AsahiKASEI

Asahi Kasei Report **2022**

Be a Trailblazer

Asahi Kasei's Commitment to Life and Living—Our Unwavering Philosophy for a Century

Inspired by a desire for mankind to achieve happiness, Asahi Kasei was founded with the aim of supplying an abundance of high-quality daily necessities at affordable prices to enable people to lead better lives. For a century, while the needs of society have changed in accordance with the times, Asahi Kasei has used its insight to meet these needs. Anticipating changes in society to take on challenges and seeking to transform itself has been Asahi Kasei's unchanging approach since its founding.

Creating for Tomorrow

Group Slogan

Group Mission

We, the Asahi Kasei Group, contribute to life and living for people around the world.

Group Vision

Providing new value to society by enabling "living in health and comfort" and "harmony with the natural environment."

Group Values

Sincerity: Being sincere with everyone.

Challenge: Boldly taking challenges, continuously seeking change.

Creativity: Creating new value through unity and synergy.

Contents

Editorial policy

For greater ease of understanding among our stakeholders regarding the Asahi Kasei Group's operating climate and overall business activities, the Asahi Kasei Report focuses on such areas as our management strategy, business conditions, and management configuration, as well as our efforts toward sustainability in society. Detailed sustainability-related information is disclosed on our website.
https://www.asahi-kasei.com/sustainability/

Period under review

The period under review is fiscal 2021 (April 2021 to March 2022). The report also contains some information on activities from April 2022.

Organizational scope

The scope of the report is Asahi Kasei Corporation and its consolidated subsidiaries (in other cases, noted in the text). The titles and positions of corporate officers and other personnel as shown in this report are current as of September 2022.

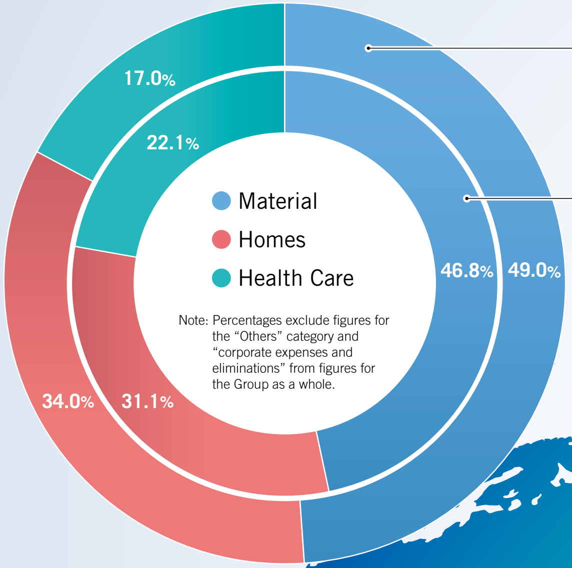
Guidelines consulted

Integrated Reporting Framework, IFRS Foundation
Guidance for Collaborative Value Creation, Ministry of Economy, Trade and Industry, Government of Japan, etc.

Disclaimer

The forecasts and estimates shown in this report are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcome.

At a Glance



Fiscal 2021 Net Sales

¥2,461.3 billion

Fiscal 2021 Operating Income

¥202.6 billion

Notable Facts (as of March 31, 2022)

