the mutual relationship between employees and the Company, but an analysis of the results showed that our management policies and measures had not achieved full buy-in in the various workplaces and that feedback from the front lines was not being properly taken into account. We take these findings seriously. Our first step is to gauge the actual situation on the ground, and then work to identify issues and pursue improvements in dialogue with various departments. We will continue to conduct surveys and share the Group vision with all employees to boost engagement and bring greater vitality to the organization.

<sup>\*3</sup> Post-merger integration refers to the process of integration after a merger or acquisition. It consists of three stages: management integration, business integration, and awareness integration.



Our Challenges

2

## Innovations Starting from Networking

### Achieving new business creation leveraging the comprehensive strengths of the Kuraray Group

The top mission of the theme "Innovations starting from networking" is to create new businesses. In a context in which global circumstances and customer needs are changing at a dizzying pace, the Research and Development Division is taking the lead in pursuing essential innovation based on our core technologies, focusing on backcasting from a market perspective and exploring development that contributes to sustainability. Meanwhile, the key to cultivating new markets and creating new businesses is organizational collaboration, centered on the Innovation Networking Center, which acts as an accelerator for Group-wide innovation.

The approach of the Innovation Networking Center is to address social issues by leveraging the comprehensive strengths of the Kuraray Group at points of contact with customers and markets. By taking a bidirectional approach, both proposing research seeds and responding to market demand, we will intentionally increase opportunities for new business creation. INC brings together a diverse team of people with the backgrounds and skills needed to launch new businesses, including R&D, engineering, production processes, sales and marketing, and project management. Team members bring their skills to bear on each of our themes, creating a system that allows us to both embrace new business challenges and hedge risks by identifying them early on.

We engaged in discussions in 2023 regarding the six strategic areas where the Group is targeting innovation—Automotive, Paper & Packaging, Agriculture, Sports & Outdoors, Architecture & Construction, Life & Personal Care—and the ways we should seek to compete in these areas (innovation

strategy). We established priority areas and are working to strategically allocate resources to these areas as we seek to generate innovation.

We are currently pursuing action on more than 20 themes among the priority areas. In line with changes in the market environment, we will revise these themes as appropriate every year or two, changing themes as necessary.

### Our Challenges 3 Transformation of People and Organization

## All employees will evolve into digitally savvy personnel, gaining a strong competitive advantage

The Kuraray Group set out a DX Vision in January 2022: "Improve competitiveness, continuously evolve, and contribute to the world as a digitally savvy company." Guided by this vision, we are pursuing digital transformation ranging from putting IT governance structures in place to taking concrete digital measures.

Digital technology is no more than a means to an end. Our ultimate goal is to capitalize on digital technology to transform the business model, address the issues we face, and achieve our targets. I realize we lag behind companies in Europe, North America, and China, but we are moving forward with actions in the confidence that we will catch up in the final phase of the marathon.

At present, we are carrying out a DX Talent Development Project as a step toward raising the level of digital literacy across the Group. There are three classes of digital literacy—Gold, Silver, and Bronze—and we are making sure that all employees acquire at least Bronze class certification, which equips them to harness digital transformation in their business operations. By assigning Gold class

personnel to each department to lead digital transformation projects and Silver class personnel to pursue digital transformation in collaboration with the head office, we aim to be a corporate entity in which all of our organizations are made up of digitally savvy personnel.

Furthermore, in 2023, we began exploring the cultivation of data scientists and other highly specialized talent.

## Developing core businesses with an eye to the next generation: "For people and the planet"

It is undeniable that the chemical industry is sometimes viewed in a negative light from the perspective of climate change and biodiversity. We recognize the need to develop technologies to reduce the negative impact the industry can have. Nonetheless, the chemical industry has a positive side as well: throughout the years it has solved a wide range of problems and contributed to the development of society. The industry holds great potential for the future.

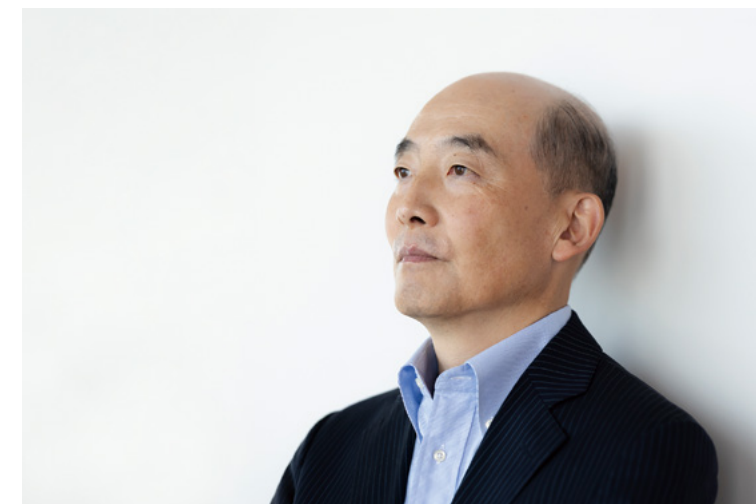
In 2021 and 2022, although we were compelled to raise prices due to flagging demand amid the pandemic and soaring raw materials and logistics costs, our customers accepted the fact that our revised prices were an appropriate reflection of higher costs. To me, this once again brought home the fact that the products the Kuraray Group makes are essential materials that are truly indispensable to society. We will boost asset efficiency and earn profit as we continue to invest both in growth and in the environment and society, including in the reduction of GHG emissions.

The Kuraray Group has the power to create new things. My role is to develop our core businesses to enable the Group to carry out our mission in the next generation: "For people and the planet."

Beyond that, the Kuraray Group may well evolve from being a Specialty Chemical Company into a new corporate entity whose shape we can't yet imagine. However, no matter what kind of corporate entity the Kuraray Group becomes, we will continue to hold fast to our mission—"For the people and the planet"—reflecting this commitment in all our businesses. By doing so, we hope to be an extraordinary presence in society.

To give our stakeholders a sense of confidence in the Kuraray Group, trusting that we are a company that can make hopes and dreams a reality, I will continue working hard to manage the business with integrity. I look forward to your continued understanding and support.

**Hitoshi Kawahara**  
President and Representative Director





# Our Origins

Our founder, Magosaburo Ohara, and second President, Soichiro Ohara, sought to build the business through technological innovation while emphasizing the importance of fulfilling the Company's social responsibilities, such as the response to environmental issues, focusing on addressing social issues through the Company's business activities. The pioneering spirit of the Company's management has been passed down as the foundational DNA of the Kuraray Group. Since the beginning, it has been important to Kuraray, even before the phrase "corporate social responsibility" became mainstream.

## Corporate Statements

### Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.

"For people and the planet—to achieve what no one else can."

### Our Values

#### Philosophy

- Respect for individuals
- Close cooperation to attain shared goals
- Constant creation of new value

#### Guiding Principles

- Safety is the cornerstone of everything we do
- Customers' needs are our top priority
- We act on ideas in the workplace

### Our Commitment

- We will constantly develop and provide safe, high-quality products and services.
- We will maintain a sound relationship with society through good communication.
- We will strive to preserve and improve the global environment, and to secure safety and health in all our workplaces.
- We will value all members of the Kuraray community and respect their rights.
- We will always conduct businesses in a free, fair and transparent manner.
- We will honor all intellectual property and secure data and information in a proper manner.



Magosaburo Ohara  
First President

### "All the wealth gained from society should be returned to society."

Magosaburo Ohara established the Ohara Institute for Social Research, the Kurashiki Institute for the Science of Labour (now the Ohara Memorial Institute for Science of Labour) for the improvement and reformation of labor conditions, the Kurabo Central Hospital (now the Kurashiki Central Hospital), and the Ohara Museum of Art. These facilities contributed to the advancement of local medicine, welfare, education, culture, and people's standard of living.



Soichiro Ohara  
Second President

### "Any profit that a company might gain should be confined to those profits that come from technological innovation and from consideration of the social and economic benefits it brings to the entire nation."

Soichiro Ohara was among the first to mention corporate responsibility for emissions at a time when the word "pollution" was still a rarity. In 1950, he pioneered the commercialization of KURALON™ PVA fiber, the first synthetic fiber made in Japan using proprietary technology. He continued to help address social issues and advance economic development through business activities, such as the development and commercialization of CLARINO™, the world's first man-made leather to replace natural leather.

# A History of Addressing Social Issues

Throughout its history, the Kuraray Group has continually sought to develop new technologies and markets, and has launched numerous pioneering businesses. "For people and the planet—to achieve what no one else can." Grounded in this mission, we have drawn on our creativity and resourcefulness to overcome technical challenges, giving rise to highly distinctive products that offer new value to society. These products have found widespread use throughout the world.



View of head office plant  
(at the time of founding)

## A History of Addressing Social Issues and Advancing Economic Development through Business Activities

Businesses and products that have helped to address social issues and advance economic development

Social issues and historical context

1926—

### Company founded with the aim of commercializing rayon, giving rise to Japan's first synthetic fiber, KURALON™ PVA fiber, and birth of a new business

Kuraray was founded in 1926 as Kurashiki Kenshoku Co., Ltd. in Kurashiki City, Okayama Prefecture for the purpose of commercializing synthetic rayon. In the 1950s, Kuraray became the first company in the world to commercialize PVA fiber, the first synthetic fiber made in Japan. These synthetic fibers replaced arboreous cotton, helping to ensure a sufficient supply of fabric for clothing and other daily commodities. Since then, we have launched a series of new businesses, including PVOH resin, CLARINO™ man-made leather, EVAL™ EVOH resin, isoprene chemicals, and dental materials.

Ensuring sufficient daily commodities, developing social infrastructure

- World War II
- Growth of heavy and chemical industry
- High economic growth period
- Oil crisis

1980—

### Creating highly functional synthetic fibers

We sought to diversify our business, focusing on the advantages of synthetic fibers, such as strength, weatherability, and resistance to chemicals. In 1983, as a substitute for asbestos, which poses a danger to health, we developed PVA fiber for cement reinforcement, entering into a long-term export agreement with a major European building materials manufacturer. We then developed VECTRAN™ liquid crystal polymer fiber, newly adding it to our product lineup of core fiber materials. In these and other ways, we worked to shore up the comprehensive strengths of the industrial materials business and speed up market development.

Making life more convenient and more comfortable

- Plaza Accord
- Deregulation of telecommunications sector, privatization of national railways
- Flourishing of the electronics industry
- Bubble economy

1990—

### Growth of telecoms business, overseas expansion of chemicals and resins businesses

As the spread of the Internet and mobile phones were changing the way people lived, we developed VECSTAR™ liquid crystal polymer film, which supports faster communications. In 1999, we commercialized GENESTAR™ heat-resistant polyamide resin, anticipating brisk demand for use in electrical and electronic components for computers and mobile phones as well as automotive components. Meanwhile, in our chemicals and resins businesses, backed by strong product appeal, we increased sales overseas, expanded market share, and built a global production framework.

Spread of the Internet, lifestyle changes

- Bursting of bubble economy
- Spread of Internet and mobile phones
- Adoption of Kyoto Protocol



Celebration to mark full-scale operation of the SEPTON™ production facility in the United States (2002)



Acquisition of MonoSol, LLC (2012)

**Businesses and products that have helped to address social issues and advance economic development**

**Social issues and historical context**

2000–

**Development of environmentally friendly products, expansion of vinyl acetate business through acquisitions**

In response to mounting global awareness of environmental issues, in the United States we started full-scale operation of a newly completed production line for SEPTON™ thermoplastic elastomer, used as a substitute for vulcanized rubber and vinyl chloride. In the vinyl acetate segment, we reinforced the value chain and scaled up the business through overseas acquisitions. Due to these measures, the Kuraray Group's unique technologies and products found widespread use throughout the world, leading to dramatic growth in the ratio of overseas sales.

**Globalization, mounting environmental awareness**

- Izanami Boom (2002–2008 economic expansion period in Japan)
- Flourishing of IT and venture companies
- Global financial crisis

2010–

**Expansion of businesses, products that contribute to the natural and living environments**

Through ongoing overseas acquisitions and alliances, we achieved the global expansion of businesses and products that contribute to the natural and living environments, including activated carbon that aids in water and air purification, and PLANTIC™ biomass-derived gas barrier material that helps lower the logistical burden and reduce food loss.

**Realizing a sustainable society**

- World population surpasses 7 billion
- Paris Agreement
- SDGs adopted by UN
- Spread of COVID-19

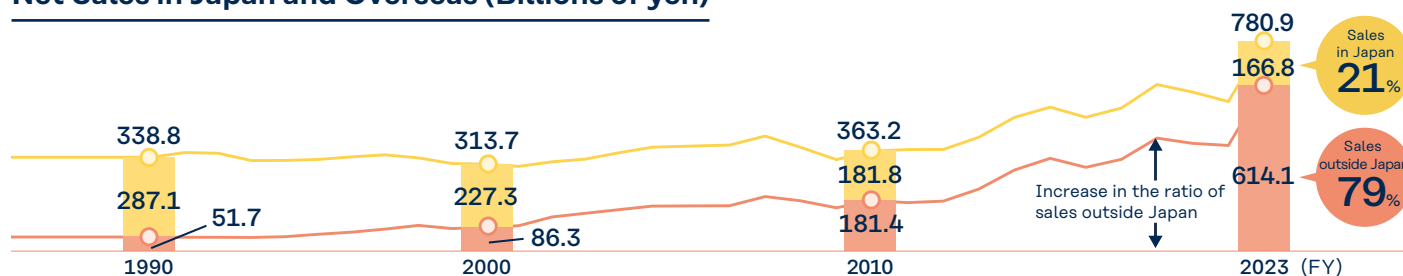
2022–

**Striving to build a more sophisticated business portfolio**

Our Mission sets target fields for social issues needing to be addressed to achieve sustainable growth, in light of macro trends. Meanwhile, we aim to build a more sophisticated business portfolio by using the two axes of social and environmental value and economic value to assess our businesses, while also taking into account market growth. We are channeling resources into strategic businesses such as EVAL™ EVOH resin, PVOH resin, optical-use poval film, water-soluble PVOH film, advanced interlayer solutions, GENESTAR™ heat-resistant polyamide resin, activated carbon, dental materials, and VECTRAN™ liquid crystal polymer fiber.

**Positioning efforts to address social issues as an engine for growth**

**Net Sales in Japan and Overseas (Billions of yen)**





# Our Challenges

Since its founding, the Kuraray Group has taken on the challenge of solving social issues and creating new value through its business activities.

We formulated the corporate tagline "Possible starts here" to express our unwavering corporate attitude as well as our desire to co-create value with society for a better future, starting with the Kuraray Group.

## Brand Story of the Kuraray Group

# kuraray

## Possible starts here

Beyond impossible lies what's possible.

Waiting to be discovered by those with the courage to challenge the norm and bring about change.

Nearly a century ago, one such pioneer made it possible for a successful company to serve the greater good and society at large.

While also rewarding and nurturing its employees and stakeholders.

That company is Kuraray.

And today while we face new challenges;

The need to protect the environment.

The need to improve global health.

The need to create cleaner chemicals.

That founding belief in what's possible remains unchanged.

We still work for the benefit of all.

We still trust in our expertise in chemistry to go beyond and innovate.

And we still embrace the power of collaboration with others.

Knowing we're stronger and better, when working together to change impossible into possible for everyone.

As we make our journey together towards a fairer, safer, more sustainable future, a real possibility.

## Possibility can change the world. And it starts here.

# Creating New Value

The Kuraray Group considers the products, technologies, and services we offer in light of various macro trends, clarifying social issues needing to be addressed and setting target fields to address them.

By channeling management resources into businesses and products related to these areas, and by exploring strategic acquisitions and corporate alliances, we will work to grow existing businesses and generate new businesses.

## Five Macro trends and Target Fields



### Improvement of the global environment

#### Environmental-load reduction

##### Air and water purification

- Adsorption, filtering

##### Reduce microplastics

- Biodegradable polymers
- Functional enhancement of paper products

##### Circular economy

- Shift to mono-materials
- Circular business models



#### Global warming prevention

##### GHG capture

- Absorption and separation

##### GHG utilization

- Consider applications for Enhanced Oil Recovery (EOR)
- Polymer synthesized from CO<sub>2</sub>

##### Reduce GHG emissions

- Promote the use of bio-based materials
- Contribute to weight reductions
- Conversion to alternative fuels, higher efficiency



### Food and water security

#### Food-loss reduction

- Prolongation of shelf life

#### Improve agricultural productivity

- Materials for insect prevention and seed coating

#### Safe water supply

- Removal of PFAS, organic fluorine compounds



### Digitalization, high-speed communications

#### Electric and electronic device materials

- Electronic devices and circuit substrates
- Semiconductor manufacturing equipment-related

#### High-speed telecommunications device materials

- Mobile data terminals (electromagnetic wave shields)
- 5G telecommunication device-related



### Effective utilization of energy

#### Materials for energy storage devices

- Secondary batteries (anode materials, etc.)

#### Energy-related materials

- Wind power-generation materials

#### Materials for electric and electronics devices

- Next-generation vehicles (high-voltage parts)



### Calls for higher quality of life (QOL)

#### Medical and healthcare

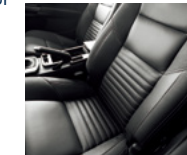
- Dental materials
- Regenerative medicine materials

#### Beauty goods and living supplies

- Water-soluble films for individual product packaging
- Sanitary goods

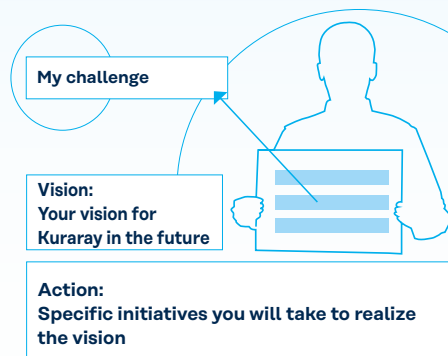
#### Improve indoor and in-vehicle environments

- Air purification
- Highly functional displays
- Vibration control sealants
- Interior parts (car seats, etc.)



# Challenges for a Future Vision

As the Group prepares to mark its 100th anniversary in 2026, we held a workshop in Kurashiki, the birth-place of Kuraray, to consider the goals we ought to aim for and what actions we should take for the future. Global members from diverse occupations and locations who will lead the next generation gathered together to imagine the future Kuraray faces and to consider the ideal vision for the Group. Here, we showcase the future vision for Kuraray envisioned by workshop participants and the challenges they will take on to turn that vision into a reality.



Connecting the Future: Innovation and Sustainability in Action

## Alberto Alarcon

Advanced Interlayer Solutions  
Kuraray America Inc.

**A leader in sustainable innovation, prioritizing employee growth and global impact**

I am focusing on amplifying our sustainable practices and innovative solutions through strategic communication in the AIS Business Unit. This involves showcasing our cutting-edge developments and environmental initiatives to a global audience, enhancing brand recognition. Moving forward, I plan to foster deeper customer engagement and collaborative partnerships, aligning with our vision for sustainability and innovation, while also nurturing a culture of continuous learning and development within our team.



Making everything sustainable, from sourcing coal to reaching consumers

## Anja Laqua, Ph.D.

Corporate Sustainability Division

**No longer speaking about sustainability because it is our daily business as a sustainability leader**

I am in charge of Global Sustainable Procurement and Sustainable Monitoring. The purpose of Global Sustainable Procurement is to mitigate and reduce the risk on Kuraray's supply chain coming from changes in social requirements. To understand the impact of upcoming sustainable requirements before they cause a risk for Kuraray, Sustainable Monitoring is an effective tool to prepare Kuraray for the future as a sustainability leader.



Connecting intellectual property to generate value

## Nobuko Aso

IP Management Center and Intellectual Property Department, Research and Development Division

**Continuing to propose new value to the world in the spirit of continuity and change**

I am supporting us take full advantage of the intellectual property that the Kuraray Group around the world has cultivated ever since its founding, including our unique knowledge and brands. To bring new value to the world that inspires confidence, I will engage in more and more IP collaboration that transcends boundaries, bringing about a "One Kuraray" that continues to evolve!



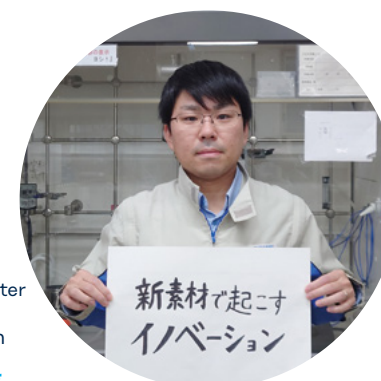
Innovation through new materials

## Yuki Tachibana

Cross Technology Research Group  
Kurashiki Research Center  
Research and Development Division

**Continually creating new businesses from a unique vantage point**

I am exploring the development of polymers that capitalize on Kuraray's unique monomers, striving to achieve new, one-of-a-kind materials. While always being attentive to Kuraray's strengths, I will continue to embrace the challenge of creating new businesses and innovation that will bear great fruit in the future.





Show the world what is possible with Kuraray



**Carmen Mundt**  
KEG Corporate Communications  
Kuraray Europe GmbH

**A truly global company that addresses their customers with one voice**

Even though Kuraray is a large globally operating company, it is in many areas still a hidden champion and customers do not know what it is possible to achieve with our products and services. In my responsibility for Corporate Communications for Kuraray in Europe I am working on connecting regions, entities and products to show the world that "Possible starts here" at Kuraray.

Offering an amazing "Kuraray experience"



**Kohei Shimoda**  
Poval Film Production and Technology Development Department  
Saijo Plant

**Delivering a high-quality "Kuraray experience" to customers as well as to the employees we work with and local communities**

I am working to develop high-quality optical-use poval film that satisfies customers. I also take part in an array of activities both inside and outside the Company, considering daily what I can do to create an even better workplace for staff. I want to go beyond product development to "develop" the workplace as well, further enhancing Kuraray's social value.

Building on 100 years of history to pursue further corporate development



**Donghai Qian**  
Elastomer Department  
Kuraray Trading (Shanghai) Co., Ltd.

**Building a robust foundation for long-term growth that focuses on ESG-led sustainable development**

I am working to expand the elastomer business in China. Sustainability is growing in importance year by year in China. When I showcase Kuraray products to customers, I boost the Company's credibility by communicating our attentiveness to the environment, society, and governance. Meanwhile, I am aiming to gain greater corporate recognition for Kuraray in China through business expansion.

Everything starts with yourself!



**Toshiyuki Iguchi**  
Plastics and Compounds Technology Development Group, Technology Development Center

**Highly motivated engineers come together, using their technical prowess to continue contributing to society**

I want to cultivate an environment where the young people who will take charge of Kuraray's future technological development can flourish and grow. To that end, I myself am active globally, striving to build a technological foundation and create engaging workplaces. I want to contribute to Kuraray's profitability by combining the strengths of young staff and veterans, forming a team of engineers who continue to passionately embrace challenges and resolve problems.

Innovative company by new combination



**Kaito Yanagida**  
BU Industrial Fibers  
Kuraray Europe GmbH

**Creating vibrant businesses by combining unique technologies and knowledge**

I am in charge of the sales and marketing of fibers and textiles for industrial materials in Europe. We are working to re-assess our long-established business from a distinctively European perspective, including a focus on sustainability, which will feed into business expansion. By combining our efforts with the specialized knowledge of other divisions, I would like to create even more unique and vibrant businesses.

Creating premium value



**Akane Senzaki**  
Corporate Communications Department  
Corporate Management Planning Office

**A company that employees, customers, and local communities around the world empathize with, trust, and choose**

With the aim of enhancing the worldwide brand value and presence of the Kuraray Group, I am spearheading global branding initiatives and activities in the lead up to the 100th anniversary. I will continue to work with a diverse team of colleagues to ensure that society recognizes Kuraray as a trustworthy company that is expected to grow sustainably. Together we will continue to raise Kuraray's premium value so that everyone who works here can take pride in being a member of the Group.

Bringing unique cultural diversity to tomorrow's innovation

### Robin Conrad

Elastomer Division  
Kuraray Europe GmbH

Creating a unique culture by transforming cultural differences and commonalities into industries' leading competitive advantages.

As the leader of Elastomer Business Marketing Team, I experience the potential that lies in diversity on a business unit scale on a regular basis. I'd like Kuraray to gain an intrinsic motivation leveraging diversity across countries and functions enabling ultimate employee engagement. While challenges are inevitable, embracing diversity as "Kuraray's unique culture" will become a real competitive advantage to create solutions of tomorrow that inspire customers and enhance our planet in its entirety.



Collaborate globally to find synergies and improve our processes.

### Jennifer Decaro

Finance Department  
Calgon Carbon Corporation

Valuing Kuraray's global diverse workforce by strengthening our global teams to promote collaboration and enhance future success

Having opportunities to connect with colleagues around the globe through diverse teams has made me realize that the Company has the opportunity to exploit key synergies and fortify our mission. Breaking down the traditional silos we have become accustomed to, through seeking opportunities outside of my knowledge base, as well as outside of my region, will help me become a more diverse, well-rounded employee that can create and expand on new ideas and improve current processes by gaining unique perspectives outside of my area.



Sharing knowledge sparks inspiration among engineers.

### Joost Cuyckens

Technical Department  
EVAL Europe N.V.

Cultivating pioneering spirit for engineers, in a safe and challenging technical environment, so they get inspired and bring innovation

We are lobbying for a global Subject Matter Expert (SME) organization with local roots. Our team of local engineers needs to collaborate globally to accelerate technical design know-how for strengthening original equipment manufacturer (OEM) support. This way, the seniors benefit from purpose and exposure, while the inspired juniors have more time to explore new technology, so their talents can flourish. The team will create innovative ideas to support the business and succession planning is assured!



Speeding up on-site decision making

### Takashi Kizawa

Osaka Accounting and Finance Dept.  
Accounting and Finance Division

Using back office DX to generate enthusiasm

Along with shareholders and management, employees also make decisions related to the day-to-day operations of the Company. I believe the role of the back office is to support the decision-making of a broad array of stakeholders. I want to harness digital transformation to empower and motivate everyone associated with the Company.



Using materials to make the world smile

### Naoto Sugai, Ph.D.

Marketing and Sales Department  
Genestar Division

Creating happiness around the world with Kuraray's materials

I am making strides in expanding the markets for Kuraray's proprietary material GENESTAR™. Through GENESTAR™, which helps resolve issues in manufacturing, Kuraray brings smiles to the faces of all involved, including the people who make products and those who use our material. In the future, I hope to expand the scope of co-creation using Kuraray materials worldwide, helping to make the world an even happier place.



Making Kuraray fans

### Kensei Suzuki

Corporate Communications Department  
Corporate Management Planning Office

Continuing to be trusted, admired, and supported by society

I am in charge of disseminating information to the public in the Corporate Communications Department, focusing on the production of this Kuraray Report. My role is to highlight the value created by the challenges that each of our employees take on, and to clearly communicate this to society. I am committed to working even harder to gather and share information to instill trust and raise expectations for Kuraray.



# Value Creation Process

To contribute to improving the environment and enhancing the quality of life through our business activities. This is the mission of the Kuraray Group.

Building on six kinds of capital and the pioneering technology we have cultivated over the years, we will seek sustainable growth and carry out our mission through initiatives set out in the Medium-Term Management Plan "PASSION 2026."

## Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.

"For people and the planet—to achieve what no one else can."

## Vision

### "Kuraray Vision 2026" Long-Term Vision

Specialty Chemical Company contributing to customers, society, and the planet and growing sustainably by incorporating new innovation platforms into its own technologies.

### Sustainability Long-Term Vision

As a sustainability leader, Kuraray will develop innovative solutions with unique products and cleaner technologies to improve the natural environment and enhance quality of life for people everywhere.



**Pioneering technology and six kinds of capital cultivated over the years**

**Financial capital**  
Strong financial position and investments and M&A that create value

**Human capital**  
Diversity of human resources

**Intellectual capital**  
Pursue development that contributes to growth strategies and sustainability

**Manufacturing capital**  
Global production framework

**Social and relationship capital**  
Trust from customers, trust from local communities

**Natural capital**  
Achieve carbon neutrality and expand lineup of products that contribute to the environment

**Materiality**

**Creating Value through Business**

- Improving the natural environment
- Improving the living environment

**Creating Value to Strengthen the Foundation of Kuraray**

- Effective use of resources and reduction of environmental impact
- Improving supply chain management
- Building a "company that people can take pride in"

**Building a more sophisticated business portfolio**

- Assessing businesses and products for social and environmental value and economic value, while taking into account market growth.
- Setting target fields based on five macro trends.

