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Turning Uncertainties into Opportunities to Enhance Corporate Value

Turning change into opportunities with agility and formulas for success—so that we remain the top choice as a Specialty Chemical Company for the next 100 years

Executive Summary

- **Taking feedback from the capital markets seriously and evolving toward a management approach that translates change into results**

Taking the decline in our share price and price-to-book value ratio (PBR) seriously, we will further accelerate initiatives to realize a management strategy that prioritizes capital efficiency and our growth story. Even in an era of uncertainty, we will evolve our management approach to make swift decisions that anticipate change and reliably turn opportunities into results.

- **Turning change into opportunities for growth, guided by an enduring spirit**

Grounded in the spirit of continuity and challenge that we have carried forward since our founding, we turn social challenges into business opportunities and achieve sustainable growth by balancing social and environmental value with economic value.

- **Designing formulas for success and pursuing disciplined resource allocation**

We will build a competitive framework by combining our strengths in materials and technology with our supply chain capabilities and regulatory responsiveness, assessing each business from the perspective of three axes and whether Kuraray is the best owner to flexibly reallocate management resources.

- **Building sustainability, R&D, and digital transformation as foundations for growth**

We will strengthen mechanisms that convert social and environmental value into business profit and, by integrating R&D and digital transformation, accelerate our speed to market and improve capital efficiency.

- **Connecting transformation to results through “One Kuraray” and more robust governance**

We will establish a common global framework for decision-making and execution and, together with enhancing the effectiveness of the Board of Directors, link our transformation to the sustainable enhancement of corporate value.

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Building on a Legacy of Continuity and Challenge to Reach the Next Stage of Growth

The Kuraray Group marks its 100th anniversary in 2026. For us, the past century has not been a history of simply keeping our businesses the same as they were. It has been a history of continuously transforming our business portfolio and earnings structure in response to changes in social structures, technological innovation, and turbulent international conditions.

No matter how much the times change, however, we have always upheld a core set of values, expressed in our mission: “For people and the planet—to achieve what no one else can.” We are serious and persistent in nurturing businesses over decades. At the same time, we have a pioneering spirit that drives us to step boldly into new fields. We believe this balance of continuity and challenge is at the core of our company’s DNA.

I joined the Company in 1984. At that time, Kuraray was focused on expanding its chemicals business alongside its core fibers operations, while also boldly venturing into uncharted fields such as optical fiber and biotechnology. Some of those challenges succeeded; others taught us hard lessons. That culture of taking on challenges without the fear of failure was tangible, and it remains the foundation of my management philosophy.

As the President serving at this centennial milestone, my role is to advance the technologies and trust built by our predecessors under a culture of embracing challenges, taking them to the next stage and ensuring that they are passed on to the next generation. To that end, I will further enhance the quality and speed of decision-making and build a solid foundation for the next 100 years.

Turning Uncertainties into Opportunities with Agility

— Embracing Change as an Opportunity for Evolution

The business environment surrounding our company deteriorated rapidly in 2025, due to volatility in raw materials and fuel prices caused by conflicts in multiple regions, the impact of U.S. tariff policies, and the resulting decline in global demand, which led to unfavorable results. However, external factors alone cannot fully explain our current financial results or our capital market valuation. The market’s assessment, reflected in Kuraray’s low share price and PBR, indicates that we have not sufficiently demonstrated a capital cost-conscious, returns-focused management stance. It also indicates that we have not presented a credible and sustainable growth story as part of our corporate value. As management, we take this situation seriously and have a strong sense of urgency.

We will inevitably continue to deal with uncertainty as a basic premise of our management. What matters in such a context is whether we can design formulas for success that enhances our corporate value and quickly execute our initiatives.

Rather than striving for ever-greater forecast accuracy, I believe the most effective way to enhance corporate value is to build an organization that can make rapid decisions and swiftly act in response to change. We will ensure that everyone—from management to the front lines—shares the conviction that change is an opportunity, as we strengthen our organizational agility.

In an unstable and uncertain world, new social challenges emerge constantly, but these challenges also present opportunities to effectively leverage our capabilities and human capital. The greater the

change, the greater our value as a company. We will demonstrate that relationship through our results.

We will take broad risk-mitigation measures to prepare for unforeseen events—including strengthening our financial position, diversifying procurement, and reinforcing stable supply—while making swift decisions to seize opportunities as they arise.

— Making “Ready to Be, Ready to Go” Real

No matter how strong a technology or product concept may be, bringing it to market at the wrong time makes it difficult to build the concept into a sustainable business. It is important to accurately identify early signs of change and time our actions to match the maturity of the market.

To this end, we are deepening our research and development, pursuing strategic partnerships, and systematically making forward-looking capital investments. When an opportunity arises, we move forward without hesitation. I call this state “Ready to Be, Ready to Go.”

The key drivers of our success are sustainability, R&D, digital transformation, and the human capital that supports them.

