



Aiming to Become a Trusted Specialty Chemical Company through the Provision of Sustainable Social Value

A handwritten signature in black ink that reads "Masaaki Ito". The signature is written in a cursive, flowing style.

Masaaki Ito
Representative Director and President

In anticipation of celebrating its centennial in six years, the Kuraray Group is currently focusing on the development of a new business portfolio aiming at sustainable growth, and promoting further growth strategies.

Here, I'd like to introduce the sources of corporate value that the Kuraray Group has been developing since its foundation and the progress of the Medium-Term Management Plan "PROUD 2020."

Originality, the Willingness to Take on Challenges, and the Intention to Provide Value

Since its foundation, the Kuraray Group has been growing by cultivating markets and continuing to offer value to society, while pursuing manufacturing with originality on the back of its technological development capabilities. It can be said that one of its origins is synthetic fiber, KURALON™ (PVA fiber), which we succeeded in commercializing for the first time in the world in 1950 and which celebrates its 70th anniversary this year. At the time, the Japanese fiber and textile industry depended on materials and technologies from overseas; however, our second President, Soichiro Ohara, had a strong belief that we "need to produce materials in order to produce high-quality products" and accomplished internal production of poval resin (PVA resin), which serves as a material, to achieve integrated production with made-in-Japan technology and materials. This shows the consistent corporate stance that we have had since our foundation: creating highly original products that do not exist elsewhere in the world and providing value.

Subsequently, we shifted our business focus from fiber to

chemistry by using technologies in polymer and synthetic chemistry that were acquired through such technology development and production, starting from materials, continued to focus obsessively on originality, and expanded our business, resulting in the creation of many businesses with the world's No.1 share. The percentage of the sales of the businesses with the world's No.1 share to the Group's net sales has grown to as much as 58% today, acting as a driving force that underpins the competitiveness of the Kuraray Group.

In the Corporate Statements, we set out as our mission "For people and the planet—to achieve what no one else can." Those words, which express the intent of the founder, Magosaburo Ohara, and second President, Soichiro Ohara, are at the core of the originality and willingness to take on challenges that Kuraray has been nurturing and represent our commitment to creating value for society. We will continue to share such desire across the Group and strive to create solutions for social issues through business activities, together with society.

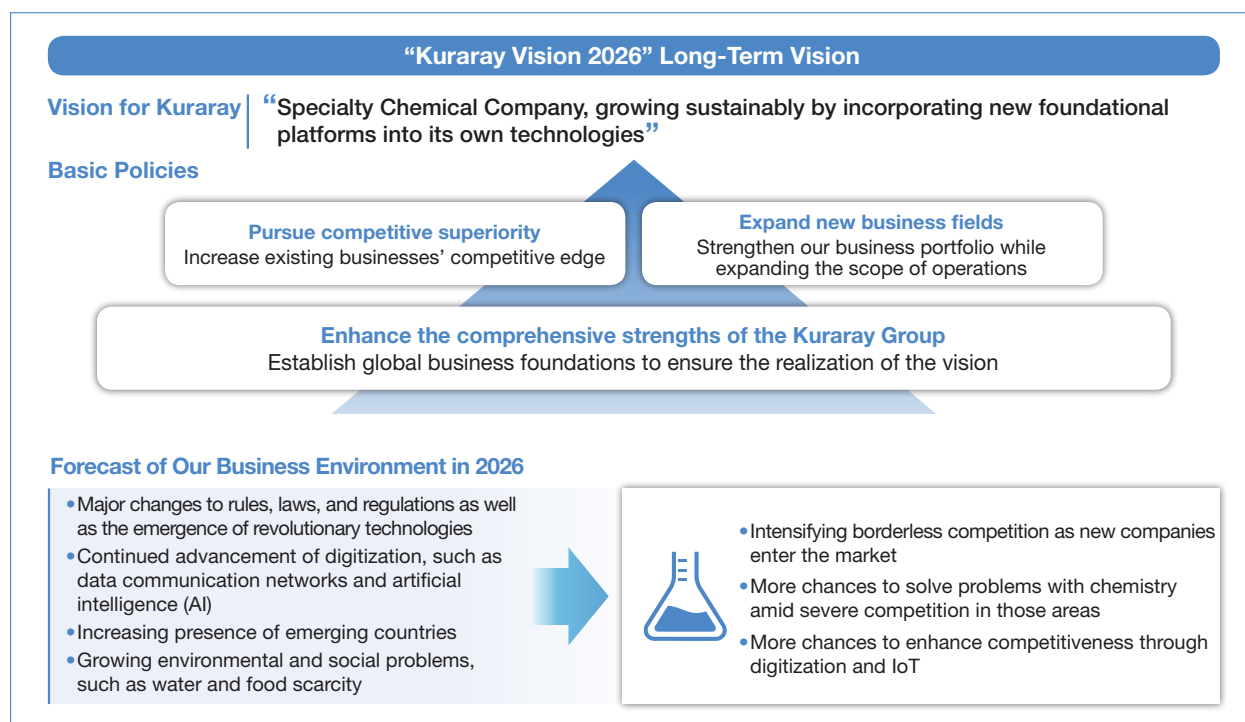
"Targeted Vision" for 2026 as Indicated in the Long-Term Vision