- Improvement of the global environment
- Food and water security
- Digitalization, high-speed communications
- Effective utilization of energy
- Calls for higher quality of life (QOL)

Target Fields P.16

**Strategies: Three challenges**

**Medium-Term Management Plan "PASSION 2026"**

- Sustainability as an Opportunity** (Sustainability Medium-Term Plan) P.28
- Innovations Starting from Networking** P.37
- Transformation of People and Organization** P.44

**Asbestos substitutes, extending the life of building materials**

- KURALON™ PVA fiber

**Biomass-derived or recycled raw materials**

- Liquid rubber made from biomass-derived materials
- Environmentally friendly polyester fiber and textile products
- Recycled raw material-used CLARINO™ man-made leather

**Water and air purification**

- Activated carbon

**Lower logistical burden, food-loss reduction**

- EVAL™ EVOH resin
- PLANTIC™ biomass-derived gas barrier material

**Make dentists' and patients' lives easier**

- Dental materials

**High-speed communication, lightweight EVs**

- VECSTAR™ liquid crystal polymer film
- GENESTAR™ heat-resistant polyamide resin



# Working to Strengthen Capital

Importance of capital	Expansion of capital (FY2023 results)	Points to be reinforced under “PASSION 2026”
<p><b>Financial capital</b></p> <p>A sound financial foundation is essential to creating value. While securing our ability to generate cash flow, we will invest in areas that contribute to the natural and living environments, working to expand profits and enhance capital efficiency.</p>	<ul style="list-style-type: none"> <li>Net assets: <b>¥736.2</b> billion</li> <li>Equity ratio: <b>56.9%</b></li> <li>Capital investment: <b>¥67.3</b> billion (acceptance basis)</li> <li>ROIC: <b>6.2%</b>                                 • ROE: <b>6.2%</b></li> <li>EBITDA: <b>¥152.6</b> billion                 • EBITDA margin: <b>19.5%</b></li> </ul>	<p><b>Ability to generate cash flow to support the building of a sound financial position and growth investments</b> <b>Aggressive investment in areas that contribute to the natural and living environments</b></p> <ul style="list-style-type: none"> <li>Expanding capacity to meet growing demand, including investments to reduce GHG emissions; expanding lineup of products that contribute to the natural and living environments</li> </ul> <p><b>Capital efficiency to bring about growth and shareholder returns</b></p> <ul style="list-style-type: none"> <li>Boosting capital efficiency; enhancing shareholder returns (total return ratio of at least 35%, annual dividend of at least ¥40 per share)</li> </ul> <p>FY2026 target ROIC: 8% EBITDA: ¥170 billion ROE: 10% (Reference) EBITDA margin: 23%</p>
<p><b>Human capital</b></p> <p>The Kuraray Group consists of people of various nationalities and backgrounds. To create innovation and continuously enhance corporate value, the active participation of diverse human resources is vital.</p>	<ul style="list-style-type: none"> <li>Number of consolidated employees: <b>11,906</b></li> <li>Ratio of overseas employees: <b>41.7%</b></li> <li>Ratio of female employees: <b>19.5%</b></li> <li>Ratio of female employees in managerial positions: <b>11.3%</b></li> <li>Diversity of core human resources<sup>*1</sup>: <b>16%</b> (P.34)</li> <li><sup>*1</sup> Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites</li> <li>Global talent development<sup>**2</sup>: <b>40%</b></li> <li>Executive candidate development<sup>**3</sup>: <b>90%</b></li> <li>Participants in DX talent development program Gold <b>44</b>, Silver <b>163</b>, Bronze <b>5,114</b> (P.35)</li> <li><sup>**2</sup> Ratio of senior managers taking global leadership training</li> <li><sup>**3</sup> Ratio of candidates prepared for General Managers equivalent positions</li> </ul>	<p><b>Unified platforms for HR management</b></p> <ul style="list-style-type: none"> <li>Establishing globally unified employee grading system (for managers); human resources database (to visualize human resources status, leverage resources efficiently)</li> </ul> <p><b>Optimal staffing, encouragement to cultivate personal growth</b></p> <ul style="list-style-type: none"> <li>Global mobility system (to expand career opportunities, invigorate human resources exchanges); global human resources development program; DX Talent Development Project; systematically nurturing senior management candidates</li> </ul> <p><b>Culture that encourages those who take on challenges</b></p> <ul style="list-style-type: none"> <li>Shift to personnel evaluation system that encourages those who take on challenges; promoting diversity and inclusion, spreading a culture that appreciates these values; making assistance programs available to support diverse workstyle options</li> </ul> <p>FY2026 target Participants in DX talent development program Gold 180, Silver 1,200, Bronze 5,700 FY2030 target Diversity of core human resources<sup>*1</sup>: 25% Global talent development<sup>**2</sup>: 60% Executive Candidate Development<sup>**3</sup>: 200%</p>
<p><b>Intellectual capital</b></p> <p>Our business activities are grounded in our unique polymer and synthetic chemistry technologies. We will focus on R&amp;D that helps address social issues to pursue the creation of new businesses.</p>	<ul style="list-style-type: none"> <li>Number of researchers: <b>1,053</b></li> <li>R&amp;D expenses: <b>¥24.4</b> billion</li> <li>Ratio of R&amp;D to sales: <b>3.1%</b></li> </ul>	<p><b>Development based on the customer perspective</b></p> <ul style="list-style-type: none"> <li>Establishment of Innovation Networking Center (pursuing global marketing activities, collaboration inside and outside the Group); R&amp;D based on backcasting</li> </ul> <p><b>Development that contributes to sustainability</b></p> <ul style="list-style-type: none"> <li>Developing materials, offering solutions that contribute to the natural and living environments; accelerating development of technologies to reduce GHG; establishment of Environment and Energy Research Laboratory (developing new biomass-derived carbon materials, etc.)</li> </ul> <p><b>Planning, promoting IP strategies</b></p> <ul style="list-style-type: none"> <li>Establishment of IP Management Center (proposing, promoting global IP strategies); further enhancing, capitalizing on IP such as patents that contribute to profit in various businesses, also making use of patent scores</li> </ul>
<p><b>Manufacturing capital</b></p> <p>Overseas sales account for about 80% of our total net sales. To maintain our competitiveness in global markets, it is essential to have a product supply framework based on making and selling products in the best-situated regions.</p>	<ul style="list-style-type: none"> <li>Production bases in Japan: <b>9</b></li> <li>Production bases outside Japan: <b>46</b></li> </ul>	<p><b>Reinforcing stable supply framework drawing on integrated production from the raw materials stage and global network</b> <b>Optimizing logistics</b> <b>Constructing new plants</b></p> <ul style="list-style-type: none"> <li>EVAL™ EVOH resin; liquid rubber</li> </ul> <p><b>Expanding production capacity</b></p> <ul style="list-style-type: none"> <li>Optical-use poval film; water-soluble PVOH film; phase two construction for GENESTAR™ heat-resistant polyamide resin in Thailand; VECSTAR™ liquid crystal polymer film; dental materials; LiB anode materials</li> </ul>
<p><b>Social and relationship capital</b></p> <p>The Kuraray Group rests on a solid customer base and on relationships of trust with a range of stakeholders. We are striving for sustainable development by further deepening dialogue with stakeholders and co-creating with them.</p>	<ul style="list-style-type: none"> <li>Number of investor briefings Institutional investors: <b>181</b>; Sell-side analysts: <b>47</b>; Management briefings (ESG, business briefings): <b>2</b>; Individual investors: <b>2</b> (P.50)</li> <li>Coverage of CSR procurement survey: <b>82.5%</b> (in Japan)<sup>**4</sup>, <b>81.7%</b> (outside Japan) <sup>*4</sup> FY2022 results</li> <li>Safety audits (outside Japan) United States: <b>4</b>, Europe: <b>2</b>, Asia: <b>1</b></li> <li>Social contribution activities (P.35)</li> </ul>	<p><b>Building stronger relationships of trust with stakeholders</b> <b>Formulating human rights policy, implementing human rights due diligence</b> <b>Reinforcing safety activity management (gaining trust of local communities)</b></p> <ul style="list-style-type: none"> <li>Forming Global Process Safety Management Audit Team made up of in-house experts from across the Group, launching activities</li> </ul> <p><b>Strengthening quality management (gaining customer trust)</b></p>
<p><b>Natural capital</b></p> <p>We believe it is important to offer products and services needed to realize a low-carbon and environment-friendly society. We manufacture our products in a way that minimizes environmental impact.</p>	<ul style="list-style-type: none"> <li>Measures to address climate change GHG emissions (Scope 1, 2): <b>2,700</b> thousand tons-CO<sub>2</sub>e</li> <li>Various measures for the ongoing reduction of environmental impact (P.29)</li> <li>Sales ratio of products that contribute to the natural and living environments: <b>56%</b></li> </ul>	<p><b>Initiatives to counter climate change</b></p> <ul style="list-style-type: none"> <li>TCFD-based disclosure; acquiring SBT (Science Based Targets) certification; use of internal carbon pricing system</li> </ul> <p><b>Targets for ongoing reduction in environmental burden</b></p> <ul style="list-style-type: none"> <li>More efficient energy (energy saving), effective use of waste, effective use of water resources (excluding seawater), emission management of chemical substances</li> </ul> <p><b>Through use of Kuraray PSA system, expanding lineup of products that contribute to the natural and living environments, building a more sophisticated business portfolio</b></p> <p>FY2026 target Developing products that contribute to the natural and living environments Sales ratio: 60% FY2030 target GHG emissions (Scope 1, 2): 2,230 thousand tons-CO<sub>2</sub>e (30% less than 2019 benchmark)</p>

# Roadmap for the Vision

Kuraray Group has declared its mission: "For people and the planet—to achieve what no one else can." Based on this mission, we formulated the "Kuraray Vision 2026" long-term vision and the Sustainability Long-Term Vision. By pursuing the three challenges laid out in "PASSION 2026," our Medium-Term Management Plan, we are aiming to achieve sustainable growth and realize the vision.

 Medium-Term Management Plan

## Measures and Results of Past Management Plans

### Previous Medium-Term Management Plan "PROUD 2020" (2018–2020)

- **Pursue competitive superiority**
  - Acquired Calgon Carbon Corporation in the United States. Decided to expand production facilities for virgin activated carbon (United States) and reactivated carbon (Belgium)
  - Decided to invest in a new plant in Thailand for the isoprene business
  - Boosted production capacity for optical-use poval film (Japan), water-soluble PVOH film (United States), PVB film (South Korea), and SentryGlas™ ionoplast interlayers (Czech Republic)
- **Expand new business fields**
  - Expanded existing production capacity for VECSTAR™ liquid crystal polymer film (Japan)
  - Decided to invest in resin production facilities for PLANTIC™ biomass-derived gas barrier material (United States)
- **Enhance comprehensive strength of the Kuraray Group**
  - Generated integration synergies with the Environmental Solutions business (carbon materials)
  - Established Personnel Development Department for the purpose of reinforcing personnel development and handing down technical expertise
  - Promoted work-style reforms
- **Contribute to the environment**
  - Improved the natural environment: Expanded activated carbon business
  - Enhanced the living environment: Strengthened and expanded the EVAL business and Plantic businesses

### Fiscal 2021 Management Plan\*

- **Steadily implement capital investment decided in previous Medium-Term Management Plan "PROUD 2020"**
- **Expand the Environmental Solutions business (carbon materials)**
  - Further integrated operations after organizational consolidation. Steadily captured expanding demand by drawing on our ability to address environmental regulations
- **Increase production capacity of EVAL™ EVOH resin**
  - While tracking demand trends and business feasibility, explored candidate sites mainly in the Asian region
- **Promote digitalization across the entire Group**
  - Established the Global Digital Transformation (GDX) Office
- **Initiatives to create innovation**
  - Established the Innovation Networking Center

\* Given uncertainties over the future of the global economy and the business environment in 2020 due to the COVID-19 outbreak, the Fiscal 2021 Management Plan was for a single year.

## Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.  
"For people and the planet—to achieve what no one else can."

### "Kuraray Vision 2026" Long-Term Vision

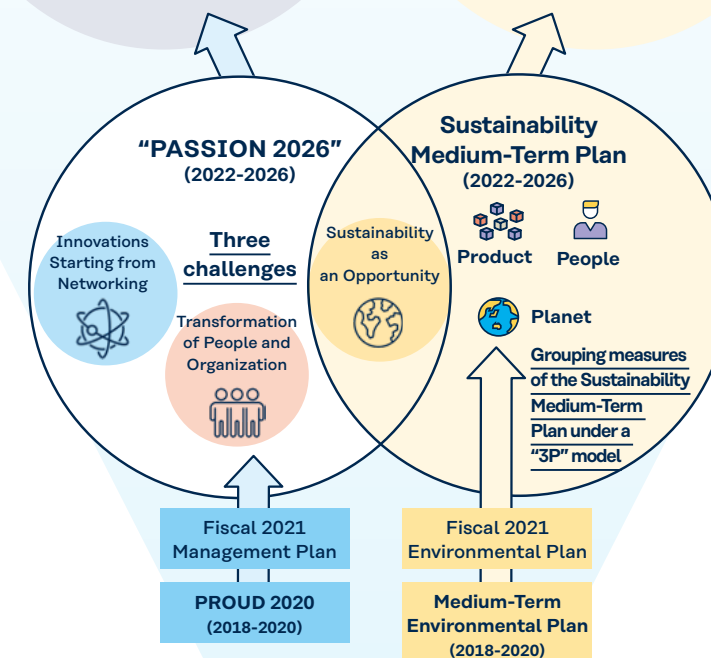
Specialty Chemical Company contributing to customers, society, and the planet and growing sustainably by incorporating new innovation platforms into its own technologies

- Pursue competitive superiority
- Expand new business fields
- Enhance comprehensive strengths of the Kuraray Group

### Sustainability Long-Term Vision

As a sustainability leader, Kuraray will develop innovative solutions with unique products and cleaner technologies to improve the natural environment and enhance quality of life for people everywhere.

- Enhancing sustainability management
- Initiatives to achieve net-zero carbon emissions by 2050



## Medium-Term Management Plan "PASSION 2026"

Based on our "Kuraray Vision 2026" long-term vision and Sustainability Long-Term Vision, the Kuraray Group is implementing "PASSION 2026," a five-year plan spanning fiscal 2022 to fiscal 2026.

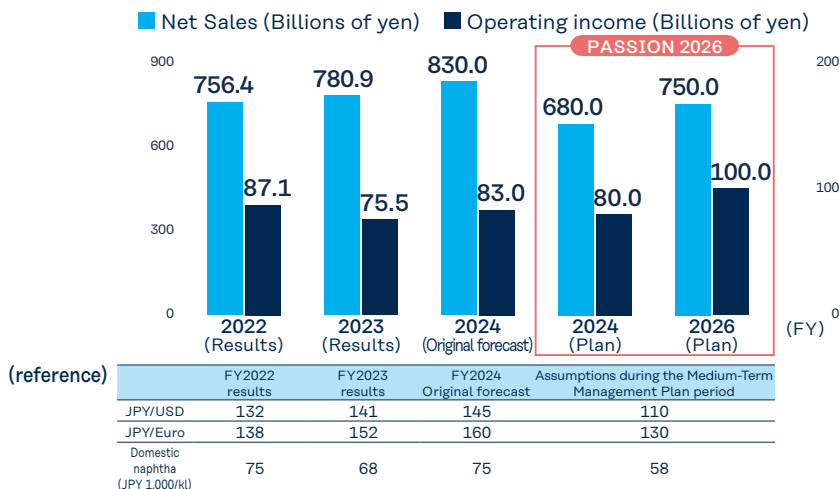
Looking ahead at the coming era, in which predicting the longer-term outlook for the economy or the operating environment is extremely difficult, "PASSION 2026" identifies three new challenges for the Kuraray Group to take on to continue growing. These are: "Sustainability as an opportunity," "Innovations starting from networking," and "Transformation of people and organization."

### Management Targets

Through the steady implementation of the "PASSION 2026" management strategy, the Kuraray Group is targeting both net sales of ¥750 billion and operating income of ¥100 billion in the final year of the plan, 2026, which marks our 100th anniversary.

We have established ROIC, EBITDA, and ROE as financial KPIs to guide us in conducting management with an eye toward capital efficiency and steadily expanding our ability to generate cash. Furthermore, we will shift toward a more sustainable business portfolio, having set quantitative non-financial KPIs for greenhouse gas (GHG) emissions, the sales ratio of products that contribute to the natural and living environments, and the diversity of core human resources.

### Net sales, operating income trends and plan during "PASSION 2026"



### Themes and Overview of Our Challenges

**Sustainability as an Opportunity**

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

P.28

**Innovations Starting from Networking**

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

P.37

**Transformation of People and Organization**

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

P.44

### Financial KPIs

	FY2023 result	FY2026 target
ROIC	6.2%	8%
EBITDA*1	¥152.6 billion	¥170.0 billion
ROE	6.2%	10%
EBITDA Margin (reference)	19.5%	23%

\*1 Operating income + depreciation and amortization

### Non-financial KPIs

	Benchmark	FY2023 result	Medium-, long-term Targets
GHG emissions (Scope 1, 2)	3,230 thousand tons-CO <sub>2</sub> e (in FY2019)	2,700 thousand tons-CO <sub>2</sub> e	FY2030 2,230 thousand tons-CO <sub>2</sub> e (30% less than benchmark)
Sales ratio of products contributing to the natural and living environments	46% (in FY2020)	56%	FY2026 60%
Diversity of core human resources*2	12% (in Sep. 2021)	16%	FY2030 25%
Global talent development Ratio of senior managers taking global leadership training*3	—	40%	FY2030 60%
Executive Candidate Development Ratio of candidates prepared for General Managers equivalent positions*4	—	90%	FY2030 200%
DX talent development*5	—	—	FY2026
Number of participants per class (Achievement ratio)	—	—	—
Gold class	—	44 (24%)	180
Silver class	—	163 (14%)	1,200
Bronze class	—	5,114 (90%)	5,700

\*2 Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites

\*3 Currently around 300 general manager positions globally

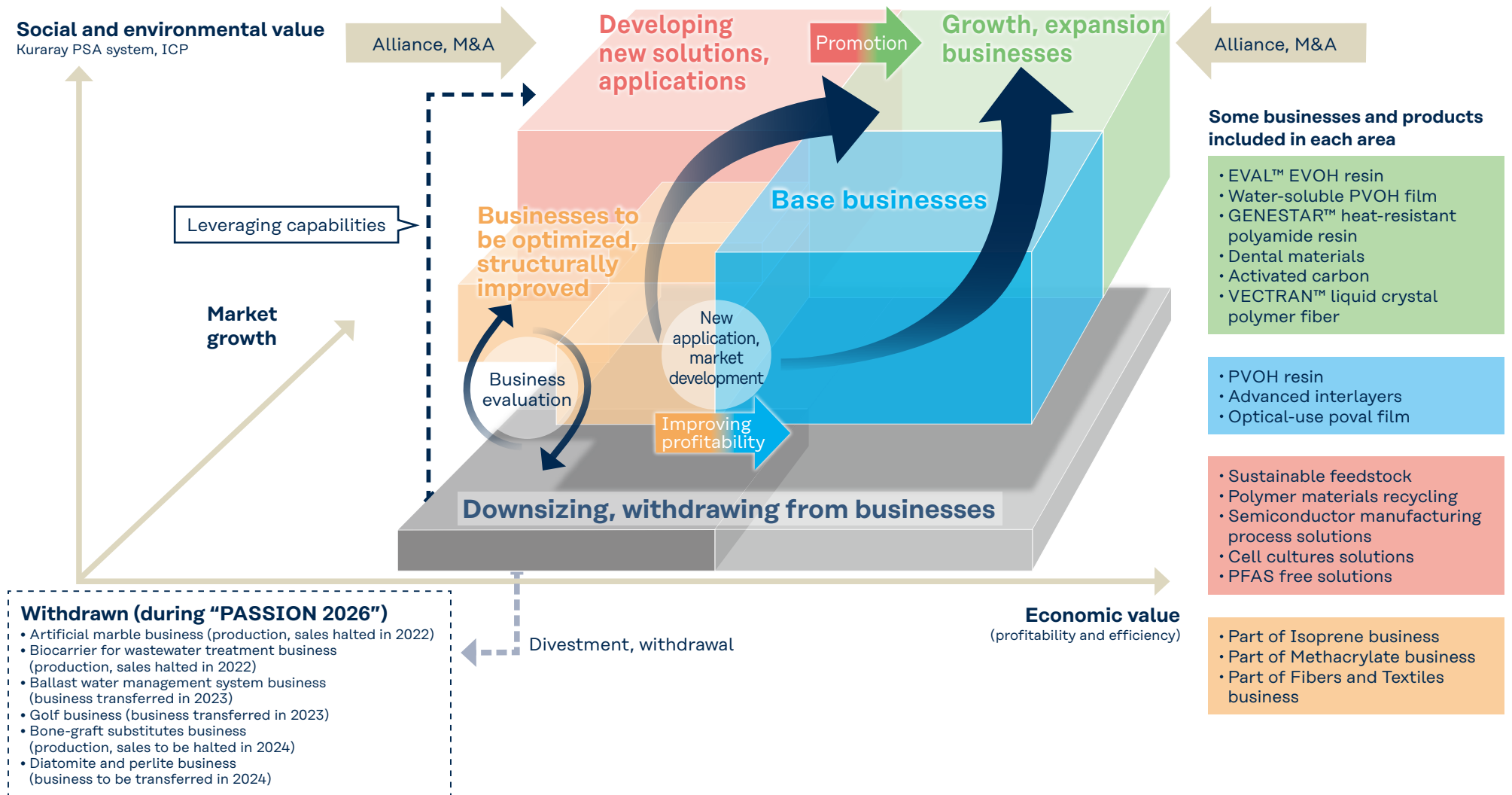
\*4 Ratio of staff completing management executive candidate development program to number of general manager level roles

\*5 Only employees of Group companies in Japan



# Building a More Sophisticated Business Portfolio

The basis for evaluating our business portfolio centers on the two axes of social and environmental value and economic value. In building a more sophisticated portfolio, we will also take market growth into account as we respond to calls to address social issues. The evaluation based on these axes will guide our efforts to allocate management resources in a strategically focused manner, aiming to transition to a more sustainable business structure and achieve sustainable growth.



## Objectives of Building a More Sophisticated Business Portfolio

- Use cash generated from base businesses and growth and expansion businesses to further promote the latter and develop new solutions and applications to drive the next phase of growth.
- In businesses to be optimized or structurally improved, formulate plans for improvement and restructuring and take measures to improve profitability.
- In light of market conditions and the business life cycle, consider downsizing or withdrawing from businesses that do not promise improvement in social, environmental, or economic value, optimizing resource allocation.
- Judge ownership of businesses from the perspective of whether Kuraray is the best owner in view of their compatibility with the vision for the Kuraray Group.

## Social and Environmental value, Economic value

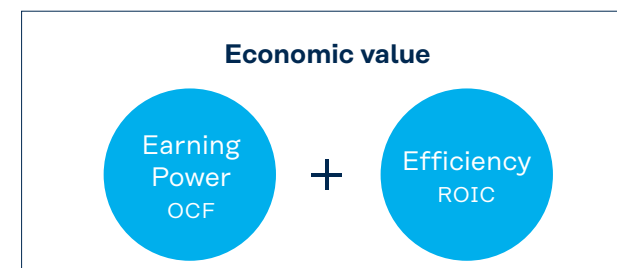
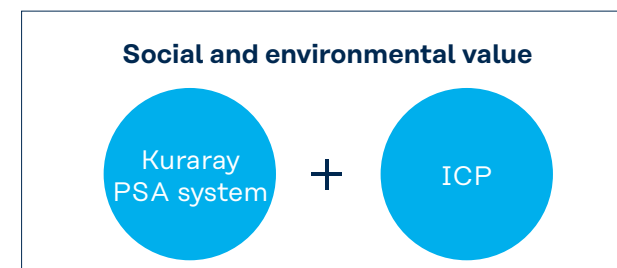
For the social and environmental value of businesses and products, we use the Kuraray Portfolio Sustainability Assessment (PSA) system based on PSA, a highly objective and transparent product portfolio evaluation method established by the WBCSD\*1 which is also used by other chemical manufacturers, mainly in Europe, as well as use internal carbon pricing (ICP)\*2.

We assess economic value using the twin indicators of earning power (operating cash flow) and efficiency (ROIC).

Continuing to assess and screen using these two axes will help us determine whether to aggressively expand, maintain, scale down, or withdraw from businesses and products. Our goal is to build a strong business portfolio by channeling resources into fields with high growth potential. At the same time, we will navigate changes in the business environment and in society to generate new opportunities and respond appropriately to risks.

\*1 World Business Council for Sustainable Development.






\*2 A mechanism for creating economic incentives to reduce CO<sub>2</sub> emissions and save energy, promoting low-carbon investment and encouraging climate change response by setting an internal carbon price and using it to calculate the monetary cost of emissions



## Market Growth

We will actively invest management resources into business and product areas where there are strong calls to address social issues and where we can capitalize on the core capabilities of the Kuraray Group.

### Five Macrotrends

 Improvement of the global environment	 Food and water security	 Digitalization, high-speed communications	 Effective utilization of energy	 Calls for higher quality of life (QOL)
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# Visualizing and Quantifying Social and Environmental Value

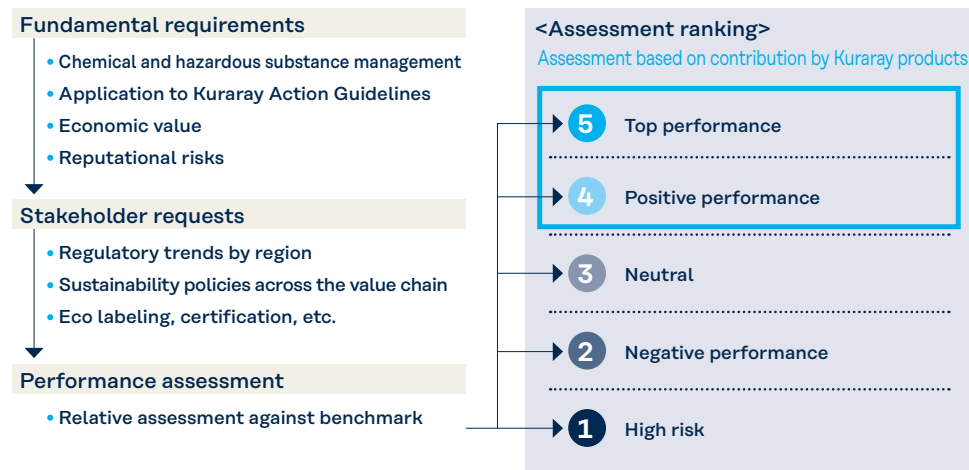
## Seeking to expand the product lineup from the starting point of contributing to the natural and living environments

The Kuraray Group has identified material issues relevant to the Company, following the steps shown at right. Among these issues, we are taking products and technologies that contribute to the natural and living environments as our starting point as we aim to create a sustainable product portfolio. To this end, we constructed the Kuraray PSA system based on the PSA guidelines of WBCSD\*, which offer a consistent methodology for evaluating products with a high degree of objectivity and transparency.

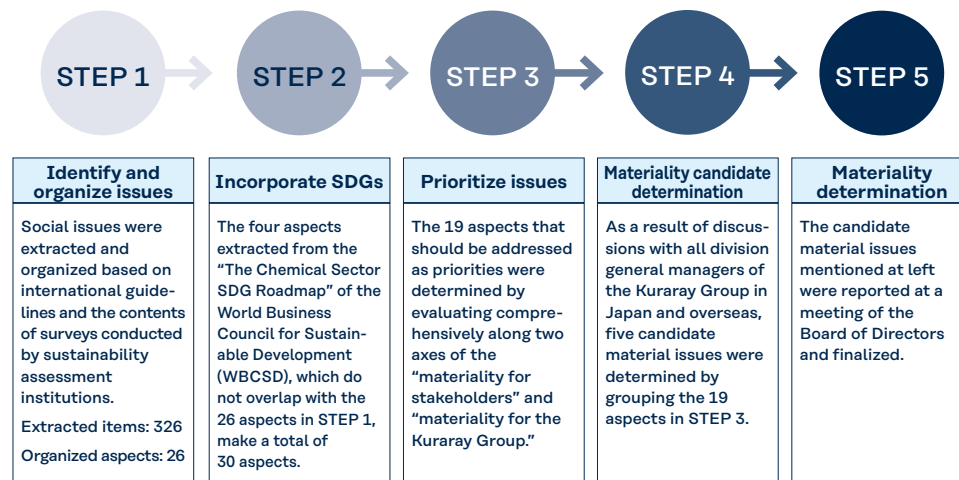
Looking at products, applications, and the regions where they are used, we evaluate products using a five-point scale based on criteria such as fundamental requirements, social and regulatory trends, and comparison of contributions to the natural and living environments against benchmark products. Products receiving the two top rankings are designated as products that contribute to the natural and living environments. We will build a more sophisticated business portfolio by expanding sales of such products, from 46% of all sales in 2020 to 55% in 2024 and 60% in 2026.

\* World Business Council for Sustainable Development.

