

Toward Achieving Sustainable Growth Message from the Officer in Charge of Finance



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Director and Managing Executive Officer
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We will strive to grow profits and boost capital efficiency by seizing opportunities to contribute to the natural and living environment as we communicate the growth narrative of the Kuraray Group through dialogue with our stakeholders

“PASSION 2026” gets off to a good start in its first year

Throughout 2022, we faced ongoing uncertainty in the operating environment, including the soaring costs of raw materials and fuel. Our focus was on maintaining a stable supply of high-value-added products, capitalizing on the global network we have built. Although sales volume of optical-use poval film, one of our mainstay products, was down, year-on-year, sales of high-demand products—such as EVAL™ EVOH resin, activated carbon, and dental

materials—increased. As a result, net sales for the year of ¥756.4 billion and operating income of ¥87.1 billion were both record highs, as was net income attributable to owners of the parent, at ¥54.3 billion.

In terms of key financial indicators, we achieved 7.0% ROIC, ¥152.6 billion EBITDA, and 9.0% ROE on the back of higher profits and improved capital efficiency. We got off to a good start in the first year of our Medium-Term Management Plan, “PASSION 2026.” We will see higher depreciation costs from 2023 onward as large-scale facilities start operation. However, we will seek to expand profits to either meet or exceed capital outlays while boosting capital efficiency to reach our 2026 targets of 8% ROIC, ¥170 billion EBITDA, and 10% ROE.

We paid an annual dividend of ¥44 per share in fiscal 2022. We also bought back 9,424 thousand shares (¥10.0 billion worth) of treasury stock during the year. We plan to pay a dividend of ¥48 in fiscal 2023. “PASSION 2026” includes a commitment to a total return ratio of at least 35%. We will continue to strive to enhance shareholder returns through further increases in dividends and flexible share buybacks drawing on expanded profits.

We will achieve sustainable growth by reinvesting in growth areas that can contribute to society and the environment

Several large-scale facilities will start operation in 2023. At our new plant in Thailand, we have begun

production of isoprene chemicals, SEPTON™ thermoplastic elastomer, and GENESTAR™ heat-resistant polyamide resin. We expect to complete a new activated carbon production line in the United States in the third quarter. Our new plant in Poland is also scheduled to start producing water-soluble PVOH film by year's end. We aim to quickly establish a stable supply framework at each of these locations to steadily capture future demand and achieve profitability as soon as possible.

The Kuraray Group plans a total of ¥380 billion in capital expenditures (decision base) over the five years that encompass “PASSION 2026.” This includes an equivalent of ¥350 billion for depreciation costs during the period and an additional ¥30 billion for investments in greenhouse gas emission reductions. Going forward, in addition to outlays to boost production capacity for VECTRAN™ liquid crystal polymer fiber and dental materials currently under consideration, we are exploring construction of a new plant for EVAL™ EVOH resin in Asia. We will create a virtuous cycle of reinvesting the steady profits generated by these capital investments into growth fields that contribute to society and the environment. This supports sustainable growth for our company and society.

	Shareholder Return Policy in “PASSION 2026” (FY2022- FY2026 plan)	FY2022 results
Total return ratio	35% or more	45.5%
Annual dividends per share	¥40 or more	¥44
Share buybacks	Conduct flexibly	¥10 billion

Enhance shareholder returns by expanding profits

Building a more sophisticated business portfolio in terms of both social and environmental value and economic value

The Kuraray Group is striving to build a business portfolio that is more sophisticated in terms of both social and environmental value and economic value. These axes inform our decisions. In 2022, we decided to withdraw from two businesses—our PVA gel business for wastewater treatment and our acrylic artificial marble business—after assessing these businesses in terms of economic value, including earning power (operating cash flow) and capital efficiency (ROIC).

Going forward, we will draw on the Kuraray Portfolio Sustainability Assessment (PSA) system*¹ we adopted as an index to quantitatively assess social and environmental value to the fullest extent possible to help us further enhance the business portfolio, as well as utilize the internal carbon pricing (ICP) system we introduced in 2021.

PSA-contribution products accounted for 54% of all sales in 2022, up from the 2020 benchmark of

46%. Since they tend to carry higher margins than other products, expanding sales of PSA-contribution products will also feed greater profits for the Kuraray Group.

*1 A system that conforms to the PSA guidelines developed by the World Business Council for Sustainable Development (WBCSD)

Investing in greenhouse gas reductions to achieve net-zero carbon emissions by 2050

The Kuraray Group has drawn a roadmap for achieving net-zero carbon emissions by 2050. Our first goal is to reduce Scope 1 and 2 greenhouse gas emissions by 30% by the halfway point, 2030, against the benchmark year of 2019.

To this end, we have earmarked outlays of ¥80 billion by 2030, of which we will invest ¥30 billion by 2026.

Our greenhouse gas emissions were approximately 2,896 thousand tons-CO₂e in 2022, clearing our goal of keeping emissions below the 2019 level. We expect an increase in emissions in 2023 as new plants and production facilities start operation.

However, to counter this, we will aggressively invest in energy-saving and production process improvements at each production site. We will also pursue a shift to renewable energy for the electricity we purchase, striving to bring down net emissions.

One issue we need to address is our in particular coal-based activated carbon plant in the United States, which emits significant amounts of greenhouse gas as by-products. We will consider constructing a carbon dioxide capture and storage (CCS)*² pilot plant. We will also proceed with development of carbon dioxide capture and utilization (CCU)*³ technologies, with a view to collaborating with other companies, and will also explore emissions reductions through CO₂ utilization.

*2 Carbon dioxide Capture and Storage. An initiative to store CO₂ that has been separated from exhaust gas at industrial facilities.

*3 Carbon dioxide Capture and Utilization. An initiative to utilize CO₂ that has been separated from exhaust gas at industrial facilities

We will seek out competitive advantages and increase corporate value.

The Kuraray Group boasts a wealth of unique products that claim high shares of their respective markets. Many are considered indispensable to society. In addition, we have established a framework capable of supplying these products on a global scale. We will continue to leverage these competitive advantages to contribute to society and the environment while also increasing profits.

We will further deepen dialogue with our stakeholders as we seek to gain their understanding and trust in the Kuraray Group's growth narrative. Meanwhile, we will work hard to achieve the targets set out in "PASSION 2026" and increase corporate value by improving capital efficiency and enhancing shareholder returns.

We ask for your ongoing understanding and support going forward.

