

# Value Creation Process

To contribute to improving the environment and enhancing the quality of life through our business activities. This is the mission of the Kuraray Group.

Building on six kinds of capital and the pioneering technology we have cultivated over the years, we will seek sustainable growth and carry out our mission through initiatives set out in the Medium-Term Management Plan "PASSION 2026."

## Our Mission

We are committed to developing new fields of business using pioneering technology that improves the environment and enhances the quality of life throughout the world.

"For people and the planet—to achieve what no one else can."

## Vision

### "Kuraray Vision 2026" Long-Term Vision

Specialty Chemical Company contributing to customers, society, and the planet and growing sustainably by incorporating new innovation platforms into its own technologies.

### Sustainability Long-Term Vision

As a sustainability leader, Kuraray will develop innovative solutions with unique products and cleaner technologies to improve the natural environment and enhance quality of life for people everywhere.

## Input

Pioneering technology and six kinds of capital cultivated over the years

### Financial capital

Strong financial position and investments and M&A that create value

### Human capital

Diversity of human resources

### Intellectual capital

Pursue development that contributes to growth strategies and sustainability

### Manufacturing capital

Global production framework

### Social and relationship capital

Trust from customers, trust from local communities

### Natural capital

Achieve carbon neutrality and expand lineup of products that contribute to the environment

## Strategies and Business Activities

### Materiality

#### Creating Value through Business

- Improving the natural environment
- Improving the living environment

#### Creating Value to Strengthen the Foundation of Kuraray

- Effective use of resources and reduction of environmental impact
- Improving supply chain management
- Building a "company that people can take pride in"

### Building a more sophisticated business portfolio

- Assessing businesses and products for social and environmental value and economic value, while taking into account market growth.
- Setting target fields based on five macro trends.



Improvement of the global environment



Food and water security



Digitalization, high-speed communications



Effective utilization of energy



Calls for higher quality of life (QOL)

Target Fields P. 17

### Strategies: Three Challenges

#### Medium-Term Management Plan "PASSION 2026"

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Sustainability as an Opportunity (Sustainability Medium-Term Plan)

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Innovations Starting from Networking

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Transformation of People and Organization

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## Output and Outcomes

### Asbestos substitutes, extending the life of building materials

- KURALON™ PVA fiber



### Biomass-derived or recycled raw materials

- Liquid rubber made from biomass-derived materials
- Environmentally friendly polyester fiber and textile products
- Recycled raw material-used CLARINO™ man-made leather



### Water and air purification

- Activated carbon



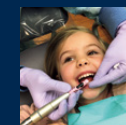
### Lower logistical burden, food-loss reduction

- EVAL™ EVOH resin
- PLANTIC™ biomass-derived gas barrier material



### Make dentists' and patients' lives easier

- Dental materials



### High-speed communication, lightweight EVs

- VECSTAR™ liquid crystal polymer film
- GENESTAR™ heat-resistant polyamide resin



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# Capital Strengthening to Support Competitive Advantage