## Assessment of contribution using Kuraray PSA system

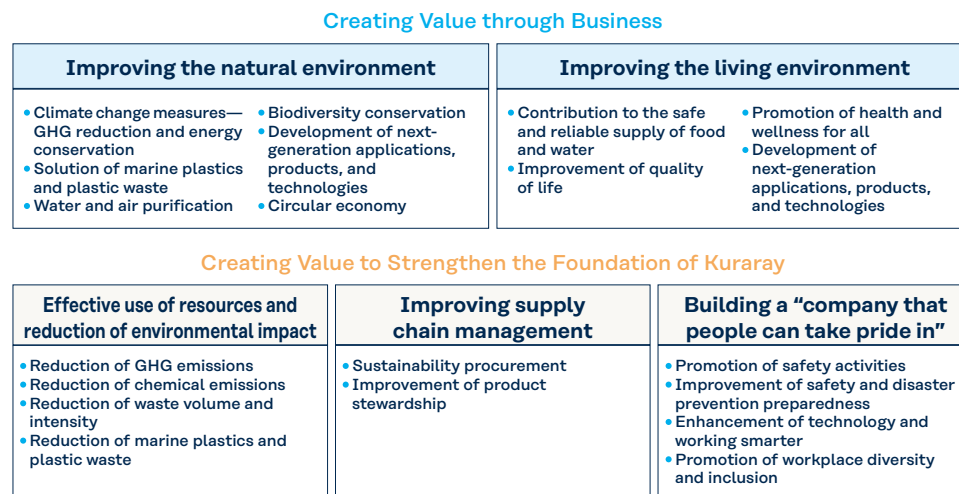


## Procedure to Identify Materiality



📄 Procedure to Identify Materiality

## Materiality of the Kuraray Group





## Maximizing Environmental Value

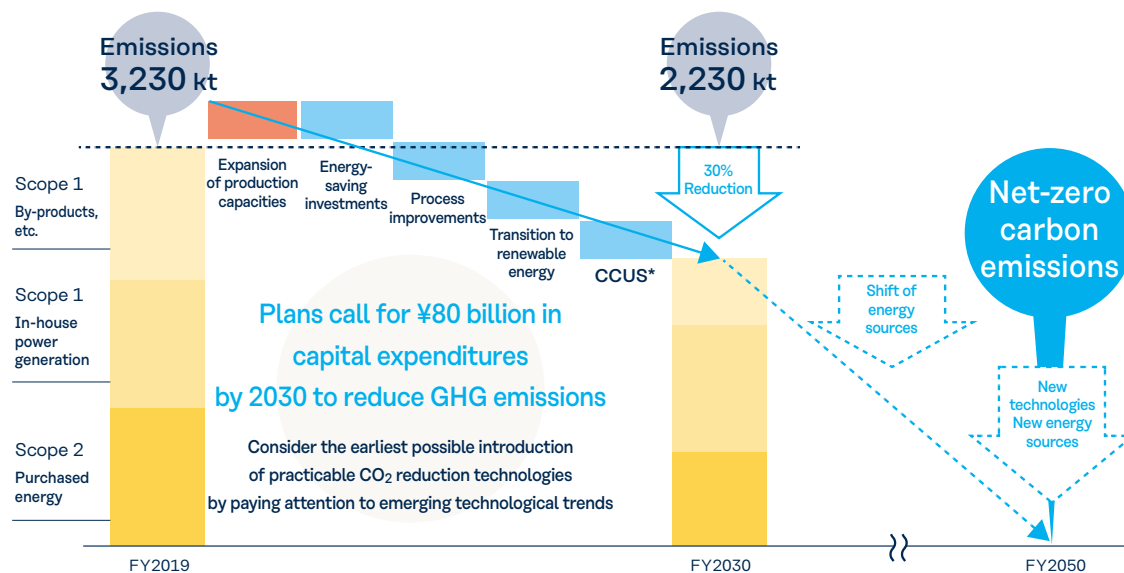
The Kuraray Group has formulated a roadmap for reducing Scope 1 and Scope 2 greenhouse gas (GHG) emissions, aiming to achieve net-zero carbon emissions in 2050. During "PASSION 2026," the roadmap calls for investments in energy saving, converting purchased electricity to renewable energy (including the purchase of renewable energy certificates), and other reduction measures to maintain GHG emissions below the 2019 benchmark, even while expanding our businesses. The roadmap includes a plan to invest ¥80 billion in GHG emissions reductions by 2030, targeting a further 30% reduction compared to 2019. This mainly entails establishing CCUS\* technologies and shifting fuels used in in-house power generation. In 2050, we aim to achieve net-zero carbon emissions by identifying and harnessing emerging technologies that prove effective, such as green hydrogen and green ammonia technologies.

Viewing carbon neutrality as a business opportunity as well, the Kuraray Group will maximize environmental value by reducing GHG emissions while simultaneously expanding the lineup of products that contribute to the natural and living environments.

\* Carbon dioxide Capture, Utilization, and Storage: An initiative to utilize or store CO<sub>2</sub> separated from exhaust gas from industrial facilities.

➤ P.29

### Roadmap towards net-zero carbon emissions in 2050



## Adoption of Internal Carbon Pricing (ICP) System

In 2021, the Kuraray Group adopted an internal carbon pricing (ICP) system to govern capital spending. In line with the start of "PASSION 2026," we revised our internal carbon pricing from 2022, to ¥10,000 per ton of CO<sub>2</sub>e. We will use this system in multiple ways as we aim to reach the goal of net-zero carbon emissions, including as an incentive to promote capital spending that leads to energy conservation, as a means of identifying profit opportunities and risk, and as a social and environmental value indicator for evaluating businesses and making investment decisions.

### Operation of ICP system

<b>Internal carbon pricing</b>	¥10,000/ ton-CO <sub>2</sub> e (calculated using internal exchange rates overseas) Effective from January 1, 2022
<b>Already implemented</b>	<b>Under consideration</b>
<ul style="list-style-type: none"> <li>• Capital spending to increase/decrease GHG emissions</li> <li>• Calculating virtual cost/profit with internal carbon pricing and using as a criteria in making investment decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Converting GHG emissions of each business and product to cost at an internal carbon price and evaluating their resilience to future carbon taxes, etc.</li> </ul>

Our Challenges

1

# Sustainability as an Opportunity

The Kuraray Group operates with the conviction that sustainability initiatives will lead to the prosperity of society.

We will harness our unique products and cleaner technologies to improve the natural environment and enhance quality of life for people everywhere.



## Sustainability Long-Term Vision and the “3P” Model

Considering sustainability to be one of our most critical management strategies, the Kuraray Group established the Sustainability Long-Term Vision to express our commitment to pursuing sustainability across the entire Group. To realize this vision, under the Medium-Term Management Plan “PASSION 2026,” sustainability-related measures are summarized in the Sustainability Medium-Term

Sustainability Long-Term Vision

Sustainability Medium-Term Plan

Plan and grouped into three Ps: Planet, Product, and People. By steadily moving forward with the various measures indicated under the “3P” model, we are striving to bring about the prosperity of both society and the Kuraray Group. Our Sustainability Medium-Term Plan set out the following targets to guide our efforts in each of our priority issues.

## “PASSION 2026” Priority Issue Targets and Fiscal 2023 Results

		Benchmarks		FY2023		FY2024	FY2026
				Targets	Results	Targets	Medium-Term Plan
<b>Planet</b> P.29	GHG emissions	Scope 1 + 2	2019 emissions 3,230 thousand tons-CO <sub>2</sub> e	3,230 thousand tons-CO <sub>2</sub> e or less	2,700 thousand tons-CO <sub>2</sub> e	No increase in emissions compared to FY2019	
		Scope 3	2019 emissions 946 thousand tons-CO <sub>2</sub> e (Japan)	- Identify sources accounting for two-thirds or more of Group-wide emissions - Set numerical reduction targets for 2024-2026	- Under way to identify sources accounting for two-thirds or more of Group-wide emissions	- Identify sources accounting for two-thirds or more of Group-wide emissions - Set emission reduction targets	—
<b>Product</b> P.31	Sales ratio of products that contribute to the natural and living environments		2020 46%	—	56%	57%	60%
	Products that contribute to the natural environment ratio		16%	—	24%	25%	27%
	Products that contribute to the living environment ratio		30%	—	32%	32%	33%
	Ratio of PSA-screened products to total sales		—	70%	80%	80%	—
<b>People</b> P.33	Occupational injury	A and B rank occupational injuries*1	2021 3 cases	Zero	7 cases	Zero	Zero
		Frequency rate of all occupational injuries*2	2021 2.89	1.9 or less	3.17	1.8 or less	1.3 or less
	Process safety	A, B, and C rank accidents*3	2021 3 cases	Zero	7 cases	Zero	Zero
		D <sub>1</sub> and D <sub>2</sub> rank accidents*3	2021 7 cases	3 cases or less	9 cases	3 cases or less	3 cases or less
Diversity and inclusion	Global measures	—	—	—	- Develop personnel database and promote personnel recruitment (To visualize human resource status, leverage resources efficiently) - Promote global mobility (To expand career opportunities, invigorate human resource exchanges)		
	Ensuring diversity of core human resources*4	End September 2021: 12%	14%	16%	16%	20%	

\*1 Evaluation ranking of occupational injuries using Kuraray’s proprietary system. Four ranks in order of seriousness: A > B > C > D.

\*2 Frequency rate of all occupational injuries: Number of all occupational injuries (lost time and no lost time injuries) per million working hours.

\*3 Evaluation ranking of process accidents using Kuraray’s proprietary system. Five ranks in order of seriousness: A > B > C > D<sub>1</sub> > D<sub>2</sub>.

\*4 Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites



## Planet

 Sustainability Medium-Term Plan for Planet

### Environmentally Friendly Manufacturing Environmental Management

We believe it is vital for the Kuraray Group as a Specialty Chemical Company to provide the world with the products and services needed to realize a low-carbon, environmentally friendly society, as well as manufacture those products with as little environmental impact as possible. Guided by this philosophy, we continue to help conserve the environment in our global manufacturing activities, including through measures to address global warming, the reduction of chemical substance emissions, and the effective use of resources.

### Initiatives to Reduce GHG Emissions

 GHG Emission Reduction (Scope 1&2)  GHG Emission Reduction (Scope 3)

The Kuraray Group has formulated a roadmap for reducing Scope 1 and 2 Greenhouse Gas (GHG) emissions with the aim of achieving net-zero carbon emissions by 2050. In 2023, as in the previous year, we took measures to promote the greening of electricity, including the purchase at overseas Group companies of Unbundled Energy Attribute Certificates (renewable energy certificates). We also saw a significant decline in GHG emissions in line with lower levels of production in Japan and abroad amid soft demand in the second half of the year. In the United States, we formed a cross-organizational project team to explore Carbon dioxide Capture, Utilization and Storage (CCUS\*) for the carbon that is a by-product of coal-based

activated carbon production. We are seeking to expand this initiative as a corporate project. In 2023, we selected CO<sub>2</sub> capture equipment sufficient in scale to cope with the emissions of the various plants of Calgon Carbon Corporation from among multiple candidates, by looking at the track record of capture equipment already up and running. We also studied relevant options from a list for a CO<sub>2</sub> storage project in the area around the Pearl River Plant, including the possibility of gaining eligibility under the U.S. Inflation Reduction Act. In Japan, meanwhile, we decided in 2023 to join the GX (Green Transformation) League following our endorsement in 2022 of its founding charter, the GX League Basic Concept. Given the challenges of driving forward GHG emission reduction initiatives through the isolated action of one company, we will now look at outside tie-ups with industry, government, and academic institutions, aiming to achieve our targets.

We had previously calculated Scope 3 emissions only in Japan, but are now moving forward with calculations for the whole Group. To coincide with the Group-wide rollout, we also changed the calculation formula to improve accuracy. One upshot was that we were unable to complete the Group-wide calculations by the end of 2023 as planned, identifying categories that account for two-thirds of all emissions, or to formulate a Scope 3 GHG emission reduction target for the whole supply chain. We will complete the Group-wide calculations in 2024, identifying the relevant categories and formulating the reduction target.

\* Carbon dioxide Capture, Utilization, and Storage: An initiative to utilize or store CO<sub>2</sub> separated from exhaust gas from industrial facilities.

### Environmental Performance

Activity	Sustainability Medium-Term Plan for Planet: Environmental Impact Reduction Targets (FY2022–FY2026)		FY2023 Results
GHG emissions	Kuraray Group in Japan and outside Japan:	Scope 1 + 2: No increase in emissions compared to 2019. (30% reduction compared to 2019 by 2030)	Scope 1 + 2 emissions: 2,700 thousand tons-CO <sub>2</sub> e (2019: 3,230 thousand tons-CO <sub>2</sub> e)
		Scope 3: Identify categories that account for more than two-thirds of Group-wide emissions; formulate reduction targets for 2024 and 2026	Identify sources accounting for two-thirds or more of Group-wide emissions
Improved energy efficiency (energy conservation)	Kuraray Group in Japan and outside Japan:	Sales intensity of energy consumption: Reduction of 5% or more in 2026 compared to 2019 (improvement)	Sales intensity of energy consumption: 16.7% reduction compared to 2019 (improvement)
Effective use of waste	Kuraray Group in Japan and outside Japan:	Sales intensity of waste generation: Reduction of 5% or more in 2026 compared to 2019 (improvement)	Sales intensity of waste generation: 23.7% reduction compared to 2019 (improvement)
Effective use of water resources (excluding seawater)	Kuraray Group outside Japan:	Sales intensity of water usage (excluding seawater): Reduction of 5% or more in 2026 compared to 2019 (improvement)	Sales intensity of water usage (excluding seawater): 22.0% reduction compared to 2019 (improvement)
Emission management of chemical substances	Kuraray Group in Japan:	Chemical substance emissions: Management of emissions below the actual value for 2019	Chemical substance emissions: 770 tons (2019: 967 tons)
	Kuraray Group outside Japan:	Compliance with chemical substance emission regulations in each country / region where overseas production sites are located, and continue quantitative control	Complied with chemical substance emission regulations and implemented quantitative emission control.



## Disclosure Based on TCFD Recommendations



In November 2020, the Kuraray Group endorsed the recommendations of the Task Force on Climate-Related Financial Disclosure\*<sup>1</sup> (TCFD) in recognition of the importance of climate change control as one of our high-profile issues. Meanwhile, the Sustainability Medium-Term Plan launched in 2022 proposed climate change mitigation measures that included promoting GHG emission reduction and energy-saving measures, expanding the range of products that contribute to the natural environment, and adapting to the circular economy. While steadily putting these measures in place, we will gradually enhance disclosure structured around TCFD recommendations for governance, strategy based on scenario analysis, risk management, and metrics and targets.

In 2022, we began scenario analysis based on the below 2°C scenario, which assumes a continued shift toward a low-carbon society, and the 4°C scenario, which assumes progressive climate change. In this process, we drew on insights from reports such as the World Energy Outlook published by the International Energy Agency (IEA). By the end of 2023, we had finished calculating the business impact of major risks and opportunities across the Kuraray Group. The results are shown in the table on the right.

We discovered that carbon pricing\*<sup>2</sup> has a significant impact on GHG emissions and energy procurement in the below 2°C scenario, imposing an additional projected Group-wide carbon tax burden of approximately ¥32 billion in 2030, following measures to combat such emissions. In response to this potential increase in operating costs, we will steadily advance our GHG emission reduction program toward achieving carbon net-zero by 2050 while reflecting the market value generated by highly environmentally friendly products and services in their pricing.

While moving ahead with measures to address the major impacts identified by the scenario analysis, we will also review and reflect the calculation detail in a timely manner in response to changes in the environment.

## Business Impact of the Kuraray Group's Major Risks and Opportunities in Climate Change Scenarios

Blue font: Profit Red font: Loss  
 Large ≥ ¥10 billion ¥10 billion > Medium ≥ ¥1 billion ¥1 billion > Small

Risks and opportunities	Business impact	Business impact in 2030	
		Scenario	
		4°C	Below 2°C
Transition Risk to low-carbon society	Decrease in revenue from the burden of carbon taxes on GHG emissions and energy procurement	Costs due to carbon tax* <sup>3</sup>	Medium Large
		Change in purchase cost of fossil fuels, oil-derived raw materials	Small Medium
		Change in utility costs (electricity)	Small Medium
	Impact of achieving GHG emission reduction targets	Costs avoided by GHG emission reduction initiatives	Medium Large
	Expand business of products made by biomass-derived materials	Increase in operating income for packaging material products derived from biomass	Small Medium
	Expand business of renewable (recyclable) products	Increase in operating income for recycled plastic-related products	Small Medium
	Expand business of products that reduce food loss	Increase in operating income for food packaging materials	Medium Medium
	Expand business of related materials amid increase in electric mobility ratio	Change in operating income for electric mobility-related products	Small Small
Physical Risk from climate change	Increased damage to plants and production capacity reduction or shutdowns due to flooding in areas near oceans and rivers	Change in operating income for components for automotive fuel and air intake systems	Small Small
		Costs of damage caused by future increases in flooding	Small Small
	Decline in production efficiency due to unfavorable working conditions amid rising temperatures	Increase in labor costs	Small Small
	Expand businesses that reduce scarce water supply	Increase in operating income for activated carbon used in water purification	Medium Small

\*1 TCFD: established by the Financial Stability Board (FSB) to explore the disclosure of climate-related information and how financial institutions should respond in this area.

\*2 Calculated based on World Energy Outlook 2022 at \$140/ton-CO<sub>2</sub>e for developed countries and \$25/ton-CO<sub>2</sub>e for emerging countries (2030).

\*3 Below 2°C scenario (including 1.5°C scenario): \$140/ton-CO<sub>2</sub>e for developed countries and \$25/ton-CO<sub>2</sub>e for emerging countries in 2030.

4°C scenario: \$90/ton-CO<sub>2</sub>e for EU in 2030

# Product

Sustainability Medium-Term Plan for Product

## Expanding Products that Contribute to the Natural and Living Environments

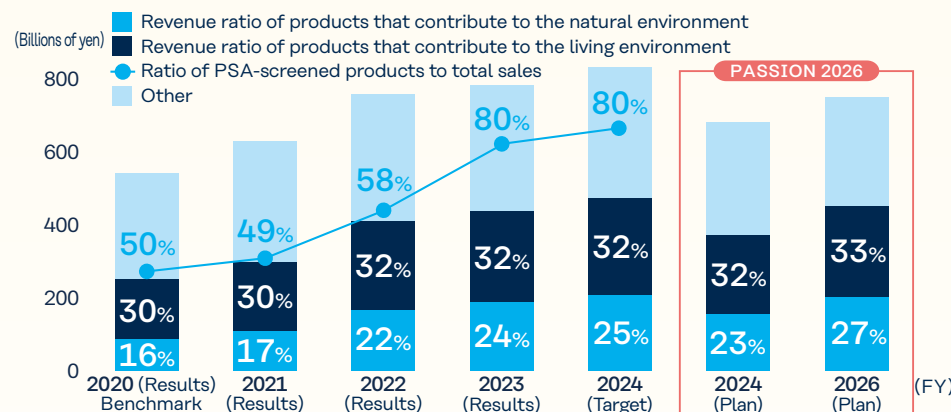
P.26

The Kuraray Group believes its unique products and cleaner technologies will help bring about a sustainable society, and we are working to expand the range of products that make positive contributions. Under "PASSION 2026," in setting out targets to expand the lineup of products that contribute to the natural and living environments, we put in place the Kuraray Portfolio Sustainability Assessment (PSA) system to ensure objectivity and transparency in our product screening. We began screening using the Kuraray PSA system in 2021 and have expanded the assessments in stages, in accordance with WBCSD\* guidelines. In 2023, we completed assessments of products representing 80% of net sales, against a target of 70%.

In addition, we designate products with high PSA scores as the Kuraray Group products that contribute to the natural and living environments. Under "PASSION 2026," we aim to increase the sales ratio of such products Group-wide from 46% in 2020 to 55% by 2024 and 60% by 2026. In 2023, the net sales ratio of these products was 56%, meeting the target set for 2024 under "PASSION 2026" ahead of schedule. To pursue further expansion of this ratio, we have raised the target to 57%.

\* Abbreviation for the World Business Council for Sustainable Development.

## Net revenue ratio of products that contribute to the natural and living environments and PSA screening ratio



## Kuraray Group Products that Contribute to the Natural and Living Environments

### Improving natural environment

#### Asbestos substitutes

- KURALON™ PVA fiber - Helps extend the life of cement materials - Fewer GHG emissions compared to competing products

#### Biomass-derived or recycled raw materials

- Liquid rubber made from biomass-derived materials
- Environmentally friendly polyester fiber and textile product
- Recycled raw material-used CLARINO™ man-made leather

- Reduces Scope 3 GHG emissions



#### Water and air purification

- Activated carbon



- Easy to reactivate
- Suitable for environmental regulation

#### Lower logistical burden, food loss reduction

- EVAL™ EVOH resin
  - Recyclable (contributes to a circular economy)
  - Reduces food loss
- PLANTIC™ biomass-derived gas barrier material
  - Reduces Scope 3 GHG emissions
  - Reduces food loss



### Improving living environment

#### Makes dentists' and patients' lives easier

- Dental materials
  - Shortens time of treatment
  - Long-lasting products reduce number of replacements

#### High-speed communication

- VECSTAR™ liquid crystal polymer film
  - Realizes high-speed communication



#### Lightweight EVs

- GENESTAR™ heat-resistant polyamide resin
  - Improves durability of end-product

## Promoting Sustainable Procurement



In line with growing social demand for adequate supply chain management, the Kuraray Group revised its CSR Procurement Policy in 2019 and is requesting the cooperation of business partners to comply with this policy. Having conducted a CSR procurement questionnaire for our business partners in Japan in 2022, we extended the scope of the questionnaire to include 304 companies overseas in 2023, eliciting an 86% response rate. As in Japan, we will offer feedback on the results to overseas business partners and request improvements from companies we deem to have not yet taken adequate steps. Also in 2024, we will coordinate initiatives that we previously carried out separately in Japan and overseas, putting a survey framework in place that covers business partners accounting for 80% of total Group procurement value, including overseas partners (90% in the case of raw materials, secondary materials, and products). This target, established under “PASSION 2026,” will help make the supply chain as a whole more resilient.



## Considering Human Rights in the Supply Chain



The Kuraray Group has prescribed respect for human rights as part of the Kuraray Group Code of Conduct and formulated the Kuraray Group Human Rights Policy to position human rights as a key management issue to be addressed within the Group as well as among our stakeholders. Based on this policy, we are asking our business partners to put appropriate processes in place to protect human rights.

## Quality Management



The Kuraray Group conducts ongoing activities to improve quality and ensure reliability, with the goal of offering products and services that contribute to customers and to society. In particular, we have been pursuing digitalization to reliably store and trace quality data and visualize quality information. We began the progressive rollout of the new system in 2023. We will follow up with ongoing enhancement of quality control by continuously upgrading the system and extending it to other business divisions.

We also offer talks by guest lecturers every year with the aim of raising quality awareness among employees. In 2023, we held a seminar to promote quality improvement activity under the topic of aiming to be people and organizations that embrace the challenge of ongoing change.

Additionally, every year the Kuraray Group carries out an independent quality check under a set theme. The theme for 2023 was checking the monitoring and management methods for products that have acquired government or industry certification, to confirm that they appropriately comply with the requirements for certification. Through these activities, we will continue to target greater awareness of quality improvement among staff allocated to quality assurance and quality control duties as well as staff in charge of production, sales, and development, to offer products and services that bring satisfaction to customers throughout the Kuraray Group.

## Product Safety and Chemical Management



To ensure the safety of products, the Kuraray Group’s various divisions and companies make evaluations and improvements using risk assessment techniques in developing new products and managing changes to ensure product safety and guarantee quality. In addition, with regard to manufactured products or products under development that are particularly in need of safety validation, such as those that are ingested and those that use nanomaterials, we set up a deliberation committee led by the Corporate Sustainability Division to confirm safety.

Recent years have seen tightening regulations, particularly in Europe and the United States, governing trace ingredients and the chemical substance content of molded products. Companies that handle these materials need an appropriate chemical substance management framework to comply with such requirements. Kuraray works with overseas Group companies to research and share information on regulatory trends in various countries and regions to ensure appropriate management across the Group. Moreover, each business division appoints dedicated chemical substance management personnel, including staff members with responsibility for this area, who take the lead in ongoing education in chemical substance management. By stressing the importance of sharing information across the supply chain and gaining a deeper understanding of related laws and regulations, we are working to ensure an appropriate response.



## 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. It is evident that realizing workplaces where people can safely work at ease without accidents is a critical theme both in maintaining a stable supply of products and in maintaining society's trust. Based on this view, the Kuraray Group has developed and operates safety management systems and is pursuing various initiatives to raise employee awareness of safety and establish safe actions and safety checks as routine practices.

At each workplace, we uncover risks related to occupational safety and process safety, conduct thorough risk assessment activities, promote fundamental equipment safety measures, and prevent process accidents and occupational injuries. Additionally, to prepare for the event of an accident or injury, we are carrying out training to minimize damage, sharing information on cases of accidents and lessons learned, and horizontally deploying countermeasures.

**Guiding Principle for Ensuring Safety**

**Safety Is the Cornerstone of Everything We Do**

**Action Courses for Ensuring Safety (FY2024)**

- 1) Practice Safety First, Production (Construction, R&D) Second
- 2) Practice "Prediction Hazards", "Make Sure" Safety Comes Before Taking Action, and "Confirm" If the Action Results are What You Expect
- 3) Every Individual Should Make Safety "Their Own Matter", and Every Organization, as a Whole, Should Ensure Safety.

## Safety Activity Management

Based on Kuraray's Safety Activity Management Rules, the Kuraray Group develops a safety plan every fiscal year and implements it to ensure occupational safety and process safety. Specifically, at the Safety Promotion Committee attended by the President and executives in charge, we make an overall assessment and have a discussion on safety activity performance of the current fiscal year and establish an activity policy for the coming fiscal year. This policy is reflected in and implemented through specific action plans of each plant and department. A group of safety representatives from headquarters, including executives in charge of safety, visit every production site of the Group in Japan twice a year to examine their activity plans, the management of implementation progress, and the results. In addition, staff members from headquarters visit Group subsidiaries outside Japan once every three years to confirm their status as well as conduct examinations via remote conferencing. We perform an overall assessment of results based on the issues found through the surveys made at each plant, the safety results for that year, and other factors. We incorporate this assessment into the formulation of company-wide policies for the next year, thereby operating a management system for safe operations.

### Occupational Safety

The frequency rate of all occupational injuries for the Group in 2023 was 3.17 (2.34 for Group companies in Japan, 4.48 for Group companies overseas), falling short of our target rate of 1.9 or less. The frequency rate for Group companies in Japan showed deterioration for the second year in a row and was the worst result in the last ten years. Although the rate for Group companies overseas was worse than the previous year, the long-term trend appears to be improving. We have introduced a unique index to assess the severity of occupational injuries using a four-level ranking, from A to D. Our target is to eliminate A and B rank (more serious) occupational injuries. There were a total of seven A and B rank occupational injuries across the Group in 2023 (one A rank and three B rank injuries in Japan, and three A rank injuries overseas), a result that fell short of the target. The A and B rank injuries all involved personnel becoming caught or entangled in machinery. The causes were a failure to identify risks and insufficient measures for safety that rely on human attention and skill, which we are now addressing. We are steadily implementing initiatives to deal with related issues as we continue to work toward safe, injury-free workplaces.

### Process Safety

In 2023, the Group-wide total of A, B, or C rank accidents, which are classed as relatively serious process accidents according to our in-house standards, was seven (Group companies in Japan: A rank: one case of leakage, C rank: three cases of leakage and one of fire; overseas Group companies: A rank: one case of leakage, B rank: one case of fire). We thus did not meet our target of zero accidents. The total of A, B, or C rank accidents at Group companies in Japan has now stayed around the level of five per year for several years. Overseas Group companies experienced no accidents from 2020 to 2022 but recorded two in 2023. In 2023, the Group-wide total of D<sub>1</sub> and D<sub>2</sub> rank accidents, which are incidents classed as minor by our in-house standards, such as leakage of a very small amount of hazardous material and fires or flame outbursts that are quickly put out, was nine (Group companies in Japan: D<sub>1</sub> rank: five cases of leakage and two of fire, D<sub>2</sub> rank: two cases of leakage; overseas Group companies: none). This result fell short of our target of three or less. The number of process accidents increased year on year, and was the worst figure on record. Specifically, the figure included many cases where safety checks before and after procedures were neglected, such as forgetting to close a valve. We are working to address this, and will continue to identify workplace risks and measures to address them, targeting zero relatively serious accidents and a reduction in the number of minor process incidents.

### Investigation and Response Measures Following Fire Incident at a U.S. Plant



In December 2023, we announced the results of an investigation into a fire incident that occurred in 2018 at a plant belonging to a subsidiary in the United States. The investigation examined the incident from three perspectives—technology, governance, and response to lawsuits—and put together recurrence prevention strategies in each of these areas, which are now steadily being implemented. Additionally, we compiled a Group-wide set of measures based on the results of the investigation and informed by the recurrence prevention measures, and are rolling these out horizontally across the Group through on-site safety checks and other activities. By extending these initiatives to Group companies in Japan and overseas, we are aiming to further reinforce safety and risk management frameworks across the Kuraray Group.



