



Kuraray Group Medium-Term Management Plan 2022-2026

# PASSION 2026

Progress and Outlook

**KURARAY CO., LTD.**

February 12, 2025

# Executive Summary

Achieved sales and profit targets for the first three years (2022-2024) by responding flexibly and promptly to drastic changes in the external environment

Forecast to exceed sales and profit targets in FY2026, the final year of the plan

Steady progress in laying the foundation for further growth for 2027 and beyond

## Progress of Major Measures

### Three Challenges

- **Sustainability as an Opportunity**
- **Innovations Starting from Networking**
- **Transformation of People and Organization**
- Newly set ambitious GHG emission reduction targets for Scope 1, 2 and Scope 3
- Expanded the Innovation Networking Center activities
- Established three new KPI targets for human resource development

### Sophistication of Business Portfolio

- Shift to the specific implementation phase
- Executed large-scale capital investment and M&A for the future in growth and expansion businesses
- Decided to downsize or withdraw from some businesses in the optimization and structural improvement business. Accelerate structural improvements over the two years from 2025 to 2026

## Implementation of Business Strategies

### Vinyl Acetate

- Expect to exceed the profit targets of the medium-term management plan by strengthening the global supply system, maximizing customer value, shifting from quantity to quality, and penetrating value pricing. Steady progress in large-scale capital investment with an eye to the future

### Isoprene

- Established a new plant in Thailand to ensure a stable supply of raw materials. Delays in ramping up production and expanding sales, led to record of operating losses in 2023 and 2024. Aim for early improvement and profitability

### Functional Materials

- Activated carbon business and dental materials business expanded by concentrating resources. Expect to continue high growth by utilizing M&A
- Optimize production capacity in the methacrylate business to improve profitability

