

Toward Co-Creating Value with Society 1

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.

Looking Back at Our Path

Previous Medium-Term Management Plan “PROUD 2020” (2018–2020)

Measures and Results

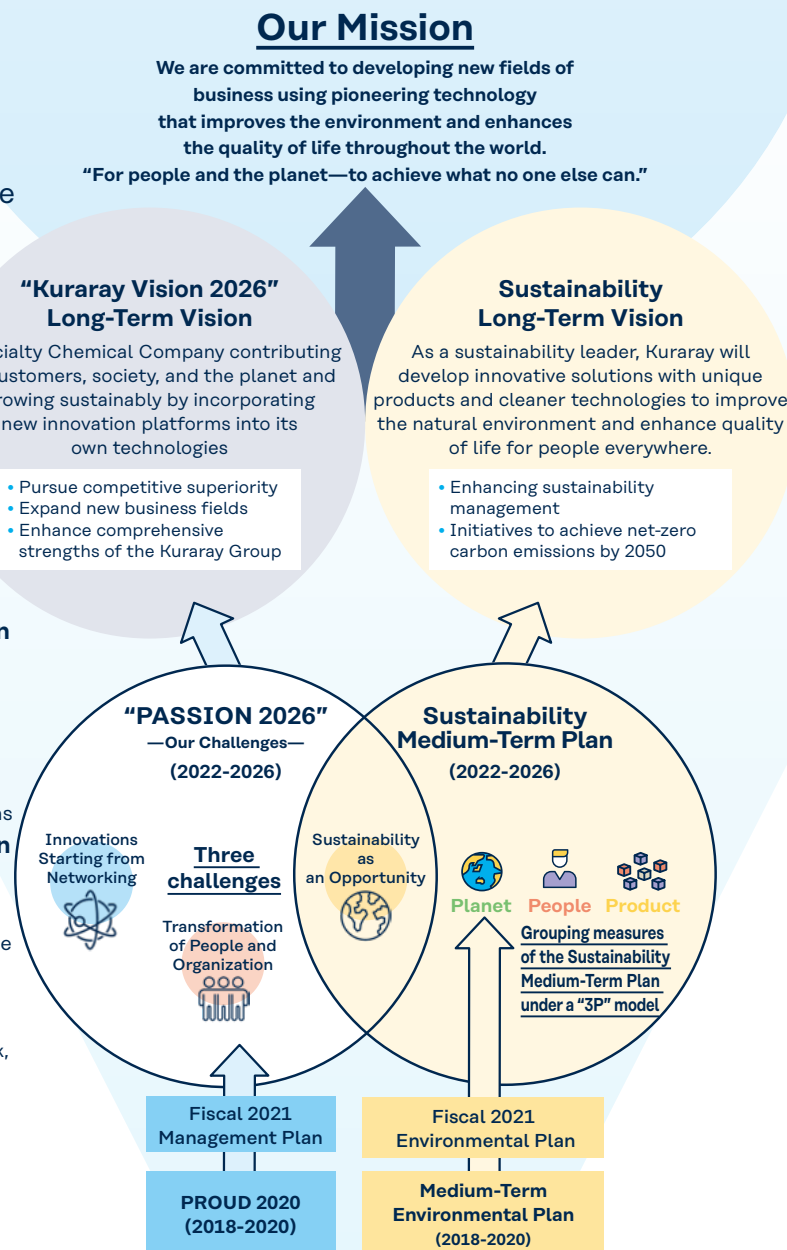
- ◆ **Pursue competitive superiority**
 - Acquired Calgon Carbon Corporation in the United States. Decided to expand production facilities for virgin activated carbon (United States) and reactivated carbon (Belgium)
 - Decided to invest in a new plant in Thailand for the isoprene business
 - Boosted 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 in Japan for VECSTAR™ liquid crystal polymer film
 - Decided to invest in resin production facilities in the United States for PLANTIC™ biomass-derived gas barrier material
- ◆ **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*

Measures and Results

- ◆ **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 (INC)

* 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.



