

# Top Statement



We aim to be a Specialty Chemical Company that grows sustainably, co-creating value with society by addressing social issues through our business activities.

*Hitoshi Kawahara*

President and  
Representative Director

## What the Kuraray Group Aims For

I assumed the role of President in January 2021, at a time of mounting uncertainties, as the world faced an unprecedented crisis due to the COVID-19 pandemic, which brought about dramatic changes in people's lives and in the economy.

Companies today are increasingly being called into question about the kind of value they can provide to society. The Corporate Statements set forth 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." This expresses the significance of the Kuraray Group to society. Guided by this mission, we share a common spirit of originality and challenge across the entire Kuraray Group as we strive to provide value to society through our business activities.

2022 is the inaugural year of our new Medium-Term Management Plan, "PASSION 2026." 2026, the plan's final year, will mark the 100th anniversary of Kuraray. As we approach this major milestone, we took two steps to mobilize the power of the Group. One was to modify the "Kuraray Vision 2026" long-term vision. Our vision is to become a Specialty Chemical Company that grows sustainably by incorporating new innovation platforms into its own technologies. To this, we added a new message of contributing to customers, society, and the planet. The modified vision gives us a clearer sense of the kind of Kuraray Group we seek to become. The other step was to formulate a new corporate tagline for the Group. Along with the launch of "PASSION 2026," we formulated the phrase "Possible starts here," which we will display together with our corporate logo. This phrase embodies our strong desire for customers to partner with the Kuraray Group to help discover solutions for their needs and co-create new value together. While sending the message to society that our value lies in being an innovative business partner, we hope that the tagline will also inspire pride and motivation in our employees and foster a sense of solidarity among our teams around the world. [\(Refer to p. 1 for the story of the new tagline\)](#)

The Kuraray Group has a long history of contributing to society. The Group includes the Ohara Institute for Social Research, the Kurashiki Institute for the Science of Labour (now the Ohara Memorial Institute for Science of Labour) for the improvement and reformation of labor conditions, and the Kurabo Central Hospital (now the Kurashiki Central Hospital). All of these were founded based on the beliefs of our first President, Magosaburo Ohara, that "all the wealth gained from society should be returned to society." Our second President, Soichiro Ohara, also believed that "any profit which a company might gain should be confined to those profits that come from technological innovation and from consideration of

the social and economic benefits it brings to the entire nation." Rooted in these beliefs, we have long worked to improve the environment and enhance the quality of life throughout the world with our pioneering technology. Since our founding, we have sought both to contribute to society and to grow the business.

In recent years, issues facing society, such as climate change and water resource shortages, have grown even more complex and more severe. I am convinced that the power of chemistry can contribute greatly to solving such problems, and I believe it is vital that the Group work together to harness that power to the fullest extent possible. Both the modification of our Vision and formulation of the new tagline reflect our beliefs and approach to social issues that have been passed down since our foundation.

## Achieving Higher Sales and Profits in an Uncertain Operating Environment

As we were drafting the Fiscal 2021 Management Plan, we faced numerous uncertainties as the world searched for a way to both contain the spread of COVID-19 and maintain economic activities. Although we saw signs during this period of a tentative recovery from the pandemic, there were other unforeseen developments, such as the drop in automotive production due to critical semiconductor shortages and the disruption of global logistics networks. By responding appropriately to this series of changes in the operating environment, we achieved a substantial increase in both sales and profits in 2021, with record net sales of ¥629.4 billion, operating income up 63% year on year to ¥72.3 billion, and net income attributable to owners of the parent of ¥37.3 billion. I consider this to be a significant achievement.

In terms of profits, the double impact of high raw materials and fuel prices as well as soaring logistics costs saddled us with higher production costs. Our sales teams worked hard to negotiate sales at prices that appropriately reflected the higher costs. The fact that customers were willing to accept our cost increases proved once again that the products of the Kuraray Group are essential materials that are truly needed by society.