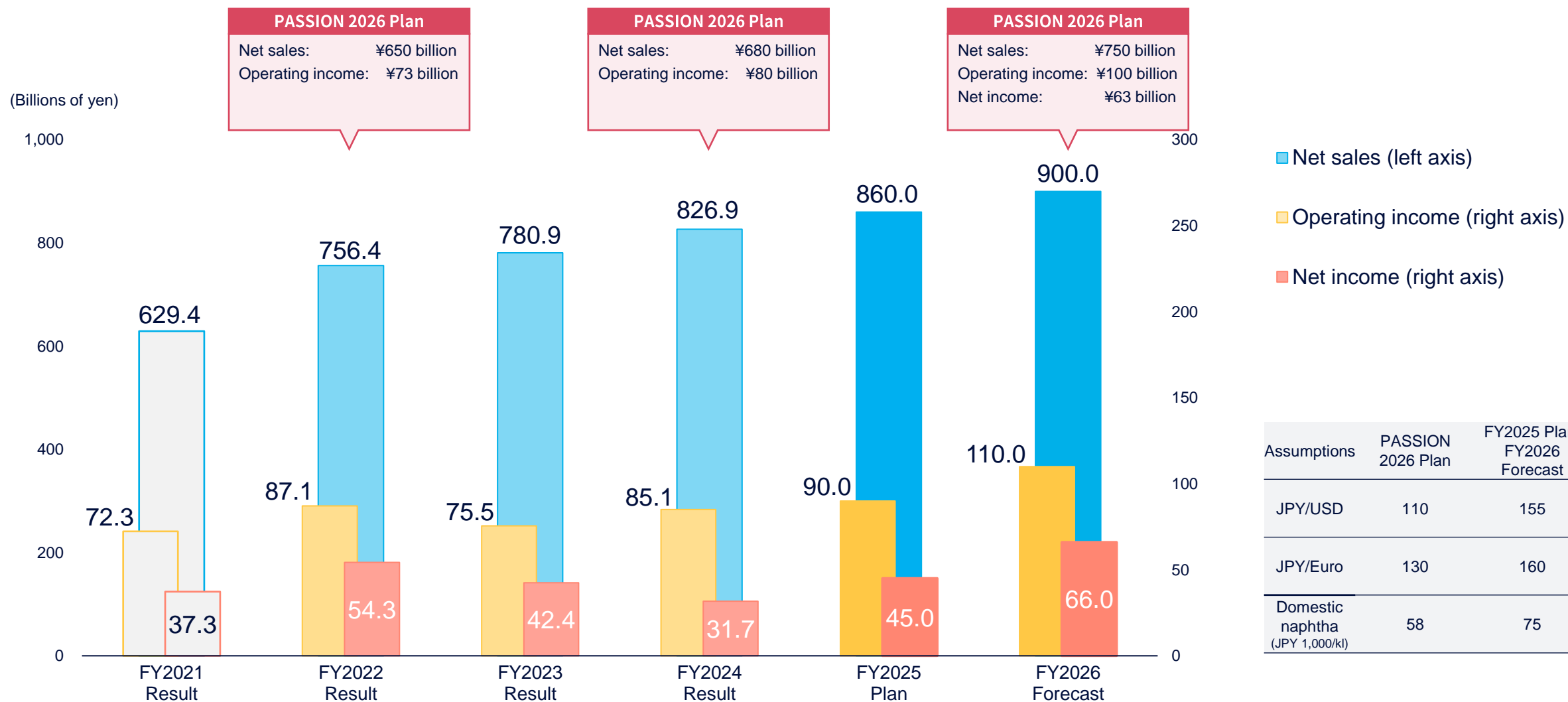
### Fibers and Textiles

- Maintain profitability by improving profitability in unprofitable businesses, downsizing or withdrawing from them, while shifting to high-value-added products such as VECTRAN™

## Capital Policy/ Shareholder Returns

- Set the basic concept of capital policy for the medium-term management plan (Equity ratio and D/E ratio)
- Increased dividend in 2022 and 2023. Plan to increase dividends in 2024
- Conducted share buyback totaling ¥30 billion over the last three years. Cancelled 30 million shares of treasury stock
- New policies for total payout ratio, dividends, and share buybacks to be implemented from FY2025 to enhance shareholder returns

# 1. Forecast for FY2026



## 2. Financial KPIs

- Expect ROIC and EBITDA to exceed the target, while ROE and EBITDA margin to fall short
- Focus on enhancing profitability by sophisticating the business portfolio and improving capital efficiency

	FY2021 Results	FY2024 Results	PASSION 2026	
			FY2026 Targets (Announced in Feb. 2022)	FY2026 Forecast
ROIC	6%	7%	8%	9%
EBITDA (Operating income + depreciation and amortization)	¥131.3 billion	¥170.3 billion	¥170.0 billion	¥186.0 billion
ROE	7%	4%	10%	9%
EBITDA Margins (Reference)	21%	21%	23%	21%

# 3-1. Progress of Three Challenges



## Sustainability as an Opportunity

### Reducing GHG Emissions Contributing to the Natural and Living Environment

- ✓ Steadily reduced GHG emissions for Scope 1, 2 in accordance with the roadmap
- ✓ 2024 sales targets for natural and living environment contributing products in Kuraray PSA\*1 system achieved ahead of schedule (55%→58%)

Achievements of FY 22-24

- Setting new targets for reducing GHG emissions by 2035 (Scope 1, 2 and 3)
- Acquisition of SBT\*2 certification
- Steady implementation of capital expenditures to reduce GHG emissions
- Linking Kuraray PSA system to earnings

Initiatives and Issues for FY 25-26

## Innovations Starting from Networking

### Innovation Creation Initiatives

- ✓ Develop activities that are more conscious of customers and markets by bringing internal and external resources together