Two Long-Term Visions

Since its founding in 1926, the Kuraray Group has grappled head-on with ways of addressing social issues through its business activities. This stance is part of the DNA that has been passed down throughout our history. In 2022, we added a message to “Kuraray Vision 2026”—the long-term vision that describes the kind of company we want to be when we mark our 100th anniversary in 2026—namely, “contributing to customers, society, and the planet.” In our Sustainability Long-Term Vision as well, we convey our determination to continue helping to address social issues across the Group through forward-looking measures to achieve sustainability. Based on the pioneering technology we have cultivated over the years, we will continue to seek after sustainable growth and endeavor to fulfill our mission.

Medium-Term Management Plan “PASSION 2026”

Based on our “Kuraray Vision 2026” long-term vision and Sustainability Long-Term Vision, the Kuraray Group launched “PASSION 2026” as a five-year action 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 in order to continue growing. These are: “Sustainability as an opportunity,” “Innovations starting from networking,” and “Transformation of people and organization.”

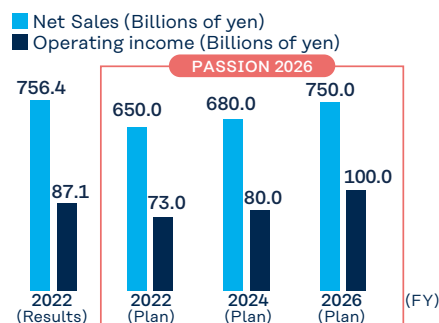
We are working to turn our vision into a reality by working together as a Group to take on these challenges.



Management Targets

Through the steady implementation of the “PASSION 2026” management strategy, the Kuraray Group targets 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 emissions, the sales ratio of products that contribute to the natural and living environments, and the diversity of core human resources.



	FY2022 Results	Assumptions during the Medium-Term Management Plan period
JPY/USD	132	110
JPY/Euro	138	130
Domestic naphtha (JPY 1,000/kl)	75	58

Financial KPIs

	FY2022 result	FY2026 target
ROIC	7.0%	8%
EBITDA*1	¥152.6 billion	¥170.0 billion
ROE	9.0%	10%
EBITDA Margin (reference)	20.2%	23%

*1 Operating income + depreciation and amortization

Non-financial KPIs

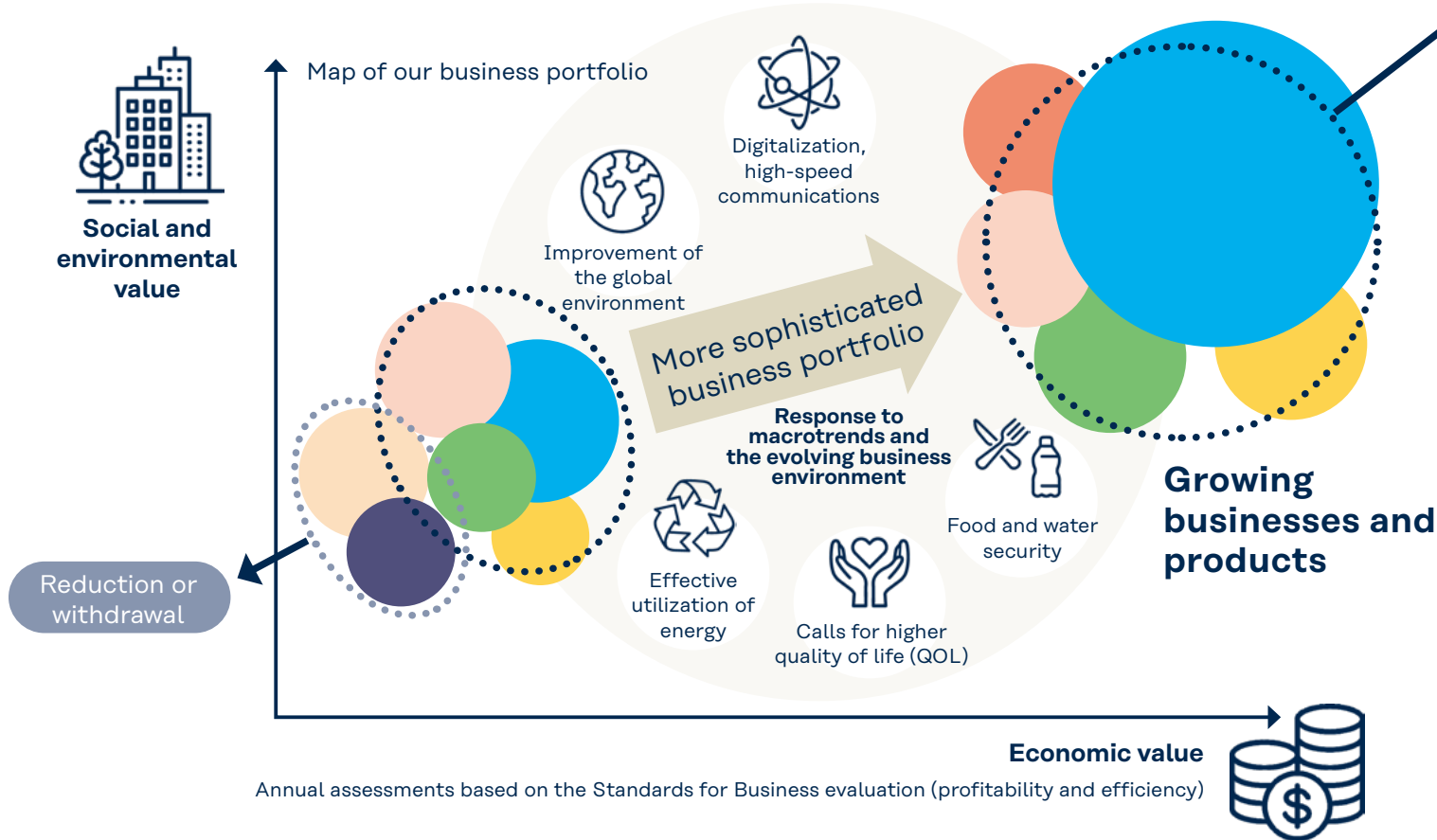
	Benchmark	FY2022 result	Target
GHG emissions (Scope 1, 2)	3,230 thousand tons-CO ₂ e (in FY2019)	2,896 thousand tons-CO ₂ e	FY2030 2,230 thousand tons-CO ₂ e (30% less than benchmark)
Sales ratio of products contributing to natural and living environment	46% (in FY2020)	54%	FY2026 60%
Ensuring diversity of core human resources*2	12% (in Sep. 2021)	13%	FY2030 25%