Employees

46,751

Of which, overseas employees account for nearly 40%

Global bases

More than 20 countries and regions

Consolidated subsidiaries

273

Overseas sales ratio

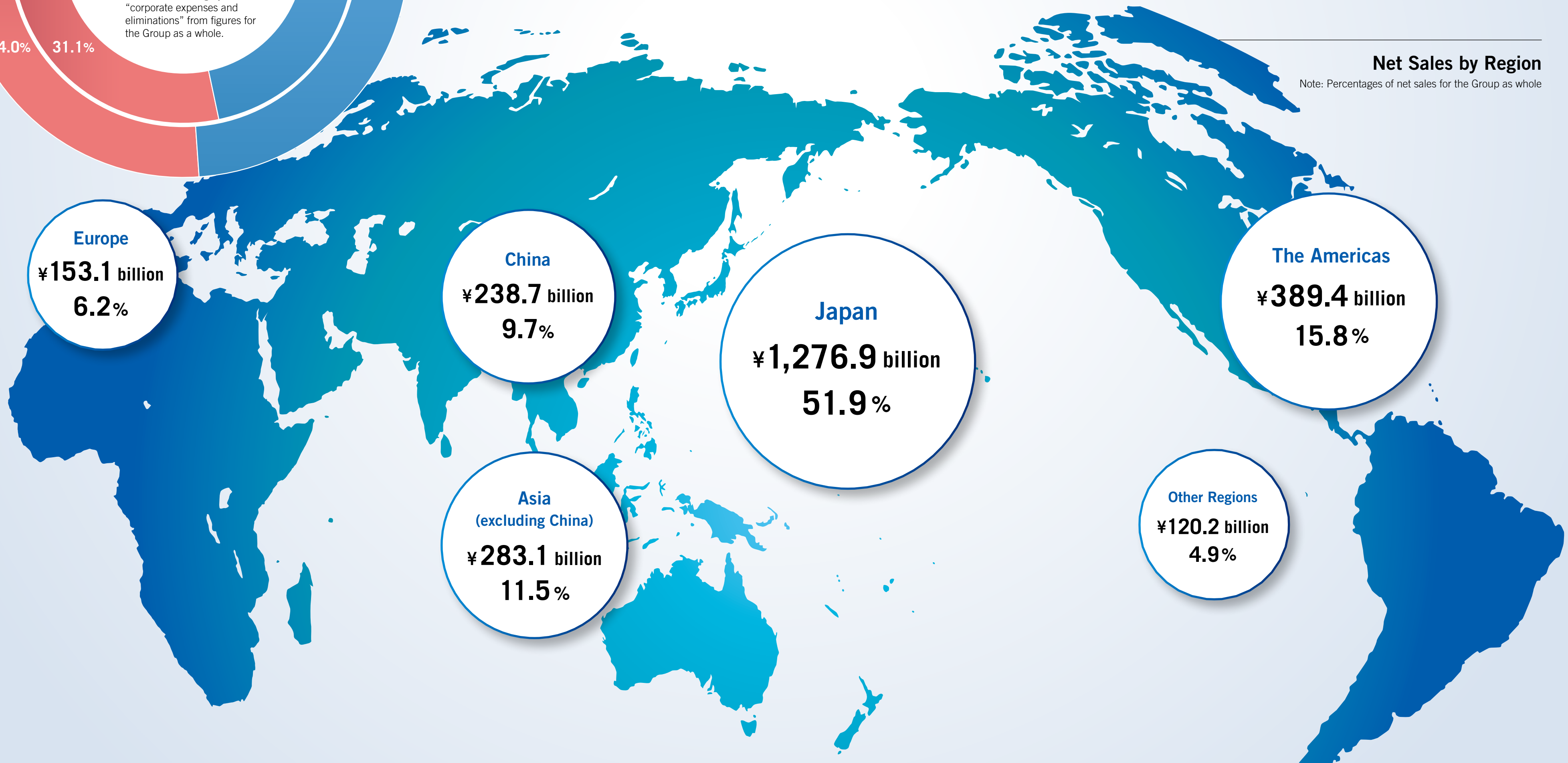
48.1%

Credit rating

AA Japan Credit Rating Agency (JCR)