- ✓ Strengthened open innovation activities, including exploration opportunities for collaboration with startups

### Selection of Strategic Target Areas

- ✓ Selected strategic target areas from market attractiveness and our capabilities
- ✓ Managed embodied themes in the Innovation Pipeline\*3 and allocated resources strategically

- Creation of new businesses through innovation activities
- Accelerate collaboration with startups, including M&A

## Transformation of People and Organization

### To "a digitally savvy company" Initiatives

- ✓ Built a platform for centralized management of R&D knowledge
- ✓ Created an environment where customers can simulate our products in digital space
- ✓ Launched DX talent development program. Expect more than 7,000 employees to complete by 2026

- Building business models utilizing DX
- Planning and promotion of DX projects based on DX talent

### Initiatives for Building Global HR Infrastructure and Improving Employee Engagement

- ✓ Developed a fair and equitable global human resource system to ensure that diverse human resources are able to play an active role in the right place and are treated according to their roles and achievements
- ✓ Implemented measures to improve engagement based on global engagement survey results

- Launch of global human resources database
- Responding to issues (internal communication, action taking, etc.) that were seen from the engagement survey

\*1 PSA(Portfolio Sustainability Assessment): Product-portfolio metrics established by WBCSD (World Business Council for Sustainable Development)

\*2 SBT(Science Based Targets): Greenhouse gas reduction targets set by companies with a target year of 5 to 15 years from now, consistent with the levels required by the Paris Agreement

\*3 Innovation Pipeline: System for picking and selecting innovation ideas and properly managing everything from proposals to market launches

## 3-2. Progress of Three Challenges

### - Non-Financial KPIs

- Added four KPIs during the term
- Each indicator is generally steady, aim to achieve it in the target fiscal year