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

Toward Co-Creating Value with Society 2

Building a More Sophisticated Business Portfolio

As a Specialty Chemical Company with strengths in intermediate materials, the Kuraray Group strives to achieve sustainable growth by maximizing the potential of these materials. We will build a more sophisticated business portfolio while addressing macro trends and calls to contribute to the environment and to the quality of life, including by continuing to explore new combinations of materials as well as their applications and target regions. Meanwhile, we will evaluate the portfolio using the two axes of social and environmental value and economic value.



Main businesses and products targeted for priority resource allocation

-  **Water-soluble PVOH film**
-  **EVAL™ EVOH resin**
-  **Carbon materials**
-  **Dental materials**
-  **Highly functional plastics**
 • GENESTAR™ heat-resistant polyamide resin
 • VECSTAR™ liquid crystal polymer film etc.
-  **Optical-use poval film**

Assessing Social and Environmental Value and Economic Value

Based on our Basic Policies for Portfolio Management, we assess the economic value of businesses and products by means of the Standards for Business Evaluation, which use the twin indicators of earning power (operating cash flow) and efficiency (ROIC). For social and environmental value, 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 widely used by

*1 World Business Council for Sustainable Development.

*2 A mechanism for creating economic incentives to reduce emissions and save energy, promoting low-carbon investment and encouraging climate change response by setting an internal carbon price and using it to calculate a monetary cost of emissions.

other chemical manufacturers, mainly in Europe, as well as use internal carbon pricing (ICP)*2.

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, depending on the situation. 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.

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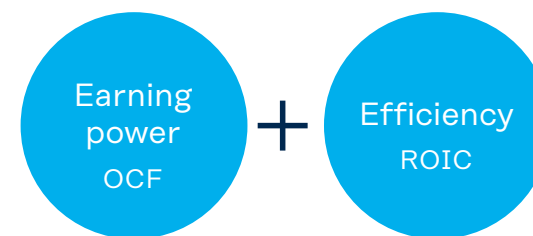
Basic Policies for Portfolio Management

- 1 We aim to develop a business portfolio focused on fulfilling Our Mission, as defined under our corporate statement, in a way that aligns with our recognition of the internal and external conditions.
- 2 We aim to secure a solid and stable business portfolio encompassing multiple core businesses serving as earnings pillars.
- 3 We periodically assess the potential of each business based on clearly defined quantitative internal standards. **Economic value**
- 4 In addition to undertaking quantitative assessments, we assess each business based on qualitative standards (contribution to the environment and society, synergies arising from combinations with other business, etc.). **Social and environmental value**
- 5 Based on the results of the quantitative and qualitative assessments, we review allocations of resources and decide to expand, maintain, reduce or withdraw from each business.

