

# Outside Directors' Roundtable Discussion



**We Are Working with Passion and Perseverance to Open Future Horizons. We Want to See Kuraray Continuing to Pursue the Mission of "For People and the Planet," Broadcasting the Appeal and Strength of The Kuraray Way.**

**Naoko Mikami**  
Outside Director  
(Independent Director)



**Satoshi Tanaka**  
Outside Director  
(Independent Director)  
Chairman of Corporate  
Advisory Committee



**Keiko Murata**  
Outside Director  
(Independent Director)

## — Progress Review of Medium-Term Management Plan "PASSION 2026"

Murata: The current Medium-Term Management Plan "PASSION 2026" was announced in February 2022 to follow on from the previous Medium-Term Management Plan "PROUD 2020" after an intervening period covered by the Fiscal 2021 Management Plan.

Kuraray used the one-year management plan period to discuss how to achieve continuous growth over the medium to long term amid the unpredictable business conditions created by COVID-19 and other factors. The Company set carefully considered quantitative targets and also discussed Three Challenges, or qualitative goals.

Tanaka: One feature of Kuraray that stands out amid the uncertain future of the business environment is its strong product appeal. By making efforts in this area, Kuraray has been able to reflect rising raw material costs in its sales prices, as the customers and the wider market recognize the corresponding value in its products.

Mikami: As an outside director involved with Kuraray since 2024, I agree with Mr. Tanaka that Kuraray's strength lies in its inimitable product appeal. Another way of putting it is that Kuraray has had the ability to anticipate market needs with new technology development and timely capital investment. By consistently maintaining this approach, Kuraray has built up the strong product appeal that has won it a large market share. That, I think, is what has enabled it to pass costs on in its sales prices.

Murata: In my assessment, Kuraray's management responds to the constantly changing business

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environment with consistently appropriate judgments that probe far into the future. As a result, the original net sales and profit targets of "PASSION 2026" for 2026, the final year of the plan, are expected to be largely met.

Tanaka: Speaking of changes in the business environment, the last few years have seen the retreat of the COVID-19 pandemic and the settlement of the lawsuit relating to the U.S. EVAL plant fire incident. It is true that the situations in Ukraine and the Middle East and the impact of the change of government in the United States are among a number of outstanding sources of concern, but the outlook has become somewhat clearer since the formulation of the current Medium-Term Management Plan "PASSION 2026." I think fiscal 2025, as we look ahead to the final year of the plan in 2026, is a good time to assess its progress.

Murata: If I were to raise one issue going forward, it would be the importance of making decisions based on the awareness that, while the start-up of the new isoprene plant in Thailand was delayed in the wake of COVID-19, the business environment has also changed significantly due to shifts in the global situation.

Mikami: It is additionally important to build a more sophisticated business portfolio. Over the past year, we have also discussed this exhaustively on the Board of Directors, with a highly critical evaluation of each individual business in terms of its profitability. Looking ahead to fiscal 2026, we are now entering the final stage in the implementation of business selection and concentration.

Tanaka: In connection with the business portfolio, there are broadly speaking two issues.

Firstly, in terms of reflecting increased costs in prices as mentioned just now, this has been managed successfully in the core vinyl acetate business, where an already strong business has been seen to strengthen further still. In its non-core businesses, however, Kuraray needs to increase earnings power and broaden the scope of its profit base. One approach to that has been to make large investments in areas such as the new isoprene plant start-up in Thailand that Ms. Murata spoke of, but the issue is that they have not yet produced the expected results.

The other issue facing Kuraray is business restructuring. One of the positive things about Kuraray is that it perseveres with a business even when it is slow to turn a profit, but of course it is important to judge properly when to step back. As Ms. Mikami said, there have been significant developments in the last year, and this is an important area to discuss in order to build a leaner business structure.

Mikami: On the topic of business concentration, one area where I have high expectations is activated carbon. The strengthening of PFAS regulation has sparked vigorous capital investment, especially in the United States. I think that this wave of PFAS regulation will spread worldwide. Kuraray's efforts here, including the acquisition of Calgon Carbon Corporation in the United States, the world's largest player in the field of activated carbon, are at last bearing fruit. I look forward to seeing a positive outcome here.

Tanaka: As set out in Kuraray's Three Challenges, there is a parallel need to emphasize non-financial measures, including human resource development to support the profit base. In the area of R&D specifically, it is crucial to create new things using all possible channels including internal and external

alliances. Leveraging human resources and DX are not the kind of strategy that translates immediately into figures, but part of Kuraray's strength is its commitment to steady and sustained effort. I look forward to seeing the results begin to appear around the time of the next medium-term management plan.

### — Enhancing the Effectiveness of the Board of Directors

Mikami: My assessment is that the Board of Directors engages in lively discussion with frank exchanges of opinion. The executive officers speak openly about business issues as they see them and provide concrete explanations, which makes the issues very easy for us to grasp. Going forward, I hope to see the Board progressing to more focused discussion on opening up new business fields and on the content of R&D with a view to enhancing corporate value.

Tanaka: I agree with Ms. Mikami that frank discussion does take place. I believe that there is now a settled approach of being fully open to the opinions of us outside directors and to differing opinions.

I also think that the Kuraray chairman, Mr. Ito, leads the discussion very skillfully. The executive officers and the outside directors each have a different perspective, but we receive appropriate support in the presentation of the discussion points.

Murata: During the discussions of the Board of Directors, the President sometimes gives his view on an opinion expressed by the director in charge of the relevant area, which helps to deepen our understanding.

There are also committed efforts to provide outside directors with opportunities for worksite

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visits and to share information with us in advance of Board meetings. In addition to visiting workplaces, touring plants, and receiving explanatory talks, we have had the opportunity of speaking with front-line managers of departments in the process of restructuring as well as with young employees.