		Benchmark		Recent Results		Targets		
GHG emissions Scope 1, 2	Updated	FY2021	3,020 kt	FY2023 (11% less than FY2021)	2,700 kt	FY2035 (63% less than FY2021)	1,117 kt	New reduction targets set (Details on the next page)
Sales ratio of products that contribute to the natural and living environments		FY2020	46%	FY2024	58%	FY2026	60%	Achieved FY2024 target (55%) in FY2023 ahead of schedule. Targets for FY2026 are also expected to be achieved.
Diversity of core human resources*1		End Sep. 2021	12%	FY2024	18%	FY2030	25%	Generally steady, but consider and implement further improvement measures to achieve targets
GHG emissions Scope 3 (Category 1)	New	FY2021	2,941 kt	FY2023 (14% less than FY2021)	2,544 kt	FY2035 (37.5% less than FY2021)	1,838 kt	New reduction targets set (Details on the next page)
Ratio of senior managers taking global leadership training	New	(2023 result)	40%	FY2024	45%	FY2030	60%	Steady progress
Executive candidate development Ratio of candidates prepared	New	(2023 result)	90%	FY2024	130%	FY2030	200%	Steady progress
DX talent development Total number of participants*2	New	(2023 result) Gold Silver Bronze	44 persons 163 persons 5,114 persons	FY2024 Gold Silver Bronze	82 persons 471 persons 5,938 persons	FY2026 Gold Silver Bronze	180 persons 1,200 persons 5,700 persons	Bronze: achieved the target two years ahead of schedule Gold and Silver: steady progress. Expect targets to be achieved.

\*1: Ratio of managers in Japan who are women, foreign nationals and mid-career hires, excluding production sites

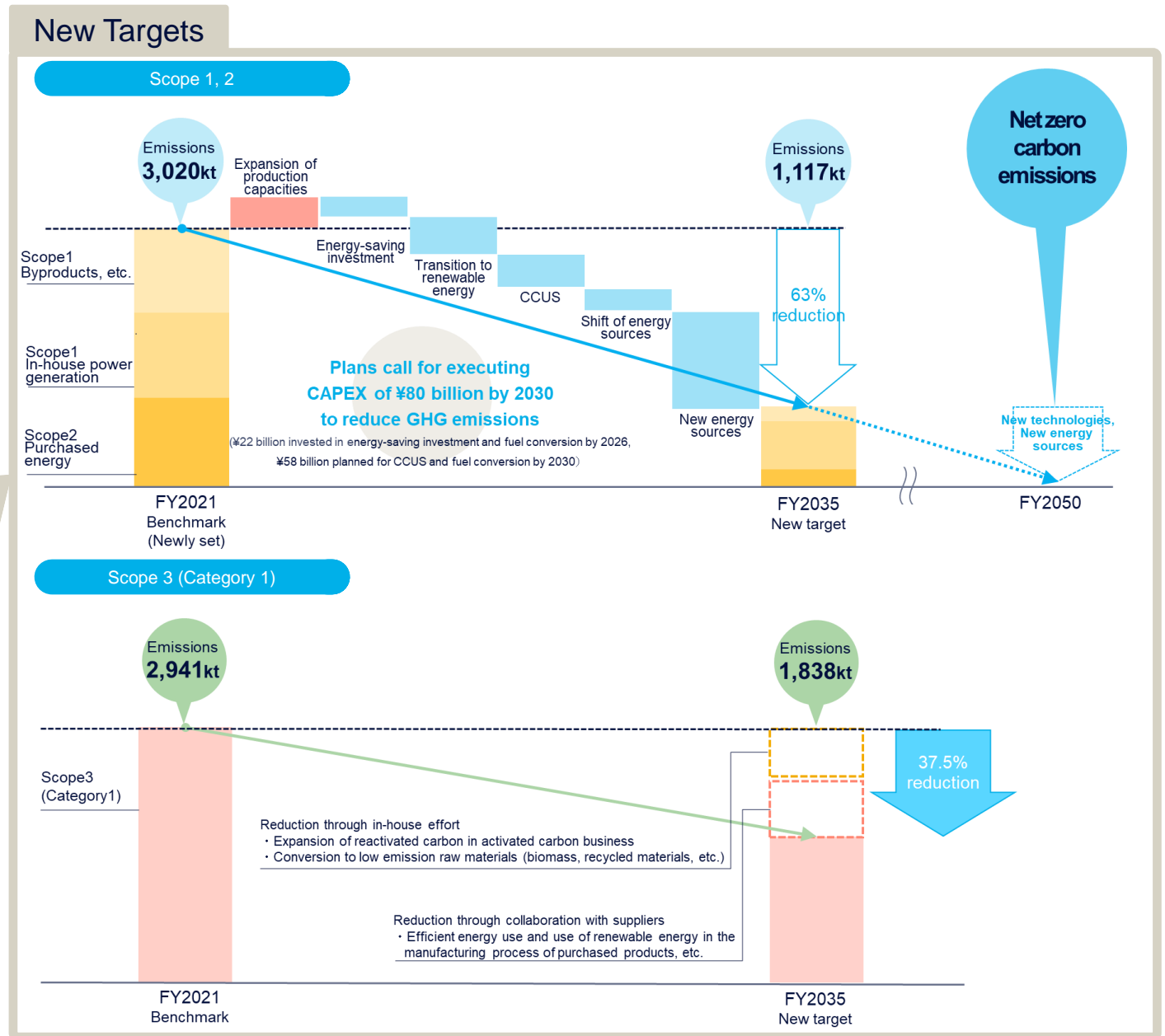
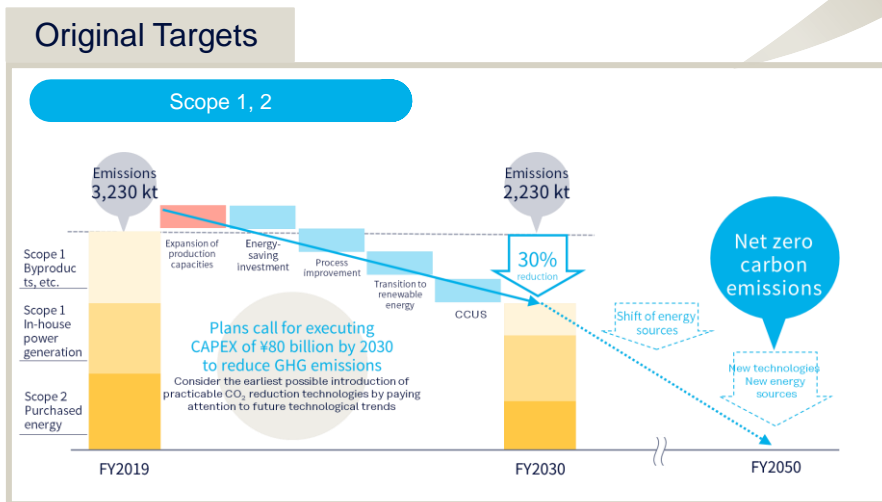
\*2: Gold class: training class of DX project leader, Silver class: training class of human resources who promote DX within the department, Bronze class: training class of human resources who utilize digitally in business