## Kuraray's Basic Approach to Human Resources Management

 Activities at Workplaces

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, cultivation of human resources, and just and fair evaluation of performance, as well as cultivating a healthy corporate culture and creating new employment opportunities, so that each employee can grow personally through work.

The Kuraray Group carried out its first global engagement survey in 2022, called Our Voice. Through action plans based on the results, we are working to heighten employee engagement and give impetus to the goal of transforming people and organizations set out in "PASSION 2026."

## Human Rights Initiatives

 Kuraray Group Human Rights Policy

Regarding human rights, in the Kuraray Group Code of Conduct, the Group declares its commitment to protecting the rights of all human beings involved in our business activities and to respecting the dignity and worth of every individual. We formulated the Kuraray Group Human Rights Policy based on internationally recognized human rights norms, including the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. By delineating respect for human rights in greater detail, the policy aims to ensure everyone in the Kuraray Group reflects this respect in their own actions. Believing respect for human rights is a core element of corporate responsibility, we will implement initiatives to fully respect such rights.

## Diversity and Inclusion Initiatives

 Diversity and Inclusion

The Kuraray Group has set the destination for its diversity and inclusion initiatives as becoming "a company where each employee in a diverse workforce works enthusiastically and tackles challenges without fear of failure, generating a succession of innovations while responding to change and continuing to grow."

To this end, under "PASSION 2026," we are developing a consistent HR platform and personnel data across the entire Group, and implement measures to promote HR development and diversity based on a long-term perspective. We will seek globally to assign and promote personnel best suited to each job position in a way that allows individuals to reach their full potential and help grow the business. We will cultivate an organizational culture in which each person respects diversity and tackles challenges without fear of failure.

Our focus in Japan is on ensuring diversity in core human resources, defined as the management layer. We will work to advance women, foreign nationals, and mid-career hires to positions of management. Our goal is to boost the ratio of such managers from the 12% benchmark as of September 2021 to 25% or more by 2030 (excluding production sites). The ratio stood at 16% in 2023.

## HR Platform and Personnel Database

To enable diverse personnel to flourish in the best suited jobs throughout the Kuraray Group and to ensure they are treated according to their role and performance, it is essential to build an HR platform that includes a fair and just common global personnel system and a personnel database. We will draw on Kuraray Group competencies in establishing common global measures to encourage all employees to develop their capabilities. We will also continue to develop various personnel systems to improve standards for job grades and operating procedures and offer even more acceptable compensation. In 2023, in terms of the HR database, we expanded the scope of employee eligibility and enhanced career training information. In 2024, we will draw on this system as we move ahead with our successor training program, visualizing on a global scale the availability of personnel for management positions and successor candidates for key positions. We plan to utilize this knowledge in our systematic HR development and in our recruitment of diverse human resources.

## Personnel Evaluation System

The Kuraray Group seeks to cultivate an organizational culture where employees take on challenges without fear of failure, without settling for the status quo, adopting a forward-thinking attitude and embracing new perspectives. To this end, we recommend setting "challenge goals" for individual employees, and evaluating employees not only by results but also in light of the processes and actions they take to achieve their goals. Moreover, to spur the creation of business value for the Group as a whole, we encourage active participation in collaborative activities that transcend organizational barriers.

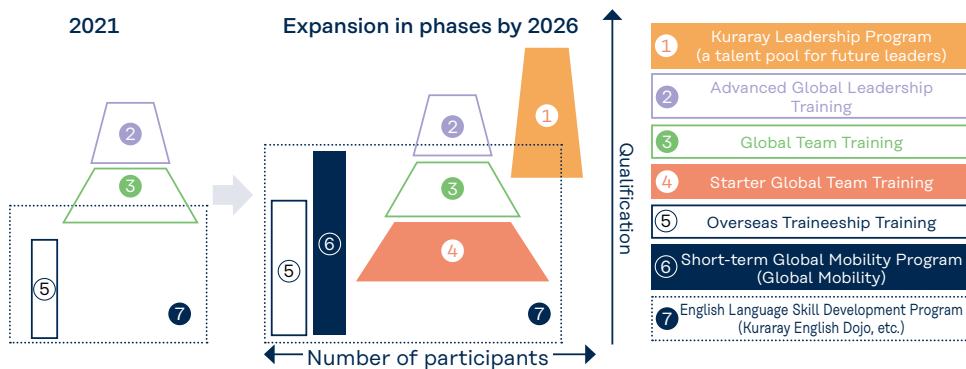
## Global Talent Development

Talent Development

The Kuraray Group respects the values and career aspirations of each individual, providing opportunities to develop the skills and abilities necessary for employees and the Group to grow together. In addition to creating more opportunities for employee buy-in to the Kuraray philosophy and values, we are committed to empowering diverse human resources to participate on a global scale. To this end, we support employees seeking to improve their English skills and offer development-driven short-term global assignment packages alongside the systematic enhancement of our global talent development training. Meanwhile, to cultivate management executive candidates from a long-term perspective, we have a program to raise up personnel capable of taking on roles at the general manager level, which is yielding a talent pool from which we can consolidate the Group's business management abilities.

In 2023, we also launched a new DX Talent Development Project, setting targets for training in three classes of digital literacy: Gold, Silver, and Bronze. The aim is for all employees to receive training to the Bronze level, and for each department to train at least one staff member to Gold level, which indicates the ability to plan and implement digital transformation projects.

### Expansion of Global Talent Development Program



KPIs, Targets, and Results for Talent Development		
KPI <sup>a1</sup>	Target	Result in 2023
a) Global talent development Ratio of senior managers taking global leadership training <sup>a2</sup>	60% (FY2030)	40%
b) Executive Candidate Development Ratio of candidates prepared for General Managers equivalent positions <sup>a3</sup>	200% (FY2030)	90%
c) DX talent development Number of participants per class (Achievement ratio)	180 (FY2026) 1,200 (FY2026) 5,700 (FY2026)	44 (24%) 163 (14%) 5,114 (90%)

<sup>a1</sup> a) and b) indicate Kuraray Group employees; c) indicates only employees of Group companies in Japan.  
<sup>a2</sup> Currently around 300 general manager positions globally  
<sup>a3</sup> Ratio of staff completing management executive candidate development program to number of general manager level roles

## Social Contribution Activities

Interaction with Society Kuraray Foundation website

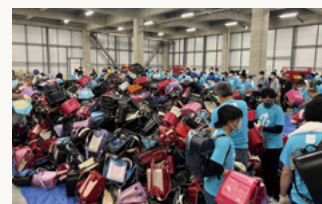
We in the Kuraray Group consider the sound and sustainable advancement of society to be a precondition for corporate growth and prosperity, as well as the ultimate objective of corporate activities. It goes without saying that we see it as our duty to contribute to society by providing people with products with genuine value. Beyond this, we consider helping to resolve social issues to be another important form of social contribution in our capacity as a corporate citizen.

To this end, the Kuraray Group carries out activities focusing on the priority areas of culture, science, environment, and social welfare in accordance with its policy for social contribution activities. Amid the global expansion of the businesses and market presence of the Kuraray Group, the Kuraray Foundation was established in April 2016 with contributions from the Kuraray Group to pursue sustainable social activities. The Kuraray Foundation carries out creative activities informed by the history of the Group to contribute to society even more broadly and with greater impact.

### TOPICS

### Sending School Backpacks Across the Sea

"Sending School Backpacks Across the Sea" is an international social contribution activity in which school backpacks used in elementary schools in Japan are sent to children in Afghanistan and other areas, who are deprived of education opportunities by war. The backpacks are donated every year together filled with stationery and letters. Up to now, these backpacks have been sent to Afghanistan, Mongolia, Nepal and Cambodia. In 2023, marking the 20th donation drive since the program's launch in 2004, 6,705 backpacks were collected from all over Japan, for a total of 156,545 backpacks sent across the sea to date. Going forward, we hope to continue expanding the reach of this program.





## Message from General Manager in Charge of Global HR

**Cultivating approaches to people and organizations that make work fulfilling, while valuing voices and viewpoints from the front lines**

**Tomohiro Ono**  
General Manager  
General Affairs and HR Division

### Taking full advantage of the power of human capital on a global scale

The Kuraray Group brings together many people both in Japan and abroad who share a love of manufacturing and want to contribute through their work to our mission: "For people and the planet." With overseas employees accounting for about 40% of the work force, I believe giving greater visibility to diverse human resources throughout the Group and taking full advantage of the power of human capital on a global scale is the key to the sustainable enhancement of corporate value.

A major theme of our Medium-Term Management Plan "PASSION 2026" is the creation of new businesses. Our Group has rapidly expanded since the 2000s through overseas acquisitions, and the in-house companies and business divisions have established their own frameworks and mindset. On the other hand, we have also seen silos grow up between the different organizations as a result, which can be a hindrance to collaboration within the Group, and ends up being something that gets in the way of the generation of new ideas and businesses.

To address this, the HR measures of "PASSION 2026" set out a vision for enabling employees in a diverse workforce to work enthusiastically and tackle challenges, generating a succession of innovations. The core initiatives are "Promotion of Diversity," "Talent Development on a long-term perspective" and "Development of HR platform and Talent Data."

Promotion of Diversity involves pursuing Diversity and Inclusion across the Group through training, including top managements, as well as a new short-term overseas assignment program. The Talent development on a long-term perspective is based on the global succession planning which supports the sustainable business growth, together with the growth of each individual. Additionally, to keep silos from springing up between organizations, we will make it possible to coordinate successors cross businesses and Group companies. We are thus

currently developing a common global HR platform and talent data, which will be helpful to visualize the candidates for key positions across the Group. In addition, we launched a new DX Talent Development Program in 2023 and are moving ahead with initiatives aimed at the transformation of people and organizations.

Going forward, to ensure our initiatives, we will redefine our HR strategies connecting to the corporate management strategy. This involves setting new key indicators in 2024, including diversity in management and key positions (ratio of women and foreign nationals), the rate of preparing executive candidates, and the rate of participation in global talent development and diversity and inclusion training.

### Steps to remain an "Attractive company" for talents

To attract excellent talent in the midst of ongoing global personnel shortages, it is vital for Kuraray to continue to be an attractive company. Achieving this requires us to put in place a fair system of evaluation and remuneration on a global scale that enables all employees to compete with each other and remain highly motivated. Another key element is cultivating a culture where diverse employees from around the world can interact and pursue personal development. Bearing this in mind, our aim is to heighten the Group's appeal by globally rolling out a system that encourages people to take on challenges, such as applying for open positions across the Group.

Moreover, to heighten the engagement of every employee, we conducted our first global engagement survey in fiscal 2022. We shared the results and analysis with management and the various division managers, encouraging each organization to offer feedback and take actions to improve. Unfortunately, a pulse survey in 2023 found communication between supervisors and their teams was not enough, and revealed gaps in perceptions about the status of feedback. Taking these results to heart, we will continue to conduct yearly surveys to heighten engagement and bring even greater vitality to the organization.

Having started out my career in a business division, I had many conversations with various colleagues in the process of going through acquisitions and organizational integration. Drawing on that experience, I would like to continue to explore ways of cultivating approaches to people and organizations that make work fulfilling, while valuing voices and viewpoints from the front lines of each business division in Japan and overseas.

Our Challenges

2

# Innovations Starting from Networking

Coming together across the Group as “One Kuraray,” we continue to take on the challenge of creating innovation by connecting people with people, and technologies with technologies, both within and outside the Company.



## Basic Strategy for R&D

The Research and Development Division works closely with in-house companies, business divisions, and Group companies to promote projects that contribute to Group-wide business expansion and profit growth under the respective missions of “creating new business,” “strengthening and expanding existing businesses,” and “establishing and deepening core technologies.” Our Supporting Project has contributed to the sustained enhancement and expansion of existing businesses, while our New Business Creation Activities are broadening the scope of the business foundation by discovering new business opportunities. The Research and Development Division works closely with our Innovation Networking Center, an organization that pursues innovation by integrating internal and external resources. Through the collaboration, we undertake joint projects both within and outside the Company in areas such as global marketing activities for items under development, the generation of new business ideas through the sharing of information on R&D seeds and unmet needs\*, and joint activities to accelerate development. The division is also working with the Portfolio Strategy Department, newly established in January 2024 within the Corporate Management Planning Office, to more closely coordinate R&D activities and the portfolio strategy. These measures are designed to promote the creation of new businesses for the future, including the development of materials and new processes relevant to sustainability.

\* Unsatisfied or unidentified potential demand or needs.

## R&D Framework

Aiming to become a Specialty Chemical Company achieving sustained growth, the Research and Development Division plays a core role in implementing R&D and new business activities as a corporate organization. The Research and Development Division manages the Kurashiki Research Center, Tsukuba Research Center, Intellectual Property Department, and Planning and Administration Department.

Our research centers pursue the development of new businesses, products, and technologies using their core technologies, which include organic synthesis and synthetic polymer technologies, catalytic chemistry, polymer materials technology, environment- and energy-related technologies, precision polymerization and polymer modification, compound materials, polymer processing, and computational science. Drawing on their sophisticated analytical capabilities and safety assessment techniques, the research centers also function as analysis hubs for Kuraray Group companies, and work to address technical problems across the Group. They also engage in the planning, proposal, and execution of projects in research themes that fall outside the scope of our research laboratories. Meanwhile, to accelerate R&D, our activities are targeting the deployment of digital R&D technologies.

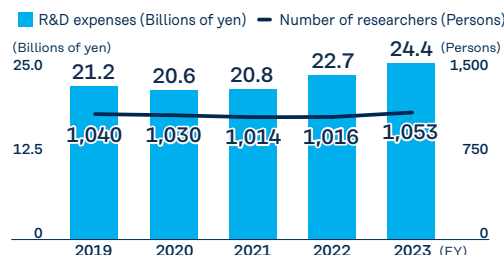
The Intellectual Property Department also collaborates with the IP Management Center to evaluate and analyze IP data to support business strategies.

The Research and Development Division promotes R&D while working closely with the development and production bases of each division, including overseas bases.

The Technology Division, responsible for corporate production technology development, manages the Technology Development Center and the Technology and Maintenance Management Department. It promotes progress in production technology by partnering with the Production and Technology Management Division of each Group 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 businesses and products. This division is also taking the lead in implementing digital strategies for Group-wide production technology R&D.

Priority Issues of “PASSION 2026”	
Development based on the customer perspective	(▶ P.38)
Development that contributes to sustainability	(▶ P.39)
Planning and promotion of an IP strategy	(▶ P.40)

R&D Expenses and Number of Researchers








## Innovation Networking Center

The most important objective of the Innovation Networking Center (INC) is to generate innovation by integrating internal and external resources. To empower the Research and Development Division, other individual divisions, Group companies, and customers to take the initiative in generating ongoing innovation, the Center is playing the role of accelerator in the Kuraray Group's innovation efforts, promoting activities involving the participation of all corporate divisions and employees. We have adopted an ambassador system for the Center, whereby more than 30 core members from diverse backgrounds are collaborating globally with over 50 ambassadors representing various Group organizations.

With a vision to "generate future-oriented innovative processes and an innovative culture across the Group," the Marketing Department is responsible for activities to generate innovative themes from a customer perspective, while the Incubation Department takes on the development of the themes. The Strategy & Management Department maintains a platform allowing staff to search information on the Kuraray proprietary technologies that support these innovation activities as well as on relevant testing and experimental facilities and the staff members assigned to each project. It also operates a framework for appropriate and transparent resource allocation to projects and portfolio management (innovation pipeline).

In 2023, we held Group-wide discussions on the priority fields where Kuraray is targeting innovation (innovation strategy) to designate strategic fields (see figure at right). These priority fields are the object of strategic resource allocation based on the above-mentioned pipeline. We are also working on open innovation, which includes exploring opportunities to work with startups. In January 2024, the newly established Gemstone Project Group entered into collaboration with a U.S. startup for the commercialization of a promising new technology.

## Priority fields and examples of key strategies

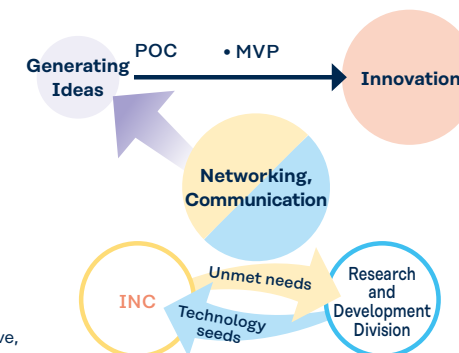
Priority field		Aim
	Sustainable Feedstock	Substitute conventional feedstocks with more sustainable ones to contribute to the improvement of the global environment
	Lightweight Solutions to Replace Metal	Provide solutions that contribute to weight reduction in mobility, where demand for energy conservation is increasing
	Polymer materials recycling	Secure access to recycled feedstocks and build new value chains to utilize industrial waste or end-of-life products to contribute to the improvement of the global environment

## Development Based on the Customer Perspective

### Collaboration between Innovation Networking Center and Research and Development Division (Global Marketing)

In achieving ongoing innovation, it is essential at the early stage of development to learn from markets and customers about where they see the value of materials made using the proprietary technologies of the Research and Development Division, and then implement proof-of-concept (POC) demonstrations. This requires being closely connected to the markets. For this reason, staff in charge of each of our R&D themes collaborate with the segment teams\*1 formed by INC to promote marketing and develop products based on a deep familiarity with the market. In addition, as members of the segment teams, such staff seek to discover the unmet needs of customers at an early stage and encounter ideas that lead to new R&D themes.

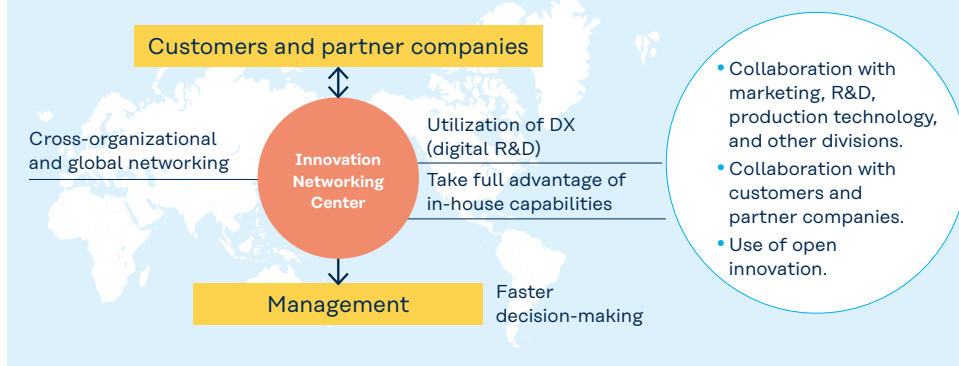
We started holding regular Innovation Hours in 2022. These are global communication events that bring together members of the Research and Development Division and INC. The goal of the events is to construct a Group-wide innovation process, cultivate a culture of innovation, and achieve more active networking and communication. Through this venue, which combines the collective strengths of both organizations, we are accelerating the generation of ideas, development of minimum viable products (MVP)\*2, and POC to create innovation.



\*1 Segment teams targeting six strategic areas: Automotive, Paper & Packaging, Agriculture, Sports & Outdoors, Architecture & Construction, Life & Personal Care.

\*2 Products that provide the minimum viable value to users.

## Networking Led by Innovation Networking Center

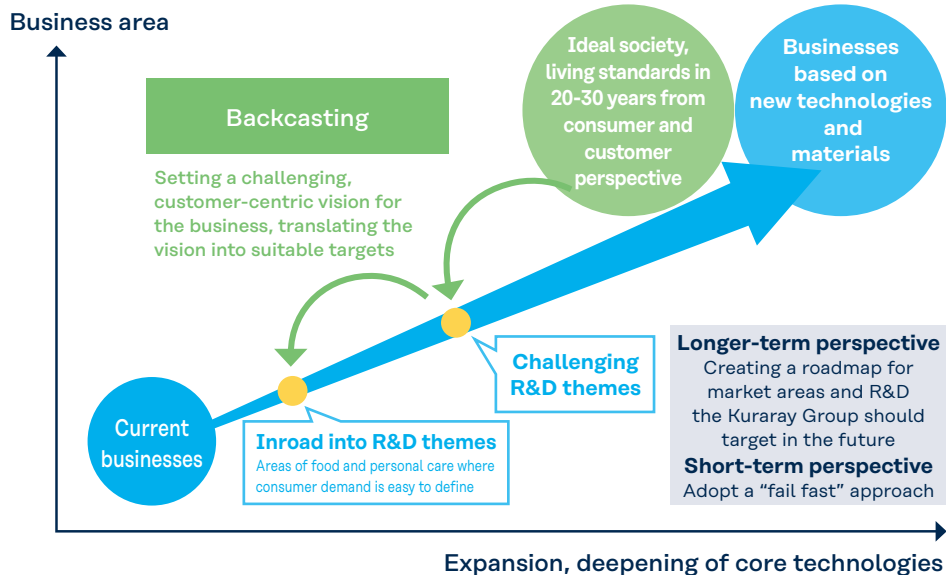


## Backcasting in R&D

The Research and Development Division generates R&D themes that lead to new value proposals addressing issues and trends in society and markets and customer issues. Under "PASSION 2026," we looked ahead to the society and living standards we hope to see 20 to 30 years down the road from the perspective of consumers and customers. Backcasting from there, we have set more challenging R&D themes that will enable us to achieve this. We drew up a longer-term roadmap for market areas and R&D activities the Kuraray Group should pursue outside the sphere of our existing businesses. In the short term, our goal is to adopt a "fail fast\*" approach. We have introduced this concept starting with the areas of food and personal care, where customer needs are relatively easy to define, and have selected candidate research themes in each of these fields. Currently, we are engaged in concept testing to investigate the commercial viability of these candidate themes. Additionally, we will explore themes in new fields as a means of generating challenging R&D themes, including in areas outside the scope of previous research.

\* The concept of making mistakes quickly and learning from them to get closer to success.

## Backcasting diagram



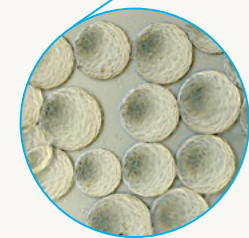
## Development that Contributes to Sustainability

The Research and Development Division is focused on further refining Kuraray's proprietary technologies to create new businesses in areas that contribute to sustainability and improved quality of life, issues of pressing importance to society. Given the particular importance of the themes of a circular economy and carbon neutrality, we are seeking to develop biodegradable materials that contribute to improving the natural environment. In addition to developing a vinyl acetate polymer that combines biodegradability with high functionality, we are working to shed light on the mechanism that controls biodegradability, to apply the findings to the development of materials. We are also engaged in the development of low environmental impact materials, including the use of biomass as a raw material in areas peripheral to our businesses and investigation of low environmental impact processes. In this field, we have worked with customers on a series of projects aimed at confirming the value of the materials and enhancing their performance, including exploring technologies for scaling-up development. We are also focusing on areas such as process development to significantly reduce greenhouse gas (GHG) emissions and the development of technologies and materials that contribute to recycling. We will continue pursuing new business creation that contributes to the natural and living environments and ties into the creation of customer value.

## TOPICS

### Initiatives in the Life Science Field

To create business opportunities in the field of cell culture, and specifically in regenerative medicine, which promises high growth, we have developed a bridgehead technology in the form of a PVA micro-carrier for use in cell culture. The adoption of PVA as the material has demonstrated a range of advantages, including resistance to damage when stirred in cell culture and to infiltration of foreign bodies, high cell culture efficiency, and easy detachment of cells for recovery. A manufacturing system for samples is already in place and sales launched in Japan in March 2024. We are currently laying the groundwork for launches in the United States and elsewhere.



Microscopic image of cells cultured on PVA microcarriers

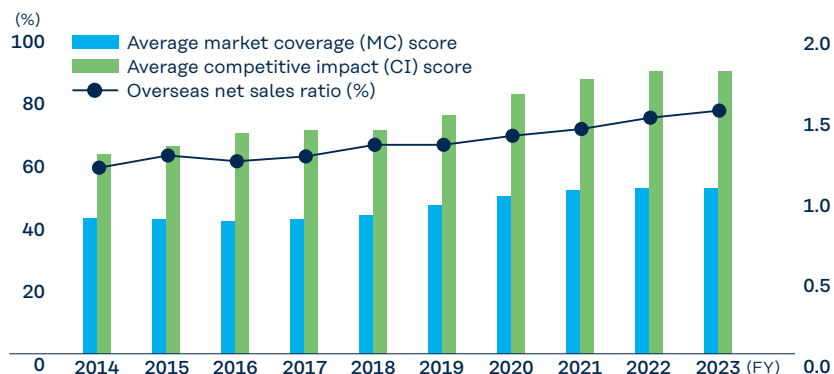
## Planning and Promotion of an IP Strategy

The Kuraray Group's intellectual property management is founded on respect both for our own intellectual assets and those of other companies, and is aimed at generating contributions to business from intellectual property activities aligned with our management and business strategies. Kuraray has consistently worked to enrich its intellectual property portfolio in line with global business development, but to support the enhancement of the business portfolio from the intellectual property side, we will now additionally place greater emphasis on intellectual property management from a longer-term perspective and subject it to continuous review.

### Building the Patent Portfolio (1): Supporting Global Business Expansion

Aiming to achieve business results in line with the Kuraray Group's management strategy, we have been working to upgrade our patent portfolio\*1 as we grow the business on a global scale. Specifically, our average score on the market coverage (MC)\*2 index, which reflects the number of patents held in overseas markets, has risen in line with the rising overseas net sales ratio and the accompanying expansion in patents held overseas. Simultaneously, our average score on the index of patent competitive impact (CI)\*3 for each patent family\*4 has also improved, while our Patent Asset Index (PAI)\*5 score has also increased across the Group.

### Overseas net sales ratio and average patent value index scores



\*1 Created by the Kuraray Group using patent analytics from the LexisNexis® PatentSight+, sourced from the U.S.-based LexisNexis.

\*2 The index is calculated based on the size of markets covered by patents and the number of countries where patents are valid.

\*3 An index of the competitiveness of a patent family calculated by multiplying the market coverage (MC) index by the index of total portfolio technological value (Technology Relevance), which is based on citations in junior patent applications.

\*4 The unit of a single patent invention applied for and granted in multiple countries.

\*5 An index indicating the total value of a patent portfolio, the sum of the competitive impact of all patents held.

### Building the Patent Portfolio (2): Helping to Build a More Sophisticated Business Portfolio

To sustainably fulfill its mission of improving the environment and enhancing the quality of life, the Kuraray Group is working to enhance its business portfolio. To implement intellectual property activities in support of this aim, we are making headway in upgrading the patent portfolio centering on growth and expansion businesses (P.24). We have consistently worked to efficiently support the role of each business by boosting the competitive impact (CI) score per patent in growth and expansion businesses and by reviewing the portfolio structure in other businesses to achieve a balance between patent quantity and quality.

We will continue to enhance the business portfolio in line with the particular characteristics of each business through the strategic use of intellectual property, not limited to the area of patents.

### Change in patent index scores of growth and expansion businesses (2014–2023)



### Value Creation through More Optimal Intellectual Property Management

The Kuraray Group sees one of the aims of its use of intellectual property as being "value creation through differentiation." To this end, we engage in the ongoing review of our intellectual property management. The evolving demands of society in areas such as climate change and limiting the consumption of resources, alongside mounting competition in global markets, are bringing about great changes in the business environment. For businesses to maintain competitiveness and continue to create value in the new environment requires the appropriate use of intellectual property. We are thus using IP landscapes (analyses of patent and market information), along with additional market information gathered through management activities, to construct and implement an intellectual property strategy that is more closely integrated with our business strategy, aiming to explore and exploit new business opportunities.

## Dialogue

### Ichiro Nakano

General Manager  
Innovation  
Networking Center



### Nozomu Sugo

General Manager  
Research and  
Development Division



## Sharing strategies throughout the Group and endeavoring to create new businesses by combining technologies and market feedback

### Systematically connecting with markets in new areas

**Sugo** The strength of the Kuraray Group's R&D lies in our ability to draw on the array of technologies and processes we possess, from low to high molecular-weight polymers and their processing, to consistently develop products ranging from resins and polymers to films and other compound products. Moreover, in the Research and Development Division, we have put in place a Supporting Project to help the various divisions with their problem-solving and technological development. We invite customers to participate in this collaboration as well, and are getting results by working together to address the challenges of enhancing quality and improving yields. Furthermore, we have formed a Cross Technology Research Group, a team that is tasked with bridging R&D and knowledge gaps across the various laboratories. While further strengthening

such collaboration, we are working to create new businesses, strengthen and expand existing businesses, and establish and deepen core technologies.

**Nakano** The Innovation Networking Center (INC) is a fairly new organization, formed in 2022. Our chief mission is to bring together internal and external resources to accelerate innovation. As a cross-organizational unit, which did not exist in our previous business division system, INC currently operates globally with around 30 core members and some 50 ambassadors representing various Group organizations.

