

Attaining collaborative value creation with society as we aim to become a Specialty Chemical Company that grows sustainably

Hitoshi Kawahara

Hitoshi Kawahara
President and Representative Director



Upon Assuming the Position of President

I took over the management helm from the former President in January 2021. During my tenure as President, I aim for Kuraray to be a safe and comfortable company for our employees. I believe this is possible by working to ensure that all Group employees continue to embody the meaning of the phrase “Safety is the cornerstone of everything we do,” stated in the Guiding Principles of our Corporate Statements. Based on this, we will make every effort to contribute to the realization of a sustainable society as a vibrant corporate entity full of vitality and creativity, by fully utilizing the potential of the employees of the Kuraray Group worldwide.

Since its foundation, the Kuraray Group has developed its business by exploring markets and continuously providing value to the world while pursuing innovative manufacturing backed by its technological development capabilities. One of the origins of this is our product KURALON™ (PVA fiber), the world’s first synthetic fiber, which was commercialized in 1950 and celebrated its 70th-anniversary last year. At that time, nylon and polyester, which handled by other companies were trying to handle, as well as rayons from Kuraray, were subject to unstable earnings due to their reliance on raw materials overseas. To produce high-quality products with stable profits, we needed to make a product from raw materials without relying on imports. With this strong belief in mind, Soichiro Ohara, Kuraray’s second President, turned his attention to PVA resin, which Kuraray could make with domestically produced raw materials, and established a consistent production technology ranging from PVA to KURALON™.

The mass production of KURALON™ was technically

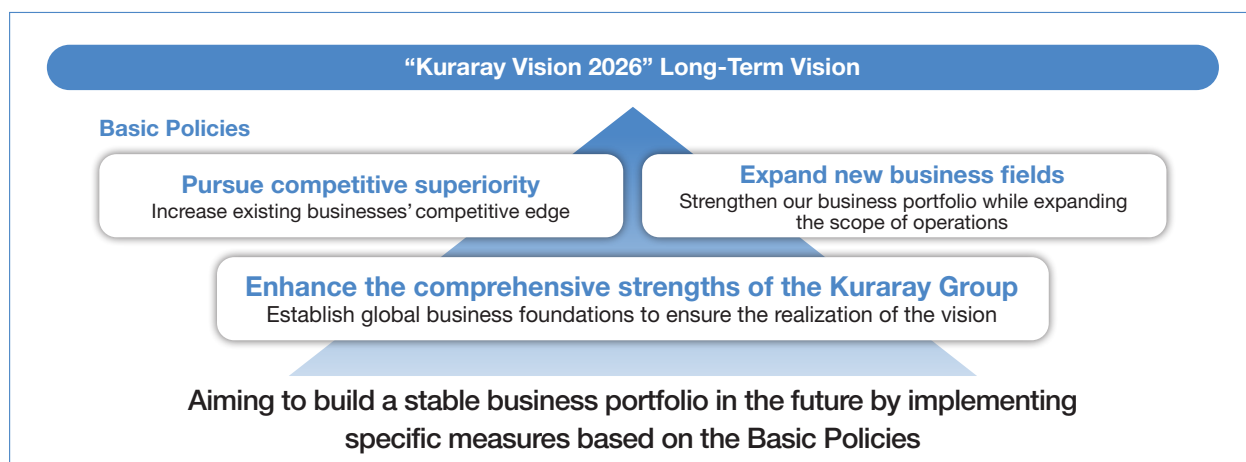
difficult, and at that time, it was necessary to raise about six times the amount of capital to make it. While all banks were hesitant to extend loans, Soichiro himself negotiated directly with the governor of the Bank of Japan and managed to obtain co-financing. The Ministry of International Trade and Industry stated that textile companies only needed to make fibers and felt they did not have to make chemical products if we wanted to produce sustainable products. Soichiro insisted that it was necessary to produce high-quality raw materials in-house, and he obtained MITI’s approval. In this way, Kuraray succeeded in industrializing synthetic fibers for the first time in Japan.

