

# Medium-Term Management Plan "PASSION 2026"

Information on the Medium-Term Management Plan "PASSION 2026" is posted on the website below.  
<https://www.kuraray.com/ir/library/strategy>

## Formulating "PASSION 2026"

The Kuraray Group formulated "PASSION 2026," a five-year plan leading up to 2026, which marks the 100th anniversary of our founding. "PASSION 2026" was born out of a combination of top-down and bottom-up approaches: Management set the overarching framework of the Plan by establishing Group-wide themes to make the "Kuraray Vision 2026" long-term vision a reality. These themes were then discussed in workshops for each theme involving members chosen from bases around the world. The Kuraray Group will join forces to take on the challenge of sustainable growth. Our efforts will focus on building a more sophisticated business portfolio that is attuned to social and environmental value as well as economic value, generating innovation through organic collaboration both inside and outside the Group, and transforming people and organizations by harnessing digital technology.

## Modification of "Kuraray Vision 2026" and Formulation of the Sustainability Long-Term Vision

Since its founding in 1926, the Kuraray Group has grappled head-on with ways of addressing social issues through its business activities. This stance is part of the DNA that has been passed down throughout our history.

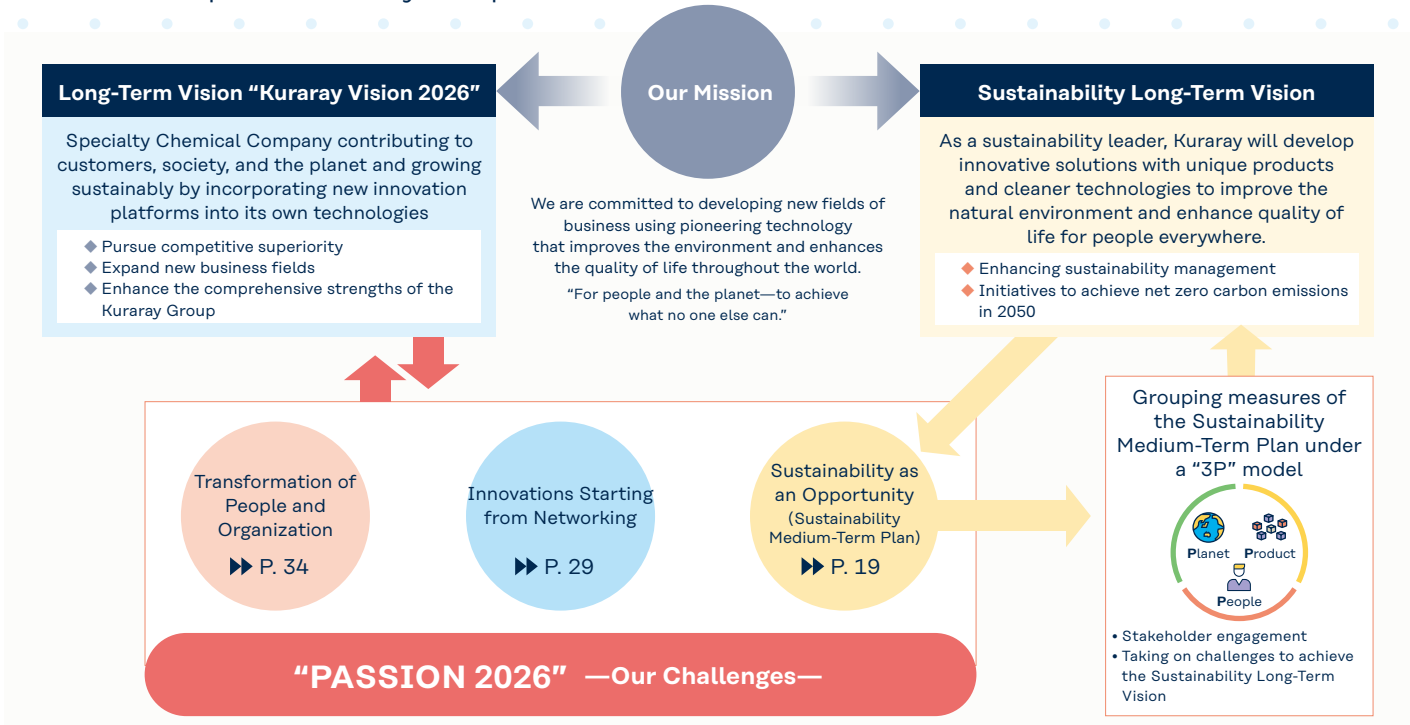
In modifying the "Kuraray Vision 2026" long-term vision, we revisited the Group's roots while also clarifying our commitment to contribute to a wide range of stakeholders, expressed in the addition of the message of "contributing to customers, society, and the planet."