Tanaka: Since fiscal 2024, I have served as chairman of the Corporate Advisory Committee. Our discussions are centered on director appointments and executive remuneration. The framework for calculating remuneration is based on an index that reflects corporate performance overall or in each individual business field. The level and composition of remuneration are set with reference to data from other companies in the same industry and comparable enterprises. A characteristic of Kuraray is that the terms of remuneration are reviewed each year using benchmarks to ensure that a major gap does not arise with employee remuneration. Looking ahead, one subject I expect to see on the Committee's discussion table is the plan for the President's succession planning. The plan aims to ensure that the optimal personnel choice is made by putting in place a framework for selecting at a relatively early stage candidates capable of serving as President in the future and allowing them to build up the necessary experience. It is not possible to change the whole system at once, but I think that we outside directors have a role to play in gradually guiding Kuraray toward the right process.



### — To Our Stakeholders

Mikami: At the end of 2024, I went to Kurashiki to visit the Ohara House KATALYZER (former Ohara family residence), which houses an exhibition in which wise observations from the Ohara family tradition are presented on distinctive strips of paper. My eye was caught by one that said, "The reason for analyzing the present and the past is for the sake of the future."

Over the years, Kuraray's business, which was founded on the fiber industry, has undergone a dramatic structural shift toward polymer chemistry materials such as PVOH and EVAL™. Kuraray has a history of looking back over the development path of its own businesses to identify highly promising new businesses, which it then nurtures carefully to open future horizons. This mindset, which I have felt in my interactions with employees to be deeply rooted, creates a highly appealing corporate ethos.

Unfortunately, with all chemical manufacturers seeing their share price stagnating, assessments of Kuraray's corporate value are failing to reflect its true strength. I think one of the reasons is that Kuraray's appeal and strengths have not been fully communicated to stakeholders. Due to its distinctive nature, chemical manufacturing involves specialized systems and operations and numerous other aspects that are difficult for them to grasp. I believe that we can contribute in both qualitative and quantitative terms to promoting better understanding among stakeholders.



Murata: At one time, Kuraray used to show a commercial whose catchphrase spoke of "new materials that transform into the future." I was teaching at a university at the time and I remember thinking that, although I didn't know what it was, they must be making something good that had future potential.

I would like as many people as possible to learn about and appreciate the outstanding aspects of Kuraray, which makes products boasting the world's top market share.

Meanwhile, I want to continue advocating for the participation of female employees. Partly due to its being a chemical manufacturer, the actual number of female employees is still small. However, I have worked with Ms. Mikami and others to actively create forums for exchange of opinion with female employees, and we have been able to speak directly with some really very talented people. I believe that nurturing outstanding human resources regardless of gender will enhance Kuraray's human capital and contribute to realizing medium- to long-term growth.

Tanaka: Kuraray's mission — "For people and the planet — to achieve what no one else can" — absolutely does not mean that it should be performing incredible feats. Instead, devising and



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making new things and achieving results that benefit the world, however long it takes and whatever effort it involves, are what makes Kuraray a great company.

However, in a world of accelerating change, the action required "For people and the planet" is also constantly changing. To accurately identify what that is, communication with stakeholders is crucially important. Acting as a link in this process is one of our major roles as outside directors.

I want shareholders and other stakeholders to trust Kuraray and to support the Company from a medium- to long-term perspective. In the short term, it may sometimes happen that the projected results do not materialize, but Kuraray is a company that has produced dependable results through medium- to long-term efforts. We are committed to comprehensively discussing comments received from stakeholders on the Board of Directors and reflecting them in efforts to enhance corporate value.

We outside directors will make every effort to support Kuraray in pursuing its growth story in a way that reflects its unique ethos. I hope you will join me in looking toward a bright future for Kuraray.

## Message from the Chairman of the Board of Directors



### Strengthening the Governance System for Sustainable Growth

Masaaki Ito

Chairman and Director

For the Kuraray Group to achieve sustainable growth, an essential requirement is to create value that improves the natural and living environments and contributes to the development of society. As chairman of the Board of Directors, my mission is to promote and enhance this kind of value creation by involving all Board members in active discussion. To do this, I work to encourage active contributions from outside directors and outside members of the Audit & Supervisory Board with their diverse points of view and do my best to encourage free and open exchange of opinion among all participants. For example, when addressing the themes of market growth and the environmental technology required by society, I obtain expert opinions in order to promote decision-making based on a more multifaceted and nuanced perspective.

Meanwhile, to raise the effectiveness of the Board of Directors, we regularly conduct a third-party questionnaire survey to promote the smooth operation of the Board of Directors, swift decision-making, and improvement of the quality of discussion.

At the same time, the Kuraray Group continues working to reorganize and strengthen its corporate governance and risk management systems.

To strengthen the governance system, we reviewed the composition of the Corporate Advisory Committee in March 2024 and appointed Outside Director Satoshi Tanaka as committee chairman to create a structure that provides advice from a more objective standpoint. Furthermore, in line with the committee's recommendation, we have decided to incorporate sustainability-related indicators in executive remuneration from 2025. By thus increasing our executives' commitment to sustainability, we are working to promote the realization of a sustainable society.

In the area of risk management, we are taking steps to strengthen safety audits on a global scale and improve safety in plant operations. By additionally strengthening systems to prevent confidential information leaks, we are also focusing on the protection of corporate, customer, and personal information.

The Kuraray Group believes that contributing to the sustainable development of society leads in turn to sustainable corporate growth. We value dialogue with stakeholders as one way of incorporating external perspectives in our efforts to enhance corporate value by combining social value with economic value.