

Messages from an Outside Director



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Outside Director
(Independent Director)

My hope is that Kuraray will always hold fast to its corporate culture of providing value for society and will flourish as a truly world-leading, global company.

I believe the role of an Outside Director is to help enhance corporate value by providing a third-party perspective based on a range of experiences and by proposing angles that differ from inside officers. Discussions among Kuraray's Board of Directors meetings are very lively. I actively make proposals from a long-term perspective, drawing on my background in administrative planning.

Chairman Ito, who chairs Board meetings, leads our discussions after allowing sufficient time for us to hear the broadly diverse opinions of officers with specialized skills. He has excellent qualities as a

chairperson. For example, he points out necessary issues that need to be addressed going forward and encourages more active discussion. In terms of diversity, about half of the officers are outside officers. There is one non-Japanese Director and one female Outside Director on the Board of Directors, as well as another female Outside Member of Audit & Supervisory Board. However, compared to other companies with a sophisticated governance framework, this is inadequate. The Group's business has expanded globally and it has seen growth in the ratio of female employees in managerial positions. As such, I believe allowing the Board of Directors to become more diverse—by adding overseas personnel and female directors who have risen up in the Company—will further deepen the level of discussions.

In our 2022 Board of Directors, we talked about how to lower logistics costs and how to revise product prices in a business environment that is highly uncertain. This includes Russia's invasion of Ukraine, the yen's rapid depreciation, and soaring raw materials, fuel, and logistics costs. Ultimately, the Company's mainstay vinyl acetate business was able to demonstrate its competitive superiority, with net sales and operating income reaching record highs. The Board also decided to increase the dividend. I take these as very positive outcomes for the first year of the Medium-Term Management Plan "PASSION 2026." The Company also faces challenges, however. Again, we recognized the need to create a new driver of future profits as quickly as possible to follow the vinyl acetate business. This issue is a key theme of "PASSION 2026." Positioning the isoprene business as a next driver of profits, the Company started operations at its new plant in Thailand during the year, which holds promise for leading to near-term profitability. Measures that involve large-scale investment may take time to bear fruit, but also offer high hopes for growth. As another profit driver, the Company is focusing on the activated carbon

business in its Environmental Solutions Division. In 2018, Kuraray acquired Calgon Carbon Corporation in the United States. Although progress in this business is not as fast as we had anticipated, synergies are steadily emerging. Both products are experiencing mounting demand worldwide and are beginning to show the potential to grow into the next profit drivers. At the same time, the global economy is changing dramatically. I think it is key to carefully review the progress of "PASSION 2026" and re-open the discussion of individual measures in line with changes in the environment.

One piece of advice I would give to ensure the strong growth of the Kuraray Group as a truly global company is the need to shore up human capital. The Kuraray Group rapidly developed a global presence through a series of strategic acquisitions beginning in the 2000s. This has left room for improvement in terms of global HR development and personnel systems. The Company's efforts to date have been driven by a sense of urgency. But I think this is an area that warrants continued focus, informed by repeated deliberations. Moreover, the working population in Japan has been on a steady decline since 1995, an issue that affects all Japanese companies. Going forward, as the shortage of human resources becomes more pronounced, Kuraray should shore up its human capital so that it can continue to be the Company of choice in the job market.

The Kuraray Group inherited a wonderful corporate ethos from its founders, Magosaburo and Soichiro Ohara, which is now expressed in the Group's mission statement: "For people and the planet—to achieve what no one else can." The Group is enhanced by an unwavering corporate culture that practices the vision of providing value for society, generating profits, and returning those profits to society. My hope is that Kuraray will never lose sight of its origins. I will also continue to lend my support to the Group so that it can become a truly world-leading global company.