We also formulated a new Sustainability Long-Term Vision, conveying our determination to continue helping to address social issues across the Group through forward-looking measures to achieve sustainability.

## Taking on New Challenges

Looking ahead at the coming era, in which predicting the longer-term outlook for the economy or the operating environment is extremely difficult, we have identified three new challenges for the Kuraray Group to take on in order to continue growing. These are: "Sustainability as an opportunity," "Innovations starting from networking," and "Transformation of people and organization." We will strive to realize "Kuraray Vision 2026" and the Sustainability Long-Term Vision as we make steady headway in meeting these challenges.

### Interrelationship of the Kuraray Group Vision

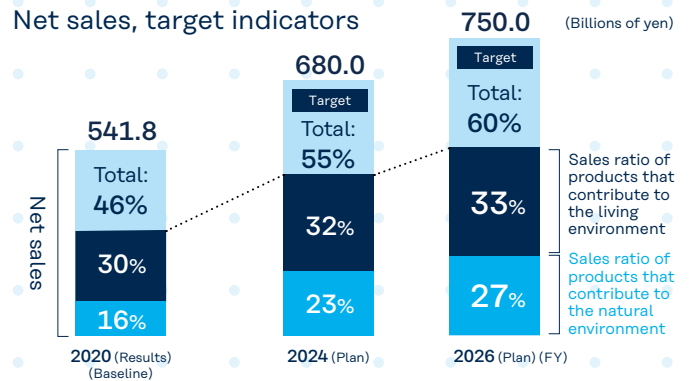


# Building a More Sophisticated Business Portfolio

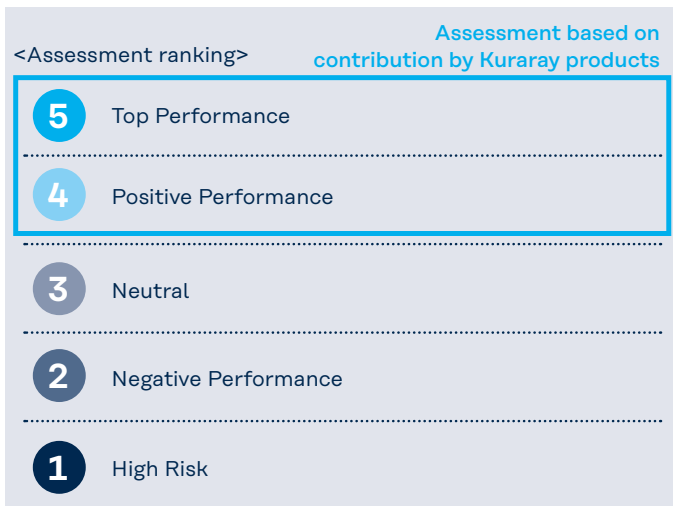
The Kuraray Group has adopted PSA to promote the shift toward a business portfolio that stresses social and environmental value in addition to economic value. Products that contribute to materiality are classified by application and region, and evaluated using a 5-point scale based on criteria such as fundamental requirements, stakeholder requests, and performance comparison against benchmark products. Products receiving the two top rankings are designated as PSA-contribution products.

We will continue to build a more sophisticated business portfolio by expanding sales of PSA-contribution products, from 46% of all sales in 2020 to 60% in 2026.

## Net sales, target indicators



## PSA-based assessment of contribution



## Fundamental requirements

- Chemical and hazardous substance management
- Application to Kuraray Action Guidelines
- Economic value
- Reputational risks

## Stakeholder requests

- Regulatory trends by region
- Sustainability policies across the value chain
- Eco labeling, certification, etc.

## Assessment

- Relative assessment against benchmark

# Strategies by Segments

The following is a segment overview of key strategies and selected measures.

