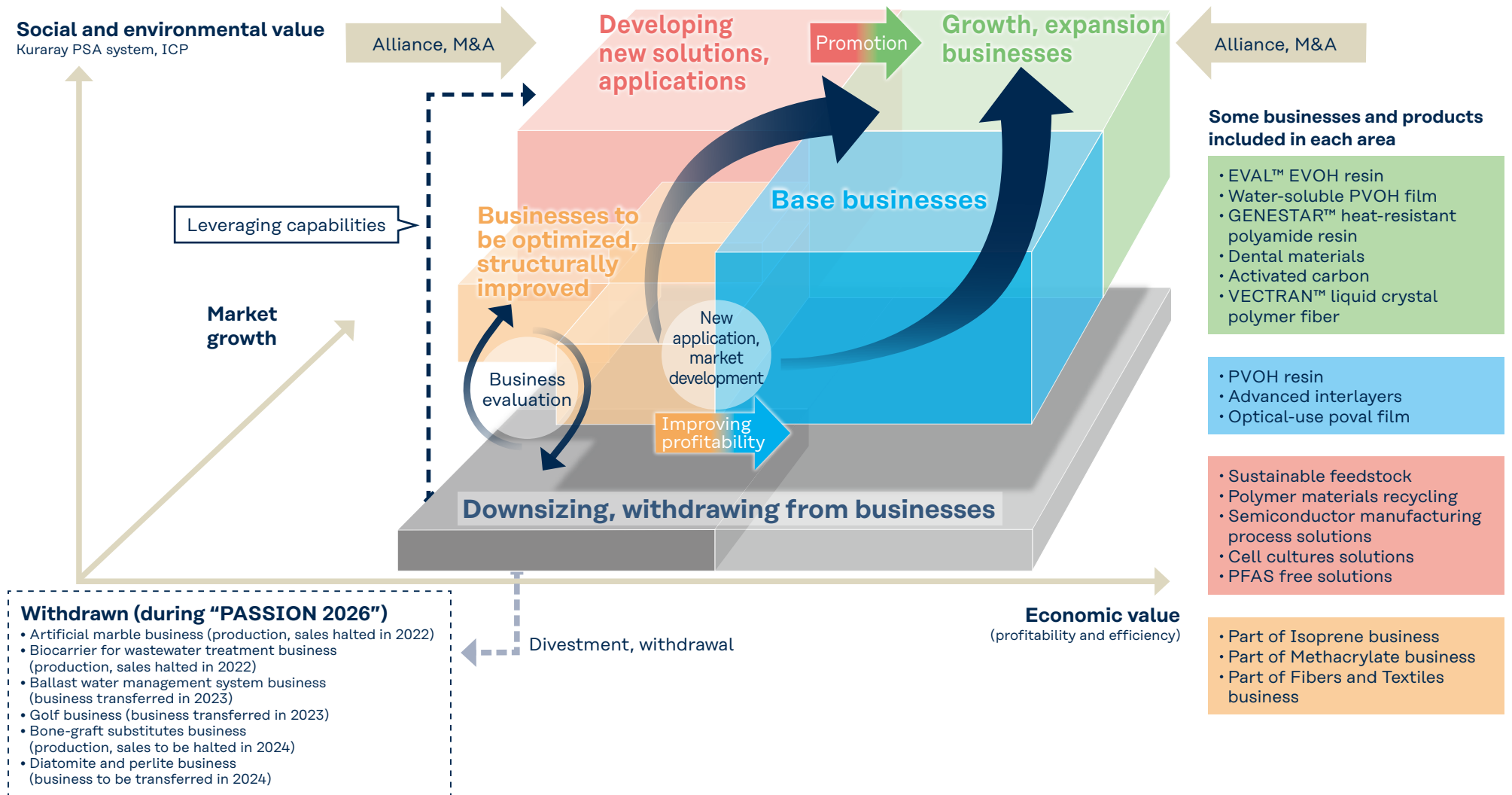


Building a More Sophisticated Business Portfolio

The basis for evaluating our business portfolio centers on the two axes of social and environmental value and economic value. In building a more sophisticated portfolio, we will also take market growth into account as we respond to calls to address social issues. The evaluation based on these axes will guide our efforts to allocate management resources in a strategically focused manner, aiming to transition to a more sustainable business structure and achieve sustainable growth.