Evaluation Indicators

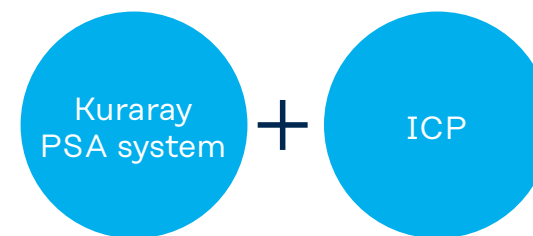
Economic value

We make use of the Standards for Business Evaluation, which utilize the twin indicators of earning power (operating cash flow: OCF) and efficiency (ROIC).



Social and environmental value

We assess value using the Kuraray PSA system based on the PSA product portfolio evaluation method established by the WBCSD, which offers a high degree of objectivity and transparency and is also used by other chemical manufacturers, mainly in Europe. We also use internal carbon pricing (ICP).



Toward Co-Creating Value with Society 3

Visualizing and Quantifying Social and Environmental Value

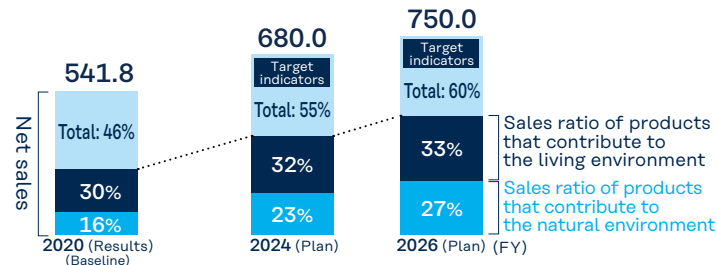
Seeking to expand the product lineup from the starting point of contributing to the natural and living environments

The Kuraray Group has identified material issues relevant to the Company as 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 5-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.

Net sales, target indicators

(Billions of yen)



Materiality of the Kuraray Group

Creating Value through Business

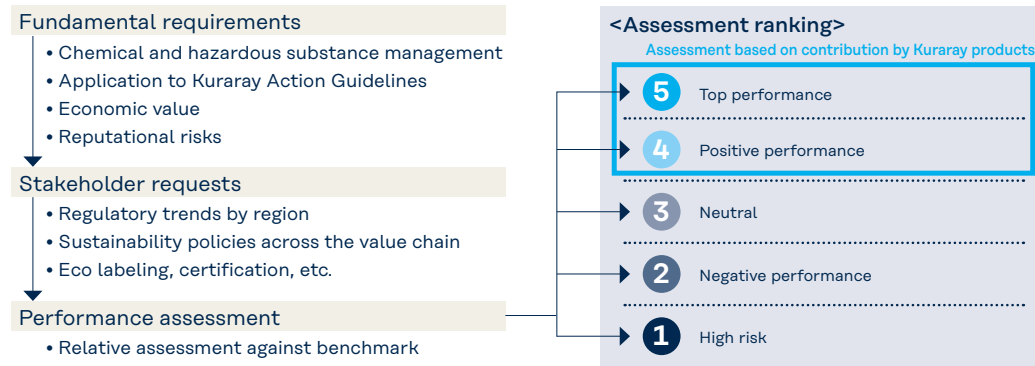
Improving the natural environment	Improving the living environment
<ul style="list-style-type: none"> - Climate change measures—GHG reduction and energy conservation - Solution of marine plastics and plastic waste - Water and air purification 	<ul style="list-style-type: none"> - Biodiversity conservation - Development of next-generation applications, products, and technologies - Circular economy
	<ul style="list-style-type: none"> - Contribution to the safe and reliable supply of food and water - Improvement of quality of life - Promotion of health and wellness for all