Until now, drawing on its strengths in technological development and its product appeal, the Kuraray Group tended mainly to adopt a product-centered business model. To generate innovation and expand into new businesses in this so-called age of VUCA, with an operating environment that is changing dynamically, it is critical, in addition to that business model, that we systematically tap into markets

in new business areas. As an accelerator, we have engaged in repeated discussions with the Research and Development Division and the various business divisions, focusing on developing a framework for drawing up strategic scenarios and driving projects forward. We will leverage our accumulated achievements to foster the creation of new businesses.

**Sugo** Although the Research and Development Division also pursues fixed-point studies, collaboration with the customer-centric INC and the business divisions has allowed us to draw on one another's capabilities in various initiatives. This will lead to more efficient R&D and give us a better chance of creating new businesses.

Moreover, such collaboration will enable us to more swiftly and more reliably offer products that are in demand in society and, ultimately, make significant contributions to society as a whole.

**Nakano** The Kuraray Group boasts wide-ranging capabilities, including talented personnel, technological development, a global network, and knowledge and insight gained from past mistakes. To reinforce our trust with customers, I believe it is essential to foster collaboration between organizations, aiming to harness these capabilities effectively.





Appropriate management of our portfolio under the various thematic groups will also surely be a key element in making our R&D more efficient. Given the fact our resources are limited, it will be crucial to embrace a "fail fast" approach, moving closer to success by making mistakes quickly and learning from them.

### Linking technologies and markets through a bidirectional approach

**Sugo** On the topic of collaboration between the INC and the Research and Development Division, we continue to work together closely from different angles: INC is spearheading marketing through our internal and external networks, including customer networks, while the Research and Development Division mainly verifies technologies.

**Nakano** We are putting priority on linking the technological capabilities of the Kuraray Group with customer needs.

One aspect of this is "seeding out"—in other words, pursuing a strategy of commercializing themes proposed by the Research and Development Division. Our aim is to generate business hypotheses that capitalize on the capabilities of the Kuraray Group and, depending on the nature of the project, even coordinate the project in collaboration with customers.

Our other strategy involves responding to market demand, as we work to commercialize themes emerging out of the activities of the INC. For these themes, we explore the integration of existing technologies based on information about unmet needs collected from internal and external networks, including the networks of customers. If a new technology is involved, we consult with the

Research and Development Division, bring in applied technologies, and incorporate them into concrete business scenarios.

The key is to speed up and take greater advantage of this bidirectional approach of both proposing research seeds and responding to market demand. This approach gives rise to compelling business ideas and scenarios and allows us to efficiently implement and verify these ideas while forming hypotheses.

**Sugo** To be sure, we've come up with some of our themes through dialogue with customers after a



proposal made by the INC. It's fairly difficult to arrive at an idea that will gain traction with customers solely through fixed-point studies. So, in this sense, our collaboration has been highly constructive.

Also, for a new theme to be successful, it is essential to be able to get a read on the market from the R&D stage—in other words, to have a marketing perspective. No matter how sophisticated and unique we make our products, they cannot take off as a business if they fail to gain acceptance by customers. I think collaboration with the INC has been highly worthwhile in terms of gaining a market perspective as well.

**Nakano** In fact, members of the Research and

Development Division are now taking part in the various activities of the INC.

Our current activities are grouped into six strategic areas—Automotive, Paper & Packaging, Agriculture, Sports & Outdoors, Architecture & Construction, Life & Personal Care. Based on this grouping, we have formed a matrix involving multiple strategic arenas in which segment teams carry out their activities. For example, in two strategic arenas—"Lightweight solutions to replace metal," and "Polymer materials recycling"—we are seeking to generate innovation by pursuing marketing that draws on the networking abilities of the Automotive segment. We will also use this matrix to guide our portfolio strategy targeting new business creation across the Kuraray Group.

Meanwhile, as part of our efforts to further reinforce collaboration and encourage innovation, we regularly hold global meetings called Innovation Hours. In odd-numbered months, the meetings share R&D themes from the "seeding out" side. In even-numbered months, they share information about unmet needs from the market side and explore themes. We have also established a Core Technology Platform (CTP) to gather information on core technologies from across the Kuraray Group for employees to browse, as well as a Technical Equipment Platform (TEP) to visualize and share data on our various R&D and technical equipment. Both platforms are accessible in a virtual environment. Such sharing of information across the Group has also begun to give rise to synergies, mainly in the form of collaboration and cooperation between employees.

**Sugo** As the strategic arena examples indicate, the recent trend in research themes, particularly in environmental fields, has been toward rapidly

mounting demand for products that help support carbon neutrality and a circular economy, particularly in Europe.

**Nakano** I agree. About six years ago, only a handful of eager customers expressed an interest in our biofuel feedstock, but that has changed significantly in the past three years. In fact, to keep the channel of communication open with our customers, it is imperative that we constantly update our sustainability knowledge and proposals.

### Boosting collaboration on a global scale to create new businesses

**Sugo** We see global collaboration as being key to the creation of new businesses. One example of an ongoing project is cell culturing in the life sciences field (▶ P.39). The use of PVA microcarriers for cell cultures holds future business potential in regenerative medicine and other fields. However, because the market for this material has yet to really take off, we plan to work together with the INC as we closely track future trends and roll out the project on a global scale.

**Nakano** The Research and Development Division and the INC are collaborating on marketing for the cell culturing project in North America. In fact, staff from the INC's marketing division there are working to step up the pace of local sales. Other global projects are ongoing as well, including collaboration with business divisions on multiple themes, such as a new PFAS-free water-repellant material technology.

**Sugo** The Kuraray Group derives roughly 80% of sales from overseas markets. In addition to building networks in the new businesses we talked about

earlier, I believe it will be vital to strengthen collaboration on a global scale in several respects, including diversity and talent management.

**Nakano** We are taking a broad-based approach in our efforts to address issues. We are pursuing organic collaboration across the organization and gaining buy-in among all employees for the strategies of the Kuraray Group as a whole, including the various business divisions and subsidiaries in Japan and overseas. At the same time, we are moving forward in creating a framework for collaborative innovation and putting a support system in place. It will also be critical to foster a corporate culture of embracing challenges without fear of failure to bring greater vitality to our efforts to propose technologies in new areas and cultivate new markets. Needless to say, strengthening our branding capabilities will also be important; we need to better communicate to customers around the world who we are and what our objectives are.

**Sugo** The primary mission of our R&D is the creation of new businesses. As it involves the development

of technology, R&D is ultimately a longer-term endeavor. As such, the long-term market outlook and the future direction of our business portfolio are factors that come into play. We intend to fulfill our mission by collaborating in terms of marketing and the development of business scenarios with the INC and with the Portfolio Strategy Department that was formed within the Corporate Management Planning Office in January 2024.

**Nakano** We bolstered the overseas marketing capabilities of the INC in January 2024 and plan to increase our momentum. Our goal is to tap into Group-wide innovation activities to launch new startups that grow into businesses capable of generating ¥10 billion in sales and, in doing so, foster a corporate culture of embracing challenges. We will continue to work passionately to be able to deliver results by 2026, the final year of the Medium-Term Management Plan "PASSION 2026." We are confident the Kuraray Group can boldly take on this challenge and achieve growth in the future.



Our Challenges

3

# Transformation of People and Organization

Our aim is to become "a digitally savvy company" that draws on competitive strengths to continue contributing to society, harnessing digital technology to change our processes and drawing on diversity to expand our thinking, bringing transformation to both people and the organization.



## Digital Transformation (DX) Framework

The Kuraray Group's DX Vision is: "Improve competitiveness, continuously evolve, and contribute to the world." Guided by this vision, we set four priority fields: customer experience (CX) reforms, operational process reforms, business model reforms, and R&D and production technology simulations. Group-wide digital transformation is a core strategy in our Medium-Term Management Plan "PASSION 2026." Achieving this vision demands comprehensive strengths to achieve rapid digital transformation while integrating the four aspects of people, data, processes, and systems. For example, to achieve more sophisticated cyber security, along with deploying superior security systems, it is necessary to raise people's digital literacy, properly manage and understand crucial data, and develop security management processes on a global scale.

In January 2023, we integrated our DX and IT functions, creating the DX-IT Division. The aim of the integrated organization is to help us become "a digitally savvy company" by putting digital transformation measures into place quickly and efficiently.

### Priority Fields and Progress to Date

Priority Fields	FY2022/FY2023 Achievements
Customer experience (CX) reforms	- Held GCRM AWARD, an in-house event to recognize examples of CRM*1 utilization (P.45)
Operational process reforms	- Used EA*2 Framework to examine improvement measures from the perspective of all-round optimization (P.45)
Business model reforms	- Designed concept to provide new user value and began drafting a concrete system outline in certain businesses (P.45)
R&D and production technology simulations	- Started building platform for centralized management of R&D knowledge resources (P.46) - Organized hackathons*3

\*1 Customer relationship management

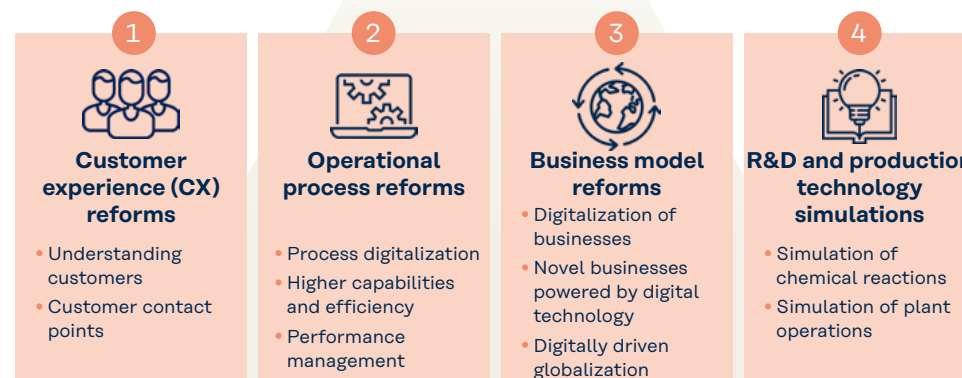
\*2 Enterprise Architecture: a framework enabling an overall visualization of corporate operations and systems to achieve efficiency based on all-round optimization.

\*3 A technology competition offering prize money, in which teams of university students propose solutions to technical problems in a short period of time.

## DX Vision

Improve competitiveness, continuously evolve, and contribute to the world as a digitally savvy company

## Priority Fields



## DX-IT Division

**Data-driven organization**  
"Think in data, decide by data."

**Higher digital literacy**  
Improve ratio of data analytics talents.

## Customer Experience (CX) Reforms

The Kuraray Group recognizes the importance of customer experience (CX). To offer customers an even better experience in their dealings with us, we are working to boost operational efficiency through customer relationship management (CRM) based centralized management of customer information and data analysis.

Since 2022, we have held the GCRM AWARD, an in-house global event set up in response to comments from departments utilizing CRM, who said that they wanted to share with other departments and regions their experience of using it and wanted users to be able to learn from each other to gain insights into operational improvement and data utilization. The second award event, held in fiscal 2023, drew numerous participants, including the company president and other executives, who acted as adjudicators. They watched as the finalists, who had successfully passed a documentary submission stage, presented examples of operational reform through department-wide initiatives and speedier decision-making through the use of dashboard reporting.

The introduction of CRM has set up a cycle of mutual feedback among in-house users allowing them to learn from each other how to provide customers with even better products and services by achieving improvements in productivity, efficiency, workstyles, and other areas.

## Operational process reforms

Operational process reform is a broad topic, encompassing ways of enhancing performance by digitalizing individual processes. We are moving forward with the selection of processes we anticipate will drastically boost productivity through the digitalization of tasks currently done by hand.

To allow improvement measures to be examined from the perspective of all-round optimization, we are using the EA framework and expanding its scope to focus on four areas: (1) operational processes, (2) data, (3) applications, and (4) IT platforms. Particularly in the area of applications, where full-scale activities began in 2022, IT departments in Japan and overseas have collaborated to take the lead in global optimization activities.

We will roll out strengthened initiatives to the other three focus areas, working in collaboration with businesses and back-office departments. This will enable us to realize all-round optimization based on EA and to introduce operational process reforms in a way that distinctively reflects the Kuraray Group's strengths, which are oriented toward customer needs and frontline solutions.

## GCRM AWARD 2023



Azusa Ogata  
Poval Resin Division



At GCRM AWARD 2023, presentations were given by three teams of finalists.

### FY2023 Finalists

<b>Azusa Ogata</b> Poval Resin Division	Achievements in quality, new business development, and organization building by GCRM
<b>Martin O'Brien/ Rebecca Alward</b> Calgon Carbon Corporation	Widespread utilization of GCRM at Environmental Solutions Division/Calgon Carbon enhances understanding of sales operations and demand, and elevates customer service
<b>Takako Ueno</b> Elastomer Division	Kurarity business regain and recovery project monitoring with GCRM opportunity, task and dashboard

## Business model reforms

We are actively working to build a framework for creating new value by combining services with digital technology. With strengths in pioneering products, the Kuraray Group has tended to adopt a product-centered business model. One shortcoming with this is that once a social need has subsided, the product loses its adaptability. Furthermore, there has been a growing shift in consumer behavior in recent years from material things to experiences.

Against this background, in 2022 the Kuraray Group began engaging in concept design to provide new value to users and began drafting a concrete system outline in certain areas. By adding the value of IoT-based interactive digital services to existing business models, we aim to build new business models.

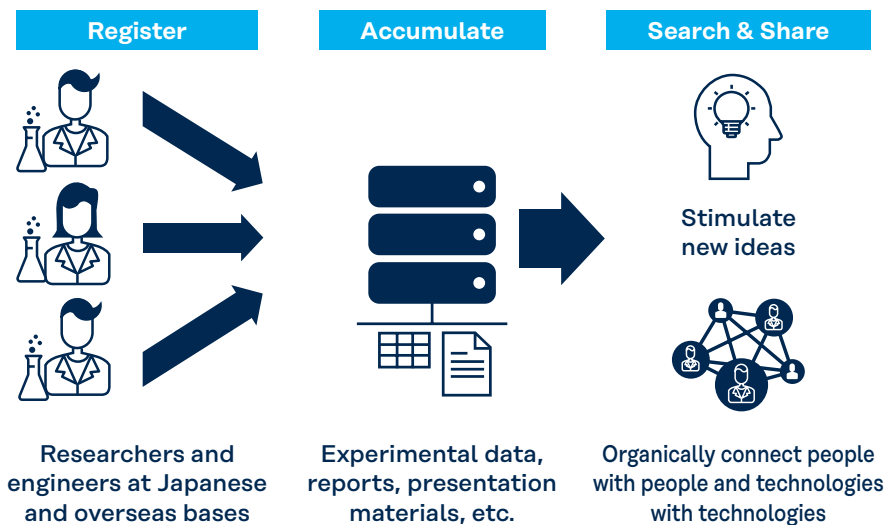


## R&D and production technology simulations

We are working to build a platform for centralized management of the Kuraray Group's R&D knowledge resources, including its overseas operations. The aim is to create new businesses and new products by making maximum use of our accumulated body of research and development data to identify new research themes and speed up interdepartmental collaboration.

We began developing the system in 2023 and plan to roll out operation across the Kuraray Group in 2025. We aim to foster a corporate culture that promotes the continuous creation of value from data assets.

### R&D Knowledge Management Platform



#### Kuraray Group Unified Platform

Efficient creation of new businesses and new products by utilizing this platform to:

- Identify new research themes
- Speed up interdepartmental collaboration

## Developing DX Talent

The Kuraray Group believes it is vital to cultivate a culture and environment in which all employees can stay abreast of progress in digital technology, where learning is an ongoing process. We established three classes of digital literacy—Gold, Silver, and Bronze—and developed a training curriculum corresponding to each class. Our educational framework mandates that all employees acquire at least Bronze class certification.

We also train and deploy at least one person to each department to lead digital transformation efforts and spread technological knowledge throughout the department, and eventually to all parts of the Company. In 2023, we started exploring the cultivation of data scientists and other highly specialized talent.

### DX Talent Development Project



### Curriculum

Gold	<ul style="list-style-type: none"> <li>• E-learning training (approx. 20 hours)</li> <li>• Workshop training (approx. 60 hours)</li> <li>• Accompanied support training (approx. 60 hours)</li> </ul>
Silver	<ul style="list-style-type: none"> <li>• E-learning training (approx. 20 hours)</li> <li>• Workshop training (approx. 20 hours)</li> </ul>
Bronze	<ul style="list-style-type: none"> <li>• E-learning training (approx. 6 hours)</li> </ul>

### DX Talent Development Project under "PASSION 2026": Number of Staff Trained and Future Plan (Japan)

Class/Target	FY2023 (Training completed)	FY2024 (Planned)	FY2025 (Planned)	FY2026 (Planned)	Cumulative
Gold Selected employees	44	45	45	45	Approx. 180
Silver Executive candidates (general staff)	163	300	350	350	Approx. 1,200
Bronze All employees	5,114	200	200	200	Approx. 5,700



### Message from the Manager in Charge of DX Talent Development

**Our aim is to become "a digitally savvy company" where all employees boast digital proficiency and are highly competitive.**

#### Yasuhiro Takahara

Senior Manager, GDX Promotion Department, DX-IT Division

The Kuraray Group believes that to maintain high competitiveness, transforming people and organizations through digital technology is critical. We are working to boost employee skill levels by implementing a DX Talent Development Program for all staff (P.46). At the same time, we are focusing on cultivating and securing DX technology experts as well as personnel who can plan and lead digital transformation projects.

DX technology experts are data scientists and other highly skilled technicians. We are currently working to define the skills needed across the Group and survey the skills of employees in relevant departments as we explore ways of securing talent, taking into consideration the headcount balance between training internal staff and hiring outside the Group.

At Kuraray, we do not consider personnel who can plan and promote digital transformation simply as staff who are well-versed in the use of digital tools: our definition includes people with a solid grasp of Kuraray's businesses who can identify fundamental problems, uncover issues needing to be addressed, seek out appropriate means of addressing these issues, and harness digital technologies as needed to quickly resolve the issues.

The DX Talent Development Program has three classes, Gold, Silver, and Bronze, depending on the desired level of aptitude. The curriculum for the top-level Gold class consists of three phases of training spanning a total of nine months: online learning to acquire basic knowledge, workshops, and accompanied and supported training. In the latter, trainees can choose from among three courses: new business creation, UX design, or business process re-engineering. Our expectation is that graduates will have learned practical ways of solving problems starting with digital transformation, as well as ways of managing teams to achieve objectives, so that they can play an active role as digital transformation project leaders who bring about change in each department. The training has already given rise to the seeds of ideas for projects that draw on digital transformation, and I am very much looking forward to these projects getting up and running. Examples include integrating materials informatics\* into R&D and building new business models that combine digital technology with services.

By 2026, in addition to Gold-class talent, we will systematically cultivate Silver-class talent who can promote digital transformation within their departments and Bronze-class talent who can harness digital technology in business operations. Down the road, our aim is to become "a digitally savvy company" where all employees can draw on digital technologies to tackle business problems.



### Comment from a DX Gold-Class Student

**I will drive digital transformation in collaboration with other organizations to spread change.**

#### Maya Murakami

Market Development Department, EVAL Division

President Kawahara gave a message to the entire company regarding the pursuit of digital transformation. He said digital technology is just a means; the goal is to use digital technology to transform business models, address problems, and achieve objectives. In my training I learned that being a leader who actually drives digital transformation requires more than just knowledge about the field. I was able to systematically learn about how to organize and visualize the issues involved and how to manage projects and teams.

I got the most out of the accompanied and supported training. I chose the UX design course with a focus on user experience reform. The training involved thinking about systems and platforms to address problems and achieve objectives, creating prototype applications in an environment similar to an actual work situation, and even going all the way to the stage of receiving actual feedback from users. By establishing "personas" (virtual customers), I learned how to think from a user's point of view. This was extremely helpful, since I was able to apply what I learned to the mission of the market development department to which I belong, including market analysis, new business creation, and strengthening customer relationships.

Also, in the workshops, team members switched after three sessions, so that new people from different divisions and job types could gather to talk about our day-to-day challenges and share what we want to accomplish by means of digital transformation. I want to explore collaboration with departments facing similar issues by taking advantage of the in-house network I was able to build through the training.

One employee alone can't achieve organizational change through digital transformation. Initially, I want to work together with Silver class members in various workplaces to identify issues, as well as exchange information with trainees from other divisions. My hope is that such steps will feed into creating opportunities for incorporating digital transformation from within the organization and making proposals for new projects.

\* Materials informatics is an academic field that incorporates computer-based information science methods into materials science. Harnessing data mining and AI makes it possible to search for new and alternative materials more efficiently than the conventional method of combining various materials and conducting repeated experiments.

# Message from the Officer in Charge of Finance



**We will move ahead in building a more sophisticated business portfolio and boost capital efficiency, communicating a clear growth narrative. We will take advantage of valuable opportunities to engage in dialogue with our stakeholders to promote constructive exchanges of opinion.**

**Keiji Taga**

Representative Director and Senior Managing Executive Officer  
Officer responsible for Corporate Management Planning Office;  
Corporate Sustainability Division;  
DX-IT Division; and Accounting and Finance Division

## "PASSION 2026": Two Years Out

Demand in fiscal 2023 recovered more slowly than expected and sales volume was sluggish across many businesses and applications. Although demand in the automotive sector picked up in the second half of the year, it remained lackluster in the electric and electronics sector. We forecast a rebound in demand in the second half of 2024. In the second half of fiscal 2023, we reined in production in many of our lines to adjust inventory to demand trends. Under these conditions, performance came in below both initial targets for the year and the forecasts we announced with our third-quarter business results, with net sales of ¥780.9 billion, operating income of ¥75.5 billion, and net income attributable to owners of the parent of ¥42.4 billion.

Nevertheless, we made headway in putting in place the key measures announced under our Medium-Term Management Plan "PASSION 2026." We expanded production capacity to drive growth, including the start of operation of a new plant for the isoprene business in Thailand in the first half of fiscal 2023. In the first and second quarters of fiscal 2024, operations also went on line at a new activated carbon production line in the United States, a new plant for water-soluble PVOH film

in Poland, and a production facility for optical-use poval film in Japan. We also decided to newly invest in expanding our production capacity for dental materials and VECTRAN™ liquid crystal polymer fiber.

Meanwhile, a civil lawsuit filed in connection with a 2018 fire incident at a U.S. subsidiary, which had been a concern to stakeholders, was resolved after five years. Although this led us to record a major accounting loss, it also resolved a source of concern that had threatened to undermine future profits.

We now continue our efforts as we look for a rebound in performance in fiscal 2024 and prepare to achieve our targets for fiscal 2026, the final year of the current management plan.

## Trust in our stable supply framework is a major competitive strength

The costs of raw materials and fuel have risen over the past few years on a scale that we cannot absorb through internal corporate efforts alone. We have thus been obliged to pass on an appropriate share of the burden to our customers in the form of price revisions. This process has more than ever clarified the contrast between products in the Kuraray Group lineup that have competitive resilience and those

that do not. With the former, customers recognize value that corresponds to or exceeds the price. We have traditionally considered product performance and associated technologies and services to be our strengths: We now recognize that, as evidenced by the vinyl acetate segment, our ability to offer a stable supply—made possible by our integrated production systems starting from the raw material stage as well as our global supply chain—represents part of the value we provide.

We will continue capitalizing on these strengths to ensure that we can provide the value customers demand in a stable manner.

## ¥120 billion capital investment plan, including new plant for EVAL™ in Asia

Over the five-year period of "PASSION 2026," the Kuraray Group plans cumulative capital investment of ¥380 billion (decision basis), roughly equivalent to the ¥350 billion in depreciation costs for the same period (annual average of ¥70 billion), plus a ¥30 billion investment in greenhouse gas (GHG) emission reductions.

Capital investment (decision basis) totaled roughly ¥66 billion in fiscal 2022 and roughly ¥60 billion in fiscal 2023, but our plan for fiscal 2024 is ¥120 billion. We have allocated money to various projects, the largest of which is the construction of a new plant for EVAL™ EVOH resin in Asia. Other projects include investments in GHG emission reductions, as well as in facilities in Europe and the United States to manufacture reactivated carbon and in manufacturing facilities for vessels that are filled with activated carbon. We will make decisions on capital investment following a rigorous examination of likely returns on investment and associated GHG emissions.

It goes without saying that we are committed to making the ongoing capital investments needed to secure and improve safety and quality and to maintain and enhance the stable global supply framework that is one of our strengths. We have earmarked a cumulative total of ¥100 billion over five years for acquisitions, with several projects now under consideration. Our decisions in this area will stress the contribution to our vision for the business portfolio and the likely return on investment.

## "PASSION 2026" Capital Policy and Investment Strategy



### Capital Investment

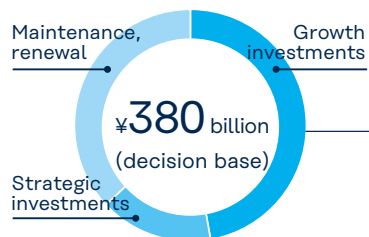
- Plan to invest ¥380 billion over a cumulative five-year period (decision base)
- Current investment budget for GHG emission reductions of ¥30 billion; accelerate investment as far as possible after 2027 by applying the latest technological developments

### M&A

- Consider M&A in businesses prioritized for resource allocation (high-performance plastics, dental materials, activated carbon, etc.)

### Shareholder Returns

- Enhance shareholder returns by expanding profits.



### Main Items Subject to Growth and Strategic Investments

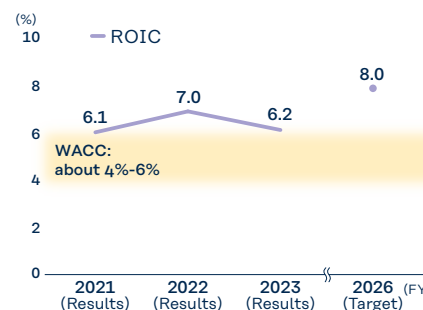
#### Growth investments

- Build new plants
  - EVAL™ EVOH resin, liquid rubber
- Expand production capacity
  - Optical-use PVOH film, water-soluble PVOH film, Phase two construction in Thailand for GENESTAR™ heat-resistant polyamide resin, VECSTAR™ liquid crystal polymer film, dental materials, LIB anode materials

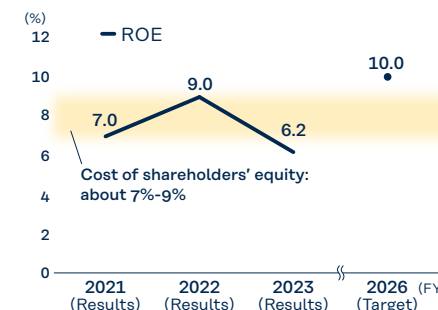
#### Strategic investments

- Invest in GHG emission reductions
- Build a new research center
- Invest in DX-related projects

## ROIC vs. WACC



## ROE vs. cost of shareholders' equity



## Targeting increased corporate value with an eye to the cost of capital and stock price

The financial KPIs for fiscal 2026 announced under "PASSION 2026" include ROE of 10%, EBITDA of ¥170 billion, and ROIC of 8%. At ¥152.6 billion, EBITDA in fiscal 2023 was largely in line with the target but at 6.2%, both ROE and ROIC were some way off target. ROIC was slightly above the level of 4%-6% we recognize for the weighted average cost of capital (WACC), while ROE was below the cost of shareholder capital of 7%-9%. In part, these results reflect the inflation of the valuation of capital at overseas Group companies caused by the impact of a weak yen (about ¥100 billion over the two years from 2021 to 2023), which led to a significant increase in shareholders' equity. Still, we recognize that one of our most crucial tasks in the latter three years of "PASSION 2026" is to increase ROE and ROIC by

boosting earning power and improving capital efficiency.

We have used ROIC as a key metric in our in-house standards for assessing businesses: where ROIC has failed to reach a certain level for a particular business or core product, we took this as a signal to consider downsizing or withdrawal.

Since fiscal 2022, the first year of "PASSION 2026," we have begun incorporating ROIC into the fiscal year plan of individual businesses, as a tool for monitoring performance and progress, but we cannot claim to have gotten full buy-in for this metric for use across our frontline operations. Underlying this is the fact that, as a chemical manufacturer, many of Kuraray's businesses require sizeable upfront outlays and significant capital investment, which means that the benefits in terms of profit growth and enhanced capital efficiency are slow to be reflected in ROIC. The issue is that individual businesses have not clearly set out concrete measures to boost ROIC.

We announced a Group-wide fiscal 2026 target of 8% for ROIC, but the ROIC level differs depending on the individual business, as does the means for effecting improvements. We thus set target ROIC levels for each business and created an ROIC analysis model, enabling each business to assess for itself where specifically it should concentrate its energies to effectively improve ROIC and to begin setting relevant targets and monitoring progress.

Kuraray's stock price is unfortunately evaluated at a level below what we are aiming for. I believe there are four main factors behind this:

1. We have not successfully communicated a convincing future growth strategy and narrative
2. Our business portfolio is complex and difficult to understand
3. Our GHG emissions are high, raising concerns about a future shift in the business structure and the accompanying economic burden
4. We have not adequately addressed expectations regarding shareholder returns

### 1. Setting out a clear growth strategy and narrative

It is essential that we clearly show where we will concentrate our energies and how that will lead to growth.