Non-financial capital forms the foundation of a company’s strength. It is essential to build systems that can convert this capital into financial value at the right time. The Three Challenges set out in the Medium-Term Management Plan “PASSION 2026” are precisely the groundwork for strengthening our underlying capacity and building greater agility. (➤ P. 25)

— Sustainability as a Source of Competitive Advantage

Our efforts to enhance corporate value are not simply a matter of balancing social and environmental value with business profit. Our goal is to establish

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a structure that transforms social and environmental value itself into sustainable business profit.

A central pillar of this approach is the introduction of the Kuraray PSA System*¹, which we use to objectively evaluate the sustainability of our product portfolio. We have quantified social and environmental value using proprietary metrics and made this a key criterion in our business portfolio strategy. Furthermore, we have set the internal carbon price under ICP*² at a level of ¥10,000 per ton, incorporating future environmental risks and value creation into our capital allocation decisions.

We see circular business models and low-carbon materials not just as a response to regulations, but as critical factors for maintaining our competitiveness over the longer term. We are also steadily advancing our 2035 greenhouse gas (GHG) reduction target—one thrust of our efforts to obtain SBT*³ validation—as one of the initiatives that will ensure we remain the preferred choice in markets in the future.

We will also proactively address the biodiversity conservation trends identified by the Taskforce on Nature-related Financial Disclosures (TNFD), leveraging our technical expertise. We continue to pursue initiatives with an awareness of the role that a chemical company should play in shaping the next generation of market standards.

— Toward R&D Connected to the Market, Centered on Co-Creation

One aim of the Innovation Networking Center (INC), which was launched alongside “PASSION 2026,” is to move beyond traditional inward-looking R&D and evolve toward “R&D connected to the

market,” centered on co-creation. We believe that, by positioning the INC as a hub and forming a network where technology, data, and talent intersect, we can cultivate the seeds of our next businesses.

What accelerates this evolution is digital transformation. We will fully implement digitalization in upstream R&D processes, capitalizing on generative AI, simulations, and other technologies. By increasing the accuracy of our hypothesis testing and minimizing development rework, we will significantly shorten lead times. This will speed up the time to market, improve capital turnover, and translate these gains into higher corporate value.

Ultimately, however, people are responsible for making the final decisions. Digital technology accelerates exploration, while people focus on vision and decision-making. Clearly defining this division of roles is key to maximizing R&D outcomes.

We are also systematically developing our knowledge infrastructure for R&D, including the Core Technology Platform (CTP), Technical Equipment Platform (TEP), and R&D Knowledge Management Platform. We will strategically leverage our accumulated data assets to drive the next generation of innovation. (▶ P. 46)

— The Next Challenge: Moving into the Results Phase

Over the five years of “PASSION 2026,” we have strengthened our management foundation by reforming our organization to connect leadership with the front line and by reviewing our decision-making processes. The “Ready to Be, Ready to Go” concept is also steadily shifting from the planning stage to the execution stage.

We will turn the foundation we have built into tangible results by improving profitability and optimizing capital efficiency.

Reallocate Management Resources Faster and in a More Focused Way to Priority Areas

— Continuously Renewing Our Approach to Management

The work of enhancing our business portfolio is never done. In a rapidly changing business environment, it involves an ongoing process of questioning our approaches and pursuing next steps. The Kuraray Group rigorously assesses each business based on three axes that are the fundamentals of our business evaluation—social and environmental value, economic value, and market growth potential—along with the perspective of whether Kuraray is the best owner of a business; in other words, whether we can maximize its value.



*¹ A system based on the Portfolio Sustainability Assessment (PSA), a highly objective and transparent product portfolio evaluation method established by the World Business Council for Sustainable Development (WBCSD).

*² Abbreviation for Internal Carbon Pricing. A mechanism for creating economic incentives to reduce CO₂ 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.

*³ Abbreviation for Science Based Targets. Voluntary targets set by business corporations with regards to GHG emission reductions in a manner consistent with the levels required by the Paris Agreement.

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Our criteria are: first, that the business is a future growth area; second, that it helps to address social issues; and third, that it can create formulas for success with high profitability.

While we must inevitably select which businesses to focus on as we concentrate resources in growth areas, withdrawal or downsizing is not our objective.

The essence of transformation lies in maximizing total growth by bringing together several approaches: “subtraction”—making tough decisions on unprofitable businesses; “addition”—accelerating strong businesses; and “multiplication”—generating new synergies through acquisitions and networking. Through this dynamic process, we will realize sustainable growth that more than compensates for any businesses we withdraw from. (➤ P. 22)

— Aiming to Go Beyond Being a Materials Manufacturer to Become a Valued Solutions Provider

The period of time during which it is possible to maintain a competitive edge solely through material functionality and technological capabilities is growing shorter every year.

What is critical in this context is to connect individual strengths in materials to form robust links, and further build these links into a structure that is hard for other companies to emulate. By taking early action on regulatory trends, optimizing the value chain, and developing a stable supply network, among other actions, Kuraray is designing business models that can succeed consistently, even in times of change, and delivering these as solution-based businesses.

These are our formulas for success in an era of change, and we are already seeing results of this approach across our businesses.

[Circular business model]

Activated carbon

This solution-based business model goes beyond supplying world-leading products. We manage every stage, from collecting and reactivating used activated carbon to providing process design and equipment for customers. This integrated approach reduces costs and waste across the supply chain and helps lower GHG emissions, establishing a circular revenue model.

