

Governance

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Looking Forward to Strong Growth as a Global Leader in the Materials Industry

The very active discussions in Board of Directors meetings have impressed me the most in the year since I assumed my position as Outside Director. Outside Directors join in, offering keen insights and direction from various angles based on a range of experience and knowledge. I sense that we have been able to engage in highly effective discussions.



Kiyoto Ido
Outside Director

Looking at developments in the international economy, it is clear that the materials industry is a field that promises further growth globally. Drawing on my experience in global economics and monetary policy, I am actively offering advice from a macroeconomic perspective.

I also very much appreciate President Kawahara's qualifications as a top manager. Given the location of the materials industry upstream in the supply chain, the market environment differs significantly between divisions. Because each division has its own management strategy, it is not easy to establish a unified policy across the entire Group. Here, President Kawahara brings a clear vision to the task of leading and holding together the entire Group. I admire his competence as a top leader.

The recently announced Medium-Term Management Plan "PASSION 2026" was formulated at a good time. The plan coincides with a period of transition in which the materials industry as a whole is facing questions about purpose, not just in terms of carbon neutrality and ESG compliance. We Outside Directors were also actively involved in discussions around the plan. In drafting the plan, we discussed a wide array of issues related to the supply chain, from procuring raw materials to accurately gauging consumer trends, centered on the theme of sustainability. Over the past several years, the Kuraray Group has developed numerous sustainable products that positively contribute to society and the environment. We talked at length about how to best utilize these achievements and incorporate them into future management strategies. Going forward, I would like to explore the theme of sustainability from a long-term perspective as the central axis of the Group's management strategy. I would like to continue to bring the objective viewpoints of

stakeholders into this discussion.

I think the Kuraray Group faces three major challenges in pursuing strong growth globally.

The first is to construct a global management framework. An agile response to changes in government policy and markets in each country and region requires delegating certain decision-making authority to overseas bases and enabling the pursuit of autonomous business activities. I think the challenge is how to strike the best balance between centralized and local authority.

The second challenge is getting new businesses that will drive future profits off the ground quickly. Naturally, in rapidly changing times, aiming for management stability is important. However, making forays into new fields also stimulates the development of new technologies and new products in existing businesses. I would like the Group to move forward in this area.

The third challenge is the development of more diverse, more sophisticated human resources. Achieving this requires a more proactive approach to hiring female talent, overseas talent, and talent from outside industries. It also requires measures to further cultivate employees' potential after they enter the company by actively providing in-house training and outside learning opportunities. I am convinced that human resources are one key to the Group's further business growth going forward.

Kuraray has a wonderful corporate ethos, expressed in its mission statement: "For people and the planet—to achieve what no one else can." The Group is not content with simply incorporating Western knowledge and technology into a Japanese way of doing business. It has a history of harnessing truly original technology to address issues that face society. In light of this history, I think the strength and the corporate culture to accomplish Kuraray's objectives are rooted in the company's foundation. I look forward to Kuraray's strong growth as a global leader in the materials industry.

Enhancing Global Risk Management, Promoting Sustainability, and Becoming an “Indispensable Presence” for the World

As someone external to the company, I believe the fundamental role of an Outside Corporate Auditor is to help enhance corporate value by monitoring and overseeing the execution of duties by Directors from an objective, third-party perspective. Based on this recognition, I strive daily to carry out highly effective auditing according to Kuraray's corporate nature. When I deem it necessary, I may offer opinions that touch on the legality and the reasonableness of actions.



Mitsuhiro Nagahama
Outside Corporate Auditor

The Kuraray Group is a global chemical manufacturer—a leading Japanese material manufacturer that uses advanced technological capabilities to produce a lineup of competitive products and supply them throughout the world. My primary duty as an Outside Corporate Auditor is to grasp the core issues the Group inevitably faces, given its corporate nature, and check how it responds from an external perspective. I am currently focusing on two main themes: ESG and the SDGs, and globally integrated risk management.

Due to the nature of their business, chemical companies have to wrestle head-on with numerous ESG issues, including safety, quality control, and the reduction of GHG

emissions. At the same time, the Kuraray Group is a global company with large-scale production and sales bases in various regions worldwide, including those it has acquired. For crucial management issues, and risk management issues, in particular, it is essential to reinforce the Group's framework not only in Japan but on a global basis as well.

It has been four years since I assumed my role as an Outside Corporate Auditor. During that time, Kuraray has steadily enhanced its sustainability approach in close alignment with its business activities. In January 2022, the company established the Sustainability Committee under the direct control of senior management, chaired by the President. It also formulated a new Sustainability Long-Term Vision and a Sustainability Medium-Term Plan, an action plan for putting the vision into effect. I sense that these steps have dramatically expanded the framework for promoting sustainability, including ESG.

In terms of risk management, the Legal Department and other responsible organizations are establishing a global framework for centrally managing risks. I am very encouraged by this development. Looking at changes in the operating environment and the future expansion of Kuraray's business and operations, the Group will inevitably face a greater range of diverse risks. It is critical to build an integrated risk management framework and a robust management framework that goes to the next level, looking beyond present circumstances toward what lies ahead.

With bases all over the world, the Kuraray Group faces many specific issues. As with other management issues, the company has to determine whether to construct a risk management unit for each region separately or manage risks directly. It must also consider where there needs to be oversight of the "three lines of defense" and how to allocate staff. Achieving more sophisticated risk management requires sustained effort and focus. The initiatives involved are by no means simple, but the company is making steady progress in its response under management's strong determination and leadership. I am confident that Kuraray, as a representative Japanese global company, will continue to boldly address this key management issue.

I think the Kuraray Group has tremendous potential to achieve sustainable growth going forward. In an era of drastically changing lifestyles and significant shifts in industry structure, chemical manufacturers have a prime opportunity to produce materials that can contribute to a broad array of areas.

On the other hand, because it is the industry closest to raw materials, the chemicals sector is also fraught with numerous issues in terms of ESG and the environment in particular. To address these issues and fulfill its mission of supplying excellent materials, every Kuraray employee must be firmly "committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world," as declared in the Corporate Statements. It is also essential to thoroughly incorporate the perspective of sustainability into corporate activities. My desire is for Kuraray to value this foundational way of thinking, becoming a truly "indispensable presence" for the world.

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