### 3-3. Progress of Three Challenges

#### -Setting new targets for GHG emission reduction

- Set new ambitious targets for Scope 1, 2 and Scope 3 (Category 1)\*
- Aim to acquire SBT certification based on new reduction targets

\* Scope 3 (Category 1): SBT is to set a target covering more than two-thirds of the total emissions in Scope 3. Category 1 is "purchased products and services," and we set this category as the category subject to reduction, which accounts for more than two-thirds of the total.

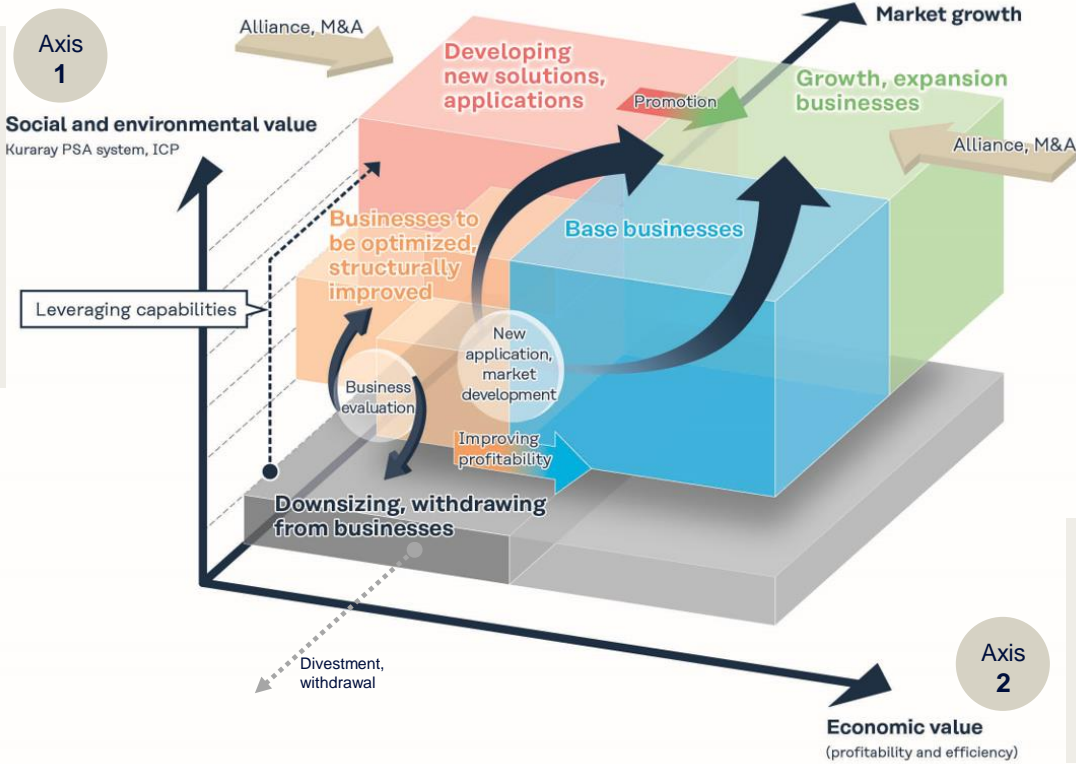


# 4-1. Sophistication of Business Portfolio

Considering market growth potential in addition to the two axes of social and environmental value and economic value

**Enhancing Social and Environmental Value**

- Percentage of products contributed to PSA: 58% in 2024; steadily progressing toward 2026 target of 60%
- Accelerating material and chemical recycling (Clarino business, advanced interlayer business, etc.)
- Contributing to the circular economy (EVAL business, activated carbon business)
- Investment evaluation in the internal carbon pricing system is firmly established
- ISCC PLUS certification: 8 sites acquired certification by December 2024



**Assessing market growth potential**

- Evaluate businesses in terms of social and environmental value and economic value, and concentrate resources on businesses with high growth potential to enhance sophistication, taking into account market growth potential
- Continue to create new businesses focusing on high growth areas over the medium to long term

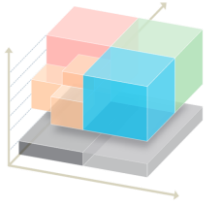
**Enhancing Economic Value**

- Manage each business by its ROIC
- Expect ROIC target for FY2026 (8%) to be exceeded. Continue to improve profitability and capital efficiency
- Ensure appropriate pricing based on value offered and raw material and fuel prices and cost reductions



## 4-2. Sophistication of Business Portfolio

- Progress and outlook for specific measures in each area



### Growth, expansion businesses

- ✓ Increase capacity in EVAL™ (plant in the U.S. and Europe, new plant in Singapore)
- ✓ Expansion of dental materials (Kuraray Noritake Dental)
- ✓ Acquisition of activated carbon (industrial recycled carbon) business

### Base businesses

- ✓ Expansion of optical-use poval film (Kurashiki)
- ✓ Focused investment in safety measures and maintenance and upgrading to strengthen the stable production system

### Developing new solutions, applications

- ✓ Establishment of a new laboratory specializing in cell culture (life innovation area)
- ✓ Development of sustainable raw materials including recycled ones and solutions to reduce environmental impact and promotion of market research

### Businesses to be optimized, structurally improved

- ✓ Optimizing production capacity in the methacrylate business
- ✓ Restructuring the nonwoven fabric business (withdrawal from the dry-type, reduction of melt blown)

Divestment or withdrawal business:

Artificial marble, biocarrier for wastewater treatment, ballast water management, golf courses, bone-graft substitutes, diatomite and perlite, KURARITY™