Net Sales by Region

Note: Percentages of net sales for the Group as whole



Priority Fields for Provision of Value and Related Products

Material

Environment & Energy


Hipore™ and Celgard™ separators for lithium-ion batteries


Ion-exchange membrane chlor-alkali electrolysis process

Mobility


Engineering plastics


Dinamica™ artificial suede

Life Material


Pimel™ photosensitive polyimide


Household products

Homes

Home & Living


Hebel Haus™ unit homes
Hebel Maison™ apartment buildings


Atlas™ condominiums


North American and Australian homes

Health Care

Health Care

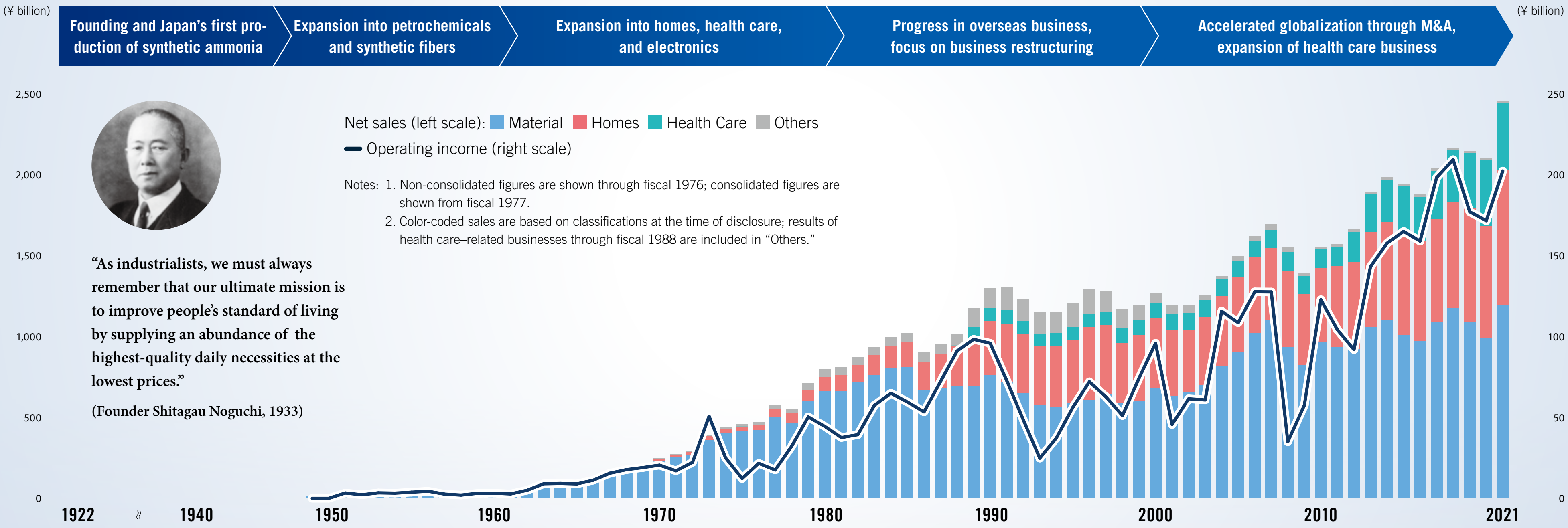

Pharmaceutical products


Planova™ virus removal filters


ZOLL AED 3™ automated external defibrillator

Addressing Social Issues and Advancing Business Portfolio Strategies

In every era, the Asahi Kasei Group has addressed social issues by dynamically transforming its business portfolio and supplying products and services that meet the changing needs of the times. We will continue to contribute to life and living for people around the world by Creating for Tomorrow.



Notes: 1. Non-consolidated figures are shown through fiscal 1976; consolidated figures are shown from fiscal 1977.
2. Color-coded sales are based on classifications at the time of disclosure; results of health care–related businesses through fiscal 1988 are included in "Others."

"As industrialists, we must always remember that our ultimate mission is to improve people's standard of living by supplying an abundance of the highest-quality daily necessities at the lowest prices."

(Founder Shitagau Noguchi, 1933)

Social needs and times	Asahi Kasei's evolution	Business portfolio transformation

New business entry, M&A | Withdrawal, downsizing, divestment

1922–

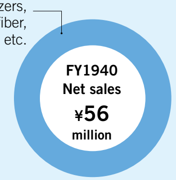
Establishing the basis for modern life

- Development of chemical industry and modern agriculture
- The Great Depression and World War II

Founding and Japan's first production of synthetic ammonia

Asahi Kasei contributed to establishment of the basis for modern life through its businesses such as the production of Bemberg™ cupro, a regenerated fiber.