In the first half of "PASSION 2026," to move ahead with the shift to a business portfolio that



emphasizes social and environmental value as well as economic value, we looked carefully at the businesses we can expect to expand and grow and those we cannot. Our focus across the Group will be on building a more sophisticated business portfolio as set out below and on generating innovation, to demonstrate the future growth narrative of the Kuraray Group in a way that our stakeholders can readily grasp.

## 2. Building a more sophisticated business portfolio

Building a more sophisticated business portfolio is one of the Kuraray Group's most critical themes. To approach this theme from both proactive and defensive angles, we newly established a new Portfolio Strategy Department in January 2024 within the Corporate Management Planning Office.

The Kuraray Group is engaged in a large number of businesses and products for a company of its size. I suspect this makes it difficult for outside observers to know where we are focusing our energies. Kuraray has set standards for assessing our businesses based on ROIC and operating cash flow. These standards have guided our decisions so far to withdraw from several businesses and products, but we have yet to go far enough with this process. We will move ahead more aggressively in downsizing or withdrawing from loss-making or relatively unprofitable businesses. We will also review businesses and products that may be profitable but make little contribution to the environment, as well as businesses that demonstrate no clear value for us to hold from a best-owner perspective.

Meanwhile, our research and development divisions will collaborate with the Innovation Networking Center on development that corresponds to macro-trends and to our overall Group strategies, helping to address unmet market needs, thereby creating a framework for continuous innovation and new business creation that will help us build a more sophisticated business portfolio.

## 3. GHG emission reductions

We are taking action to realize net-zero carbon emissions by 2050 and to meet an interim target of reducing GHG emissions by 30% by 2030 against the benchmark year of 2019, including Scope 1 and 2

emissions for both targets. Our plan calls for related capital investment of ¥80 billion up to 2030, including ¥30 billion in outlays through 2026 in energy-saving and production process improvements, and carbon capture, utilization, and storage (CCUS).

In fiscal 2023, overseas Group companies made headway with the shift to renewable energy sources, enabling us to meet our target of no increase in GHG emissions compared to 2019. We aim to formulate a Scope 3 emission reduction plan and obtain SBT (Science Based Targets) certification. Further, through participation in the GX League sponsored by the Ministry of Economy, Trade and Industry of Japan, we will work to cut emissions through measures including conversion to alternative fuels at plants in Japan that account for a third of our total emission volume.

Although GHG emission reductions impose an economic burden in terms of capital investment, higher costs, and other factors, I think we need to gain the understanding of customers by accurately conveying the value of the Kuraray products that contribute to the natural and living environments. Margins on these products, which accounted for approximately 56% of net sales for the year, are higher than on other products. Given this fact, we are confident that expanding the lineup of these environment-friendly products will contribute to growth and accompanying profit.

## 4. Shareholder returns

Our policy for shareholder returns during the period of "PASSION 2026" calls for a total return ratio of at least 35% and an annual dividend of at least ¥40 per share, which we regard as a bare minimum guideline. While taking continuous dividend increases based on profit growth for granted, we also consider that achieving the financial indicator of 10% ROE will demand a greater focus on shareholder returns, including treasury stock buybacks.

Kuraray's price book-value ratio (PBR) has fallen below the 1. We will work to improve this figure through a two-fold approach of expanding profit by building a more sophisticated business portfolio and enhancing capital efficiency, including shareholder returns.

## Dialogue with stakeholders: a valuable opportunity

Dialogue with our shareholders, investors, and other stakeholders is a valuable opportunity that yields numerous insights. I want to create as many occasions as possible for direct meetings with stakeholders to gain an understanding of the growth narrative of the Kuraray Group and engage in frank and constructive exchanges of opinion on progress in our key measures, shareholder returns, and other topics. We ensure the valuable opinions, requests, and advice of stakeholders are fed back regularly internally, including at meetings of the Board of Directors, so that this can inform our efforts to pursue sustainable growth and enhance corporate value. I ask for your continued understanding and support.

## FY2023: Status of Dialogue with Shareholders and Investors

Shareholders and investors	Frequency	Kuraray representatives
Securities analysts	47	• President
Institutional investors in Japan	87	• Officer responsible for Corporate Management Planning Office, and Accounting and Finance Division
Institutional investors outside Japan	94	• Corporate Communications Department
<b>Total</b>	<b>228</b>	

Main themes	
Medium-Term Management Plan	<ul style="list-style-type: none"> <li>– Progress on upgrading business portfolio</li> <li>– Progress of innovation creation activities</li> <li>– Shareholder returns, capital policy</li> <li>– Measures to improve ROIC and ROE</li> </ul>
Environment	<ul style="list-style-type: none"> <li>– Measures to reduce GHG emissions</li> <li>– SBT certification</li> <li>– Net sales ratio of products that contribute to the environment</li> </ul>
Social	<ul style="list-style-type: none"> <li>– Engagement survey</li> <li>– Salary level (wage increase)</li> </ul>
Governance	<ul style="list-style-type: none"> <li>– Summary of fire incident at U.S. subsidiary, measures to prevent recurrence</li> <li>– Composition of Board of Directors, policy for deciding member compensation</li> <li>– Roles of the Corporate Advisory Committee</li> </ul>
Other	<ul style="list-style-type: none"> <li>– Response to PBR below 1x</li> <li>– Disclosure enhancement</li> </ul>

# Strategies by Segment

## Vinyl Acetate

We manufacture and sell materials ranging from PVOH resin offering properties such as water solubility and high adhesiveness; materials for LCD display applications; PVOH film used in soluble unit dose system for detergent and other products; PVB film used as an interlayer for safety glass; to EVAL™ EVOH resin that offers excellent gas barrier properties.

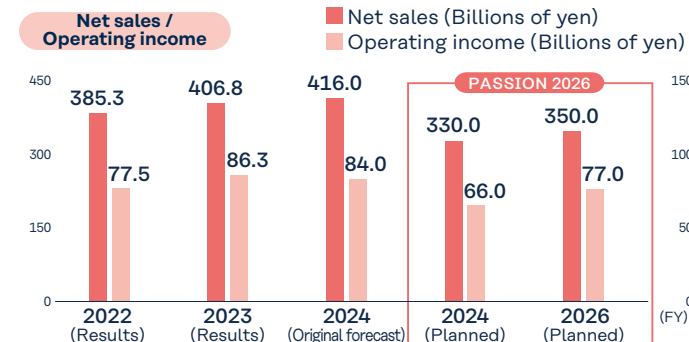
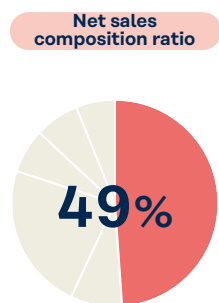
Detailed product information and financial data for each segment can be found in the Kuraray Fact Book.



Announcement of Financial Results



Fact Book



### Competitive Advantages

- Integrated production based on advanced technology from raw material monomers to finished products
- Numerous high-quality, cost-competitive product lines
- Stable supply framework backed by our global network; strong customer base
- Capabilities in proposing value to customers and in marketing

### Business Environment

#### Opportunities

- Increased demand due to a shift toward larger LCDs and accelerated digitalization trends
- Growing concern about food safety and security amid rising living standards in emerging countries
- Heightened demand to reduce food loss globally
- Increased global demand for soluble unit dose system for detergent
- Expanding demand for barrier paper and paper straws in line with growing environmental awareness

#### Risks

- Maturing of the LCD market and expansion of the OLED display market
- Increased country risks
- Soaring raw materials and fuel prices and sharp exchange rate fluctuations

### "PASSION 2026" Strategies and Progress

Business	Strategy	Progress to date
PVOH resin	<ul style="list-style-type: none"> <li>- Maintain a strong supply framework by taking advantage of our strengths backed by our own raw material production capabilities</li> <li>- Continue to shift from quantity to quality (new applications and high-value-added products)</li> </ul>	We further raised the ratio of high-value-added products and strengthened and optimized the global supply chain.
Optical-use poval film	<ul style="list-style-type: none"> <li>- Strengthen production and sales frameworks in accurate response to expanding demand and the market shift to China</li> <li>- Launch and expand lineup of value-added products that meet customer needs, such as high-transparency or thin film</li> </ul>	To address mounting demand for wide film stemming from the increasing size of LCD displays, we started operations of a new production line at our Kurashiki Plant in the second quarter of 2024.
Water-soluble PVOH film	<ul style="list-style-type: none"> <li>- Timely capacity expansion to cover demand growth and to maintain stable supply to the market</li> <li>- Promote the development of new applications as well as biodegradable and bio-based raw materials to contribute to a circular economy</li> </ul>	As the world's leading supplier of water-soluble PVOH film, we have put a framework in place to ensure stable supply in line with future market growth. The new plant we built in Poland began operations in early 2024.
Advanced interlayer solutions	<ul style="list-style-type: none"> <li>- Expand lineup of SentryGlas™ specialty ionoplast interlayers, our unique interlayer film for safety glass</li> <li>- Leverage the strengths of the global supply framework supported by bases in Europe, the United States and South Korea while accelerating the launch of newly developed products</li> </ul>	We optimized the global supply chain to meet brisk demand for SentryGlas™. Sales of high-performance automotive films were up as a growing number of new customers in Asia adopted products we made in South Korea.
EVAL	<ul style="list-style-type: none"> <li>- Strengthen the stable supply framework and build a new plant in Asia</li> <li>- Contribute to reduction in food loss and a circular economy as we strive to meet growing demand for food packaging applications</li> </ul>	Development of new applications for food packaging drove sales expansion. To make our global supply framework more stable, we are expanding production lines in Europe and the United States and also decided to build a new plant in Singapore, due to start operations in the second half of 2026.

Detailed product information and financial data for each segment can be found in the Kuraray Fact Book.



Announcement of Financial Results

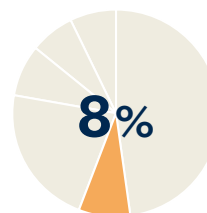


Fact Book

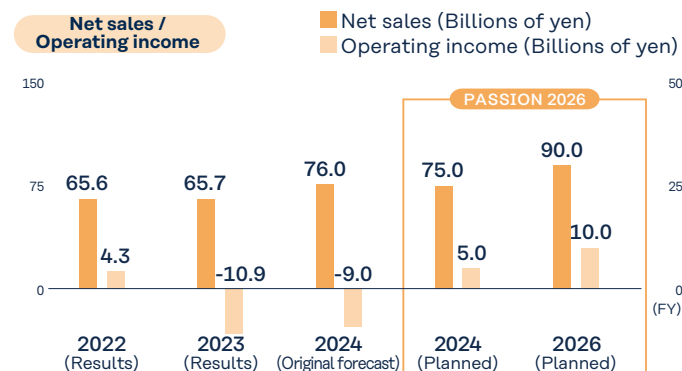
# Isoprene

We manufacture and sell isoprene chemical products made with a synthesizing method as well as SEPTON™ thermoplastic elastomer and GENESTAR™ heat-resistant polyamide resin, which are derivatives of isoprene chemical products.

Net sales composition ratio



Net sales / Operating income



## Competitive Advantages

- Broad lineup of unique products based on proprietary technology
- Advanced technological services that meet customer needs
- Stable supply framework through global network, with newly added base in Thailand
- Capabilities in proposing value to customers and in marketing

## Business Environment

### Opportunities

- Expanding demand for materials development for the weight reduction, electronic control, and electrification of automobiles
- Growing demand for high-end materials to meet next-generation communication standards
- Increased demand for environmentally friendly materials and bio-based materials due to growing environmental awareness

### Risks

- Soaring costs of raw materials and fuel, difficulties in procurement, and sharp fluctuations in foreign exchange rates
- Reduced automobile and electrical and electronic device production due to semiconductor shortages
- Low-cost strategies of competitors and other factors will undermine markets

## "PASSION 2026" Strategies and Progress

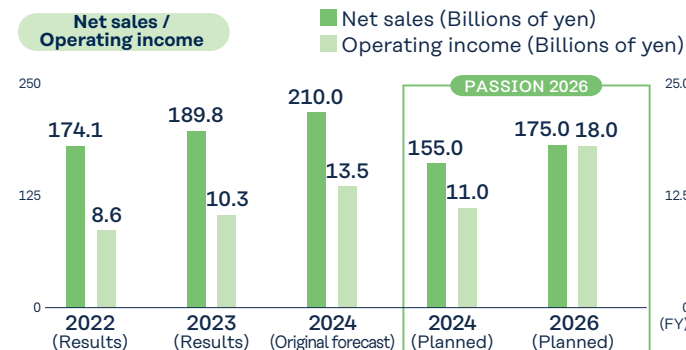
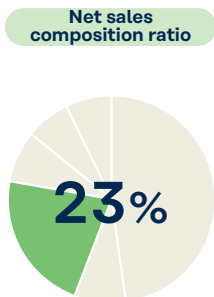
Business	Strategy	Progress to date
Isoprene Chemicals 	<ul style="list-style-type: none"> <li>- Expand sales of one-of-a-kind products</li> <li>- Quickly commercialize newly developed products to secure new profit contributors</li> <li>- Promote sustainability (Reduce GHG emissions via the switchover of raw materials and the improvement of the manufacturing process)</li> </ul>	We targeted sales growth by developing applications for one-of-a-kind products. To meet sustainability demand, we obtained International Sustainability and Carbon Certification (ISCC) PLUS certification for products using biomass raw materials. Our plant in Thailand began production in 2023.
Elastomer 	<ul style="list-style-type: none"> <li>- Strengthen global supply framework for SEPTON™</li> <li>- Build a new liquid rubber plant in the United States</li> <li>- Promote a development framework and expand sales of products that are high-value-added and made from sustainable raw materials</li> </ul>	Our plant in Thailand began producing SEPTON™ in 2023, giving us a production and supply framework based on three plants around the world, including Japan and the United States.
Genestar 	<ul style="list-style-type: none"> <li>- Expanded use in parts for weight reduction, electronic control, and electrification of automobiles</li> <li>- Penetrate further into global markets, including Europe, the United States and Asia</li> <li>- Consider the second phase of facility construction in Thailand</li> </ul>	We gained greater use for our products for connectors for in-vehicle electronic control components and automotive components. We began production at our plant in Thailand in 2023, establishing a framework for quality assurance and a global supply chain.

Detailed product information and financial data for each segment can be found in the Kuraray Fact Book.

Announcement of Financial Results Fact Book

# Functional Materials

We manufacture and sell methacrylic resin that offers excellent transparency and weatherability, dental materials enabling restorations that closely resemble natural teeth, activated carbon whose high adsorption performance is used to purify air and water, and water treatment equipment.



## Competitive Advantages

- Development of high-value added products with advanced technological capabilities and high quality
- Supply and sales capabilities using our global network as a comprehensive manufacturer of activated carbon
- Capabilities in proposing value to customers and in marketing

## Business Environment




### Opportunities

- Increased demand for air and water purification under tighter environmental regulations worldwide
- Global expansion of the circular economy
- Expansion of energy-related markets
- Growing demand for cosmetic dentistry in line with rising standards of living
- Digitalization of dental lab work using CAD/CAM
- Increased demand to develop materials with transparency and optical properties in line with the increasing sophistication of automobiles

### Risks

- GHG emissions from the activated carbon production process
- Decreasing cost competitiveness and supply capacity due to inadequate raw materials procurement capabilities
- Soaring raw materials and fuel prices and sharp exchange rate fluctuations

## "PASSION 2026" Strategies and Progress

Business	Strategy	Progress to date
Environmental Solutions 	<ul style="list-style-type: none"> <li>- Expand profitability leveraging strengths as an activated carbon manufacturer</li> <li>- Fully realize synergies and growth by enhancing our production capabilities for both virgin and reactivated carbon</li> <li>- Develop products related to reducing GHG emissions for electrical material and mobility applications</li> </ul>	To capitalize on PFAS compliance needs and other new business opportunities, we are expanding our capacity to provide virgin activated and reactivated carbon, equipment, and technical services. Following capacity expansion at a Belgian reactivated carbon facility, we started operations at an expanded virgin activated carbon production facility in the United States at the start of 2024. In the development of products for electrical material and mobility applications, teams from Japan and the United States continued to work together with major customers to determine product specifications. We are also exploring the use of new biomass-derived raw materials to reduce greenhouse gas (GHG) emissions.
Medical (dental materials) 	<ul style="list-style-type: none"> <li>- Constantly introduce a stream of new high-value-added products in the CAD/CAM field</li> <li>- Strengthen the product supply framework to support global expansion</li> </ul>	We continued development into high value-added products targeting the market launch of CAD/CAM materials starting in 2024. To reinforce the supply framework, we decided to invest in capacity expansion for inorganic dental materials with a view to further business expansion down the road. We are also developing systems for building an efficient, optimized global supply chain.
Methacrylate 	<ul style="list-style-type: none"> <li>- Develop and realize high-value-added materials and technologies for the next generation</li> <li>- Establish a recycling system and achieve production process innovation</li> </ul>	We made smooth headway with the marketing of SP grade PARAPET™, a new heat-resistant resin made with our proprietary technology and manufacturing method, gaining uses for this material in the mobility field. We also developed a scrap material recycling system and created a scheme for environmentally friendly recycled sheets that halve CO <sub>2</sub> emissions during manufacturing, making inroads into this market.
Aqua* 	<ul style="list-style-type: none"> <li>- Strengthen the membrane business by leveraging our unique technologies</li> <li>- Promote environment-related businesses backed by synergies with the Environmental Solutions business</li> </ul>	We are focusing on expanding sales of GL module high-performance membranes for the water treatment area of the semiconductor manufacturing sector. We are generating synergies in customer development and other activities by leveraging the staff and networks of the Environmental Solutions Division.

\* Aqua business was transferred to Functional Materials segment from FY2022.



Detailed product information and financial data for each segment can be found in the Kuraray Fact Book.



Announcement of Financial Results

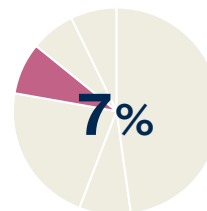


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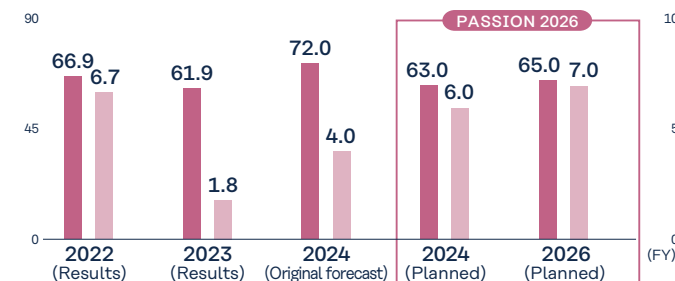
# Fibers and Textiles

We manufacture and sell KURALON™ PVA fiber, which is mainly used as a material in cement and a reinforcing material for automotive components; CLARINO™ man-made leather, which has a structure and functionality similar to natural leather; VECTRAN™ liquid crystal polymer fiber, mainly used as an industrial material due to characteristics such as high strength and low water absorption; KURAFLEX™ nonwoven fabrics which are used as household and industrial products; and MAGIC TAPE™ hook-and-loop fastener.

Net sales composition ratio



Net sales / Operating income



## Competitive Advantages

- Turning an array of resins into fibers using various proprietary spinning technologies
- Development and proactive deployment of sustainable products
- Capabilities in proposing value and marketing, including assessment technologies for customer applications

## Business Environment

### Opportunities

- Strengthening measures that contribute to society, such as meeting asbestos regulations
- Amid growing environmental awareness, mounting demand for materials and manufacturing methods that offer low environmental impact
- Mounting demand for high-end materials in line with performance enhancements of various industrial products

### Risks

- Competition with products from emerging countries and with other materials
- Soaring costs and difficulties in procuring raw materials and fuel, sharp exchange rate fluctuations
- Disruptions in overseas logistics in export businesses

## "PASSION 2026" Strategies and Progress

Business	Strategy	Progress to date
Clarino 	<ul style="list-style-type: none"> <li>- Expand sustainable products using recycled raw materials and bio-based raw materials while shifting to environmentally friendly manufacturing and processing processes</li> <li>- Expand the supply framework in response to the globalization of supply chains</li> </ul>	For applications such as mainstay sports shoes and luxury products, we are seeing increasing use of products made with recycled materials and made with environmentally friendly production processes that do not use organic solvents.
Fibers and Industrial Materials 	<ul style="list-style-type: none"> <li>- Expand sales of VECTRAN™ leveraging the characteristics of materials</li> <li>- Expand operations by concentrating resources on such strategic applications as rubber reinforcement and concrete reinforcement</li> <li>- Expand the breadth of product applications in fields requiring compliance with environmental regulations (e.g., asbestos substitutes)</li> </ul>	VECTRAN™ is seeing steadily growing use in industrial material applications, capitalizing on its high strength, low water absorption, and other characteristics. Although KURALON™ was impacted by weak demand in existing applications, we anticipate a return to growth in 2024 on the back of sales expansion of differentiated products that hold promise for reducing CO <sub>2</sub> emissions.
Consumer Goods and Materials 	<ul style="list-style-type: none"> <li>- Expand environmentally friendly products* and sustainable materials</li> <li>- Expand the lineup of unique products, such as MAGIC TAPE™, to meet labor-saving needs for customers' manufacturing processes</li> </ul>	The business is launching and expanding sales of a range of products, including the industry's only recyclable, environmentally friendly MAGIC TAPE™ hook-and-loop fastener made from recycled polyester yarn, and a hook-and-loop fastener for cable ties that uses the Kuraray Group's specialty resin, offering superior flexibility and holding durability.

\* Products that have acquired FSC® certification, an international forestry certification system

Detailed product information and financial data for each segment can be found in the Kuraray Fact Book.



Announcement of Financial Results

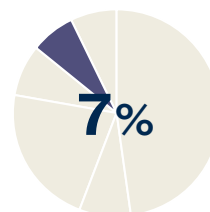


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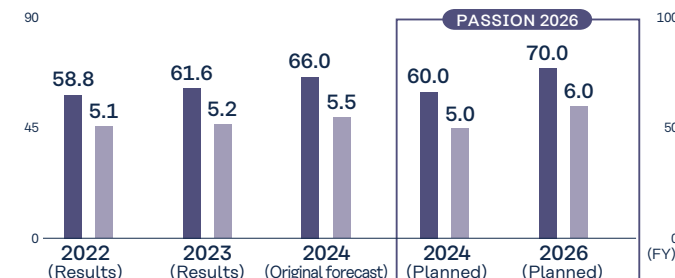
# Trading

In addition to the manufacture and sale of polyester and other fiber and textile products, we sell Kuraray Group products in Japan and other parts of Asia.

Net sales composition ratio



Net sales / Operating income



## Competitive Advantages

- Use of Kuraray's specialty yarn to build an integrated supply chain extending to sewn products
- Bases in Asia carry out technical services, production follow-up, and sales activities, contributing to business expansion

## Business Environment



### Opportunities

- Expansion of sports and outdoor product markets fueled by rising health consciousness
- Economic growth and cooperation in mainstay Asian markets

### Risks

- Soaring raw materials and fuel costs and sharp exchange rate fluctuations
- Emerging geopolitical risks and supply chain disruptions

## "PASSION 2026" Strategies and Progress

Business	Strategy	Progress to date
Fibers and Textiles 	<b>Expanding proprietary product and processing businesses</b> - Shift from raw yarn and fabric sales centered on polyester filaments to product sales including wearable gear - Expansion of value-added processed products	In the apparel sector, sales of sports apparel and outdoor wear expanded steadily in Japan and China. In the materials sector, sales of CLARINO™ man-made leather for automotive applications were brisk. In addition, in terms of sales of materials specialized for specific applications, we also worked to expand sales of CLACABO™ conductive fiber yarn. Using syndiotactic polystyrene resin for the first time, we also developed and began selling a fiber offering superior quick-drying properties and a dry feel.
Resins and Chemicals 	<b>Expanding overseas businesses</b> - Overseas expansion adapted to growing Asian markets - Utilization of Vietnamese production sites	The first half of 2023 was impacted by economic slowdowns in Asian markets, but demand recovered in the second half both in Japan and abroad. Our focus was on the development of more highly processed products offering higher added value. We decided to invest in new production facilities for soft casting thermoplastic elastomer at our Okayama Plant.

## TOPICS

### Expanding capacity of partner plant in Vietnam and operation of Kuraray Trading online store

To address brisk growth in demand for sports apparel, we expanded the capacity of sewing equipment at our partner plant in Vietnam. We plan to further boost output capacity for our printing equipment in 2024, gradually establishing a supply framework for our one-of-a-kind products.

Also, taking advantage of the new online store Kuraray Trading launched at the end of 2022, we continue to develop products that incorporate customer feedback, using this to create even better products.



Online Store (Japanese)

# Message from the Chairman of the Board of Directors



*Masaaki Ito*

Chairman and Director

**We are pursuing diversity on the Board, engaging in constructive dialogue from multiple perspectives, and helping to further enhance corporate value.**

## Multiple Perspectives Are What Stimulate Constructive Discussion

The Kuraray Group is seeking to achieve sustainable growth by creating value that contributes to the natural and living environments. In making this vision a reality, we strive to make decisions and execute business promptly and appropriately while continuing to take steps to develop and strengthen our framework for corporate governance to supervise the transparency and fairness of management and the effectiveness and efficiency of business execution.

Kuraray has established a Corporate Advisory Committee as a body that the Board of Directors can consult to consider matters such as the appointment of directors and proposals regarding remuneration. As of March 2024, the committee consists of seven members: four Outside Directors, one Outside Audit & Supervisory Board Member, and two outside experts. We designated Mr. Satoshi Tanaka, an Independent Outside Director, as the committee chairman. This change to the framework further improves the transparency, fairness, and objectivity of Kuraray's decision-making process for important management matters such as director nomination and remuneration and the cultivation of successors. I believe this will enable the committee to report the results

of consultations to the Board from a more objective, more neutral perspective, leading to further enhancement of corporate management.

With the need to address the dizzying pace of change in the business environment, the agenda of Board meetings is becoming more varied every year. Our challenge in achieving more effective management is to pursue greater diversity among Board members. The Board of Directors requires more than simply the knowledge, experience, and ability of members—I believe multiple perspectives arising from diversity, including in terms of gender and nationality, help support a truly global business and facilitate appropriate supervision and decision-making. Ms. Naoko Mikami joined the management of Kuraray in 2024 as a new Director, bringing experience in corporate management. I see the Board's diversity steadily evolving year by year. For the future, though, it will be essential to reinforce HR development and implement personnel measures to promote diversity, so that executives with diverse career backgrounds, including women, can come up through the ranks of the Company. The Corporate Advisory Committee and Board of Directors have also been engaging in repeated discussions about HR development as a key management theme, calling for efforts such as building up a talent pool through a long-term system for cultivating management candidates.

## Further Enhancing Effectiveness of the Board of Directors, Pursuing More In-Depth Discussions

Kuraray has been evaluating and verifying the effectiveness of the Board of Directors annually since fiscal 2016, seeking improvement. For fiscal 2023, to further enhance the independence and objectivity of the evaluation, we asked a third-party organization to conduct the survey to bring an outside perspective. The Board analyzed and evaluated the aggregated results. We found that Kuraray's Board of Directors is generally functioning appropriately in terms of its makeup, the operation of Board meetings, the nature of Board discussions, and the support framework for Directors and Audit & Supervisory Board Members, confirming that the effectiveness of the Board is being ensured.

One issue that came to light, however, was that the number of business items was too large for Kuraray's size, indicating the need for more in-depth discussions on certain topics, such as efforts to build a more sophisticated

business portfolio, including business downsizing and withdrawal; longer-term management strategy; and ROIC-focused management with an eye toward the cost of capital.

Fiscal 2024 marks the midway point of the five-year Medium-Term Management Plan "PASSION 2026." We intend to review the plan as we move toward 2026, the final year. As Chairman of the Board, I identified issues coming out of the management review of the first half of "PASSION 2026," including by Board members. I would like to bring greater vitality to deliberations and pursue more in-depth discussions to ensure that we are making the best possible decisions, speeding up management actions and helping to enhance corporate value.

## Continuing Efforts to Enhance Governance Rooted in Our Mission: "For people and the planet."

Regarding litigation related to the fire incident that occurred at a subsidiary in the United States in May 2018, which has long been a concern for our stakeholders, we reached settlements in April 2023 with all outstanding plaintiffs, resolving the civil lawsuit. Our response to this incident has included forming an incident investigation committee made up mainly of Outside Officers (Independent Officers), looking into the root causes of the incident and compiling and publishing measures to prevent recurrence (U.S. EVAL Plant Fire Incident Investigation Results). The phrase that guides our business activities is "safety is the cornerstone of everything we do," and we have made safety our top priority. Nevertheless, this incident made us keenly aware that the mission of Kuraray's management is to keep the lessons we learned from the incident from fading into memory, instead taking them to heart as we review and further reinforce the safety and risk management frameworks of the entire Group. We will convey the results of our verification of this incident across the Group and take steps to prevent recurrence. The Board of Directors will closely monitor progress, provide necessary advice and recommendations, and play a key role in improving safety.