Since then, based on the polymer and synthetic chemistry technologies cultivated in this “technological development and production starting with raw materials,” we have transitioned from a fiber manufacturer to a chemical company and continue to expand our business with an emphasis on originality. As a result, we have created many businesses with top market shares globally. Today, these businesses account for 59% of the Kuraray Group’s total sales and are the driving force behind our competitive advantage. Kuraray’s mission statement is, “For people and the planet—to achieve what no one else can.” This phrase from the Corporate Statements expresses the thoughts of our founder, Magosaburo Ohara, and the second President, Soichiro Ohara. It provides the foundation of the innovative and can-do spirit that Kuraray has cultivated and shows our commitment to creating value for society. We will continue to share this heart throughout the Kuraray Group and work together with our communities to develop solutions to social issues through our business activities.

The Direction of the Long-Term Vision

Based on its mission, “For people and the planet—to achieve what no one else can,” the Kuraray Group has formulated the “Kuraray Vision 2026” long-term vision for its 100th anniversary in 2026. Aiming to be a “Specialty Chemical Company growing sustainably by incorporating new foundational platforms into its technologies,” we will

continue to be a company that provides unique specialty products and services to the world while creating value together with society. The “Kuraray Vision 2026” long-term vision sets out the following three basic policies for realizing the vision of Kuraray:



The COVID-19 pandemic has greatly changed the concepts of the world around us as we knew them. New lifestyles, new businesses, and new ideas that we have never seen before are emerging. In particular, the shift to digital and rising environmental awareness are irreversible and accelerating. Simultaneously while promoting our digital strategy, we must also take advantage of market expansions, such as the spread of 5G in the telecommunications market and the shift to electric vehicles for mobility,

as growth opportunities. On the other hand, Kuraray is a material manufacturer. Even if a major change in the paradigm of the industrial sector occurs, the importance of being a provider of products and technologies essential to people’s lives will remain unchanged. I believe that there will be more and more opportunities to utilize the power of chemistry to solve various emerging issues and challenges, spanning from simple everyday life obstacles to those requiring global solutions.

Priority Management Issues for Fiscal 2021 and the Next Medium-Term Management Plan

In fiscal 2021, we plan to recover from the effects of the global economic slowdown caused by the spread of

COVID-19 and to strengthen our competitive advantage by implementing the following key measures:

- 1 Steady promotion of the construction of the new isoprene plant in Thailand**
- 2 Expansion of the environmental solutions business (activated carbon) and acceleration of integration synergies**
- 3 Further expansion of the vinyl acetate-related business**
- 4 Promotion of a company-wide digital strategy to reform business processes and accelerate business strategies**

Strengthen our competitive advantage and link to the next Medium-Term Management Plan

In preparation for the formulation of the next Medium-Term Management Plan, which will start in 2022, we have adopted a new approach that differs from the previous one: we have selected four “important themes that the Kuraray Group should address from a cross-organizational and global perspective.” The themes are “innovation,” “sustainability,” “global operations (production and technology),” and “indirect global functions.” We’ve organized thematic workshops attended by global members to discuss and study these themes and conceptually placed the activities of these workshops as the horizontal axis against the vertical axis of our organizational structure. The plan is to incorporate the contents of the in-depth discussions from each workshop into the strategies formulated by each business

division, and Group company. In this way, we aim to develop and implement the next Medium-Term Management Plan, so the entire company is organically linked.

Kuraray considers profit distribution to shareholders as a priority management issue and has made it a basic policy to increase profit distribution through sustainable performance improvement. During the Medium-Term Management Plan “PROUD 2020,” the total return ratio to net income attributable to owners of the parent was 35% or more and the annual dividend per share was ¥40 or more. In fiscal 2021, we will follow the policy for the “PROUD 2020” period.

Sustainable Growth through Sustainability Management

The role of corporations in the creation of a sustainable society is increasing day by day. In keeping with its mission, “For people and the planet—to achieve what no one else can,” the Kuraray Group has developed businesses that contribute to enhancing the natural environment and people’s quality of life. Today, however, we are again called to present and implement concrete solutions to the world’s issues.

Climate change is one of the most pressing issues we are facing. Continuing on from Japan last year, there was a change of administration in the United States. The country returned to the Paris Agreement as soon as the new administration took power, and declared carbon neutrality in 2050, bringing the world in step. In addition, countries and regions worldwide are promoting green recovery as a stimulus measure for economic stagnation caused by the spread of COVID-19 and are announcing decarbonization measures one after another.

