

# Message from the Officer in Charge of Finance

## As the Officer in Charge of Finance, I Stay in Touch with the Frontlines as I Drive Our Strategy Forward

I was appointed the officer in charge of finance in January 2025. Since joining Kuraray in 1985, after working during my early thirties in the Accounting and Finance Division, I transferred to the business division side, including an overseas assignment. From 2007 to 2012, I served as senior manager of the Accounting Department, followed by appointments as president of the Vinyl Acetate Film Company and general manager of the Corporate Management Planning Office. Drawing on this diverse background, I aim to lead our strategy as an officer in charge of finance who stays closely in touch with our various businesses and frontline workplaces.

### — Progress and Outlook of Medium-Term Management Plan

Our Medium-Term Management Plan “PASSION 2026” was formulated amid the great social upheaval of COVID-19. This was followed by a weakening of the yen and progressive inflation, soaring raw material and fuel prices, and interest rate rises, particularly in Europe and the United States. This meant that the plan had to be implemented in an uncertain market environment.

In the face of these challenging conditions, we strove to maintain profitability by leveraging

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our pioneering products to respond to market and customer needs. To do this we drew on the strength of our global supply chain to ensure stable product supply and revised sales prices to reasonably reflect the rise in raw material and fuel prices. As a result, we successfully met plan targets for both net sales and operating income in the plan's first three years from 2022 to 2024.

Looking ahead, although the business environment is likely to remain unpredictable, we will continue to steadily implement the Medium-Term Management Plan with the aim of exceeding initial plan targets

### FY2024 Results and FY2026 Targets and Forecast

	FY2024 results	PASSION 2026	
		FY2026 forecast (Announced in Feb. 2025)	FY2026 targets (Announced in Feb. 2022)
Net sales	¥826.9 billion	<b>¥900.0 billion</b>	¥750.0 billion
Operating income	¥85.1 billion	<b>¥110.0 billion</b>	¥100.0 billion
Net income attributable to owners of the parent	¥31.7 billion	<b>¥66.0 billion</b>	¥63.0 billion

for net sales and operating income in 2026, the final year of the plan.

### — Progress and Outlook of Financial KPIs

In 2024, ROIC stood at just over 7% and EBITDA at ¥170.3 billion. These two indicators have been improving year by year and are expected to meet the target again in 2026. Although ROE is forecast to come in slightly below target, we are steadily enhancing earning power and are committed to ongoing efforts to achieve further medium- to long-term growth and improve capital efficiency.

Toward improved capital efficiency, we are monitoring ROIC in each of our businesses. Instead of setting a uniform ROIC target for every business division, we apply a unique analysis model to each business. In concrete terms, we conduct analysis focusing on five aspects: (1) marginal profit rate, (2) fixed costs, (3) working capital index (working capital ÷ net sales), (4) fixed assets, and (5) net sales. We seek to improve ROIC by working with business divisions on measures to improve each of these factors, which are then incorporated into frontline action. This management method allows us to clarify priority areas for improvement in each business, thereby improving ROIC.

### Financial KPIs

	FY2024 results	PASSION 2026	
		FY2026 forecast (Announced in Feb. 2025)	FY2026 targets (Announced in Feb. 2022)
ROIC	7.3%	<b>9%</b>	8%
EBITDA (Operating income + depreciation and amortization)	¥170.3 billion	<b>¥186.0 billion</b>	¥170.0 billion
ROE	4.3%	<b>9%</b>	10%
EBITDA margin (reference)	20.6%	<b>21%</b>	23%

# Message from the Officer in Charge of Finance

## — Building a More Sophisticated Business Portfolio

Building a more sophisticated business portfolio has been an important theme for Kuraray for some time, but it was following the Russian invasion of Ukraine in 2022 that our awareness of it grew particularly strong. At the time, our business was seriously impacted by supply chain disruption and rising raw material and fuel prices, and this crisis revealed the strengths and issues of each business.

For instance, the strength of the vinyl acetate business lies not only in the superiority of the products themselves, but also in its ability to ensure a stable supply through its globally based production system. Such strengths are recognized by customers as representing value, which allowed us to undertake appropriate price revisions at a difficult time. We are committed to active investment in businesses, growth fields, and new fields that offer strengths of this kind.

In some businesses, on the other hand, we remained unable to pass rising costs on in sales prices, resulting in falling profit margins. Initially, we sought to work out improvement measures to keep businesses facing a challenging environment afloat, but concerns began to emerge on the Executive Committee and elsewhere as to whether continuing in businesses with insufficient profit levels was beneficial for the Kuraray Group's future. As a basis for building a more sophisticated business portfolio under "PASSION 2026," we initially adopted business assessment criteria centered on the twin axes of social and environmental value and economic value. In the course of discussions, however, it was decided to add the third assessment axis of market growth. Applying this standard, we made the decision as part of the 2023-2024 implementation phase of building a more sophisticated business portfolio to take forward downsizing or withdrawal in a number of businesses.

Going forward, we will work continuously to build a more sophisticated business portfolio based on these business assessment criteria.

## — Future Investment Plan

Partly due to the impact of the weaker yen, the budget for capital investment during the period of "PASSION 2026" (decision basis) has been revised upward from the initial ¥380 billion to ¥500 billion, consisting mainly of active investment in growth fields and the updating of facilities required for business continuity.