There is no end to our efforts to improve not only safety but also management and governance. Kuraray's mission is: "For people and the planet." While remaining constantly grounded in this mission, we will respond flexibly to changes in society as we strive for sustainable growth. I look forward to your continued understanding and support.

# Corporate Governance

Corporate Governance Report

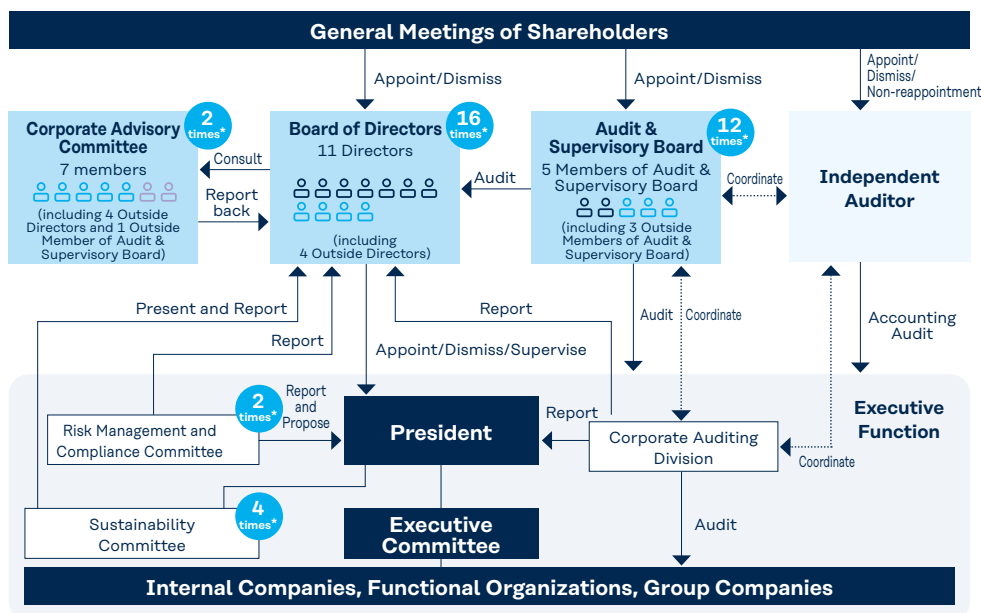
## Basic Views

The Company believes that the maintenance of appropriate relationships with various stakeholders and the fulfillment of social responsibilities through establishing a corporate governance system that ensures effective and fair management would contribute to the long-term and sustainable enhancement of corporate value.

The Company has adopted the governance system of "a company with Audit & Supervisory Board." Under this framework, the Company has established corporate governance centered on its Board of Directors and Audit & Supervisory Board to improve the effectiveness of the supervisory and monitoring function while maintaining management efficiency and to handle issues, including management remuneration, selection of new company officers, internal control and risk management.

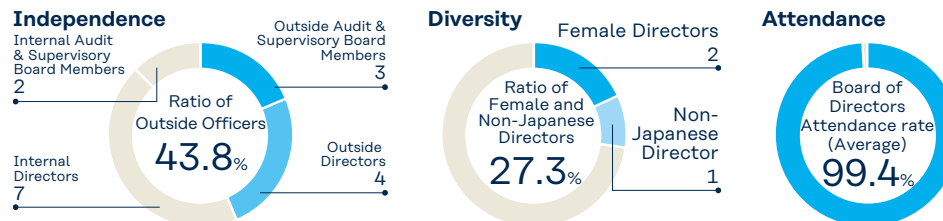
Through the above, the Company believes the effectiveness of the supervisory and monitoring function will be improved while maintaining management efficiency, contributing to the long term and sustainable enhancement of corporate value.

## Corporate Governance System (As of March 27, 2024)



\* Number of times held in 2023. Internal officers Outside officers Outside experts

## Corporate Governance Highlights



## Kuraray's Steps to Strengthen Corporate Governance

	Initiative	Purpose
2003	Reduced the maximum number and the term of office of Directors Introduced Executive Officer system	
	<b>Increased the number of Outside Corporate Auditors from two to three</b>	Strengthening the management monitoring function of Members of Audit & Supervisory Board
	Established the <b>CSR Committee</b> Established the <b>Management Advisory Committee</b>	Reinforcing the Group's CSR promotion structure Establishing an advisory body for the President
2008	<b>Introduced Outside Directors (two)</b>	Strengthening the management monitoring function of the Board of Directors
	Started early delivery of the notice of convocation of the ordinary general meeting of shareholders (at least three weeks before the date of the meeting) Started uploading an English translation of the notice of convocation of the ordinary general meeting of shareholders to the Tokyo Stock Exchange platform and the Company's website	Providing enough time for shareholders to examine each proposal Enhancing disclosure targeting overseas investors
2016	Started analysis and evaluation of the effectiveness of the Board of Directors	
2017	Split off the Risk Management and Compliance Committee from the CSR Committee	Strengthening risk management and compliance measures
2018	Abolished the Management Advisory Committee and established the <b>Corporate Advisory Committee</b> as an advisory body to the Board of Directors, comprised mainly of Outside Officers	Improving the transparency, fairness, and objectivity of decision-making on important management matters such as the appointment and remuneration of Directors, etc.
2020	<b>Increased the number of Outside Directors from three to four (one-third of the Board of Directors)</b>	Strengthening the management monitoring function and independence of the Board of Directors
2022	CSR Committee reorganized into <b>Sustainability Committee</b>	Stepping up sustainability promotion initiatives



## Corporate Governance System

### Board of Directors

The Board of Directors, which meets at least once a month, sets bylaws for the Board, deliberates and decides on statutory matters and other key management issues, and supervises business execution. The Board of Directors is chaired by the Chairman and Director. The maximum number of Directors is set at 12, to facilitate agile management decision-making by the Board, and the term of office is set at one year to clarify their responsibilities to shareholders. There are currently 11 incumbent Directors, of whom two are female and one is non-Japanese. Four are Outside Directors, who possess a wealth of experience in and broad insight into the economy, finance, and corporate management, and are responsible for supervising management from an independent, third-party standpoint.

#### Major Proposals and Reports in Fiscal 2023

- Verification of significance of holding cross-held shares
- TCFD-based climate change initiatives
- Operation of new isoprene plant in Thailand
- Verification of fire incident at EVAL plant in the United States
- HR development
- Progress of Medium-Term Management Plan "PASSION 2026"
- Capital investment
- Business planning

### Audit & Supervisory Board and Internal Audits

The Audit & Supervisory Board consists of five Members, including three independent Outside Members of Audit & Supervisory Board. Four are male and one is female. The Audit & Supervisory Board convenes monthly, in principle.

The Members of Audit & Supervisory Board meet regularly with the Independent Auditor and receive reports on audit planning, implementation status, and audit content. They also receive reports on the results of internal audits from the Corporate Auditing Division, the in-house audit department. In addition, the Members of Audit & Supervisory Board serve as corporate auditors at major Group companies and conduct Group company audits as appropriate. They also attend the periodic Group Auditor Liaison Meetings consisting of the Group company auditors to gain information on the respective companies.

There are also staff to assist the Members of Audit & Supervisory Board in carrying out their duties.

#### Main Topics Considered in Fiscal 2023

- Legal compliance, compliance framework
- Quality assurance framework
- Implementation, operation of internal control systems at various Kuraray Group companies
- Response measures related to serious accidents, epidemics, natural disasters, and other risks
- Status of efforts to secure and cultivate talent for the next generation, retain talented personnel, pass on skills, etc.
- Status of Medium-Term Management Plan "PASSION 2026"

### Corporate Advisory Committee

The Company has established a Corporate Advisory Committee composed of Outside Officers and outside experts to serve as an advisory body to the Board of Directors. The committee works to improve the transparency, fairness, and objectivity of decision-making on important management matters such as the appointment and remuneration of Directors and further enhance corporate governance. Corporate Advisory Committee meetings are held twice a year in principle.

The committee consists of seven members: four Outside Directors (Ms. Keiko Murata, Mr. Satoshi Tanaka, Mr. Kiyoto Ido, and Ms. Naoko Mikami), one Outside Member of Audit & Supervisory Board (Ms. Tomomi Yatsu), and two outside experts (Mr. Go Egami [listed under the name Mr. Haruki Kohata] and Mr. Jun Hamano). The committee is chaired by an Outside Director.

#### Major Discussions and Reports in Fiscal 2023

- Officer remuneration
- Officer personnel matters
- HR development

### Risk Management and Compliance Committee

The committee, under the direct control of the President, is tasked with ensuring the appropriate management of risks that could have a significant impact on business management, thorough compliance with laws and regulations and corporate ethics, and fair business practices. The committee identifies material risks and proposes them to the President in its regular monitoring of risks for Group companies. The President then specifies those that require countermeasures as management risks and appoints a supervising officer for each risk to implement risk avoidance and mitigation measures. This committee also reports on a range of activities to the Directors and incorporates their direction in future risk response measures. [▶ P.64](#)

### Sustainability Committee

In January 2022, the Kuraray Group established a Sustainability Committee to replace the CSR Committee.

Chaired by the President, the committee makes swift decisions regarding sustainability issues at the management level, expedites the planning and implementation of response measures, and reinforces sustainability initiatives in the Group. The Sustainability Committee also reports on a range of activities to the Board of Directors and reflects Board directives in sustainability initiatives.

#### Major Agenda Items for Fiscal 2023

- Participation in GX League
- PSA\* System assessment results
- Extending scope of TCFD scenario analysis
- Exploring concrete measures to reduce GHG emissions
- Supplier questionnaire survey in CSR procurement
- Progress of diversity and inclusion measures in Japan and abroad
- Group response to regulatory trends regarding sustainability

## Evaluation of the Effectiveness of the Board of Directors

Every fiscal year, the Company evaluates and verifies the effectiveness of the Board of Directors to make improvements as needed.

In fiscal 2023, the Company administered a signed questionnaire for evaluating the effectiveness of the Board of Directors to all Directors and Members of Audit & Supervisory Board. The secretariat of the Board of Directors aggregated the responses and opinions and analyzed and evaluated the effectiveness of the Board of Directors based on the data.

### Question Content (40 questions in total)

- Composition of the Board of Directors
- Board meeting agendas
- Operation of Board meetings
- Support system for Directors and Audit & Supervisory Board Members

## Summary of Evaluation Results

Questionnaire responses were positive overall, confirming that the effectiveness of the Board of Directors is being ensured, including the fact that Board discussions are constructive and that the recommendations and deliberations of various Directors are appropriate and draw on their respective expertise. On the other hand, responses noted issues, including the need to deepen discussions around the building of a more sophisticated business portfolio, longer-term management strategies, and management that is attuned to the cost of capital.

### Key Comments

- The composition of the Board of Directors is generally appropriate but, in addition to increasing the ratio of Outside Officers, there is a need for greater diversity, such as increasing the number of female and non-Japanese members and directors with knowledge of digital transformation and IT.
- The Board should consider increasing the number of Outside Directors with experience in corporate management.
- While the Board discusses a wide range of topics, building businesses to be the next drivers of earnings, management that is attuned to the cost of capital and stock prices, and raising up candidates to succeed the President are ongoing issues for management.
- It is desirable to foster more vigorous discussions about longer-term improvements to the portfolio and management strategies.
- The way Board meetings are run and the support framework for Directors and Audit & Supervisory Board Members have improved over the years.

## Initiatives for the Future

The Kuraray Group continues to seek to improve the effectiveness of the Board of Directors based on past evaluations of its effectiveness and issues to be considered. In March 2024, we appointed a new female director who has experience in corporate management to increase the diversity of the Board. In fiscal 2024, we will conduct a management review of the Medium-Term Management Plan, including by members of the Board of Directors, aiming to facilitate more lively, more in-depth discussions at Board meetings.

## Policies and Procedures for the Election and Dismissal of Executives\*<sup>1</sup> and the Appointment of Candidates for Directors and Members of Audit & Supervisory Board

The Company appoints individuals who have the experience, knowledge, and capabilities required for Directors of the Company at Board of Directors meetings with the attendance of Outside Officers, and elects them as Directors with a resolution of the General Meeting of Shareholders. However, candidates for Outside Directors will satisfy the criteria of independence provided separately.

The Company appoints individuals who have the experience, knowledge, and capabilities required for Members of Audit & Supervisory Board of the Company at Board of Directors meetings with the attendance of Outside Officers, and elects them as Members of Audit & Supervisory Board with a resolution of the General Meeting of Shareholders after obtaining the consent of the Audit & Supervisory Board. However, candidates for Outside Members of Audit & Supervisory Board will satisfy the criteria of independence provided separately.

The election and dismissal of Directors and the appointment and removal of Representative Directors and Directors with special titles are determined by the Board of Directors after deliberation by the Corporate Advisory Committee.

\*<sup>1</sup> The Company defines executives as Directors and Members of Audit & Supervisory Board.

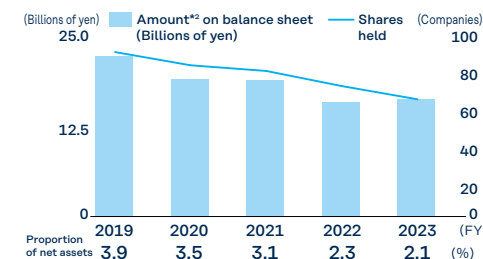
## Support System for Outside Officers

Information is shared with Outside Officers by distributing and explaining in advance the proposals to be deliberated at the regular and extraordinary meetings of the Board of Directors. Staff from the Secretariat Group of the General Affairs Department assist in sharing this information with Outside Directors. Staff are appointed to assist Members of Audit & Supervisory Board including Outside Members of Audit & Supervisory Board. Staff collect and provide information necessary for their auditing activities and offer other forms of support.

## Cross-Shareholdings

From the viewpoint of stable, long-term business operations, the Company holds the shares of its business partners and other entities if maintaining and strengthening the relationships with such business partners and other entities are deemed to contribute to the enhancement of corporate value. The Board of Directors regularly verifies the economic rationality and significance of holding shares (cross-shareholdings), and seeks to sell shares, as necessary, whose holding is deemed not to be appropriate, to reduce such stocks. In fiscal 2023, out of its cross-shareholdings in listed companies, the Company sold all stocks held in six companies and a portion of stocks held in two companies. This brought the ratio of cross-shareholdings to net assets to 2.1% as of the end of fiscal 2023.

### Status of Cross-Shareholdings



\*<sup>2</sup> Total of stocks of listed and unlisted companies

## Officers' Remuneration System

The Company's basic policy for the remuneration of its officers is to have a competitive level and system of remuneration 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. The remuneration system for Directors comprises three parts: (1) fixed remuneration as basic remuneration per job responsibilities, (2) performance-linked remuneration as an incentive to achieve yearly business results, and (3) stock-based remuneration designed to enhance corporate value over the medium to long term and sharing of value with shareholders through appropriate corporate management, provided that remuneration for Outside Directors will solely comprise fixed remuneration without performance-linked or stock-based remuneration, as their role is to supervise management from an independent standpoint.

The specific level and system of remuneration will be verified and deliberated by the Corporate Advisory Committee, made up of outside officers and outside experts, on whether the level and system of remuneration are appropriate, based on the results of a survey by a specialized external research institution on executive remuneration covering companies such as those listed on the First Section of the Tokyo Stock Exchange, and the salary of the managers of the highest level in the Company. The Board of Directors receives reports on the results from the Committee and gives it due consideration to determine the level and system of remuneration.

### Total Amount of Executive Remuneration

(FY2023)

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount by type of remuneration, etc. (Millions of yen)				Number of persons paid
		Monetary remuneration			Stock-based remuneration	
		Fixed remuneration	Performance-linked remuneration*1	Other*2	Restricted stock compensation*3	
Directors [of which Outside Directors]	512 (57)	313 (57)	168 (-)	2 (-)	28 (-)	11 (4)
Members of Audit & Supervisory Board [of which Outside Members of Audit & Supervisory Board]	95 (37)	95 (37)	-	-	-	5 (3)

\*1 Performance-linked remuneration is calculated based on net income attributable to owners of the parent ¥42.4 billion in fiscal 2023 (rounded down to the nearest ¥100 million based on figures given in the securities report).

\*2 One 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.

\*3 This is the restricted stock compensation of six Directors. Separately from the restricted stock compensation under the Scheme, another ¥13 million in restricted stock compensation was given to four Directors concurrently serving as Executive Officers of the Company as compensation to serve as Executive Officers.

### Composition of compensation, etc.



### Method for determining the amount of compensation (incentives), etc.

Performance-Linked Remuneration System	<p>The Company abolished the bonus scheme for Directors and introduced a performance-linked remuneration system in July 2006, thereby strengthening the incentives of Directors to increase the Company's corporate value. In addition, to respond to the increase in the amount of performance-linked remuneration in conjunction with improved business performance, it was resolved to increase the maximum amount of annual remuneration to Directors from ¥450 million to ¥800 million (including ¥100 million annually for Outside Directors) at the Company's 131st Ordinary General Meeting of Shareholders, held on June 22, 2012. Performance-linked remuneration is not paid to Outside Directors.</p> <p>(Calculation Method)</p> <p>As a short-term performance incentive, the performance-linked remuneration for the President will be the amount that is obtained by multiplying the amount of actual net income attributable to owners of the parent for the current fiscal year (before deducting performance-linked remuneration [bonus]) by 0.75/1000. The performance-linked remuneration for Directors will be determined by multiplying the said amount by a predetermined index corresponding to each Director's position. The amounts of performance-linked remuneration paid to Directors in charge of business units will be determined so that they partially reflect the performance of the relevant business units.</p>
Restricted Stock Compensation Plan	<p>At the 140th Ordinary General Meeting of Shareholders held on March 25, 2021, the Company resolved to abolish the existing stock option plan** and introduce a restricted stock compensation plan, with the aim of incentivizing Internal Directors and Executive Officers to improve the Company's corporate value in a sustainable manner as well as raise the degree to which they share value with shareholders. Restricted stock compensation for Directors under this plan will not exceed the annual amount of ¥90 million, separately from the maximum amount of fixed remuneration by position and performance-linked remuneration. The number of shares to be granted under the plan will not exceed 60,000 shares each year. Restricted stock compensation is not paid to Outside Directors. Monetary compensation linked to stock price (phantom stock) has been introduced in lieu of restricted stock compensation for Directors who are non-residents of Japan.</p>

\*4 The exercise of previously granted stock options held by Directors and Executive Officers on retirement will continue until such time as all Directors and Executive Officers currently holding stock options have retired.

# Executives

(As of March 27, 2024)

The reasons for the election of Directors and Corporate Auditors are disclosed in the reference documents for the general meeting of shareholders at the time of election:

 General Meeting of Shareholders

## Representative Directors



**Hitoshi Kawahara**

President and Representative Director

**Apr. 1984** Joined Kuraray Co., Ltd.  
**Apr. 2014** General Manager, Poval Film Division, Vinyl Acetate Company  
**Jan. 2016** Vice President, Vinyl Acetate Film Company  
**Mar. 2016** Executive Officer  
**Jan. 2018** President, Vinyl Acetate Resin Company  
**Mar. 2018** Managing Executive Officer  
**Mar. 2019** Director and Managing Executive Officer  
**Jan. 2021** President and Representative Director (Current position)



**Keiji Taga**

Representative Director and Senior Managing Executive Officer

**Apr. 1984** Joined Kuraray Co., Ltd.  
**Apr. 2014** General Manager, Medical Division, Functional Materials Company  
**Mar. 2017** Executive Officer  
**Jan. 2018** Officer Responsible for Corporate Management Planning Office (Current position); Officer Responsible for CSR Division  
**Mar. 2018** Managing Executive Officer  
**Apr. 2018** General Manager, Corporate Management Planning Office  
**Mar. 2019** Director and Managing Executive Officer  
**Jan. 2020** Officer Responsible for Administrative Unit  
**Jan. 2022** Officer Responsible for Corporate Sustainability Division (Current position); Officer Responsible for Global Digital Transformation Office; Officer Responsible for Accounting and Finance Division (Current position)  
**Jan. 2023** Officer Responsible for DX-IT Division (Current position)  
**Jan. 2024** Representative Director and Senior Managing Executive Officer (Current position)

## Board of Directors



**Masaaki Ito**

Chairman and Director

**Apr. 1980** Joined Kuraray Co., Ltd.  
**Apr. 2010** General Manager, Methacrylate Division, Chemicals Company  
**Jun. 2012** Executive Officer  
**Apr. 2013** Vice President, Functional Materials Company  
**Jun. 2013** Managing Executive Officer  
**Apr. 2014** Officer Responsible for Corporate Management Planning Division; Officer Responsible for CSR Division  
**Jun. 2014** Director and Managing Executive Officer  
**Jan. 2015** President and Representative Director  
**Jan. 2021** Chairman and Director (Current position)  
**Apr. 2021** Chairperson, Saijo Central Hospital (Current position)



**Yoshimasa Sano**

Director and Senior Managing Executive Officer

**Apr. 1980** Joined Kuraray Co., Ltd.  
**Apr. 2010** General Manager, Elastomer Division, Chemicals Company  
**Jun. 2012** Executive Officer  
**Apr. 2014** General Manager, Methacrylate Division, Functional Materials Company  
**Jan. 2016** Vice President, Functional Materials Company  
**Mar. 2016** Director and Managing Executive Officer  
**Jan. 2017** General Manager, Carbon Materials Division, Functional Materials Company  
**Jan. 2018** President, Functional Materials Company  
**Jan. 2020** President, Fibers and Textiles Company (Current position); Responsible for Osaka Office (Current position)  
**Mar. 2020** Director and Senior Managing Executive Officer (Current position)



**Matthias Gutweiler**

Director and Managing Executive Officer

Foreign national

**Mar. 1988** Joined Hoechst AG  
**Jun. 1996** Plant Manager, Mowiol Plant, Hoechst AG  
**Dec. 2001** Joined Kuraray Specialities Europe  
**Jan. 2009** Executive Officer, Kuraray Co., Ltd.; President, Kuraray Europe GmbH (Current position)  
**Apr. 2013** General Manager, PVB Division, Vinyl Acetate Company  
**Mar. 2018** Managing Executive Officer  
**Mar. 2020** Director and Managing Executive Officer (Current position)



**Nobuhiko Takai**

Director and Managing Executive Officer

**Apr. 1984** Joined Kuraray Co., Ltd.  
**Apr. 2014** General Manager, Genestar Division, Isoprene Company  
**Mar. 2016** Executive Officer  
**Jan. 2019** Vice President, Functional Materials Company; General Manager, Carbon Material Division, Functional Materials Company  
**Mar. 2019** Managing Executive Officer  
**Jan. 2020** President, Functional Materials Company (Current position)  
**Mar. 2020** Director and Managing Executive Officer (Current position)



**Tomoyuki Watanabe**

Director and Managing Executive Officer

**Apr. 1988** Joined Kuraray Co., Ltd.  
**Jan. 2015** General Manager, Poval Resin Division, Vinyl Acetate Resin Company; General Manager, International Business Planning Division  
**Jan. 2016** Vice President, Vinyl Acetate Resin Company  
**Mar. 2018** Executive Officer  
**Jan. 2021** President, Vinyl Acetate Resin Company (Current position)  
**Jan. 2023** Officer Responsible for Electronics Materials Promotion Division (Current position)  
**Mar. 2023** Managing Executive Officer  
**Jan. 2024** President, Vinyl Acetate Film Company (Current position)  
**Mar. 2024** Director and Managing Executive Officer (Current position)



**Keiko Murata**

Outside Director (Independent Director)

Outside Independent

**Apr. 1986** Entered Economic Planning Agency of Japan (EPA)  
**Aug. 2005** Director for Overseas Economies, Directorate General for Economic Research, Cabinet Office  
**Aug. 2006** Director for International Affairs, Secretariat of the Science Council of Japan, Cabinet Office  
**Jul. 2008** Professor, Graduate School of Social Sciences, Tokyo Metropolitan University  
**May 2015** Advisor to the President, Tokyo Metropolitan University  
**Jul. 2017** Trustee, Nippon Life Insurance Company (Current position)  
**Apr. 2018** Professor, Graduate School of Management, Tokyo Metropolitan University  
**Mar. 2020** Director, Kuraray Co., Ltd. (Current position)  
**Apr. 2022** Professor Emeritus, Tokyo Metropolitan University (Current position); Professor, Graduate School of Economics, Risho University (Current position)



## Board of Directors

**Satoshi Tanaka**

Outside Director  
(Independent Director)

Outside Independent

**Apr. 1981** Joined Mitsui & Co.  
**Apr. 2007** General Manager, Corporate Strategy & Planning, Mitsui & Co.  
**Apr. 2011** Managing Officer, Mitsui & Co.  
**Apr. 2013** Executive Managing Officer, Mitsui & Co.  
**Apr. 2015** Senior Executive Managing Officer, COO of Asia Pacific Business Unit, Mitsui & Co.  
**Apr. 2017** Executive Vice President and CAO<sup>\*1</sup>; CIO<sup>\*2</sup>; CPO<sup>\*3</sup>, Mitsui & Co., Ltd.  
**Jun. 2017** Representative Director, Executive Vice President, Mitsui & Co.  
**Apr. 2019** Director, Mitsui & Co.  
**Jun. 2019** Counselor, Mitsui & Co.  
**Mar. 2020** Director, Kuraray Co., Ltd. (Current position)  
**Apr. 2020** Outside Director, Sekisui House, Ltd.  
**Jan. 2021** Independent Director, IHH Healthcare Berhad (Current position)  
**Apr. 2021** Representative Director, Executive Vice President & Executive Officer, Sekisui House, Ltd. (Current position)

**Kiyoto Ido**

Outside Director  
(Independent Director)

Outside Independent

**Apr. 1973** Entered the Ministry of Finance (MOF)  
**Mar. 1980** Consul, Consulate-General of Japan, Frankfurt in Germany  
**Jul. 1989** Deputy General Manager, Finance Dept., Inter-American Development Bank, Washington, D.C.  
**Jul. 1998** Deputy Vice Minister of Finance for International Affairs, MOF Deputy Director-General, International Bureau, MOF  
**Jun. 1999** Minister, Embassy of Japan, Washington, D.C.  
**Jul. 2002** Deputy Director-General, International Bureau, MOF  
**Jul. 2004** Director-General, International Bureau, MOF  
**Aug. 2006** Executive Director, Bank of Japan  
**Apr. 2011** Vice Chairman, Institute for International Economic Studies  
**Mar. 2021** Director, Kuraray Co., Ltd. (Current position); Director (Outside), Japan Investment Adviser Co., Ltd. (Current position)

**Naoko Mikami**

Outside Director  
(Independent Director)

Outside Independent

**Apr. 1983** Joined Ajinomoto Co., Inc.  
**Apr. 2007** Visiting Professor, Musashino University  
**Jan. 2010** Joined C'BON COSMETICS Co., Ltd.  
**Apr. 2010** Plant Manager of Tochigi Plant, C'BON COSMETICS Co., Ltd.  
**Jun. 2011** Executive Officer in charge of Production Dept, C'BON COSMETICS Co., Ltd.  
**Jun. 2012** Board Director in charge of Production Dept, C'BON COSMETICS Co., Ltd.  
**Jun. 2017** Managing Board Director and Executive Officer, C'BON COSMETICS Co., Ltd.  
**Jun. 2019** Representative Director and Vice President, Executive Officer, C'BON COSMETICS Co., Ltd.  
**Jun. 2021** Outside Director, Showa Sangyo Co., Ltd. (Current position)  
**Mar. 2022** Outside Director, Earth Corporation (Current position)  
**Mar. 2024** Director, Kuraray Co., Ltd. (Current position)

## Members of Audit &amp; Supervisory Board

**Hiroaya Hayase**

Full-time Member of  
Audit & Supervisory Board

**Apr. 1980** Joined Kuraray Co., Ltd.  
**Apr. 2012** General Manager, Poval Resin Division, Resin Company  
**Jun. 2012** Executive Officer  
**Apr. 2013** General Manager, Poval Resin Division, Vinyl Acetate Company; and General Manager, Production and Technology Management Division, Vinyl Acetate Company  
**Jun. 2014** Managing Executive Officer  
**Jan. 2015** President, Vinyl Acetate Film Company  
**Mar. 2015** Director and Managing Executive Officer  
**Jan. 2016** President, Vinyl Acetate Resin Company  
**Mar. 2016** Director and Senior Managing Executive Officer  
**Mar. 2020** Representative Director and Senior Managing Executive Officer  
**Jan. 2021** Executive Supervisor, Vinyl Acetate Resin Company; Executive Supervisor, Vinyl Acetate Film Company  
**Jan. 2022** President, Vinyl Acetate Film Company  
**Jan. 2024** Director and Executive Officer  
**Mar. 2024** Member of Audit & Supervisory Board (Current position)

