

Message from the Officer in Charge of Finance

We will actively invest in fields that can help improve the natural and living environments and seek to increase profits and improve capital efficiency by addressing social issues.

Keiji Taga

Director and Managing Executive Officer
Officer Responsible for Corporate Management Planning Office;
Officer Responsible for Corporate Sustainability Division;
Officer Responsible for Global Digital Transformation Office;
Officer Responsible for Accounting and Finance Division



2021 Performance and Targets for the Medium-Term Management Plan “PASSION 2026”

The global economy continued on a recovery trend as progress in vaccination efforts enabled the lifting of constraints on behavior, giving momentum to economic activity. In this business environment, performance in the Kuraray Group recovered from the previous year, yielding significant growth in net sales, operating income, and net income attributable to owners of the parent. In each segment as well, although we continued to be hard hit by soaring prices of raw materials and fuel, disruptions in logistics, and elevated logistics costs, demand for our

mainstay products remained firm, and both sales and income were up across all segments.

In 2026, the final year of the Medium-Term Management Plan “PASSION 2026,” which launched this year, we aim to boost our earning power even further. We are targeting net sales of ¥750 billion, EBITDA of ¥170 billion, and operating income of ¥100 billion, as well as aiming for ROIC of 8% and ROE of 10% through improvements in capital efficiency.

Investing in Areas That Can Contribute to Better Natural and Living Environments

Under the previous Medium-Term Management Plan “PROUD 2020” (2018 to 2020), we made several large-scale investments, including acquisitions. We are positioning “PASSION 2026” as a period for reaping the fruits of those endeavors, and our priority is on clearly linking the investments made to profits. Total capital investment for the five years of the plan is set at ¥380 billion (decision basis). This includes ¥350 billion in investments, equivalent to the amount of depreciation for the period, plus ¥30 billion in greenhouse gas reduction efforts.

One investment focus is on boosting our capacity to meet the growing demand for products that contribute to the natural and living environments, such as EVAL™ (EVOH resin), which offers high gas barrier properties and is used in food packaging materials.

In addition, under “PASSION 2026,” we are introducing a portfolio sustainability assessment (PSA) system. Using criteria that incorporate third-party perspectives, we will evaluate products for the degree to which they contribute to society and the environment, designating highly rated

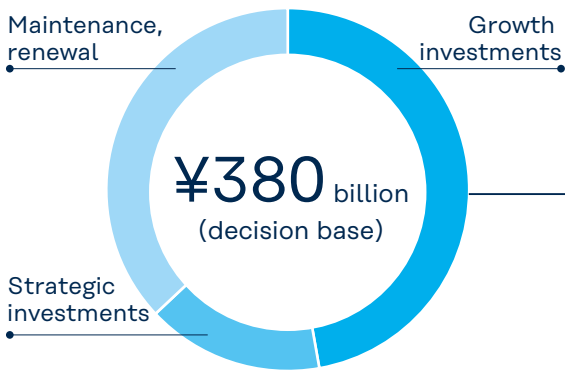
products as PSA-contribution products. By expanding sales of such products, we aim to transition toward a portfolio that puts emphasis on social and environmental value. Since they tend to carry higher margins than other products, expanding sales of PSA-contribution products will also feed into greater profits for the Kuraray Group.

We will also invest strategically in creating new businesses that bring about innovation. We will focus our spending on expanding R&D, as well as on areas related to the promotion of digital transformation efforts across the Group.

Intending to achieve net-zero carbon emissions by 2050, we plan to invest ¥80 billion in greenhouse gas reductions by 2030. Of this total, ¥30 billion is earmarked for the period of the Medium-Term Management Plan, although we will move up our investments as much as possible.

Actively promoting growth and strategic investments promises to be the driving force behind our realization of the future business portfolio we set out in “PASSION 2026.” More than anything, I am convinced that these actions will contribute to better natural and living environments.

Capital Investment under "PASSION 2026"



