

# Messages from Outside Directors

## Reflecting on the Past and Present to Engage in Sincere Dialogue to Unlock the Next Era for Kuraray



**Naoko Mikami**  
Outside Director  
(Independent Director)

### — Leveraging Practical Knowledge Gained across Various Fields with an Eye toward Future Growth

During my time working at a food company, I had a wide range of responsibilities, including research and development of electronic materials such as liquid crystals and related technologies, as well as production, quality control, and plant management. My experience included what was initially considered peripheral work in a new business venture, which later grew into a key revenue stream for that company. I believe this background helps me grasp the challenges in management facing Kuraray as a manufacturing company. It also enables me to contribute to fostering more in-depth discussions at the Board of Directors meetings.

Kuraray's strengths lie in its ability to reflect on the path it has taken, passionately create new businesses that anticipate the needs of the times, and take a long-term approach to carefully cultivating these initiatives. Furthermore, a robust value chain and portfolio of numerous products that rank among the top in global market share serve as the foundation for this Company's competitive prices and stable revenue base. Moreover, in accordance with the Medium-Term Management Plan "PASSION 2026," I believe that the strategy of concentrating management resources on high-value-added areas by enhancing the Company's business portfolio and transforming the corporate structure is progressing steadily. It is further reassuring that management maintains a strong awareness concerning safety and security without allowing past accidents at a manufacturing plant to fade from memory, and I believe it is important to continue these endeavors in the future.

### — The Challenges: Addressing Geopolitical Risks, Enhancing Operational Agility, and Diversifying Human Resources

I believe there are three main challenges that need to be addressed.

The first challenge is geopolitical risks. With overseas sales accounting for approximately 80% of total revenue, we must closely monitor changes in global demand patterns, whether they are caused by the change in U.S. administration or the slowdown in the Chinese economy, or other critical issues.

The second is enhancing operational agility. Kuraray has thus far responded swiftly to changing market needs and expanded the business by rapidly entering overseas markets. To achieve sustainable growth moving forward, it is essential that we further accelerate the development of new products and the cultivation of new businesses with an eye toward the next areas of growth. To this end, I believe it is crucial to simultaneously improve research efficiency and foster innovation through the proactive introduction and use of digital transformation in our research and development.

The third is diversifying human resources. In particular, critical factors that will determine future competitiveness are securing diversity among core human resources and developing candidates for executive roles. While the disclosure of diversity metrics improved, discussions regarding the extent to which these targets are met and the effectiveness of these initiatives are not yet sufficient. This is one of the key areas where we intend to deepen our discussions going forward, based on a shared understanding of this

issue within the Board of Directors, while making recommendations aimed at improving effectiveness.

In terms of corporate performance, while we have expanded our revenue base over the long term, organizational reforms and the optimization of selling and administrative expenses are necessary to further improve profit margins. The recognition of impairment losses and losses on the disposal of fixed assets resulting from steps to boost the business portfolio will lead to a temporary reduction in net income. However, the renewal and disposal of equipment with an eye toward the future is a sound business decision for a company with large-scale production facilities, and I believe that its systematic implementation is essential.

### — Comprehensive Analysis for the Future and Continual Constructive Dialogue

The founder of Kuraray, Magosaburo Ohara said, "The reason for analyzing the present and the past is for the sake of the future." Kuraray has in the past reflected on the trajectory of its business and forged a path toward the future, transforming its business from textiles to chemicals. As market uncertainty increases, once again the challenge to determine what value we will continue to provide to society arises, building on the foundation of top market-share products and proprietary technologies. I believe there is room for even more in-depth discussion regarding the growth potential and future prospects of each business. As an Outside Director, I intend to conduct constructive discussions that balance both advisory and supervisory roles, carefully assessing the future potential of each business from multiple perspectives to ensure the sustainability of corporate value and sound management over the medium to long term. I will strive to help all stakeholders, including shareholders and investors, gain a deeper understanding of the true value of our ever-evolving Company. I ask for your continued support.

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### Forging a Path to Steady Growth through Thorough and Substantive Discussions on Kuraray's Future Vision



**Toshifumi Mikayama**  
Outside Director  
(Independent Director)

#### — Leveraging My Expertise in Biopharmaceuticals

I have always worked in cutting-edge research in biopharmaceuticals. The pharmaceutical industry is a field that demands advanced quality control and innovation, but also constantly carries the risk of large investments that do not yield results. Within this environment, the following question has always guided me: "Can this technology truly save patients, and can it truly contribute to society?" I am convinced that this perspective resonates deeply with Kuraray's mission statement: "For people and the planet—to achieve what no one else can." It is precisely in situations where we must make decisions about highly uncertain issues that it is crucial to deepen our discussions by returning to our sense of contributing to society. I hope to utilize the insights I have gained from evaluating both risk and value to help illuminate the path forward for this Company.

#### — Charting a Path for Future Growth in the Face of Market Expectations

Kuraray's greatest strengths lie in its vertically integrated development and production system—exemplified by its vinyl acetate-related businesses—which covers the entire production process from raw materials to finished products, and in its exceptional technical capabilities that support this system. Underpinning

this is a corporate culture that values the people who work on its front lines of production. I consider the source of Kuraray's sustainable competitive advantage to be the fact that executives visit the production sites in person and value direct conversations with employees, as well as the fact that the Company has a track record of creating numerous products through its proprietary technologies that hold the top share of the global market.

At the same time, Kuraray must confront challenges such as intensifying competition around core products, delays in new products generating revenue, and an aging infrastructure. Establishing the pillars of future growth by furthering digital transformation and the recruitment of diverse human resources is also an urgent priority as Kuraray tackles the challenges of how to become more competitive as a manufacturer.

Going forward, management decisions that foresee future growth will become even more critical and must include a radical reorganization of business and product portfolios and a prioritization within investments. We must ask whether the Company should build on its existing foundation and continue evolving, take bold steps into uncharted territory, or forge a path down the middle. Now is the time for the Board of Directors to engage in deeper yet candid dialogue regarding the path for future growth.

I would like to commend the current management team for urgently addressing the structural challenges evident in recent financial results, namely, the trend of rising revenue but falling profits.

Furthermore, as we weigh the balance between short-term results and medium- to long-term growth, we must take the time to discuss matters thoroughly and strive to ensure that we appropriately fulfill our accountability to all stakeholders, including shareholders and investors. We must also continue to monitor, from the perspective of corporate value, price-to-book value ratio (PBR), and stock price levels as key topics for ongoing discussion by the Board of Directors.

#### — Fully Committed to Supporting Kuraray's Vision for the Future

As global competition intensifies, the business environment is far from smooth sailing. However, the current management, which has honed Kuraray's unique strengths in line with its lofty mission and developed products that top the global market, possesses tremendous potential.

For a company based in research and development, it takes considerable time for newly created value to translate into revenue. That is precisely why it is more important than ever to clearly articulate Kuraray's vision about its commitments and what kind of future that entails. As an Outside Director, I will strive to stimulate discussion from an objective perspective and contribute to improving the effectiveness of the Company's management. Once we have thoroughly discussed and set forth the direction the Company will take, I am also prepared to fully support that path and fulfill my responsibilities. We ask all stakeholders, including shareholders and investors, to support us with a medium- to long-term perspective as we continue to transform and improve Kuraray.