

# 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.



**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

**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.16

**Strategies: Three challenges**

**Medium-Term Management Plan "PASSION 2026"** ➤ P.23

- Sustainability as an Opportunity** (Sustainability Medium-Term Plan) ➤ P.28
- Innovations Starting from Networking** ➤ P.37
- Transformation of People and Organization** ➤ P.44

**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

# Working to Strengthen Capital

Importance of capital	Expansion of capital (FY2023 results)	Points to be reinforced under “PASSION 2026”
<p><b>Financial capital</b></p> <p>A sound financial foundation is essential to creating value. 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.</p>	<ul style="list-style-type: none"> <li>Net assets: <b>¥736.2</b> billion</li> <li>Equity ratio: <b>56.9%</b></li> <li>Capital investment: <b>¥67.3</b> billion (acceptance basis)</li> <li>ROIC: <b>6.2%</b></li> <li>EBITDA: <b>¥152.6</b> billion</li> <li>ROE: <b>6.2%</b></li> <li>EBITDA margin: <b>19.5%</b></li> </ul>	<p><b>Ability to generate cash flow to support the building of a sound financial position and growth investments</b></p> <p><b>Aggressive investment in areas that contribute to the natural and living environments</b></p> <ul style="list-style-type: none"> <li>Expanding capacity to meet growing demand, including investments to reduce GHG emissions; expanding lineup of products that contribute to the natural and living environments</li> </ul> <p><b>Capital efficiency to bring about growth and shareholder returns</b></p> <ul style="list-style-type: none"> <li>Boosting capital efficiency; enhancing shareholder returns (total return ratio of at least 35%, annual dividend of at least ¥40 per share)</li> </ul> <p><b>FY2026 target</b> ROIC: 8% EBITDA: ¥170 billion ROE: 10% (Reference) EBITDA margin: 23%</p>
<p><b>Human capital</b></p> <p>The Kuraray Group consists of people of various nationalities and backgrounds. To create innovation and continuously enhance corporate value, the active participation of diverse human resources is vital.</p>	<ul style="list-style-type: none"> <li>Number of consolidated employees: <b>11,906</b></li> <li>Ratio of overseas employees: <b>41.7%</b></li> <li>Ratio of female employees: <b>19.5%</b></li> <li>Ratio of female employees in managerial positions: <b>11.3%</b></li> <li>Diversity of core human resources*<sup>1</sup>: <b>16%</b> (P.34)</li> <li>Global talent development**<sup>2</sup>: <b>40%</b></li> <li>Executive candidate development**<sup>3</sup>: <b>90%</b></li> <li>Participants in DX talent development program Gold <b>44</b>, Silver <b>163</b>, Bronze <b>5,114</b> (P.35)</li> </ul> <p>*<sup>1</sup> Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites</p> <p>**<sup>2</sup> Ratio of senior managers taking global leadership training</p> <p>**<sup>3</sup> Ratio of candidates prepared for General Managers equivalent positions</p>	<p><b>Unified platforms for HR management</b></p> <ul style="list-style-type: none"> <li>Establishing globally unified employee grading system (for managers); human resources database (to visualize human resources status, leverage resources efficiently)</li> </ul> <p><b>Optimal staffing, encouragement to cultivate personal growth</b></p> <ul style="list-style-type: none"> <li>Global mobility system (to expand career opportunities, invigorate human resources exchanges); global human resources development program; DX Talent Development Project; systematically nurturing senior management candidates</li> </ul> <p><b>Culture that encourages those who take on challenges</b></p> <ul style="list-style-type: none"> <li>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</li> </ul> <p><b>FY2026 target</b> Participants in DX talent development program Gold 180, Silver 1,200, Bronze 5,700</p> <p><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%</p>