Business Strategy	Examples of Key Measures
<b>Vinyl Acetate</b> ▶▶P. 41	<ul style="list-style-type: none"> <li>• Leverage the strengths of our vertically integrated supply chain making products in-house from raw materials to achieve sustainable growth as the Kuraray Group's core business.</li> <li>• Make the most of the characteristics of each product to contribute to a circular economy.</li> </ul>
<b>Isoprene</b> ▶▶P. 42	<ul style="list-style-type: none"> <li>• Strengthening the global supply system.</li> <li>• Expanding volume and developing new applications of optical-use poval film and water-soluble PVOH film, upgrading production capacity</li> </ul>
<b>Functional Materials</b> ▶▶P. 43	<ul style="list-style-type: none"> <li>• Early contribution to profit by launching a new site in Thailand.</li> <li>• Boost sales and promote the new development of one-of-a-kind products with high customer value.</li> </ul>
<b>Fibers and Textiles</b> ▶▶P. 44	<ul style="list-style-type: none"> <li>• Strengthening the global supply system with the launch of the site in Thailand.</li> <li>• Expanding the marketing and technical services framework of the GENESTAR™ business</li> </ul>
<b>Trading</b> ▶▶P. 44	<ul style="list-style-type: none"> <li>• Boosting profitability in the environmental solutions business and reinforcing the reactivated carbon business by leveraging strengths as a comprehensive activated carbon manufacturer</li> <li>• Developing a supply system to support global expansion of dental materials</li> </ul>
	<ul style="list-style-type: none"> <li>• Expanding sales of sustainable products in the CLARINO™ business</li> <li>• Accelerating the expansion of new applications by developing high-value-added products and providing technical services in the VECTRAN™ business.</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthen profitability by shifting to high-value-added products using unique raw materials and manufacturing technologies.</li> </ul>
	<ul style="list-style-type: none"> <li>• Strengthen profitability by shifting to high-value-added businesses through expansion of proprietary products and processing businesses.</li> <li>• Expand overseas sales, primarily in Asia.</li> </ul>
	<ul style="list-style-type: none"> <li>• Expanding proprietary and overseas businesses</li> <li>• Expanding the ECOTALK™ brand*1</li> </ul>

\*1 Brand name applied to products made using manufacturing methods with strong CO<sub>2</sub> emission reduction gains and products that help improve the living and working environments.

## Management Targets



Through the steady implementation of the "PASSION 2026" management strategy, the Kuraray Group targets net sales of ¥750 billion and operating income of ¥100 billion in 2026, marking the 100th anniversary of our founding.

	FY2021 Results	Assumptions during the Medium-Term Management Plan period
JPY/USD	110	110
JPY/Euro	130	130
Domestic naphtha (JPY 1,000/kl)	48	58

(Billions of yen)	FY2021 Results		FY2022 Plan		FY2024 Plan		FY2026 Plan		Difference (FY2026 vs FY2021)	
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	304.7	58.3	320.0	62.0	330.0	66.0	350.0	77.0	45.3	18.7
Isoprene	61.9	6.1	65.0	6.5	75.0	5.0	90.0	10.0	28.1	3.9
Functional Materials	142.4	8.7	145.0	9.0	155.0	11.0	175.0	18.0	32.6	9.3
Fibers and Textiles	61.1	5.6	60.0	3.0	63.0	6.0	65.0	7.0	3.9	1.4
Trading	144.0	4.8	58.0	5.0	60.0	5.0	70.0	6.0	(74.0)	1.2
Other	44.3	1.2	44.0	1.0	47.0	2.5	52.0	3.0	7.7	1.8
Adjustments	(129.1)	(12.4)	(42.0)	(13.5)	(50.0)	(15.5)	(52.0)	(21.0)	77.1	(8.6)
<b>Total</b>	<b>629.4</b>	<b>72.3</b>	<b>650.0</b>	<b>73.0</b>	<b>680.0</b>	<b>80.0</b>	<b>750.0</b>	<b>100.0</b>	<b>120.6</b>	<b>27.7</b>

\* Corporate Accounting Standards - Revenue Recognition (ASBJ Statement No. 29) is applied from FY2022.

\* Figures for Trading segment net sales and adjustments for FY2022 have significantly changed compared to FY2021, mainly due to changes in accounting methods for revenues attributable to agent transactions in the Trading segment as a result of the adoption of the Accounting Standard for Revenue Recognition and other factors. Because of these changes, revenues from such transactions, which have previously been recorded on the basis of total transactional value, are now recorded on a net basis.

## Financial and Non-Financial KPIs

Under "PASSION 2026," we have established ROIC, EBITDA, and ROE as financial KPIs to guide us in conducting management with an eye toward capital efficiency and steadily expanding our ability to generate cash. We will also shift toward a more sustainable business portfolio, having set quantitative non-financial KPIs for greenhouse gas emissions, the sales ratio of products that contribute to the natural and living environments, and the diversity of core human resources.

### Financial KPIs

	FY2021 result	FY2026 target
ROIC	6%	8%
EBITDA*2	¥131.3 billion	¥170.0 billion
ROE	7%	10%
EBITDA Margin (reference)	21%	23%

\*2 Operating income + depreciation and amortization

### Non-financial KPIs

	Result in base year	Target
GHG emissions (Scope 1, 2)	3,230kt (in FY2019)	FY2030 2,230kt (30% less than base year)
Sales ratio of products contributing to natural and living environment	46% (in FY2020)	FY2026 60%
Ensuring diversity of core human resources (Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites)	12% (in Sep. FY2021)	FY2030 25%