Objectives of Building a More Sophisticated Business Portfolio

- Use cash generated from base businesses and growth and expansion businesses to further promote the latter and develop new solutions and applications to drive the next phase of growth.
- In businesses to be optimized or structurally improved, formulate plans for improvement and restructuring and take measures to improve profitability.
- In light of market conditions and the business life cycle, consider downsizing or withdrawing from businesses that do not promise improvement in social, environmental, or economic value, optimizing resource allocation.
- Judge ownership of businesses from the perspective of whether Kuraray is the best owner in view of their compatibility with the vision for the Kuraray Group.

Social and Environmental value, Economic value

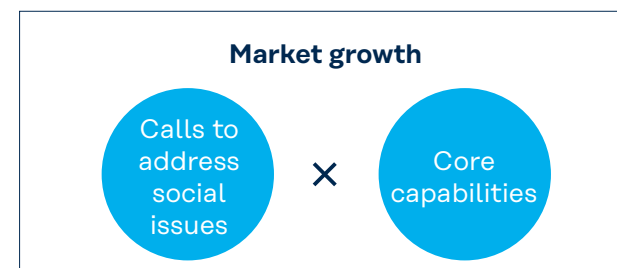
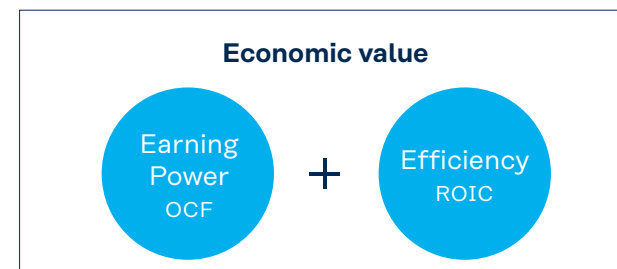
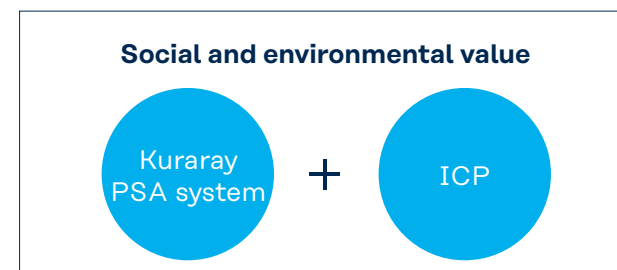
For the social and environmental value of businesses and products, we use the Kuraray Portfolio Sustainability Assessment (PSA) system based on PSA, a highly objective and transparent product portfolio evaluation method established by the WBCSD*1 which is also used by other chemical manufacturers, mainly in Europe, as well as use internal carbon pricing (ICP)*2.

We assess economic value using the twin indicators of earning power (operating cash flow) and efficiency (ROIC).

Continuing to assess and screen using these two axes will help us determine whether to aggressively expand, maintain, scale down, or withdraw from businesses and products. Our goal is to build a strong business portfolio by channeling resources into fields with high growth potential. At the same time, we will navigate changes in the business environment and in society to generate new opportunities and respond appropriately to risks.

*1 World Business Council for Sustainable Development.






*2 A mechanism for creating economic incentives to reduce CO₂ emissions and save energy, promoting low-carbon investment and encouraging climate change response by setting an internal carbon price and using it to calculate the monetary cost of emissions



Market Growth

We will actively invest management resources into business and product areas where there are strong calls to address social issues and where we can capitalize on the core capabilities of the Kuraray Group.

Five Macrotrends

 Improvement of the global environment	 Food and water security	 Digitalization, high-speed communications	 Effective utilization of energy	 Calls for higher quality of life (QOL)
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