

# Top Statement

*Hitoshi Kawahara*

President and  
Representative Director

**Following World Trends Closely,  
We Will Continue Working as a Specialty  
Chemical Company to Do Our  
Best "For People and the Planet."**

## My Role Is to Provide Leadership in Responding to Change

Since its foundation in 1926, the Kuraray Group has drawn on its unique technical strengths to generate many innovative products. After commercializing the world's first synthetic PVA fiber, it grew to become a Specialty Chemical Company, evolving its technologies to adapt to changing times. Today, products with world-leading market share account for approximately 60% of total Group net sales. I believe this achievement is a direct result of our dedication, starting with our predecessors and continuing into the present, to the Kuraray Group mission — "For people and the planet — to achieve what no one else can."

When I joined the Company in 1984, I found a free and open-minded corporate culture in which I was entrusted with many different tasks despite my young years. I was aware of the responsibility involved, but welcomed the opportunity to tackle challenges while thinking for myself, an invaluable experience that still benefits me today. That is why I want all our employees to feel motivated in their work as they pursue initiatives to create new things. For that to happen, it is important to offer an environment where each and every employee can exercise their abilities to the full.

Particularly in the current so-called age of VUCA (volatility, uncertainty, complexity, and ambiguity), it is crucial to show respect to each other and deepen mutual understanding through dialogue. By providing forums for dialogue, we empower individuals to exercise their abilities to the full, which translates into organizational strength and leads to the creation of new value. Enabling this process, which for me is the true essence of leadership, is an important role I play.

I also believe that the way we exercise leadership has to be adjusted flexibly and appropriately to

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meet changing times and social needs, the situation in different countries and regions, and the specific aspects of the challenges at hand.

## Targets Exceeded in the First Half of the Medium-Term Management Plan

Since 2022, the Kuraray Group has been implementing the 5-year Medium-Term Management Plan "PASSION 2026."

Looking back on the business environment in the first three years of the plan, we see that assumptions have changed greatly since its launch. First, the start of Russia's invasion of Ukraine was followed by a sharp rise in raw material and fuel prices and logistics costs. Then, with inflation leading to stagnating demand and the yen weakening on the currency market, economic conditions have remained unpredictable throughout the period.

Despite these business conditions, we were able to post above-target results in net sales and the various profit indicators in the first three years of the plan. The main factors in this were, firstly, that we took steps to further strengthen the global supply chain in order to build a stable supply system and optimize logistics. Secondly, our customers accepted prices that reasonably reflected the cost increases, especially for vinyl acetate, our core business.

In 2024, the midway point of the management plan, we managed to increase sales volume in many of our businesses, so that net sales reached the highest and operating income the second highest level on record. For 2026, the plan's final year, we have revised the plan's targets upward to net sales of ¥900 billion and operating income of ¥110 billion.

ROE in 2024, however, stood at just over 4%. This was due to the recording of extraordinary losses, including losses on business liquidation and impairment losses on fixed assets, as we worked on

the key strategy of building a more sophisticated business portfolio. As we will continue driving this strategy in the second half of the plan, ROE in 2026 is expected to come in at 9%, slightly below the initial target, which will nevertheless remain our aim. I am confident that the earning power of the Kuraray Group in terms of operating cash flow has been reliably strengthened during the period of the Medium-Term Management Plan.

## Quantifying the Outcomes of Our Challenges and Translating Them into Profit

Launched as part of the Medium-Term Management Plan, Our Challenges represent a company-wide strategy to increase the Kuraray Group's combined strengths by fostering a spirit of challenge in each individual and strengthening global unity under the concept of "One Kuraray."

The first challenge is "Sustainability as an opportunity," which we will promote with the collective strength of the Group. The second challenge, "Innovations starting from networking," will see us creating new growth drivers by connecting people with people and technologies with technologies, both within and outside the Company. The third challenge, "Transformation of people and organizations," aims to leverage digital-driven process innovation and to promote diversity, which will help us bring to bear a broader range of ideas.

### Our Challenges 1 Sustainability as an Opportunity

#### — Close coordination with management strategy

Under the theme of "Sustainability as an opportunity," we have summarized our sustainability-related

measures in the Sustainability Medium-Term Plan, based on the material issues of the Kuraray Group. We are rolling out a "3P" model, grouping measures into three Ps: Planet, Product, and People.