Main Items Subject to Growth and Strategic Investments

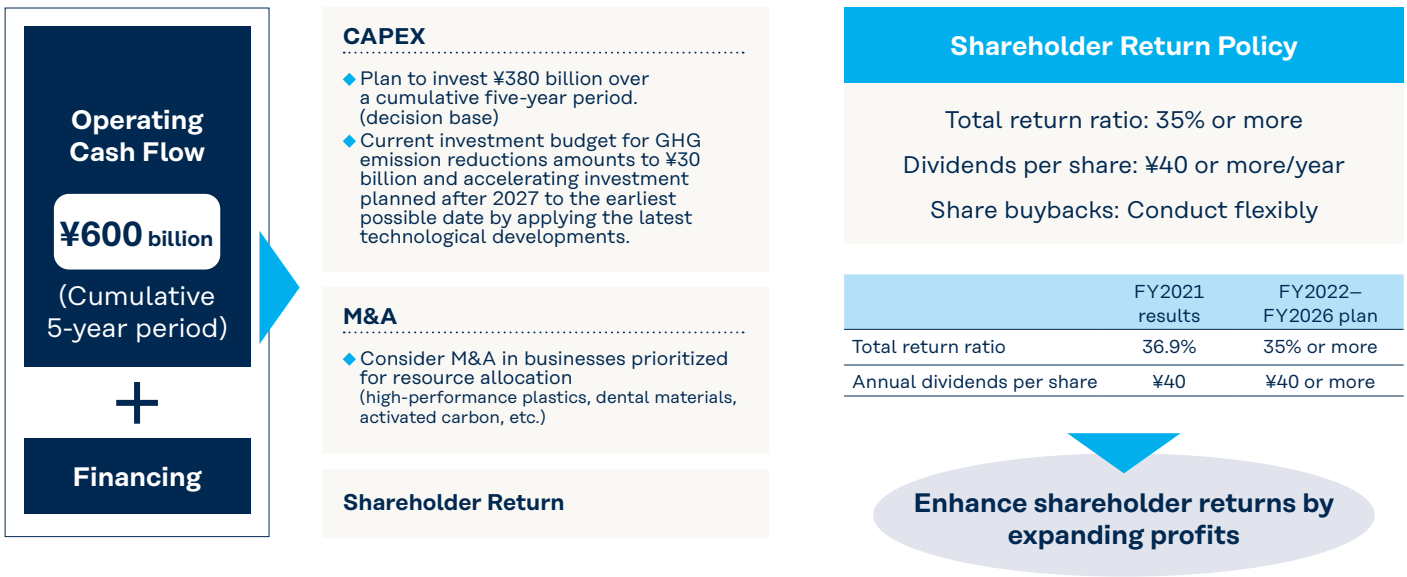
Growth investments	Strategic investments
<ul style="list-style-type: none"> ◆ Build a new EVAL™ plant ◆ Invest in projects related to LiB anode materials ◆ Increase optical-use poval film ◆ GENESTAR™ second-phase construction ◆ Increase VECSTAR™ production capacity ◆ Expand facilities for water-soluble PVOH film ◆ New plant for liquid rubber ◆ Expand facilities for dental materials 	<ul style="list-style-type: none"> ◆ Invest in GHG emission reduction ◆ Build a new research center ◆ Invest in DX-related projects

Enhancing Shareholder Return while Investing Aggressively in Growth

"PASSION 2026" forecasts an operating cash flow of ¥600 billion over the five years of the plan. We will draw on this cash to enhance both future growth and shareholder return. In terms of future growth, we will earmark ¥100 billion as funds to be used for acquisitions, in addition to the ¥380 billion in capital investment mentioned above. We will only make acquisitions after carefully assessing the future potential of candidate companies while carefully monitoring the market situation. Specifically, we will consider companies active in businesses we have prioritized for resource allocation, including peripheral areas such as high-performance plastics, dental materials, activated carbon, and related services. Although the Kuraray Group

already boasts solid market shares and competitive strengths in these areas, they promise further growth, and we want to target further expansion.

While steadily generating profits through these investments, we will establish a virtuous cycle of reinvesting the profits back into growth areas and areas that contribute to the environment, thus realizing further growth and making returns to shareholders. Specifically, during the period of "PASSION 2026," our basic policy is to ensure a total return ratio of at least 35% as a proportion of net income attributable to owners of the parent and an annual dividend of at least ¥40 per share. We will strive to enhance shareholder returns through the expansion of profit.



Charting a Compelling Story of Growth

I think there are several reasons why the Kuraray Group's total shareholder return has been weak in recent years. Apart from pending litigation with some plaintiffs regarding the fire incident at a subsidiary in the United States and less-than-adequate contributions to performance from recent large-scale acquisitions, I think another factor has been our inability to convey the growth story of the Kuraray Group in a compelling way. "PASSION 2026" calls for the

Group to continue to grow as an essential company, by contributing to both society and the environment. In it, we tried to set out a concrete, compelling strategy for achieving this. We will work together across the Group to carry out the Medium-Term Management Plan with passion. I hope our shareholders and investors will expect great things of the Kuraray Group as we grow into the future, and ask for their continued understanding and support.