In view of our centenary in 2026, we have set out the long-term vision "Kuraray Vision 2026" that clarifies our targeted vision as a company as well as the Basic Policies for the realization

thereof. Looking ahead to the business environment in the medium to long term, in terms of economic conditions, the presence of emerging countries will progressively increase

amid the progress of technological innovation, including the development of information and communication networks and introduction of AI; on the other hand, environmental and social issues, such as water resource shortages and the food crisis, are predicted to deepen and manifest themselves. At the same time, there is concern over the risk that borderless competition will intensify as a result of new entry by emerging-country companies and start-ups. In such circumstances, I believe the Kuraray Group will have more and more opportunities to apply the power of chemistry to help resolve the challenges and problems that may arise within the business community.

“Kuraray Vision 2026” established a targeted vision of being a “Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies,” and set out “Pursue competitive superiority,” “Expand new business fields,” and “Enhance the comprehensive strengths of the Kuraray Group” as its Basic Policies. Toward the realization of “Kuraray Vision 2026,” we will work on further strengthening our vinyl acetate-related business, which is our core segment, establishing the second and third pillars next to such business, and creating new businesses for the future, to build a business portfolio aimed at sustainable growth.



Progress of the Medium-Term Management Plan “PROUD 2020” and Priority Measures for 2020, Its Final Year

The Medium-Term Management Plan “PROUD 2020,” which commenced in fiscal 2018, established four key management strategies: in addition to the Basic Policies of the long-term vision mentioned earlier, “Contribute to the environment.”

During the two years leading up to fiscal 2019, we executed concrete actions for those key management strategies, such as starting the construction of a new plant in Thailand in isoprene, acquiring Calgon Carbon Corporation, which is the largest manufacturer of activated carbon products globally, and realizing integration synergy, with a view to establishing the second and third pillars for the future, to step up our efforts to build a stable future portfolio. In addition, we steadily executed investments for further business expansion in the future, such as adding facilities for optical-use PVA film and water-soluble PVA film. The planned amount of capital expenditure under “PROUD 2020” was determined as ¥250 billion (¥210 billion on a payment basis); however, it is now forecast to amount to close to ¥300 billion, partly because of the addition of the Thai project for isoprene. While we will see a higher burden of depreciation expenses for the time being as the facilities go into operation, we believe those investments aimed at growth

will contribute to “enhanced earnings power” in the future and underpin an additional competitive edge in around 2026, when we celebrate the 100th anniversary of our foundation, and contribute to the realization of a “Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies” which is our targeted vision set out in the long-term vision “Kuraray Vision 2026.”

Now in 2020, which is the final year of the Medium-Term Management Plan “PROUD 2020,” we are experiencing a situation where a global economic recession is unavoidable due to the growing spread of the new coronavirus, and the business environment surrounding the Company is predicted to become more severe. Despite this situation, the Kuraray Group intends to carry out measures steadily, from a medium- to long-term perspective, for the remaining issues under the Medium-Term Management Plan “PROUD 2020” and, at the same time, to respond swiftly where a business requires review of its growth strategy in response to changes in the market environment and to continue with the next Medium-Term Management Plan.

