Making Kuraray a Company That People Can Take Pride In

Medium-Term Management Plan “PROUD2020”

Kuraray will celebrate its centennial in 2026 and has set the targets it aims to achieve in line with its long-term vision of becoming a “Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies.” Toward the realization of this vision, we have launched the “PROUD2020” medium-term management plan—a plan of action encompassing the three years from 2018 to 2020.

1. Long-Term Vision: “Kuraray Vision 2026”
   • Vision of Kuraray
     Specialty Chemical Company, growing sustainably by incorporating new foundational platforms into its own technologies
   • Basic Policies

<table>
<thead>
<tr>
<th>Basic Policies</th>
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<tbody>
<tr>
<td><strong>Pursue competitive superiority</strong></td>
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<tr>
<td>We will think about things from the customer’s point of view and cultivate new products and applications using the technologies and products that Kuraray has developed. In addition, we will enhance our initiatives from the point of view that emerging countries offer not only markets but also new opportunities for procurement, development, production and so on. Furthermore, we aim to raise our competitiveness by promoting a range of initiatives, such as those related to cutting costs and making operations more efficient by achieving innovation and continuous improvement throughout our production and operational frontlines, including the supply chain.</td>
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<tr>
<td><strong>Expand new business fields</strong></td>
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<tr>
<td>We will enhance our business portfolio by creating new technologies and businesses that improve on our own technologies as well as incorporate external technologies and businesses. In addition, we will work hard to create a new business model and cultivate new business fields by pursuing potential M&amp;A or forming alliances.</td>
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<tr>
<td><strong>Enhance comprehensive strength of the Kuraray Group</strong></td>
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<tr>
<td>As our business expands worldwide, we will establish Group-wide business foundations that use IT along with systems that ensure smooth inter-base cooperation. In addition, we will bolster the comprehensive strengths of the Kuraray Group by fostering an environment that enables employees to use their diverse talents to deliver results while simultaneously enhancing initiatives to ensure thorough compliance.</td>
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</tbody>
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2. Overview of the “PROUD2020” Medium-Term Management Plan
In recent years, the economic expansion seen mainly in developed countries has begun to gradually ripple outward toward emerging countries while the center of consumption has been increasingly shifting to emerging countries in Asia and elsewhere. Looking ahead, the global influence of emerging economies is expected to grow further. Moreover, the advance of digitization is expected to drive forward technological innovation in various industries, thus bringing unprecedented change and creating new business opportunities.

Amid this environment, the Group views these shifts as opportunities for new growth. With the aim of making Kuraray a company that people can take pride in as each employee takes on bold challenges, we have established the three-year medium-term management plan “PROUD2020”.

Under “PROUD2020”, which covers the first three years of “Kuraray Vision 2026,” we have formulated management strategies in line with the three basic policies outlined in the long-term vision: Pursue competitive superiority, Expand new business fields and Enhance the comprehensive strength of the Kuraray Group. We will implement concrete measures for each strategy and work to contribute to the environment during the implementation of said measures.

The Five Elements of “PROUD2020”

(1) Key Strategies

- **Pursue competitive superiority**
  - Develop high-value-added products and applications based on customer needs
  - Create more demand in emerging countries
  - Achieve innovation of production and operational processes through use of IoT

- **Expand new business fields**
  - Create new businesses by improving on Kuraray’s own technologies and incorporating external ones
  - Capture new business areas by M&A and alliance
  - Establish a new business model bundling technology and services
Enhance comprehensive strength of the Kuraray Group
- Establish global business foundations
- Create a workplace in which employees find their job rewarding
- Cultivate a strong culture of unity within the Kuraray Group

Contribute to the environment
- Provide products contributing to environmental protection
- Put in place production process with low environmental footprint
- Provide products that help enhance quality of life (QOL)

(2) Numerical Targets

<table>
<thead>
<tr>
<th></th>
<th>FY2017 results</th>
<th>FY2020 targets</th>
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</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>¥518.4 billion</td>
<td>¥650.0 billion</td>
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<tr>
<td>Operating income</td>
<td>¥75.1 billion</td>
<td>¥90.0 billion</td>
</tr>
<tr>
<td>Operating profit margin*</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Net income*2</td>
<td>¥53.6 billion</td>
<td>¥62.0 billion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>FY2017 results</th>
<th>FY2020 targets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate</td>
<td>¥112/USD</td>
<td>¥110/USD</td>
</tr>
<tr>
<td>Raw fuel prices</td>
<td>¥39,000/kl</td>
<td>¥43,000/kl</td>
</tr>
</tbody>
</table>