These are all key non-financial measures to support our business activity and will be rolled out going forward in close coordination with the management strategy.



### Planet

Here, we are making a concerted effort company-wide to meet the 2050 carbon net-zero target. We are set to hit the initial target for Scope 1 and 2 greenhouse gas (GHG) reduction ahead of time.

A project to develop clean energy that does not emit CO<sub>2</sub>, including green hydrogen and green ammonia, is currently underway near one of the Group's overseas production bases. If all goes smoothly, we expect a supply framework to be in place around 2035. Taking account of this, we have set an ambitious new emissions target of reducing emissions by 63% by 2035 compared to 2021 levels (from 3,020 thousand tons-CO<sub>2</sub>e to 1,117 thousand tons-CO<sub>2</sub>e).

For Scope 3 (Category 1\*) emissions, we are working towards a new target of reducing CO<sub>2</sub> by 2035 by 37.5% compared to fiscal 2021 (from 2,941 thousand tons-CO<sub>2</sub>e to 1,838 thousand tons-CO<sub>2</sub>e). With the aim of acquiring SBT\* certification for these numerical targets, we have submitted a commitment letter to the SBT initiative.

\* SBT (Science Based Targets):

GHG reduction targets set by business enterprises with a target date 5 to 15 years in the future and target values in line with the level required by the Paris Agreement.

SBTs must cover at least two-thirds of total Scope 3 emissions. Category 1 corresponds to purchased products and services, which accounts for two-thirds or more of Kuraray's Scope 3 emissions, and this is the category selected by Kuraray as the target category for reduction.

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## Product

Here, we have introduced the Kuraray PSA system based on the Portfolio Sustainability Assessment (PSA) method specified by the WBCSD<sup>\*1</sup>, which offers a high degree of objectivity and transparency. We are using the system to increase the ratio of products that contribute to improving the natural and living environments, which is part of our corporate mission and also included among our material issues.

The plan's initial target for the net sales ratio of products that contribute to the natural or living environment has been fulfilled ahead of time. The 2026 target of a 60% share for such products is also expected to be met.

Going forward, we aim to apply evaluation using the Kuraray PSA system not only to net sales as at present but also to business profits. This will also allow us to clearly reflect the creation of products that contribute to improving the natural or living environment in financial KPIs, and to reinforce it with further investment for growth.

<sup>\*1</sup> Abbreviation for the World Business Council for Sustainable Development.



## People

From my experience of working in Japan and overseas before becoming President, I felt strongly that there was a large pool of highly dedicated human resources in the Kuraray Group worldwide whose abilities were not being tapped to the full. When human resources become active on the global stage, that accelerates our response to social issues at a worldwide level, which in turn promotes the Kuraray Group's sustainable growth and increases corporate value.

Because of this, the urgent focus of our issues is on putting in place a global human resource platform and improving employee engagement. Regarding the former, we are creating a fair and just personnel system to enable diverse human resources to flourish in the job best suited to them and to increase human resource mobility within the Group. We are also rolling out succession planning based on a long-term perspective. Specifically, we are creating a unified global human resource database that will allow us to visualize candidate human resources for important positions Group-wide.

To improve employee engagement, in 2024 we conducted the second engagement survey across our global operations. The survey items where issues were identified were, as in the previous survey, the question of whether meaningful action had been taken in response to the survey results, and the new issue of whether the employee felt they had a valued role in the organization. Among the points raised by employees were insufficient communication with supervisors and lack of messaging from the executive team, shortages in front-line personnel, and concern over changes to the personnel system. We have taken these comments on board and will use them to make future improvements. Going forward, we will engage in ongoing dialogue to enhance feedback and take action for improvement in each organization.

## Our Challenges 2 Innovations Starting from Networking

### — Accelerating new business creation

The most important mission of “Innovations starting from networking” is to create new businesses.

The Research and Development Division, which is the core element of our R&D operations, is working to accelerate the practical application of innovative technology seeds. In the regenerative medicine field specifically, to coincide with the sales launch of SCAPOVA™ PVA microcarriers (an immobilized carrier) for the mass cell-culture market, we established the Tokyo Lab within the Tokyo Women's Medical University-Waseda University Joint Institution for Advanced Biomedical Sciences (TWIns). This is part of a drive to promote joint R&D between industry and academia and to strengthen overseas marketing. Additionally, we are taking active steps to introduce cutting-edge technologies, for instance by applying digital technology to boost R&D efficiency and using AI in new material development.