FY 22-24

FY 25-26

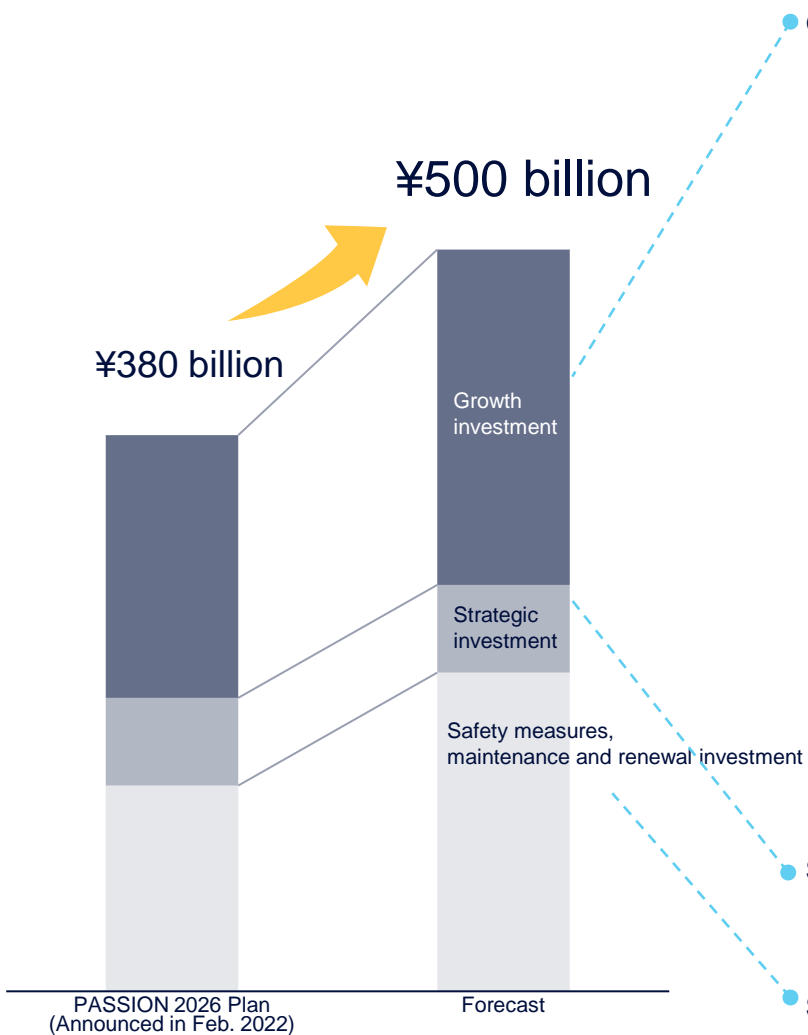
- Capture demand by leveraging strengths such as product and global supply capabilities
- Increase capacity (dental materials, recycled activated carbon, GENESTAR™)
- Consider M&As
- Strengthen stable supply system by investing in safety measures, maintenance, and renewal

- Strengthen business foundation by further improvement of cost competitiveness and maintaining and upgrading facilities
- Capacity increase (optical-use poval film, SentryGlas™)

- Commercialization of biomass-derived battery materials
- Continue to explore and develop themes that will lead to a reduction in environmental impact (micro-plastic reduction, PFAS free)

- Improve earnings in Isoprene business
- Improve profitability in Fibers and Textiles business

## 5. Capital Expenditures during PASSION 2026 (decision basis)



● **Growth investment:** Implement growth investment contributing to future profits Investment decisions expected from FY2025 onward

Classification for business portfolio management	Content of investment	Investment objective	Year of operation (including plans)
Growth, Expansion business	EVAL™ Production capacity expansion in the U.S. and Europe	Responding to increased demand for use in food packaging applications as a circular economy adaptation	2024, 2026
	EVAL™ Construction of new plant		2026
	Expansion of dental materials (inorganic)	Production capacity expansion for zirconia products, ceramics, etc.	2026
	Expansion of dental materials (organic)	Production capacity expansions for bonds, composite resins, etc.	2026 and thereafter
	New construction and expansion of recycled activated carbon in the U.S. and Europe	Responding to increased demand due to strengthen PFAS regulations	2026 and thereafter
	Expansion of GENESTAR™	Responding to the expansion use of automotive parts, further expansion into global markets	2026 and thereafter
Base businesses	Expansion of optical-use poval film (Kurashiki)	To meet rising demand for large polarizing films	2024
	Expansion of optical-use poval film		2026 and thereafter

● **Strategic investment** (Reduction of GHG emissions, DX and new research center): Investment in reducing GHG emissions is reduced due to a detailed examination, but total investment is expected to be about the same due to an increase in DX investment

● **Safety measures, maintenance and renewal investment:** Investment in safety measures based on the concept of placing the highest priority on safety, and investment in responding to aging and maintaining and upgrading necessary for business continuity. Strengthen production system to stabilize earnings