Anticipating long-term changes in the business environment, the Kuraray Group actively discusses what it should do during the next Medium-Term Management Plan and what to do next, with a focus on the aforementioned “Sustainability Workshop” comprised of global members with different job descriptions and diverse experience and perspectives.

Measures against climate change focus on both risks and opportunities. We are considering ways to reduce greenhouse gas (GHG) emissions in-house and expand products and businesses that contribute to reductions. In addition to reducing the environmental impact of our production activities through environmentally friendly processes, we have also vowed to reduce the environmental impact both in our customers’ production processes and at the stage when customers’ products are distributed and used as final

products. In the next Medium-Term Management Plan, we will set more detailed quantitative targets for these initiatives and strive to achieve them. As for the expansion of products and businesses that contribute to reducing GHG emissions, we are preparing business plans and development plans based on material issues (important issues related to the Company among those that society desires to resolve). All division general managers in Japan and overseas took part in revising these in fiscal 2019.

These efforts cannot be achieved by the Kuraray Group alone. Working together with suppliers and users through the supply chain to pursue business activities that contribute to a circular economy will lead to climate change measures and solving the problem of microplastics and ocean plastics. In the next Medium-Term Management Plan, we will comprehensively grasp the issues facing chemical manufacturers then plan and implement solutions.

The Company endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in November 2020. In the future, we will continue to improve the disclosure of governance, scenario analysis-based strategies, risk management, metrics, and targets included in the TCFD recommendations. In fiscal 2021, we will establish a TCFD promotion team in relevant departments to assess the importance of climate-related risks and evaluate climate-related risks and opportunities for key businesses.

The Kuraray Group has more than 11,000 employees worldwide. For the Group to achieve sustainable growth, it is essential to bring together the wisdom of employees and create new innovations. In fiscal 2020, we revised the Kuraray Group Global Human Resource (HR) Policy so that diverse human resources of different nationalities and backgrounds can maximize their potential. Under the next



Medium-Term Management Plan, we will build a global system to secure and develop human resources to support the sustainable growth of the Kuraray Group based on our medium- to long-term strategy. The COVID-19 pandemic has drastically changed the way we work. After establishing what we believe is and is not possible under the new ways of working, we plan to develop a system that makes full use of its advantages and ensures that we're properly evaluating results. We aim to achieve a balance between productivity and ease of working. We will do our best to ensure that all Kuraray Group employees can contribute to the realization of a sustainable society in a safe and secure workplace and a dynamic and creative enterprise.

The fire that broke out at the EVAL™ plant of Kuraray America, Inc. in May 2018 caused great concern among stakeholders. In order to prevent such an accident from occurring again, keeping in mind that "Safety is the cornerstone of everything we do," we have been reviewing and strengthening safety measures by conducting safety inspections of major chemical plants outside Japan under the Head Office's leadership since fiscal 2019. In fiscal 2020, we continued to conduct safety inspections at two plants in Europe and two plants in the United States and confirmed the improvement status of the issues identified in fiscal 2019 and identified new matters. In fiscal 2021, in addition to addressing these issues, we will work on enhancing facilities regarding safety at our plants and on aspects like the management system, the review and improvement of manuals, and the enhancement of employee education and on-the-job training.

 Refer to p.45

In response to past violations of the Antimonopoly Act, the Company has positioned compliance as one of its top management priorities. We have made every effort to implement various measures to prevent the recurrence of similar violations. In fiscal 2020, in order to establish an effective global system for compliance with the Antimonopoly Act, we prepared relevant regulations, provided education and training to officers and employees, assessed risks for each business, and audited bid participation projects for Kuraray Group companies around the world. From fiscal 2021 onward, the entire Kuraray Group will steadily implement the Antimonopoly Act Compliance Program to ensure thorough compliance with the Antimonopoly Act. In addition, we will continue to build a safe workplace by raising the compliance awareness of all employees.

 Refer to p.49

The Kuraray Group strives to continue to be an "indispensable corporate group" that society loves and needs. Through our pillar of incorporating new foundational platforms into our own technologies, we work to create value alongside community members by solving social and environmental problems through our business technologies.