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”
<ul style="list-style-type: none"> - Reduction of GHG emissions - Reduction of chemical emissions - Reduction of waste volume and intensity - Reduction of marine plastics and plastic waste 	<ul style="list-style-type: none"> - Sustainability procurement - Improvement of product stewardship 	<ul style="list-style-type: none"> - Promotion of safety activities - Improvement of safety and disaster prevention preparedness - Enhancement of technology and working smarter - Promotion of workplace diversity and inclusion

Materiality Procedure to Identify Materiality

Assessment of contribution using Kuraray PSA system



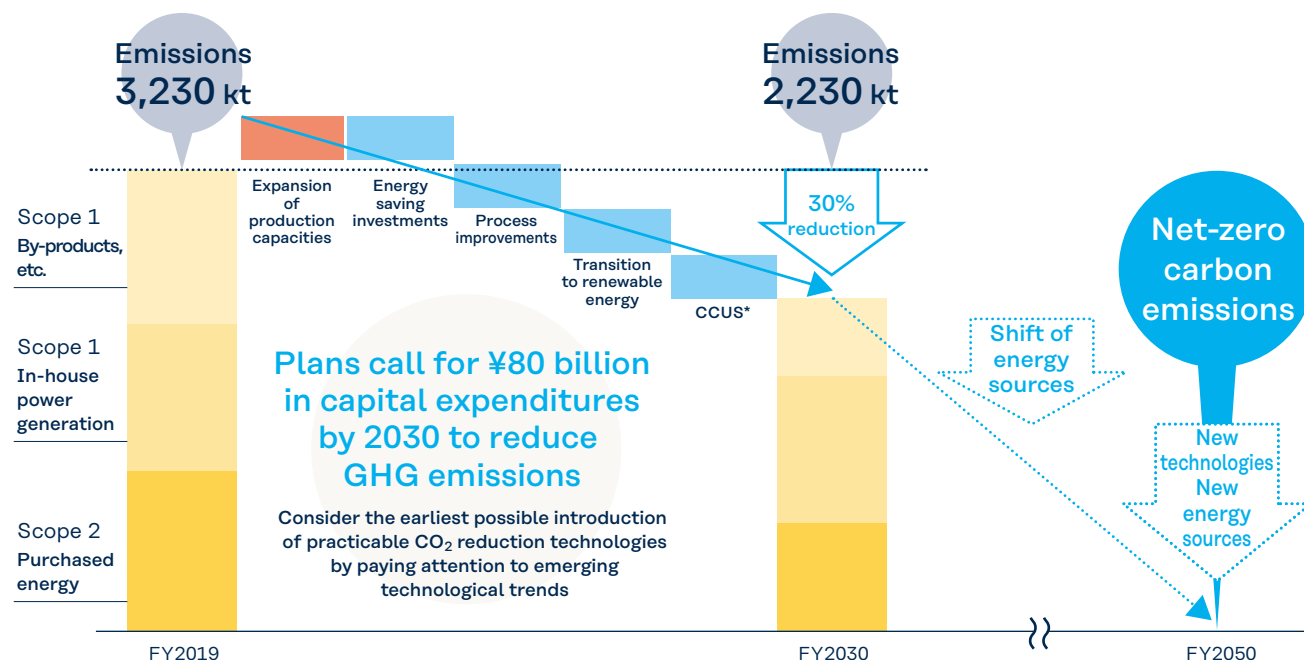
Contribution Products for Natural and Living Environment

Maximizing Environmental Value

The Kuraray Group has formulated a roadmap for reducing Scope 1 and Scope 2 greenhouse gas (GHG) emissions, with the goal of achieving net-zero carbon emissions in 2050. The roadmap calls for no increases in emissions during “PASSION 2026” compared to the 2019 benchmark, a 30% reduction in 2030, and ultimately net-zero carbon emissions in 2050. It also calls for us to invest ¥80 billion by 2030 to reduce GHG emissions.

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

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* Carbon dioxide Capture, Utilization, and Storage: An initiative to utilize or store CO₂ separated from exhaust gas from industrial facilities.

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 CO₂. 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.

Internal carbon pricing
Effective from

¥10,000/t-CO₂ (calculated using internal exchange rates overseas)

January 1, 2022

Already implemented

- Capital spending to increase/decrease GHG emissions
- Calculating virtual cost/profit with internal carbon pricing and using as one criteria in making investment decisions

Under consideration

- Converting GHG emissions of each business and product to cost at an internal carbon price and evaluating their resilience to future carbon taxes, etc.