- Ammonia
- Regenerated fiber (cupro, viscose rayon)
- Chemical fertilizer
- Foods (monosodium glutamate)



Social needs and times | Asahi Kasei's evolution | Business portfolio transformation

New business entry, M&A | Withdrawal, downsizing, divestment

1940s–

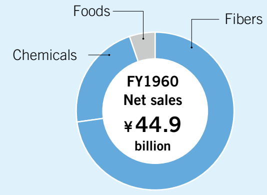
Sufficiency of daily necessities

- Post-war recovery and modernization of industry
- Start of period of high economic growth

Expansion into petrochemicals and synthetic fibers

After World War II, the modernization of industry advanced in Japan, driving the independence and growth of the Japanese economy. Asahi Kasei embarked on various new businesses that helped improve the quality of people's lives.

New business entry, M&A:
- Polystyrene
- Synthetic fiber (acrylic fiber)



1960s–

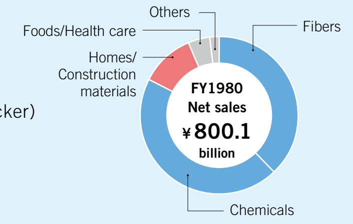
Improvement in quality of homes, development of public infrastructure

- Period of high economic growth
- Transition to stable economic growth

Expansion into homes, health care, and electronics

As the Japanese economy transitioned from a period of high economic growth to a period of more stable growth, Asahi Kasei entered new fields to address diversifying social needs.

New business entry, M&A:
- Saran Wrap™
- Acrylonitrile
- Synthetic rubber
- Ethylene (construction of naphtha cracker)
- Autoclaved aerated concrete
- Hebel Haus™ unit homes
- Artificial kidneys
- Pharmaceuticals



1980s–

Increased comfort and convenience

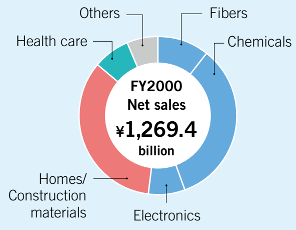
- Emergence and collapse of economic bubble
- Two decades of meager economic growth

Progress in overseas business, focus on business restructuring

After the collapse of Japan's economic bubble, Asahi Kasei divested, withdrew, and downsized businesses to achieve a selectively diversified portfolio. It was also during this time that we built our platforms for global management.

New business entry, M&A:
- Hall elements
- LSIs
- Lithium-ion battery separators
- Hebel Maison™ apartment buildings
- Insulation panels
- Acquisition of Toyo Jozo Co., Ltd. (pharmaceuticals and liquors)
- Virus removal filters

Withdrawal, downsizing, divestment:
- Foods



2000s–

Increasing awareness of the environment and quality of life

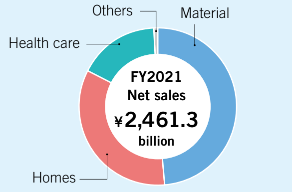
- Regional diversification
- Effect of global economic crisis
- Advancement of digital technologies
- Aging populations and pursuit of health and prosperity
- COVID-19 pandemic
- Rising interest in carbon neutrality and the circular economy

Accelerated globalization through M&A, expansion of health care business

Asahi Kasei accelerated the globalization of its operations and expanded its health care business through mergers and acquisitions. We reorganized our operations in the three business sectors of Material, Homes, and Health Care for thorough portfolio management with optimal allocation of management resources and greater generation of synergies between business domains.

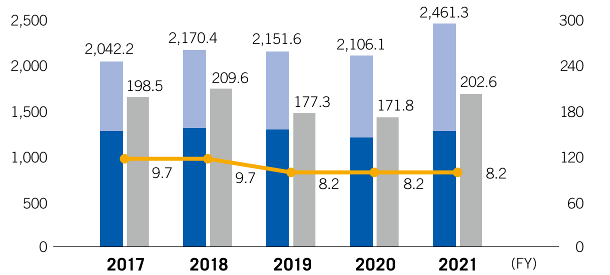
New business entry, M&A:
- Electronic compasses
- UVC LEDs
- Hydrogen production system (process verification)
- New businesses for homes (seniors, medium-rise, overseas)
- Critical care