## Review of Previous Medium-Term Management Plan "PROUD 2020" and Fiscal 2021 Management Plan

During the period of "PROUD 2020," we faced a temporary halt in production and sales following a fire incident at our EVAL plant in the United States in 2018. Alongside those challenges was the impact of a global economic slump arising from U.S.-China trade friction and the COVID-19 outbreak in 2020. As a result, we fell short of both our

initial sales and operating income targets. Another ongoing issue was the fact that our new business creation did not move forward as planned. However, as part of our growth strategy, we made a series of large-scale investments to build a stable business portfolio for the future. We acquired Calgon Carbon Corporation, the world's largest producer of activated carbon, and upgraded activated carbon facilities in the United States. We invested in a new isoprene plant in Thailand. We upgraded optical-use poval film and water-soluble PVOH film facilities.

In 2021, we made steady headway on the major projects set forth in "PROUD 2020." In the Isoprene segment construction of the above-mentioned plant in Thailand moved toward completion. In the Functional Materials segment in the Environmental Solutions Division (activated carbon business) we upgraded the capacity of Calgon Carbon in the United States and are also building a new production line in Europe to expand the reactivated carbon business. Based on our wealth of experience in Europe and the United States, we plan to continue expanding our business as a major source of stable earnings and a pillar of growth in the next generation while addressing increasingly strict environmental regulations worldwide. In the Vinyl Acetate segment we are building a new production facility in Poland for water-soluble PVOH film to keep up with the growing demand for unit dose applications for detergents and pharmaceuticals.

In these ways, we will continue moving steadily forward with future-oriented initiatives and the strategic investments decided through 2021. Our focus is on generating results from existing efforts, while implementing new strategies formulated in "PASSION 2026" to boost profitability and growth through new business creation.

## Carrying out the Medium-Term Management Plan with Passion

"PASSION 2026," announced in February 2022, was born from top-down and bottom-up processes. The result is something that is truly unique, unlike any previous plan. Management set the overarching framework of the Plan by establishing the four Group-wide themes of sustainability, innovation, global operations (production and technology), and global indirect functions. We then held workshops for each theme, made up of seven or eight members chosen from around the world. An executive officer was assigned as an advisor to each workshop to facilitate discussions. As in the past, we explored business plans for each division as vertical organizations. This time, however, through the workshops we also introduced the four Group-wide themes as a horizontal element.

The slogan of the Medium-Term Management Plan is "PASSION." This word embodies the process of serious reflection and passionate deliberation by managers and young employees on the front lines both in Japan and overseas that went into drafting the Plan, as well as my desire for the Kuraray Group to be a corporate entity full of vitality and creativity with a forward-looking awareness and attitude.

The management team and I will take the lead in steadily implementing the Medium-Term Management Plan. We want each employee to feel a sense of responsibility for helping the Kuraray Group accomplish these objectives moving forward.



## Three Challenges to Be Met

“PASSION 2026” sets out three challenges to accomplish the “Kuraray Vision 2026” long-term vision. The three challenges correspond to the Group-wide themes developed through the workshops mentioned previously.

The first is “sustainability as an opportunity.” Having indicated the direction the Kuraray Group should take in terms of materiality under the three “Ps” of Planet, Product, and People, we have set and will pursue performance indicators in the new Sustainability Medium-Term Plan. The second challenge is “innovations starting from networking.” We will create innovation as a new driver of growth by connecting people and technologies both inside and outside the Group. The third challenge is “transformation of people and organization.” We will draw on digital technology to change our processes and on diversity to expand our thinking, to transform both people and our organizations. The three challenges build on one another, and we will pursue them in tandem by leveraging digital tools and organizations like the Innovation Networking Center (INC) established in January 2022.

Our challenges are not limited to the period of “PASSION 2026”—we are looking further ahead to 2030 and 2050 to our ongoing efforts to address social issues. For example, initiatives to achieve net-zero carbon emissions call for technological development and capital

expenditures to cut greenhouse gas emissions. We plan to invest ¥80 billion by 2030, but first we must generate the resources needed for existing and new businesses. To this end as well, we will seek to reap the fruits of investments made during “PROUD 2020” and the Fiscal 2021 Management Plan in addition to reforming the business portfolio.