For the EVAL™ EVOH resin, which is designated as a "growth, expansion business," we are proceeding with the construction of a new plant in Singapore and expansion of production line capacity in the

United States and Europe. With the progressive shift to a circular economy, particularly in Europe, EVAL™ is valued as a product with strong gas barrier properties and high recyclability and should enjoy further growth in demand.

In the activated carbon business, a new U.S. facility for virgin activated carbon began operation in 2024, and we will also make major capital investment in reactivated carbon going forward. In the United States, where regulation of PFAS in drinking water is being tightened, there has been a rapid rise in the demand for activated carbon for water purification. The trend toward stricter regulation is expected to extend beyond the United States to Europe, Japan, and Asia and to bring growing demand, in anticipation of which we are taking forward investment in each of our production

Capital Investment during PASSION 2026 (Decision Basis)



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bases (P. 18). We also plan to expedite decisions on facility expansion for dental materials and GENESTAR™ heat-resistant polyamide resin.

In terms of investment in “base businesses,” we have reinforced optical-use poval film production to respond to growth in demand for large polarizing films. As this product has few competitors, Kuraray has secured a large market share. To consolidate this position, we will undertake ongoing investment.

In terms of strategic investment, we are investing in a range of DX-related areas. The important thing in DX is the human resources who drive it. We emphasize investment in people, including employee training, and are proceeding with the development of human resources able to make effective use of data for process innovation and business model creation.

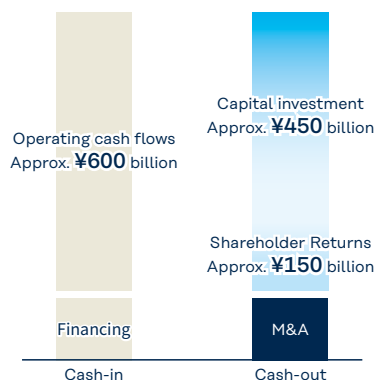
Our great strength is the ability to ensure stable product supply to customers on a global basis. To further reinforce this production system, we will undertake solid investment in the maintenance and renewal of existing facilities.

### — Capital Policy

At the time when the Medium-Term Management Plan “PASSION 2026” was formulated, the business environment was unpredictable and capital policy was therefore not discussed in exhaustive detail. As part of their assessment of the plan’s progress, the Board of Directors and the Executive Committee readdressed the issue of the optimal capital structure in repeated rounds of discussion and formulated a new basic capital policy.

With improving corporate performance and the effect of currency exchange, the equity ratio is on an upward trend for the moment. However, in the interests of financial discipline going forward, we aim to maintain an equity ratio of 50-60% and a debt-to-equity ratio of no more than 0.45. This is because we will need to maintain a certain bond rating level to enable flexible fund procurement if

### Capital Policy during PASSION 2026



and when concentrated funding becomes necessary in the future. I believe that the essence of our capital policy is to achieve an appropriate balance between shareholders’ equity and debt while also remaining conscious of the cost of capital.

Looking at cash allocation during the plan period, we expect to generate an operating cash flow of around ¥600 billion, of which around ¥450 billion will be allocated to capital investment in business growth and expansion, safety measures, and facility maintenance and renewal. To reflect growing profits, we have also formulated a new policy on shareholder return, which we plan to increase accordingly to around ¥150 billion. Meanwhile, we envisage around ¥100 billion for further M&A activity, which will be funded from external sources if necessary.

### — Enhancing Corporate Value and PBR

The Tokyo Stock Exchange requests that management should be conscious of the cost of capital and stock price has focused attention on price-to-book value ratio (PBR). I think that our current PBR leaves room for improvement. For me, the most

To increase returns to shareholders, a new shareholder return policy was formulated

#### Previous Policy

Total return ratio:  
35% or more  
Dividends per share:  
¥40 or more/year  
Share buybacks:  
Conduct flexibly

#### New Policy

Total return ratio: **50% or more**  
**Maintain, Increase**  
dividends per share

Share buybacks: Aim for continuous implementation

	FY2021 results	FY2022 results	FY2023 results	FY2024 results
Total return ratio	37%	46%	39%	119%
Annual dividends per share	¥40	¥44	¥50	¥54
Share buybacks	—	¥10 billion	—	¥20 billion

important task is to gain stakeholders’ agreement by explaining clearly our future growth strategy and story, which are centered on our current Three Challenges and the building of a more sophisticated business portfolio, now in progress. That does not mean that I intend to give explanations that all sound positive. I will act decisively where progress is possible, but will also communicate honestly about what is not possible. I think that approach will create the basis for building a relationship of trust with stakeholders.

Meanwhile, as Officer in charge of Finance, I intend to explain the future prospects and the effectiveness of our current strategy using concrete figures wherever possible. Analyzing our strategy in quantitative terms will open new potential to identify opportunities and issues. I also think that having a large resource of quantitative data that we can share will further promote constructive dialogue.

Going forward, I will strive to continue communicating openly with our stakeholders so as to advance hand in hand the further development of the Kuraray Group. I ask for your continued support in our efforts.