Withdrawal, downsizing, divestment:
- Viscose rayon, acrylic fiber, polyester
- Restructuring of petrochemical business
- Liquors



Financial Highlights

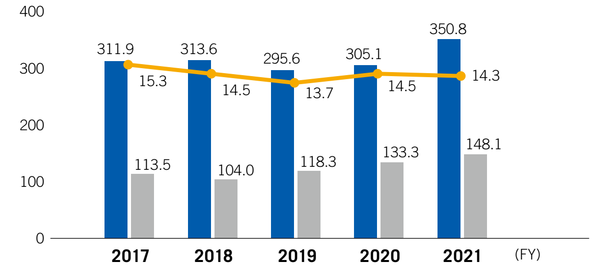
Net sales (domestic & overseas), operating income, operating margin



Domestic sales　Overseas sales (left scale)
Operating income (right scale)　Operating margin (%)

Both net sales and operating income increased significantly in fiscal 2021, partly due to growth of overseas business and efforts to improve profitability in the Homes sector, in addition to an upswing in demand in the Material sector compared with the previous fiscal year when demand was impacted by the COVID-19 pandemic. Overseas sales accounted for nearly 50% of total net sales in fiscal 2021 reflecting overseas business expansion, including through M&A.

EBITDA,[1] depreciation and amortization, EBITDA margin

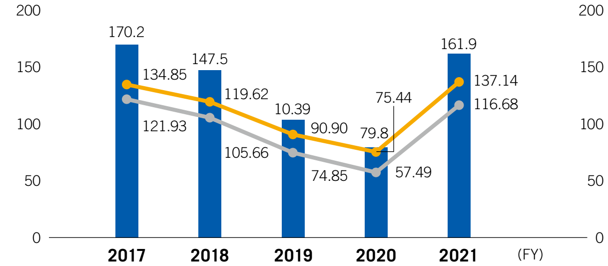


EBITDA　Depreciation and amortization (tangible, intangible, and goodwill)
EBITDA margin (%)

[1] Operating income, depreciation, and amortization

Given the upward trend in depreciation and amortization due to proactive capital expenditures and M&A activities, the Asahi Kasei Group has positioned EBITDA as a major KPI signifying its ability to generate cash. The decrease in depreciation and amortization in fiscal 2018 resulted from a change in the method of depreciation of property, plant and equipment from the declining balance method to the straight-line method.

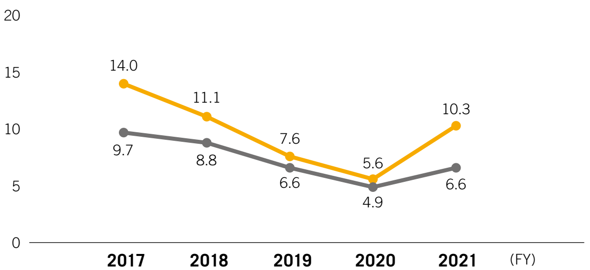
Net income attributable to owners of the parent, EPS, EPS before goodwill amortization



Net income attributable to owners of the parent (left scale)
EPS before goodwill amortization　EPS (right scale)

Net income attributable to owners of the parent increased significantly in fiscal 2021, reflecting an improvement in extraordinary income and loss and a decrease in tax expenses compared with the previous fiscal year in conjunction with the reconfiguration of Veloxis Pharmaceuticals, Inc. Consequently, EPS also increased. As Asahi Kasei amortizes goodwill in accordance with Japanese accounting standards, EPS before amortization of goodwill is shown for reference.