\*1 Chief Administrative Officer \*2 Chief Information Officer \*3 Chief Privacy Officer

**Naoya Uehara**

Full-time Member of  
Audit & Supervisory Board

**Apr. 1982** Joined Kuraray Co., Ltd.  
**Apr. 2013** Vice General Manager, Corporate Management Planning Division  
**Jun. 2014** Vice General Manager, GLS Division, Kuraray America, Inc.  
**Jan. 2018** Vice President, Kuraray Europe GmbH  
**Mar. 2020** Executive Officer, Kuraray Co., Ltd.  
**Jan. 2021** Assistant to the President  
**Mar. 2021** Member of Audit & Supervisory Board (Current position)

**Mitsuhiro Nagahama**

Outside Member of  
Audit & Supervisory Board  
(Independent Member of  
Audit & Supervisory Board)

Outside Independent

**Apr. 1976** Entered The Fuji Bank Limited (the present Mizuho Bank, Ltd.)  
**Apr. 2002** General Manager, Americas Non-Japanese Corporate Banking Division No. 2, Mizuho Corporate Bank, Ltd. (the present Mizuho Bank, Ltd.)  
**Mar. 2003** Executive Officer and General Manager, Otemachi Corporate Banking Division No. 6 and No. 7, Mizuho Corporate Bank, Ltd.  
**Apr. 2005** Managing Executive Officer in charge of corporate banking, Mizuho Corporate Bank, Ltd.  
**Mar. 2006** Managing Executive Officer, Head of the Americas, Mizuho Corporate Bank, Ltd.  
**Apr. 2010** Deputy President, Head of the Americas, Mizuho Corporate Bank, Ltd.  
**Apr. 2013** Chairman of the Board, Mizuho Securities Co., Ltd.; Chairman of the Board, Mizuho Securities USA Inc.  
**Apr. 2015** Senior Advisor, Mizuho Securities Co., Ltd.  
**Jun. 2015** Outside Audit & Supervisory Board Member, Azbil Co., Ltd.  
**Mar. 2018** Member of Audit & Supervisory Board, Kuraray Co., Ltd. (Current position)  
**Mar. 2019** Outside Director, Tokyo Tatemono Co., Ltd.  
**Jun. 2019** Outside Director, Azbil Co., Ltd. (Current position)  
**Jun. 2020** Outside Director, NSK Ltd. (Current position)

**Tomomi Yatsu**

Outside Member of  
Audit & Supervisory Board  
(Independent Member of  
Audit & Supervisory Board)

Outside Independent

**Apr. 1983** Entered Tokyo Electron Ltd.  
**Oct. 1986** Entered Tohmatsu Awoki & Sanwa (the present Deloitte Touche Tohmatsu LLC)  
**Sep. 1990** Registered as a Certified Public Accountant  
**Oct. 2001** Registered with Tokyo Bar Association; Entered Shin-Tokyo Sohgo Law Office (later merged with Bingham Sakai Mimura Aizawa-Foreign Law Joint Enterprise)  
**Jun. 2009** Outside Audit & Supervisory Board Member, Calbee, Inc.  
**Jun. 2010** Outside Audit & Supervisory Board Member, Taiko Pharmaceutical Co., Ltd.  
**Mar. 2012** Outside Audit & Supervisory Board Member, KOKUYO Co., Ltd.  
**Mar. 2015** Outside Audit & Supervisory Board Member, Yamaha Motor Co., Ltd.  
**Apr. 2015** Partner, TMI Associates  
**Jun. 2016** Outside Director, SMBC Nikko Securities Inc. (Current position)  
**Jun. 2017** Outside Audit & Supervisory Board Member, IHI Corporation  
**Mar. 2019** Member of Audit & Supervisory Board, Kuraray Co., Ltd. (Current position)  
**Mar. 2021** Outside Audit & Supervisory Board Member, Kyowa Kirin Co., Ltd. (Current position)  
**Apr. 2022** Representative, Yatsu Law & Accounting Office (Current position)

**Kenji Komatsu**

Outside Member of  
Audit & Supervisory Board  
(Independent Member of  
Audit & Supervisory Board)

Outside Independent

**Apr. 1978** Entered Mitsubishi Corporation  
**Feb. 1996** Entered GE International Inc.  
**Jul. 2005** Representative Director and President, Ecolab Inc. (the present Ecolab GK)  
**Apr. 2007** Senior Vice President, Ecolab Inc.  
**Dec. 2010** Senior Executive Officer, SANDEN CORPORATION  
**Nov. 2011** Entered Bain Capital Asia, LLC  
**Mar. 2013** Director, President and CEO, BELLSYSTEM24, Inc.  
**Mar. 2016** Director and Chairman, BELLSYSTEM24 Holdings, Inc.  
**Jun. 2016** Advisor, COACH A Co., Ltd.  
**Dec. 2018** Advisor, API Consultants CO., LTD.  
**Mar. 2019** Member of Audit & Supervisory Board, Kuraray Co., Ltd. (Current position)  
**May 2020** Executive Vice President, FUJITSU COMPONENT LIMITED (the present FCL COMPONENTS LIMITED)  
**Oct. 2022** Director, FCL COMPONENTS LIMITED  
**Jan. 2023** Chairman and Representative Director, Longreach Business Partners Inc. (Current position)

### Managing Executive Officers

Akira Omura	Officer Responsible for Technology Division; Officer Responsible for Plants in Japan; Officer Responsible for Environmental and Industrial Safety Management Center
Toshihiro Omatsu	Officer Responsible for Innovation Networking Center; Officer Responsible for Research and Development Division; Officer Responsible for IP Management Center
Satoru Fujinami	Officer Responsible for General Affairs and HR Division; Officer Responsible for Confidential Information Management; Officer Responsible for Purchasing and Logistics Division
Yoji Ikemori	President, Isoprene Company; General Manager, Genestar Division

### Executive Officers

Stephen Cox	General Manager, Advanced Interlayer Solutions Division
Koichi Takano	General Manager, Purchasing and Logistics Division
Takaharu Kawahara	President, Kuraray America, Inc.
Fuyuo Ueyama	General Manager, Poval Film Division
Stevan R. Schott	General Manager, Environmental Solutions Division; President, Calgon Carbon Corporation
Kazushige Sakamoto	General Manager, Okayama Plant
Koichi Daifuku	General Manager, Electronics Materials Promotion Division
Junichi Fujiwara	General Manager, Corporate Management Planning Office
Hideo Ohi	General Manager, Corporate Auditing Division
Hiroyuki Shimo	General Manager, EVAL Division
Yoshinobu Nakamura	General Manager, Methacrylate Division
Akiko Ide	General Manager, Corporate Sustainability Division
Nobuyoshi Takai	General Manager, Fibers and Industrial Materials Division
Christian Herrmanns	General Manager, MonoSol Division; President, MonoSol
Stanley Fukuyama	General Manager, DX-IT Division
Satoshi Yamaguchi	General Manager, Medical Division; President, Kuraray Noritake Dental Inc.
Noriaki Namba	General Manager, Accounting and Finance Division

## Main Areas of Expertise and Experience of Directors and Members of Audit & Supervisory Board\*<sup>1</sup>

	Name	Attendance rate* <sup>2</sup>		Knowledge, Experience of Officers								
		Board of Directors	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	100%	—	○	○	○						
	Keiji Taga	100%	—		○	○			○	○		
	Masaaki Ito	100%	—	○	○		○	○				
	Yoshimasa Sano	100%	—		○	○						
	Matthias Gutweiler <small>Foreign national</small>	94%	—	○	○		○	○				
	Nobuhiko Takai	100%	—		○	○						
	Tomoyuki Watanabe	—	—	○	○		○	○				
	Keiko Murata <small>Outside Independent</small>	100%	—		○					○	○	
	Satoshi Tanaka <small>Outside Independent</small>	100%	—	○	○	○						○
	Kiyoto Ido <small>Outside Independent</small>	100%	—		○					○	○	
Members of Audit & Supervisory Board	Naoko Mikami <small>Outside Independent</small>	—	—	○			○	○				
	Hiroaya Hayase	100%	—	○	○		○	○				
	Naoya Uehara	100%	100%		○				○			
	Mitsuhiro Nagahama <small>Outside Independent</small>	94%	100%	○	○					○		○
	Tomomi Yatsu <small>Outside Independent</small>	100%	100%						○	○		
	Kenji Komatsu <small>Outside Independent</small>	100%	100%	○	○	○						

\*<sup>1</sup> The above table shows up to four areas of knowledge or experience possessed by Directors or Members of Audit & Supervisory Board. It does not represent all of their knowledge or experience.

\*<sup>2</sup> Attendance rate from January 2023 to December 2023.

# Risk Management and Compliance



Risk Management



Group Compliance

## Risk Management Promotion System

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 organizations 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. From among these, the Risk Management and Compliance Committee discusses and selects serious risks that have a high potential impact on management and require a Group-level response to mitigate. The President then designates these as critical management risks and reports them to the Board of Directors, while assigning them to an officer in charge. 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. The Committee also 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 underlying approach to risks. The priority issues clarify the tasks the organization needs to address to mitigate priority risks, indicating the way to steadily implement response measures.

Management risks in 2024 were categorized into three priority risks and nine risks requiring ongoing monitoring as identified in the risk management policy, and appropriate response measures will be taken for each. The risks requiring ongoing monitoring in 2024 are: risks concerning product quality, regulations of chemical substances, natural disasters, bribery, antitrust violations, intellectual property risks, harassment, and the securing of human resources at production sites. We also added respect for human rights, which has become a strong social concern in recent years and is regulated overseas by law.

### Kuraray Group Risk Management Policy in Fiscal 2024

#### 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, give the top priority to earn the trust from society, to secure the safety and health of our employees, local communities, customers and business partners and then implement measures to achieve business continuity or early recovery.

#### Priority Issues in Fiscal 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 PSM (Process Safety Management) Auditing Team taking into account the issues related to the safety management system at each overseas affiliates, and promote improvements.
- 3) Further improve the accuracy and effectiveness of BCP (Business Continuity Plan) 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.

## Initiatives on Priority Issues in Fiscal 2023

### Priority Issues in Fiscal 2023

- 1) Further reinforce management of confidential information by implementing ongoing measures to shore up information security throughout the Group.
- 2) Continue to implement measures to strengthen operation and facility management at overseas plants to reduce the risk of process accidents. At the same time, through the activities of the Global Process Safety Management Audit Team and other actions, identify issues in the safety management frameworks of overseas affiliates and work to improve them.
- 3) Review all elements, including commodity materials, from a supply chain perspective to address supply risks affecting raw materials, fuels, secondary materials, and equipment. Further improve the accuracy and efficiency of business continuity planning (BCP) by putting in place risk countermeasures, starting with high-priority measures in the BCP of each business.

#### Priority Issue 1

In January 2023, we strengthened IT security by globally introducing a highly secure data storage system. In September 2023, we established a portal site to promote awareness and communication with regard to confidential information, which presents in-house regulations on the handling of confidential information, notably the Kuraray Group Confidential Information Management Policy, and provides information on relevant educational programs.



Preventing Leakage of Confidential Information

#### Priority Issue 2

Since 2019, members from Japan have been conducting safety audits of chemical plants outside Japan. In 2022, a Global Process Safety Management (PSM) Audit Team made up of in-house experts from across various country sites in the Group started up activities to gauge and take steps to address overseas security risks. In 2023, we confirmed the management status of the environmental and industrial safety departments at our major production subsidiaries in Europe and the United States, identifying issues and making recommendations. We also laid the groundwork for onsite audits by the Global PSM Audit Team due to be conducted in 2024.



Safety Audits for Chemical Plants outside Japan

#### Priority Issue 3

Based on the findings of our analysis of priority production areas and the risk of suspension of the supply of raw materials in each business, we continued to formulate and implement a succession of risk-mitigation measures, starting with high-priority raw materials.

## Group Compliance

The statement “Our Commitment” outlines the principles of conduct to which the Kuraray Group should adhere in its business activities, which involve diverse points of contact with society. Our Code of Conduct serves as a guideline for putting the commitment into practice in day-to-day operations. We distribute a Compliance Handbook to all Group employees in Japan and overseas to familiarize them with the clear commitment of top management to compliance with laws and regulations and with “Our Commitment,” which contains an easy-to-understand explanation of the Code of Conduct. In addition, we have appointed compliance officers at plants and overseas offices of Kuraray and Group companies, and have organized regional compliance committees, linked to the activities of the Risk Management and Compliance Committee, to raise awareness of compliance throughout the Group.

## Whistleblower System

We have set up a Kuraray Group Employee Counseling Room and a Global Compliance Hotline for Group employees around the world as an internal reporting system for either preventing or detecting and resolving at an early stage any compliance violations. Consultation and reporting can be anonymous, and we have put strict regulations in place to protect people making reports from being treated unfairly. In 2023, the Kuraray Group Employee Counseling Room handled 31 consultations in Japan.

We replaced the Audit & Supervisory Board Hotline, established as a contact for whistleblowers independent of executive management, with a governance hotline whose point of contact is an external law office that differs from a corporate consultancy. The new framework began operating in January 2023.

	FY2019	FY2020	FY2021	FY2022	FY2023
Kuraray Group Employee Counseling Room Consultations in Japan	35	23	11	29	31

### Departmental Compliance Education

Since 2017, Group employees in Japan have undergone departmental compliance education once a year to promote greater compliance awareness and a more openness organizational culture. In fiscal 2023, staff at the general manager level at Group companies in Japan attended a lecture on the work-life balance and deliberated ways of leading discussions to facilitate active contributions. Lecture participants drew on what they had learned to organize active discussions in their various departments on how to create a supportive workplace, identifying issues in the working environment and improving inter-departmental communication. This approach is designed to instill compliance awareness in all Group employees in Japan.



# Message from an Outside Director



**Satoshi Tanaka**

Outside Director  
(Independent Director)  
Chairman of Corporate  
Advisory Committee

**I want Kuraray to continue to be a company that pursues its mission—“For people and the planet”—contributing to society and delivering satisfaction while flexibly reforming the business.**

## Applying a critical outsider's eye to contribute to improved management quality

Corporate governance could be described as the process of management quality control. Regardless of the company, it sometimes happens that what is taken to be normal practice within the organization is seen as irregular by the rest of society. I think the role of an outside director is to bring a third-party perspective to management oversight to keep that kind of discrepancy from creeping in.

Having myself have been involved in management in a number of companies, I know that management consists of making a series of complex and difficult decisions. It is natural for mistakes and failures to occur from time to time. The important thing is to recognize these mistakes or failures forthrightly, investigate their cause, and work out a process that

will lead to the right decision next time. The approach of Chairman Ito, who chairs the Board of Directors, and the other internal directors is to respond seriously to constructive criticism from us outside directors by presenting and executing an action plan. I believe that this approach has made a major contribution to improving the quality of the Kuraray Group's management.

## Our immediate tasks are to create new businesses and further promote diversity

The Kuraray Group faces two key tasks to achieve further significant growth.

One is the creation of new businesses. There are several candidate businesses that have yet to develop into earnings sources that contribute to corporate growth. History shows, however, that even where the startup phase has been difficult, Kuraray has a record of successfully cultivating new businesses into core businesses by persevering and refusing to give up. In 2026, the final year of "PASSION 2026" which also marks Kuraray's 100th anniversary, I will be watching closely with the expectation of concrete results.

At the same time, it is also important to know when to step back. The stubborn pursuit of every business ends up with a fragmented portfolio, which is likely to impede performance. Management executives need to think carefully about the right time to withdraw from a business. As an outside director, I am also committed to being actively involved in that decision-making process.

The second task is to further promote diversity. As its overseas business has expanded, the Kuraray Group has welcomed non-Japanese directors to the management team, so I recognize that for a Japanese company it has achieved a certain degree of diversity. However, it still has very few female executives, consisting of two outside directors and one outside member of the Audit & Supervisory Board. If Kuraray

can create an environment that really empowers female employees to participate actively so as to form a critical mass\* of female managers, that will increase the number of role models for the next generation. I think Kuraray will then be able to evolve as a company where women can play a more active part. In the future, I look forward to seeing more female directors rising from the ranks.

For the Kuraray Group to succeed as a truly global enterprise, it also needs to move forward more swiftly with the optimal allocation of human resources. Specifically, talented human resources should not only be sent overseas from Japan but should also be brought to Japan from overseas. This two-way system of human resource rotation will both create a sense of global unity and promote diversity. This will in turn enhance the quality of human resources and lead to sustainable growth as the company of choice for customers.

\* A group can be said to have reached a critical mass when it has passed a certain point at which, although not in the majority, its presence cannot be ignored and it is able to secure the right to be heard.

## I want to see Kuraray continuing to grow in line with its corporate mission statement "for people and the planet"

The Kuraray Group started out as a manufacturer of synthetic fiber, but has subsequently diversified its business portfolio dramatically. It is unlikely anyone in the early days imagined it would become the Specialty Chemical Company that it is today. That happened because, over the generations, the Kuraray Group has stuck faithfully to its mission of acting "for people and the planet," as part of which it has made flexible adaptations to its business. Going forward, I hope that Kuraray will continue to adapt in the same way, which I take to be the Kuraray way. I also want to see it develop unique "Kuraray" businesses to continue contributing to society and delivering satisfaction to its stakeholders. I will continue to support those efforts in every way I can.

# Corporate Overview / Stock Information / Inclusion in ESG Indexes

See the corporate website for details on the various indexes.

 External Evaluations of IR Activities

## Corporate Overview (As of December 31, 2023)

Company Name	Kuraray Co., Ltd.
President and Representative Director	Hitoshi Kawahara
Established	June 1926
Head Office	Tokiwabashi Tower, 2-6-4, Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
URL	<a href="https://www.kuraray.com">https://www.kuraray.com</a>
Capital	JPY89 billion
Employees (Consolidated)	11,906
Group Companies	76 consolidated subsidiaries, two equity-method affiliates
Major Overseas Operations	United States, Germany, Belgium, China, Korea, Singapore, Thailand

 Main Group Locations

## Inclusion in ESG Indexes (As of April 30, 2024)

Kuraray has been included in the following ESG investment indexes.



FTSE4Good



FTSE Blossom Japan



FTSE Blossom Japan Sector Relative Index



2023 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

MORNINGSTAR GenDi J

Japan ex-REIT Gender Diversity Tilt Index

TOP CONSTITUENT 2024

## Stock Information

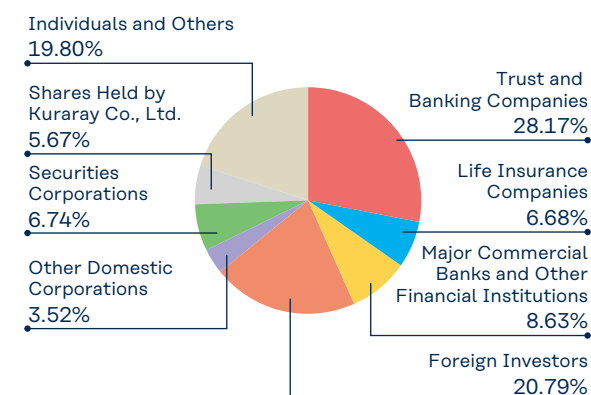
Securities Code	3405
Issued and Outstanding Shares	354,863,603 shares (including 20,107,257 shares of treasury stock)
Number of Shareholders	99,733
Domestic Stock Exchange Listing	Prime Market in Tokyo Stock Exchange
Shareholder Register Agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8223, Japan
Independent Auditor	PricewaterhouseCoopers Japan LLC

## Major Shareholders

Name of shareholder	Number of shares held (thousands)
The Master Trust Bank of Japan, Ltd. (Trust Account)	64,245
Custody Bank of Japan, Ltd. (Trust Account)	29,688
National Mutual Insurance Federation of Agricultural Cooperatives	10,882
Nippon Life Insurance Company	10,448
Kuraray Employee Stock Ownership Plan	6,166
JPMorgan Securities Japan Co., Ltd.	6,121
Meiji Yasuda Life Insurance Company	5,372
THE BANK OF NEW YORK MELLON 140042	4,869
Kuraray Business Partner Stock Ownership Plan	4,697
Japan Securities Finance Co., Ltd.	4,611

Note: Kuraray Co., Ltd. holds 20,107,257 shares of treasury stock.

## Shareholder Composition (Shareholding Ratio)



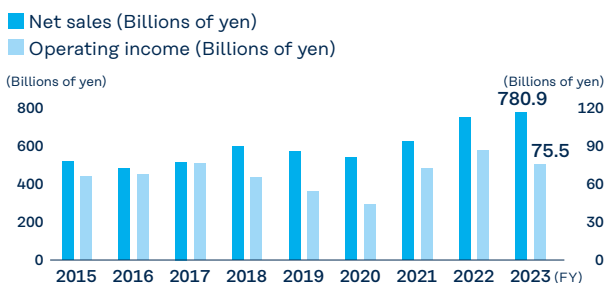
# Financial and Non-Financial Highlights

See the fact book for an 11-year financial summary (consolidated).

Fact Book

## Financial Data

Net sales **¥780.9 billion**  
Operating income **¥75.5 billion**

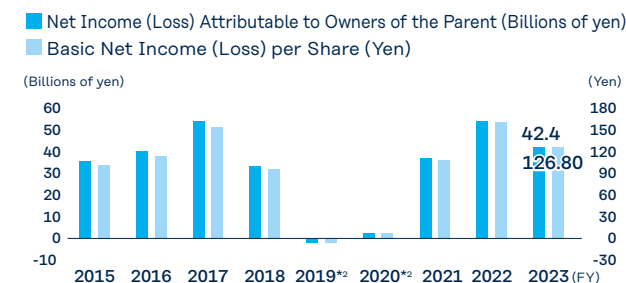


Products with top global market share\*1 **¥474.9 billion**  
Sales ratio of products with top global market share\*1 **61%**



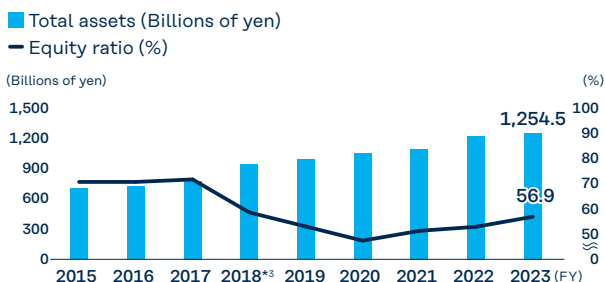
\*1 In-house survey

Net income attributable to owners of the parent **¥42.4 billion**  
Basic net income per share **¥126.80**



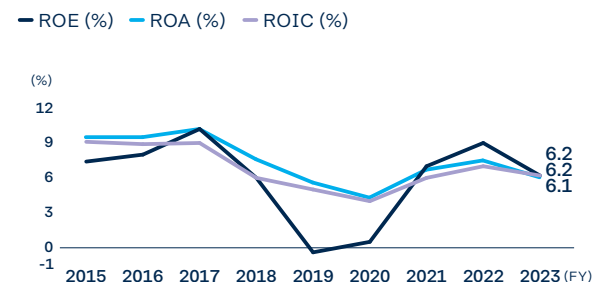
\*2 Net income attributable to owners of the parent declined significantly due to the recording of an extraordinary loss of approximately ¥51 billion in fiscal 2019 and approximately ¥22 billion in fiscal 2020 for litigation surrounding a fire incident at a subsidiary in the United States.

Total assets **¥1,254.5 billion**  
Equity ratio **56.9%**



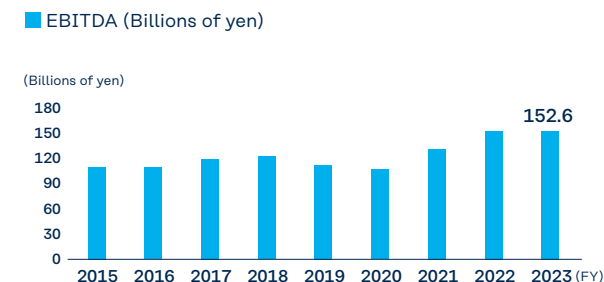
\*3 In fiscal 2018, total assets increased due to the inclusion of Calgon Carbon Corporation in the scope of consolidation.

ROE\*4 **6.2%** ROA\*5 **6.1%**  
ROIC\*6 **6.2%**



\*4 Return on equity (ROE) = Net income attributable to owners of the parent / Average shareholders' equity x 100 (%)  
\*5 Return on assets (ROA) = Operating income / Average total assets x 100 (%)  
\*6 Return on invested capital (ROIC) = Net operating income after tax / (Interest-bearing debt + Shareholders' equity) x 100 (%)

EBITDA\*7 **¥152.6 billion**

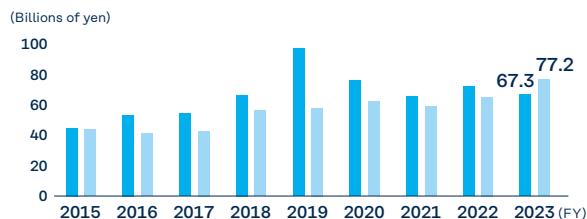


\*7 EBITDA = Operating income + Depreciation and amortization

## Non-Financial Data

Capital expenditure\*8 ¥**67.3** billion  
 Depreciation and amortization ¥**77.2** billion

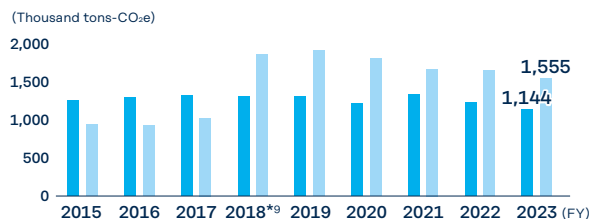
■ Capital expenditure (Billions of yen)  
 ■ Depreciation and amortization (Billions of yen)



\*8 Capital expenditure is on an acceptance basis.

Greenhouse Gas (GHG) Emissions  
 Kuraray Group in Japan **1,144** thousand tons-CO<sub>2</sub>e  
 Kuraray Group outside Japan  
**1,555** thousand tons-CO<sub>2</sub>e

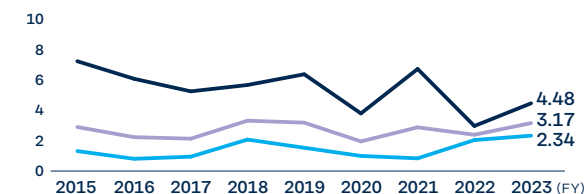
■ Kuraray Group in Japan  
 ■ Kuraray Group outside Japan



\*9 Calgon Carbon Corporation has been included in data since fiscal 2018.

Frequency Rate of All Occupational Injuries\*10  
 Kuraray Group as a whole **3.17**  
 Kuraray Group in Japan **2.34**  
 Kuraray Group outside Japan **4.48**

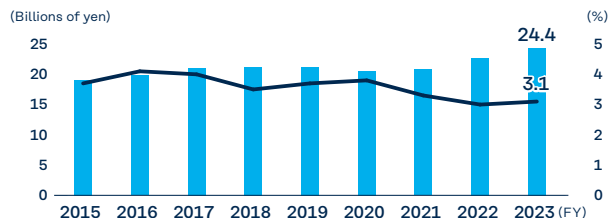
— Kuraray Group as a whole  
 — Kuraray Group in Japan — Kuraray Group outside Japan



\*10 Number of all occupational injuries (lost-time and no lost-time injuries) per million working hours.

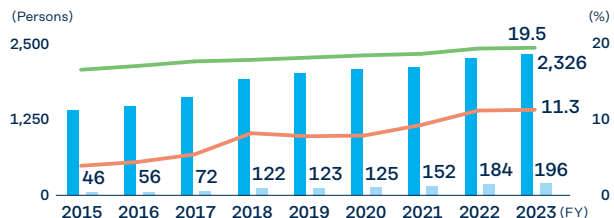
R&D expenses ¥**24.4** billion  
 R&D expenses ratio **3.1%**

■ R&D expenses (Billions of yen)  
 — R&D expenses ratio (%)



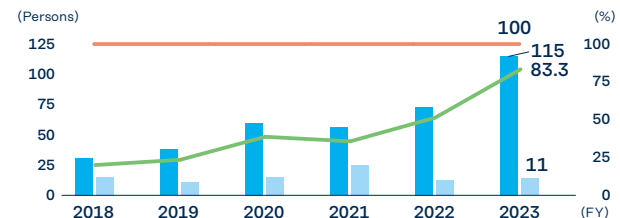
Number of female employees **2,326**  
 Ratio of female employees **19.5%**  
 Number of female managers **196**  
 Ratio of female managers **11.3%**

■ Number of female employees (Persons) — Ratio of female employees (%)  
 ■ Number of female managers (Persons) — Ratio of female managers (%)



Number of employees taking childcare leave\*11  
 Men **115** Women **11**  
 Ratio of childcare leave-taking\*11  
 Men **83.3%** Women **100%**

■ Number of male employees (Persons) — Ratio of male employees (%)  
 ■ Number of female employees (Persons) — Ratio of female employees (%)



\*11 Number and ratio of employees for Kuraray Co., Ltd.





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