In addition, the Innovation Networking Center established in the first year of the Medium-Term Management Plan has been engaged in vigorous activity, serving as a bridge linking vertically siloed business divisions and organizations and at the same time promoting internal and external collaboration worldwide. As a result, the Kuraray Group has been able to exercise its combined strength more successfully. The marketers of Innovation Networking Center act as a link between R&D and the customer in a structure that enables unmet needs — customer issues that remain unaddressed — to be accurately identified, leading efficiently to generation of R&D technology seeds.

We are identifying strategic targets based on market growth and the Kuraray Group's capabilities, resulting so far in 30 specific themes. During the period of the current Medium-Term Management Plan, I hope to concretize two or three of these as new businesses.

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## Our Challenges 3 Transformation of People and Organization

### — Implementing DX and human resource training as an integrated package

The development of digital technology means that DX is advancing rapidly in the business environment.

To stay ahead of these developments, the Kuraray Group is collaborating with ANSYS, Inc., a world leader in the development and sale of simulation and analysis tools, to put in place an environment for product development in digital spaces using Kuraray Group products. By thus allowing customers to access the Kuraray Group's extensive materials data and product simulation expertise, we aim to improve our products' digital presence. In January 2025, we set up a new Digital Solutions Department within the Research and Development Division. Going forward, we are committed to further driving the use of digital technologies for both customer solutions and R&D themes.

In parallel, it is essential that we develop DX talent with expertise in creating digital solutions. A related personnel measure is the global rollout of a DX talent development program based on three digital literacy levels, gold, silver, and bronze, with all employees required to reach at least bronze level. The number of employees completing the program is progressing ahead of target at all levels.

These Three Challenges represent ambitious tasks that we are tackling together as a Group. Up to now, our efforts have focused on qualitative evaluation, but we have now added quantitative non-financial KPIs including Scope 3 (Category 1) GHG emissions; global talent development (ratio of senior managers taking global leadership training); executive candidate development (ratio of candidates prepared for general managers equivalent positions); and DX talent development (number of program completions at each level). Progress in

these areas will also allow us to steadily add financial value (➤ P. 23).

### Focus on Growth Drivers: EVAL™, Activated Carbon, and Dental Materials

The strength of the vinyl acetate business, one of our mainstay segments, is that we have built up an in-house value chain covering all upstream to downstream processes, a structure that has enabled us to generate numerous top-class products and build solid relationships of trust with customers. This segment, which promises further growth and expansion in the future, will receive appropriately timed investment of management resources. One product expected to make a particularly great contribution to improving the natural and living environments is our EVAL™ EVOH resin. Readily recyclable and friendly to the circular economy, it has attracted growing demand, especially in Europe.

Also highly promising for future growth are the activated carbon and dental materials businesses in the Functional Materials segment. In the activated carbon business, there are trends, particularly in the United States and Europe, toward tighter regulation of poly- and perfluoroalkyl substances (PFAS), which we expect to spread worldwide in the future. The Kuraray Group's strength lies not only in supplying activated carbon but also in offering a total service, from system design including supply of large-scale purification facilities and other peripheral equipment to collection of used activated carbon from customers for recycling. It is predicted that in 2030, the market size of PFAS-treatment for drinking water will be \$1-2 billion in the United States alone, of which we believe 75% will be treated with activated carbon. To position itself to capture at least half of this demand, the Kuraray Group is undertaking capital investment and human resource reinforcement in areas peripheral to activated carbon. We have already

signed a long-term exclusive supply contract with the largest private water and wastewater utility company in the United States, and have concluded contracts or are engaged in negotiations with a large number of other major waterworks companies (➤ P. 18).

In the dental materials business, the Kuraray Group draws on its strength in organic chemistry to offer products such as dental adhesives and fillers and the dental ceramics that it accesses through its business integration with the former Noritake Dental Supply Co., Limited. The strength of Kuraray's dental materials business lies in its supply of a wide range of dental materials of high quality and performance, both organic and inorganic. Specifically, our zirconia blocks enable treatment in a short time-frame, which reduces the burden on both dentists and patients and thereby contributes significantly to improving the quality of life. I believe that this product's excellent properties give it considerable growth potential going forward, particularly in Europe and the United States. We will continue enhancing our global presence through the development and release of new products.