Picturing the overall direction of “PASSION 2026” like a car, the front wheels are growth in our businesses. We will first steadily generate resources and channel those resources back into further business growth. In this way, we will expand our businesses while also directing resources to areas such as sustainability, innovation, and digital transformation, which are the rear wheels. Ultimately, we foresee both the front and rear wheels turning together in a balanced way to propel the whole car forward.

## Realizing a Business Portfolio that Incorporates Social and Environmental Values

We have set target fields for the business portfolio based on social issues indicated by macrotrends. In addition to conventional economic value, we will newly add social and environmental value to our evaluation criteria, seeking to build a more sophisticated portfolio.



Economic value is the quantitative assessment of each business's and product's earning power (operating cash flow) and efficiency (ROIC) in each fiscal year, compared against the current year's plan and the previous year's results.

In terms of social and environmental value, we have constructed a Kuraray Group Portfolio Sustainability Assessment (PSA) system based on the Chemical Industry Methodology for Portfolio Sustainability Assessments, which are guidelines offering a consistent methodology for assessing sustainability established by the World Business Council for Sustainable Development (WBCSD) to help chemical companies seeking to build sustainable product portfolios. We are using the system to evaluate our products with a high degree of objectivity and transparency. From the results of the assessments, we will identify PSA-contribution products that help improve environments and then prioritize resource allocations accordingly. Specifically, we will continue to transform the business portfolio by working to expand sales of PSA-contribution products to 60% of all sales by 2026, compared with 46% in 2020.

## Diversity as a Global Company

Since the 2000s, the Kuraray Group has been accelerating the overseas expansion of our priority businesses, including acquiring vinyl acetate-related businesses abroad and launching the production of SEPTON™ in the United States. Currently, the proportion of overseas sales and the size of the overseas workforce are increasing. Although the Kuraray Group is already working globally in many ways, our HR systems have not kept up with this global framework. I strongly believe that there is a great deal of untapped talent in our overseas bases. This stems from my own experience abroad and the process of formulating "PASSION 2026" I described above. In the past, we viewed employees' fit for the company through a Japanese lens. As a global company, we should establish a standardized framework for HR development and recognition that aligns Japan and abroad. To harness our collective strengths as "One Kuraray" as we secure diverse, core human resources, we will actively promote the creation of global HR systems by building an overseas HR database, standardizing manager-level ranks in Japan and overseas, and rolling out new executive training and other educational programs.

## Safety Is the Cornerstone of Everything We Do

"Safety is the cornerstone of everything we do" at our production bases, R&D bases, and offices around the world. Based on lessons learned from the 2018 fire incident at our EVAL plant in the United States, we aim to be a company where all employees keep safety top of mind and where accidents do not occur.

In terms of safety measures going forward, we will build safer workplace environments, such as by automating tasks that carry high human risks, when possible. We will also further reinforce safety audits from an objective point of view. Specifically, we will establish a Global Process Safety Management Audit Team in 2022 to carry out safety audits focusing on our chemical and activated carbon plants. Proceeding according to plan at production sites often tends to take precedent, which makes safety concerns unintentionally secondary. However, ensuring safety is precisely what makes stable production possible, and this is ultimately what feeds into profits. I am convinced that our business continuity depends on all employees having the ingrained mindset that "safety is the cornerstone of everything we do" and acting from a "safety first, production second" perspective.

## Remaining an "Indispensable Company"

There are three words in particular that I value: dreams, ambition, and tenacity. Having a dream comes first, and then ambitiously making it happen. But most important is to see it through with tenacity, without giving up. The Kuraray Group has set targets for net sales of ¥750 billion and operating income of ¥100 billion in 2026, marking the 100th anniversary of our company. We will move forward step-by-step with a firm resolve to meet the three challenges of "PASSION 2026."

Based on our mission, we will strive to co-create value with society by addressing social issues through our business activities, doing our utmost to remain an "indispensable company" admired by and essential to society. I look forward to your continued understanding and support.

**Hitoshi Kawahara**

President and  
Representative Director