## 6. Capital Policy during PASSION 2026

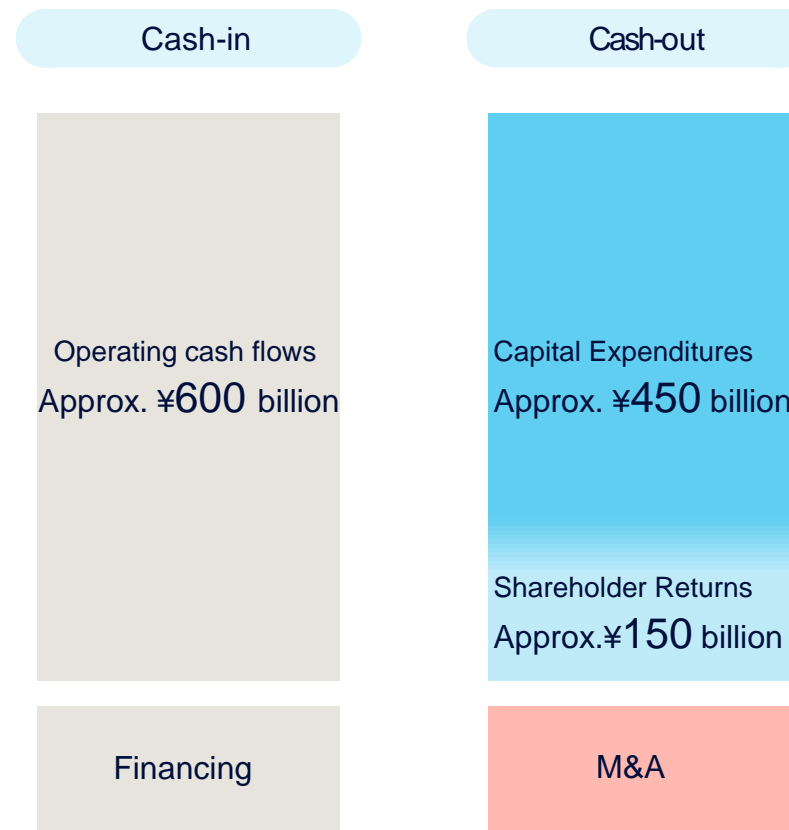
### Basic Concept in PASSION 2026

- Financial management based on an equity ratio of 50% to 60% and a D/E ratio of 0.45 or less

	FY2022 Results	FY2023 Results	FY2024 Results
Equity ratio	52.9%	56.9%	59.2%
D/E ratio	0.50	0.39	0.32

### Cash Allocation

- Operating cash flows are used for capital investment and shareholder returns
- M&A is assumed to be about ¥100 billion



## 7. Shareholder Returns

To increase returns to shareholders,  
the new shareholder return policy was formulated this time

### Previous policy

Total return ratio: 35% or more

Dividends per share: ¥40 or more/year

Share buybacks: Conduct flexibly

### New policy

Total return ratio: **50%** or more

**Maintain and Increase** dividends per share

Share buybacks: Aim for continuous  
implementation

	FY2021 Results	FY2022 Results	FY2023 Results	FY2024 (plan)
Total return ratio	37%	46%	39%	119%
Annual dividends per share	¥40	¥44	¥50	¥54
Share buybacks	—	¥10billion	—	¥20billion

## 8. Initiatives to Strengthen Governance and Risk Management

### (1) Change in the structure of the Corporate Advisory Committee

- In March 2024, the Corporate Advisory Committee was composed entirely of outside officers and outside experts, and the chairman was changed to an outside director.
- Aim to further improve the transparency, fairness, and objectivity of decisions on important management matters, such as director nomination and compensation

### (2) Reflection of sustainability-related indicators in officer remuneration

- Reflect the evaluation of sustainability-related indicators in the restricted stock compensation portion at  $\pm 20\%$  (scheduled to be implemented from fiscal 2025)

#### Sustainability-related Indicators

1. Contributing to the environment: degree of achievement of targets for reducing GHG emissions
2. Occupational safety and health: degree of achievement of targets for frequency rate of occupational injuries
3. Occupational safety and health: degree of achievement of targets for the number of process accidents
4. Diversity: improvement of the ratio of female managers
5. Engagement: improvement of the engagement survey score and its response rate

### (3) Strengthening Global Safety Audits

- Launched the Global PSM Auditing Team\* in 2022, which is made up of global internal experts
- Started security audits by the Team in 2024 for chemical plants and activated carbon manufacturing plants with a high risk of process accidents.

\* Global PSM (Process Safety Management) Auditing Team:  
Globally selected members of each site who are familiar with process safety and disaster prevention implement cross-organizational safety audits at each site.