### Launch of Implementation Phase of Building a More Sophisticated Business Portfolio

Alongside our Three Challenges, an additional focus initiative is building a more sophisticated business portfolio.

In 2022 and 2023, the first two years of the management plan, our task was to identify businesses and products that were highly competitive and had strong growth potential. We then established the three criteria of social and environmental value, economic value, and market growth. Based on the assessment, we established four business categories: "growth, expansion businesses," which score highly in terms of all three criteria; "base businesses,"



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which have stable market position and profitability; “developing new solutions, applications,” which are areas with growth potential but as yet lacking in profitability; and “businesses to be optimized, structurally improved,” which face issues on all three criteria. (➡ P. 24).

Our aim is to strengthen the “growth, expansion businesses” that score highly in all three criteria. Our vision is to develop new applications and markets for our “base businesses” and create new businesses through the “developing new solutions, applications,” shifting these products and businesses into “growth, expansion businesses.”

In 2024, we entered the phase for concrete implementation of measures. In our “growth, expansion businesses” and “base businesses,” we have steadily brought on stream facilities that were already under construction. As growth drivers, we have taken forward the capital investment in the new EVAL™ plant in Singapore and acquired an industrial reactivated carbon business for our activated carbon business. Other related measures include making investment decisions for future growth. Conversely, to address businesses where we judge that sustainable profit growth is unlikely and continued investment is therefore difficult, we are taking decisions on business downsizing or withdrawal based on careful consideration.

In the growth drivers of EVAL™, activated carbon, and dental materials, we will continue investing management resources to leverage our strengths and respond accurately to expanding demand. In our “base businesses” equally, we will invest as required in safety measures and in maintenance and renewal of manufacturing facilities to further strengthen their foundations. Meanwhile, in the isoprene and fibers and textiles businesses, which are classed as “businesses to be optimized and structurally improved,” we are drafting plans for structural improvement and rebuilding and working to boost profitability.

Going forward, with the aim of building a more sophisticated business portfolio and achieving sustainable growth, we will proceed swiftly with bold decision-making on capacity expansion, M&A activity, business downsizing and withdrawal, and other necessary matters.

### Ready to Be, Ready to Go: Seizing Opportunities to Continue Evolving

Our journey to becoming a globally united “One Kuraray” has only just begun. With approximately 40% of our Group employees based overseas, one urgent task is to invigorate communication and other forms of interaction. The executive team remains composed of a majority of Japanese nationals, but I recognize that a company that presents itself as a global company must reflect that reality in its structure.

Approximately 80% of Kuraray Group net sales are in overseas markets and our business arena is thus to a large extent global. We need to bring our overseas teams together to work toward a shared goal based on a shared understanding. Each of the Three Challenges that we are currently engaged in is a measure to strengthen collaboration across our



various business divisions and different countries and regions. Following through with these challenges will strengthen the sense of unity among our global personnel.

Next year, 2026, the Kuraray Group marks the 100th anniversary of its foundation. Reaching this milestone while continuing to grow as a Specialty Chemical Company and as a global company is the great achievement of all involved, from our predecessors to the current generation of employees. I would like this significant moment to be one not only for looking back on the past but also ahead to the future. To continue being an enterprise that achieves sustainable development, I plan to roll out projects that reach out to the future.

As a member of management, I am wholeheartedly committed to making ongoing contributions to the Company’s growth. My immediate target is to reinforce the ranks of our “growth, expansion businesses” by creating new businesses that work “For people and the planet.” To generate long-term business opportunities, we will also continue focusing efforts on the 2050 carbon net-zero target. Although the change in the U.S. administration in January 2025 and other developments have placed environmental issues in an altered context, we are nevertheless engaged in preparations in capital investment, product supply, and other areas, thus positioning ourselves to seize the opportunity and swing into action when the time is right. I believe that it is essential for us to adopt a “Ready to be, Ready to go” stance so as to accurately identify trends in the wider world and respond swiftly to opportunities.

I ask our shareholders and other valued stakeholders to carry on believing in and supporting the Kuraray Group as it proceeds on its path of change and evolution.

**Hitoshi Kawahara**  
President and Representative Director