Measures Executed in 2019

Pursue competitive superiority	<ul style="list-style-type: none"> • Optical-use PVA film: Completed the expansion of wide-width film lines at Kurashiki Plant • Water-soluble PVA film <ul style="list-style-type: none"> • Started the operation of a new production line at the existing plant in the United States • A new plant in the United States is scheduled to commence operation during 1H of 2020 • Started the production of ionoplast interlayer for glass lamination SentryGlas™ at our Czech plant • Meltblown nonwoven fabrics: Decided on the expansion of production capacity at the Kuraflex Okayama Plant • Promoted initiatives that use IoT to improve production efficiency and quality
Expand new business fields	<ul style="list-style-type: none"> • VECSTAR™ FCCL (Flexible copper clad laminates): Installed trial mass production equipment at the Kashima Plant • Expanded biomass-based barrier material PLANTIC™ <ul style="list-style-type: none"> • Participated in the “G20 Innovation Exhibition” hosted by the Ministry of Economy, Trade and Industry and the Ministry of the Environment • Corporate Marketing Group: Promoted cross-organizational activities aimed at cultivating new uses
Enhance the comprehensive strengths of the Kuraray Group	<ul style="list-style-type: none"> • Promoted integration synergy of the Calgon Carbon Corporation business • Promoted work-style reforms in Japan <ul style="list-style-type: none"> • Introduced the “no overtime week” program on a full-scale basis • Introduced teleworking and flextime

Priority Measures for 2020

Pursue competitive superiority	<ul style="list-style-type: none"> • Water-soluble PVA film: Decided on the construction of a new plant in Poland • EVAL™: Consider investment in a new plant • Calgon Carbon Corporation: Decide on the addition of a new line in the United States • Isoprene chemicals: Proceed with the Thai project steadily • Promote digitalization aimed at improving production efficiency and quality
Expand new business fields	<ul style="list-style-type: none"> • VECSTAR™ (Liquid crystalline polymer film): Accelerate sales and review the introduction of mass-production equipment in anticipation of the spread of 5G • PLANTIC™ (Biomass-based barrier material): Start resin production and supply in the United States
Enhance the comprehensive strengths of the Kuraray Group	<ul style="list-style-type: none"> • Promote the integration of the Calgon Carbon Corporation business to realize further synergy • Prepare for the establishment of a new training center with a view to enhancing the development of talent and ensuring technology succession • Promote work-style reforms in Japan

The Company considers profit distribution to shareholders as a priority management issue, and pays due consideration to returning business accomplishments to shareholders and securing future growth capabilities from a medium- to long-term

perspective to deliver a stable profit return. Our plan during the period of the Medium-Term Management Plan “PROUD 2020” is to provide a total return ratio of 35% or higher and an annual dividend per share of ¥40 or more.

Promoting Initiatives with an ESG Perspective—Aiming to Be a Trusted Company

In recent years, there has been a growing demand for corporate management to carry out proactive initiatives for sustainability and ESG. We not only pay due consideration to the environment and society as a good corporate citizen, but also seek to contribute through the dynamics of chemistry to improving the sustainability of the globe and society as well as our own self-growth.

Based on its mission “for people and the planet—to achieve what no one else can,” the Kuraray Group has been engaging in businesses that contribute to an improved natural environment and quality of life since its foundation. To this end, in our

sustainability activities, we had set our own important issue as materiality* and identified areas to focus on. However, a challenge surfaced in that the existing materiality did not effectively reflect contributions made through businesses; therefore, we updated materiality after having all of the division general managers engage in repeated discussions, including with respect to workability. I believe a challenge for the next Medium-Term Management Plan is to set an index for the degree of contribution to an improved natural environment and living environment, using materiality as an axis. [Refer to p.35](#)

* Materiality refers to important issues related to the Company among those which society wishes to resolve.

In addition, chemical manufacturers are strongly expected to address actions for climate change and the plastic waste problem. With regard to climate change, the Paris Agreement entered the implementation phase from 2020, aiming to preventing global warming, and numerical targets to reduce greenhouse gas (GHG) emissions have been set for each country; however, the plastic waste problem has no definite course of action yet in terms of regulations. We recognize that it is important to show our stakeholders the Kuraray Group's initiatives toward a circular economy. We consider this point as one of the highest-priority issues for the next Medium-Term Management Plan and are proceeding with the study.