* Rounded to the nearest whole number
*2 Net Income Attributable to Owners of the Parent

(3) Key Strategies by Segment

a. Vinyl Acetate Segment
   We will cultivate new markets, promote a shift to high-value-added products, maintain a solid market position and aim for sustained growth. In addition, we will continue to consider strategic investments aimed at further improving business earnings and business growth.

b. Isoprene Segment
   With our eye on the start of operations at the new plant in Thailand, we will create new markets and applications that take advantage of our proprietary technologies and products.

c. Functional Materials Segment
   We will provide market value by developing products that leverage our technical strengths. In addition, we will work to facilitate a smooth integration with Calgon Carbon Corporation, which we have decided to acquire, with the aim of quickly generating synergies.

d. Fibers & Textiles Segment
   We will pursue an even greater degree of uniqueness while reinforcing initiatives to expand sales of high-value added products.
### Sales and Operating Income Targets by Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>FY2017 results</th>
<th>FY2020 targets</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vinyl acetate</td>
<td>266.9</td>
<td>61.3</td>
<td>325.0</td>
</tr>
<tr>
<td>Isoprene</td>
<td>56.4</td>
<td>8.4</td>
<td>71.0</td>
</tr>
<tr>
<td>Functional materials</td>
<td>55.2</td>
<td>6.3</td>
<td>74.0</td>
</tr>
<tr>
<td>Fibers &amp; textiles</td>
<td>66.4</td>
<td>7.2</td>
<td>83.0</td>
</tr>
<tr>
<td>Trading</td>
<td>128.8</td>
<td>3.9</td>
<td>143.0</td>
</tr>
<tr>
<td>Other Business</td>
<td>54.2</td>
<td>3.3</td>
<td>71.0</td>
</tr>
<tr>
<td>Elimination &amp; Corporate</td>
<td>(109.5)</td>
<td>(15.3)</td>
<td>(117.0)</td>
</tr>
<tr>
<td>Total</td>
<td>518.4</td>
<td>75.1</td>
<td>650.0</td>
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</table>

* We will reorganize segments from 2018, reclassifying the CLARINO business into the Fiber and Textiles Segment. The fiscal 2017 results above have been adjusted to reflect the segment change.

### 4) R&D

We will implement concrete measures related to R&D in line with the three policies outlined below.

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**Strengthen and expand existing businesses**
- Support business functions on a global basis
- Develop new products, enhance quality and performance help achieve process innovation
- Strengthen IP strategies

**Establish and deepen core technologies**
- Bolster R&D of catalysts
- Design highly efficient catalysts and develop new processes for vinyl acetate, new polymers, etc.
- Bolster R&D of polymer materials

**R&D 3 policies**

**Promote new businesses that will turn into profit contributors in the near future**
- VECTSTAR liquid crystalline polymer film
  - Smartphone components
  - Vehicle-mount millimeter-wave radar
- Polishing pads for semiconductors
  - Semiconductor industry
- Micro-patterning films/sheets
  - Vehicle-mounted head-up displays
  - Virtual Reality (VR) devices
- Bio Hard Carbon
  - LIB anode materials
(5) Capital Expenditure
During the period of the new medium-term management plan, we will continue to actively invest with the aim of improving business growth and earnings while further reinforcing our global business foundations. The plan calls for around ¥250.0 billion in capital expenditure over the next three years, which will be calculated as the expenditures are decided on. In addition, we have not set a firm limit on M&A expenditure and will continue to consider such options separately from the above-stated amount. (This does not include investments related to the new business or new plant construction in Thailand for the isoprene business now under consideration.)

Main Capital Expenditures:
- Construct a new plant for VAM
- Expand facilities for optical-use PVA film
- Expand facilities for water-soluble PVA film
- Expand facilities for PVB film
- Construct a new plant for EVAL
- Expand facilities for liquid rubber
- Expand facilities for dental materials

(6) Financial Strategies
- We expect cash flows from operating activities to amount to about ¥300.0 billion over the three-year period covered by the “PROUD2020” medium-term management plan. We are budgeting ¥250.0 billion for capital expenditures, which will be calculated when payments are processed. (¥210.0 billion to be calculated as payments are made)
- If new projects, M&As, or other large-scale strategic investments are deemed necessary, we will consider acquiring loans or other borrowings.
- Shareholder returns are one of management’s top priorities. Our basic policy is to provide consistent and stable dividends linked to improvements in business performance, while targeting a total dividend payout ratio of 35% or higher and dividends per share of ¥40 or higher.
(7) Environmental Action
We will lower our relative environmental footprint even as our production volume increases in line with our business expansion.