<p><b>Intellectual capital</b></p> <p>Our business activities are grounded in our unique polymer and synthetic chemistry technologies. We will focus on R&amp;D that helps address social issues to pursue the creation of new businesses.</p>	<ul style="list-style-type: none"> <li>Number of researchers: <b>1,053</b></li> <li>R&amp;D expenses: <b>¥24.4</b> billion</li> <li>Ratio of R&amp;D to sales: <b>3.1%</b></li> </ul>	<p><b>Development based on the customer perspective</b></p> <ul style="list-style-type: none"> <li>Establishment of Innovation Networking Center (pursuing global marketing activities, collaboration inside and outside the Group); R&amp;D based on backcasting</li> </ul> <p><b>Development that contributes to sustainability</b></p> <ul style="list-style-type: none"> <li>Developing materials, offering solutions that contribute to the natural and living environments; accelerating development of technologies to reduce GHG; establishment of Environment and Energy Research Laboratory (developing new biomass-derived carbon materials, etc.)</li> </ul> <p><b>Planning, promoting IP strategies</b></p> <ul style="list-style-type: none"> <li>Establishment of IP Management Center (proposing, promoting global IP strategies); further enhancing, capitalizing on IP such as patents that contribute to profit in various businesses, also making use of patent scores</li> </ul>
<p><b>Manufacturing capital</b></p> <p>Overseas sales account for about 80% of our total net sales. To maintain our competitiveness in global markets, it is essential to have a product supply framework based on making and selling products in the best-situated regions.</p>	<ul style="list-style-type: none"> <li>Production bases in Japan: <b>9</b></li> <li>Production bases outside Japan: <b>46</b></li> </ul>	<p><b>Reinforcing stable supply framework drawing on integrated production from the raw materials stage and global network</b></p> <p><b>Optimizing logistics</b></p> <p><b>Constructing new plants</b></p> <ul style="list-style-type: none"> <li>EVAL™ EVOH resin; liquid rubber</li> </ul> <p><b>Expanding production capacity</b></p> <ul style="list-style-type: none"> <li>Optical-use poval film; water-soluble PVOH film; phase two construction for GENESTAR™ heat-resistant polyamide resin in Thailand; VECSTAR™ liquid crystal polymer film; dental materials; LiB anode materials</li> </ul>
<p><b>Social and relationship capital</b></p> <p>The Kuraray Group rests on a solid customer base and on relationships of trust with a range of stakeholders. We are striving for sustainable development by further deepening dialogue with stakeholders and co-creating with them.</p>	<ul style="list-style-type: none"> <li>Number of investor briefings Institutional investors: <b>181</b>; Sell-side analysts: <b>47</b>; Management briefings (ESG, business briefings): <b>2</b>; Individual investors: <b>2</b> (P.50)</li> <li>Coverage of CSR procurement survey: <b>82.5%</b> (in Japan)**<sup>4</sup>, <b>81.7%</b> (outside Japan) *<sup>4</sup> FY2022 results</li> <li>Safety audits (outside Japan) United States: <b>4</b>, Europe: <b>2</b>, Asia: <b>1</b></li> <li>Social contribution activities (P.35)</li> </ul>	<p><b>Building stronger relationships of trust with stakeholders</b></p> <p><b>Formulating human rights policy, implementing human rights due diligence</b></p> <p><b>Reinforcing safety activity management (gaining trust of local communities)</b></p> <ul style="list-style-type: none"> <li>Forming Global Process Safety Management Audit Team made up of in-house experts from across the Group, launching activities</li> </ul> <p><b>Strengthening quality management (gaining customer trust)</b></p>
<p><b>Natural capital</b></p> <p>We believe it is important to offer products and services needed to realize a low-carbon and environment-friendly society. We manufacture our products in a way that minimizes environmental impact.</p>	<ul style="list-style-type: none"> <li>Measures to address climate change GHG emissions (Scope 1, 2): <b>2,700</b> thousand tons-CO<sub>2</sub>e</li> <li>Various measures for the ongoing reduction of environmental impact (P.29)</li> <li>Sales ratio of products that contribute to the natural and living environments: <b>56%</b></li> </ul>	<p><b>Initiatives to counter climate change</b></p> <ul style="list-style-type: none"> <li>TCFD-based disclosure; acquiring SBT (Science Based Targets) certification; use of internal carbon pricing system</li> </ul> <p><b>Targets for ongoing reduction in environmental burden</b></p> <ul style="list-style-type: none"> <li>More efficient energy (energy saving), effective use of waste, effective use of water resources (excluding seawater), emission management of chemical substances</li> </ul> <p><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></p> <p><b>FY2026 target</b> Developing products that contribute to the natural and living environments Sales ratio: 60%</p> <p><b>FY2030 target</b> GHG emissions (Scope 1, 2): 2,230 thousand tons-CO<sub>2</sub>e (30% less than 2019 benchmark)</p>