Six capitals	Expansion of capital (FY2024 results)	Points to be reinforced during second half of "PASSION 2026"
<b>Financial capital</b> While securing our ability to generate cash flow, we will invest in areas that contribute to the natural and living environments, working to expand profits and enhance capital efficiency.	<ul style="list-style-type: none"> <li>Net assets: <b>¥781.8</b> billion</li> <li>Equity ratio: <b>59.2%</b></li> <li>Capital investment: <b>¥84.3</b> billion (acceptance basis)</li> <li>ROIC: <b>7.3%</b> • ROE: <b>4.3%</b></li> <li>EBITDA: <b>¥170.3</b> billion • EBITDA margin: <b>20.6%</b></li> </ul>	<b>Ability to generate cash flow to support the building of a sound financial position and growth investments</b> <b>Aggressive investment in areas that contribute to the natural and living environments</b> —Expanding capacity to meet growing demand, including investments to reduce GHG emissions; expanding lineup of products that contribute to the natural and living environments <b>Capital efficiency to bring about growth and shareholder returns</b> —Boosting capital efficiency; continuing share buybacks <b>FY2026 target</b> ROIC: 8%    EBITDA: ¥170 billion    ROE: 10%    (Reference) EBITDA margin: 23%
<b>Human capital</b> By encouraging the active participation of diverse human resources with various nationalities and backgrounds, we will create innovation and continuously enhance corporate value.	<ul style="list-style-type: none"> <li>Number of consolidated employees: <b>11,941</b></li> <li>Ratio of overseas employees: <b>41.2%</b></li> <li>Ratio of female employees: <b>20.1%</b></li> <li>Ratio of female employees in managerial positions: <b>12.3%</b></li> <li>Diversity of core human resources<sup>*1</sup>: <b>18%</b> (➤ P. 36)</li> <li>Global talent development<sup>*2</sup>: <b>45%</b> (➤ P. 37)</li> <li>Executive candidate development<sup>*3</sup>: <b>130%</b> (➤ P. 47)</li> <li>Participants in DX talent development program Gold <b>82</b>, Silver <b>471</b>, Bronze <b>5,938</b> (➤ P. 47)</li> <li>Ratio of females among new graduate hires General career track: <b>22%</b>, Job/location-specific track: <b>13%</b></li> <li>Male employees taking childcare leave Percentage of male employees taking childcare leave: <b>94%</b>, taking 14 days leave or more: <b>63%</b> (➤ P. 36)</li> </ul>	<b>Unified platforms for HR management</b> —Establishing globally unified employee grading system (for managers); human resources database (to visualize human resources status, leverage resources efficiently) <b>Optimal staffing, encouragement to cultivate personal growth</b> —Global mobility system (to expand career opportunities, invigorate human resources exchanges); global human resources development program; DX Talent Development Program; systematically nurturing senior management candidates <b>Culture that encourages those who take on challenges</b> —Shift to personnel evaluation system that encourages those who take on challenges; promoting diversity and inclusion, spreading a culture that appreciates these values; making assistance programs available to support diverse workstyle options <b>Target by FY2026</b> Cumulative participants in DX talent development program    Gold 180, Silver 1,200, Bronze 5,700 <b>FY2026 target</b> Male employees taking childcare leave    Rate of taking childcare leave: 100%, taking 14 days leave or more: 90% <b>FY2025-2026 target</b> Ratio of females among new graduate hires    Per year, 35% or more for general career track positions, 10% or more for job/location-specific track positions <b>FY2030 target</b> Diversity of core human resources <sup>*1</sup> : 25%    Global talent development <sup>*2</sup> : 60%    Executive Candidate Development <sup>*3</sup> : 200%
<b>Intellectual capital</b> We will pursue the creation of new businesses by adding new elements to our core technologies in polymer and synthetic chemistry and focusing on addressing social issues.	<ul style="list-style-type: none"> <li>Number of researchers: <b>1,039</b></li> <li>R&amp;D expenses: <b>¥25.7</b> billion (➤ P. 40)</li> <li>Ratio of R&amp;D to sales: <b>3.1%</b></li> </ul>	<b>Development based on the customer perspective</b> —Expanding activities of Innovation Networking Center (global marketing activities, collaboration inside and outside the Group) <b>Resource allocation and development for high priority projects aimed at enhancing new business creation</b> <b>Development that contributes to carbon neutrality and a circular economy</b> <b>Promotion of digital-related measures, open innovation, and human resource development</b> <b>Planning and execution of intellectual property strategies</b> —Clarifying and implementing a global intellectual property strategy aligned with business strategy
<b>Manufacturing capital</b> To maintain our competitiveness in global markets, we will further reinforce our framework for stable product supply based on the principle of making and selling products in the best-situated regions.	<ul style="list-style-type: none"> <li>Production bases in Japan: <b>9</b></li> <li>Production bases outside Japan: <b>43</b></li> </ul>	<b>Reinforcing stable supply framework drawing on integrated production from the raw materials stage and global network</b> <b>Expanding production capacity (new and expanded facilities)</b> —EVAL™ EVOH resin (new plant in Singapore, capacity expansion of existing plants in the U.S. and Europe); GENESTAR™ heat-resistant polyamide resin (second phase in Thailand), reactivated carbon (new plants and expansion at multiple locations), dental materials (expansion at Miyoshi and Niigata plants), optical-use poval film (expansion) <b>Optimizing logistics</b>
<b>Social and relationship capital</b> We aim to achieve sustainable development by further deepening dialogue and co-creation grounded in our solid customer base and relationships of trust with diverse stakeholders.	<ul style="list-style-type: none"> <li>Number of investor briefings Institutional investors: <b>239</b>; Sell-side analysts: <b>44</b>; Management briefings (business briefings): <b>2</b>; Individual investors: <b>2</b></li> <li>Coverage of sustainable procurement survey: <b>82.5%</b> (in Japan) <sup>*4</sup>, <b>81.7%</b> (outside Japan) <sup>*5</sup> (➤ P. 34)</li> <li>Safety audits (outside Japan) United States: <b>4</b>, Asia: <b>2</b> (➤ P. 71)</li> <li>Results of Global Process Safety Management Audits United States: <b>3</b> plants (➤ P. 35)</li> <li>Social contribution activities (➤ P. 37)</li> </ul>	<b>Building stronger relationships of trust with stakeholders</b> <b>Formulating human rights policy, implementing human rights due diligence</b> <b>Reinforcing safety activity management (gaining trust of local communities)</b> —Forming Global Process Safety Management Audit Team made up of in-house experts from across the Group, launching activities <b>Strengthening quality management (gaining customer trust)</b>
<b>Natural capital</b> We aim to offer customers the products and services needed to realize a low-carbon and environment-friendly society, manufacturing products in a way that minimizes environmental impact.	<ul style="list-style-type: none"> <li>Measures to address climate change —Scope 1, 2 GHG emissions: <b>2,868</b> thousand tons-CO<sub>2</sub>e Scope 3 (Category 1): <b>3,062</b> thousand tons-CO<sub>2</sub>e (➤ P. 28)</li> <li>Various measures for the ongoing reduction of environmental impact (➤ P. 31)</li> <li>Sales ratio of products that contribute to the natural and living environments: <b>58%</b> (➤ P. 33)</li> </ul>	<b>Initiatives to counter climate change</b> —TCFD-based disclosure; acquiring SBT (Science Based Targets) certification; use of internal carbon pricing system <b>Targets for ongoing reduction in environmental burden</b> —More efficient energy (energy saving), effective use of waste, effective use of water resources (excluding seawater), emission management of chemical substances <b>Through use of Kuraray PSA system, expanding lineup of products that contribute to the natural and living environments, building a more sophisticated business portfolio</b> <b>FY2026 target</b> Sales ratio of products that contribute to the natural and living environments: 60% <b>FY2035 target</b> GHG emissions 63% reduction compared to FY2021 (from 3,020 thousand tons-CO <sub>2</sub> e in FY2021 to 1,117 thousand tons-CO <sub>2</sub> e) 37.5% reduction compared to FY2021 (from 2,941 thousand tons-CO <sub>2</sub> e in FY2021 to 1,838 thousand tons-CO <sub>2</sub> e)

\*1 Percentage of women, foreign nationals, mid-career hires in managerial positions in Japan, excluding production sites

\*3 Ratio of candidates prepared for general managers equivalent positions

\*2 Ratio of senior managers taking global leadership training

\*4 FY2022 results

\*5 FY2023 results