Moreover, in recent years, there has been a push for enhanced disclosure of issues that might have significant impacts on business performance out of potential events that are not expressed in a company's consolidated financial statements. One of such movements is the Task Force on Climate-related Financial Disclosures (TCFD), which discloses a company's response to risks and opportunities regarding climate change. We will review the TCFD recommendations carefully and work on the enhancement of information disclosure.

Now, it is each one of our employees who carries out measures to resolve those challenges. I believe a "workplace where people can safely work at ease, and are able to carry out their tasks and exhibit their capabilities while feeling a sense of pride and fulfillment in their work" will lead to an enhanced driving force for a company. As part of the efforts to support this, we have introduced an hourly flextime system, in addition to a telework program and conventional flextime system, to promote the establishment of an environment that is easy to work in. Those measures also play a major role in the business continuity plans in the event of disruptions to usual business execution, such as responding to the outbreak of the new coronavirus that we are facing right now, and will help mitigate impacts related to the Tokyo Olympic Games, which have been postponed until next year.

In addition, we are aggressively working on the enhancement of governance and diversity and inclusion in the workplace. We increased the number of Outside Directors by one (from three to four) and newly appointed a foreign national as Director as well. As a global company, our entire company will strive to build an environment where people with a variety of personalities can shine and thrive.

The Company underwent an on-the-spot inspection in February 2017 by the Fair Trade Commission of Japan in relation to the manufacturing and sale of activated carbon used in water purification facilities, waste incinerators, etc., and was issued a



cease-and-desist order and an administrative monetary penalty payment order under the Antimonopoly Act by the said Commission in November 2019 with regard to the manufacturing and sale of designated activated carbon used in some of the water purification facilities, waste incinerators, etc. in eastern Japan and districts in the Kinki region. We were also issued a cease-and-desist order by the Fair Trade Commission of Japan in March 2017 in relation to the bid participation for designated KURALON™ (PVA fiber) products for which the Acquisition, Technology & Logistics Agency was to place orders.

We seriously and sincerely accept the gravity of the situation of having received cease-and-desist orders due to violations of the Antimonopoly Act on two occasions, consider compliance with the Antimonopoly Act as one of the highest-priority management issues, and are making every effort to prevent recurrence through various measures. Specifically, in addition to the initiatives that we have been working on since fiscal 2017, we are hosting seminars by external speakers for officers of the Company and the Group companies, and those for sales staff in Japan and overseas, as well as transmitting a message from the President again to officers and employees of the entire Group, with a view to strengthening compliance awareness. In addition, we systemized the establishment of internal rules such as the Antimonopoly Act Compliance Guidelines, development of a system that monitors bid participation, etc., interviews on the status of compliance with the Antimonopoly Act, enhancement of education and training, and implementation of bid participation audits as a series of programs to be operated in a consistent manner, including at overseas locations. Further, on the HR front, we made a change to the rotation system for managerial staff to prevent the same person from being in charge of the same duties for more than a certain period of time. We are committed to executing those measures steadily with a view to preventing recurrence. [Refer to p.49](#)

We have also caused our stakeholders a great deal of concern due to the fire accident that occurred at the EVAL™ plant of Kuraray America, Inc. in May 2018. Although the plant resumed operation after taking various measures to prevent recurrence, we have been conducting safety inspections of overseas plants since fiscal 2019 from the perspectives of whether or not we are now incapable of doing what we used to be capable of, whether there is any omission or deficiency in the management items, and whether stable operation over the years may have led to over-confidence and false confidence as to safety, in order to ensure that no such accident occurs ever again. We will address issues extracted therefrom, that is, improvement of the management system, enhancement of education and training, and expansion of risk assessment, one by one. Additionally, in fiscal 2020 and thereafter, we will continue to work on the enhancement of facilities with regard to safety at plants in Japan and overseas, as well as on the soft skills, including the management system, the review and improvement of manuals, and the enhancement of employee education. [Refer to p.24](#)

The Kuraray Group will continue to strive to realize "workplaces where people can safely work at ease without accidents" on a global basis, under the Corporate Statements' guiding principle that "Safety is the cornerstone of everything we do."