### (4) Strengthening systems for preventing leakage of confidential information

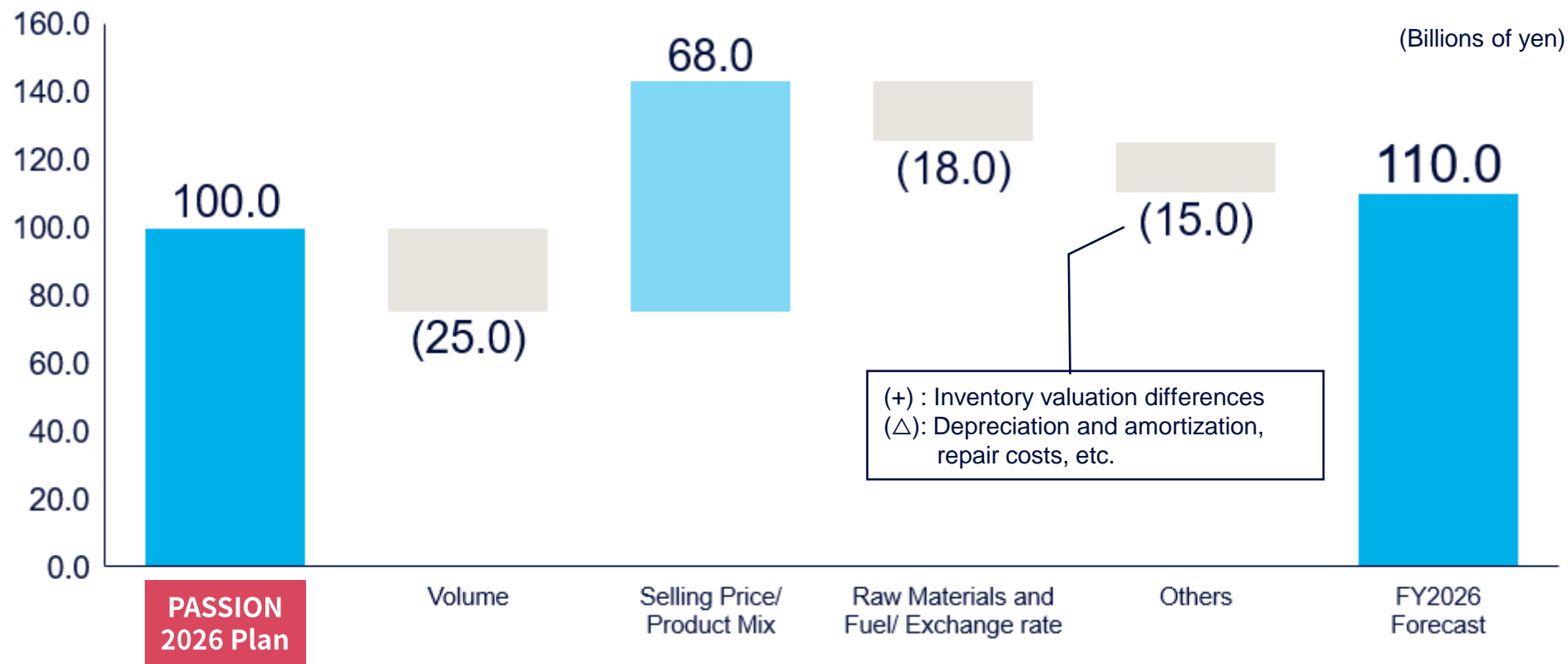
- Appointed an officer in charge of confidential information management in 2022
- Organizing an organization to manage confidential information, strengthening network monitoring, introducing highly secure storage systems, and conducting employee awareness activities
- Further strengthened information security and tightened information management systems



# Reference Materials

# FY2026 Factors Affecting the Change in Operating Income vs. PASSION 2026 Plan

Reference Materials



Assumptions	PASSION 2026 Plan	FY2026 Forecast
JPY/USD	110	155
JPY/Euro	130	160
Domestic naphtha (JPY 1,000/kl)	58	75

# FY2026 Net Sales and Operating Income by Segment

Reference Materials

## PASSION 2026

(Billions of yen)

FY2026 Plan  
(Announced in Feb. 2022)

FY2026  
Forecast

Difference

	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Vinyl Acetate	350.0	77.0	438.0	89.0	88.0	12.0
Isoprene	90.0	10.0	95.0	0.0	5.0	(10.0)
Functional Materials	175.0	18.0	227.0	25.0	52.0	7.0
Fibers & Textiles	65.0	7.0	70.0	7.0	5.0	0.0
Trading	70.0	6.0	75.0	7.0	5.0	1.0
Others	52.0	3.0	42.5	2.0	(9.5)	(1.0)
Elimination & Corporate	(52.0)	(21.0)	(47.5)	(20.0)	4.5	1.0
<b>Total</b>	<b>750.0</b>	<b>100.0</b>	<b>900.0</b>	<b>110.0</b>	<b>150.0</b>	<b>10.0</b>



# **kuraray**

## **Possible starts here**

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- All figures are rounded to the nearest hundred million yen.
  - This presentation contains various forward-looking statements which are based on the current expectations and assumptions of future events. All figures and statements with respect to the future performance, projections, and business plans of Kuraray and its group companies constitute forward-looking statements. Although Kuraray believes that its expectations and assumptions are reasonable, actual results and trends of Kuraray's performance could differ materially from those expressed or implied by such figures or statements due to risks and uncertainties in the future business circumstances. The factors which may cause such difference include, without limitation: (1) general market and economic conditions in Asia including Japan, the U.S., Europe and other regions; (2) fluctuations of currency exchange rates, especially between the Japanese yen and the U.S. dollar and other foreign currencies; (3) changes in raw material and fuel costs; (4) industrial competition and price fluctuations in Japan and international markets; (5) advance or delay in the construction of new plants and production lines; (6) successful development of new products and technologies; and (7) changes in laws and regulations (including tax and environmental) and legal proceedings.