[Industry platform business model]

EVAL™ EVOH resin

Building on Kuraray’s position as a global market leader, we are capturing growing demand for food packaging driven by the circular economy and economic growth in emerging markets. We are further strengthening our supply chain, including a new plant in Singapore, to build a more resilient supply framework. We actively participate in shaping international rules on issues such as food loss reduction and environmental regulations. This helps us build multi-layered barriers to entry. (➤ P. 33)

[Ecosystem co-creation business model]

SCAPOVA™ PVA microcarriers

We are co-developing cell culture processes with partner companies in the regenerative medicine field. By building a next-generation healthcare ecosystem centered on our core materials and playing a central role in that ecosystem, we aim to create a long-term, sustainable business. (➤ P. 42)

In the materials selection process, we have partnered with leading simulation software provider

Ansys (now part of Synopsys) to build a system that enables customers to seamlessly use our materials property data online from the design stage. By ensuring that Kuraray materials are integrated from the very beginning of the customer’s design process, we avoid direct competition and help shorten development timelines.

Through these initiatives, we aim to go beyond being a materials manufacturer and establish Kuraray as a provider of valuable solutions for our customers and society.

“One Kuraray”: Uniting Our Organization to Drive Structural Reform

The Kuraray Group encompasses a diverse range of businesses and has operations around the world. Each country and region has its own legal systems and market characteristics, and the competitive landscape differs for each business. Over-standardizing these processes across all sites runs the risk of undermining the unique strengths and competitiveness of each location.

To strengthen our organization, in response to changing conditions, we believe it is essential to continually refine the optimal balance between standardized foundations and the on-the-ground capabilities that showcase our unique strengths. What should be shared throughout the Group are our core principles, value creation processes, and formulas for success. When these elements are deeply embedded across the Company, decision-making at each site becomes faster.

Driving “One Kuraray” is not just about promoting slogans or ideals. It involves practical structural reforms that unite our global team and accelerate decision-making.

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To this end, we launched the Kuraray Northstar Project to fundamentally revamp the organizational structure and business processes of our corporate divisions to support business growth. Kuraray has expanded through acquisitions in recent years, but overlapping functions and overly complex processes still remain. We will revisit these processes, clarify roles and responsibilities at the operational level, streamline decision-making, and strengthen organizational agility.

The THRIVE Project, which aims to build a global foundation for leveraging talent, is also part of this initiative. By standardizing evaluation criteria, leadership requirements, and talent management frameworks globally, we will enable the optimal placement of talent across borders and business units. (➤ P. 38)

The Board of Directors' Role in Sustaining Transformation

To ensure that reforms lead to sustained growth in corporate value, it is essential to strengthen the effectiveness of the Board of Directors.

In developing our Medium-Term Management Plan, "PASSION 2026," we went beyond rigorous discussions among executives and formed an expanded planning committee that included outside directors and auditors. Over the course of a year, this committee met more than a dozen times to review and refine the plan. Management took seriously tough questions and critical feedback from an array of outside perspectives, and is drawing on this input to thoroughly refine our strategies. Through this series of intensive discussions, we sharpened the focus of our strategies and gained confidence in their execution.

We are further deepening this process as we formulate the next Kuraray Vision for 2027 and beyond. We will face the current challenging business environment head-on and raise the quality of our discussions on how to achieve the next stage of growth.

Establishing a succession plan is essential for driving long-term, sustainable growth in corporate value. We have established a Corporate Advisory Committee as an advisory body to the Board of Directors. In addition to reviewing executive appointments and compensation, the committee holds in-depth discussions on succession planning for top management, including the quality and depth of the leadership talent pool.

We believe the Board of Directors' active involvement in shaping our future management framework will form the foundation for sustained trust in our long-term management. (➤ P. 62)

Turning Uncertainty into a Driver of Growth for the Next 100 Years

Under "Kuraray Vision 2026," the Kuraray Group is making steady progress as a Specialty Chemical Company that leverages unique technologies to benefit customers, society, and the planet. Within this fiscal year, we plan to set the direction for the next Kuraray Vision, looking ahead to 2027 and beyond. Aiming for even greater accomplishments, we will build on our core values of pursuing sustainability and embracing challenges, adding the agility needed to anticipate change.

We will capitalize on advanced technologies and materials expertise to address social challenges and drive long-term profit growth. We will use the profits

gained from these efforts to tackle our next challenges and pioneer new technologies.

Since our founding, our approach to value creation has centered on building a virtuous cycle in which generating profit and addressing social issues reinforce each other. We will continue to drive this cycle forward with determination.

The world is changing at an unprecedented pace. Geopolitical risks are becoming more pronounced, environmental regulations are growing increasingly strict, and generative AI is making rapid strides forward. Viewing changes in this kind of external environment as opportunities, we will drive transformation within the Kuraray Group for the next 100 years. This is my commitment as President.

As we move through this historic turning point, we are embracing new challenges for the future. We kindly ask for the continued support of our shareholders, investors, and all stakeholders.

Hitoshi Kawahara

President and Representative Director