ROE,[2] ROIC[3]



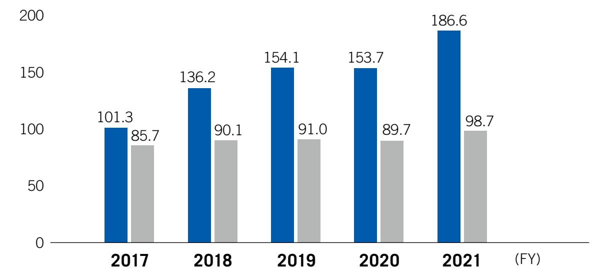
ROE　ROIC

[2] Net income per shareholders' equity

[3] (Operating income – income taxes) / average annual invested capital

Asahi Kasei positions ROE and ROIC as major KPIs to indicate its efficiency in generating profits. Until fiscal 2020, profits declined due to various changes in the operating environment while fund procurement needs increased in conjunction with growth investments, including M&A, while shareholders' equity and invested capital rose in conjunction with profit growth. Although ROE and ROIC had trended downward as a result of these factors, both increased in fiscal 2021 due to an improvement in profits.

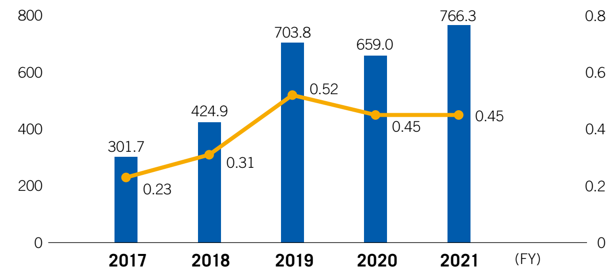
Capital expenditures, R&D expenses



Capital expenditures　R&D expenses

Asahi Kasei proactively carries out capital expenditures geared toward achieving growth over the medium to long term—including outlays in relation to decarbonization, digital transformation, and other areas to fortify its foundation—and R&D with a focus on the Health Care sector. While capital expenditures and R&D expenses in fiscal 2020 remained on a par with their fiscal 2019 levels due in part to strict selection of investments in light of the impact of the COVID-19 pandemic, both increased in fiscal 2021 on the back of the recovery in performance.

Interest-bearing debt,[4] D/E ratio



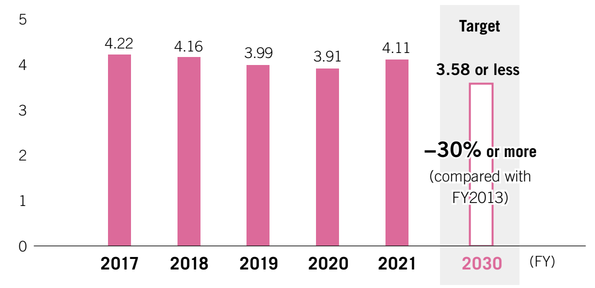
Interest-bearing debt (left scale)　D/E ratio (right scale)

[4] Amounts stated from fiscal 2019 exclude lease obligations.

Interest-bearing debt was up in fiscal 2021 owing to a rise in working capital, such as notes and accounts receivable–trade and inventories, due in part to increased market prices, and higher demand for funds in conjunction with M&A centered on the Health Care sector. However, Asahi Kasei continues to maintain a sound financial standing, with its D/E ratio at the end of fiscal 2021 unchanged from the level of the previous fiscal year as shareholders' equity increased along with profit growth.

Non-Financial Highlights

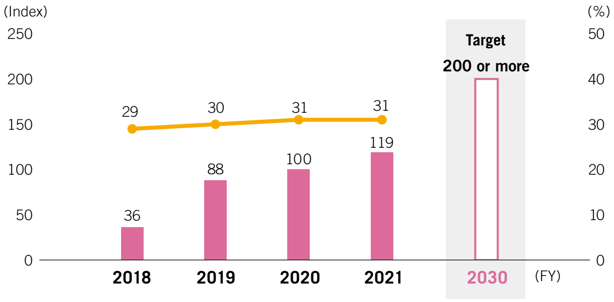
Greenhouse gas (GHG) emissions (Scopes 1 and 2)



Applicable range: Production sites of consolidated companies
Note: Fiscal 2021 figures are preliminary and may change after undergoing third-party verification.

The Asahi Kasei Group has adopted a target to reduce the volume of its GHG emissions by 30% or more from the 2013 base-year level of 5.11 million t-CO_2e by 2030 with a view to better clarifying its road map for achieving carbon neutrality. Ongoing endeavors to reduce emissions are advancing in order to achieve this target.

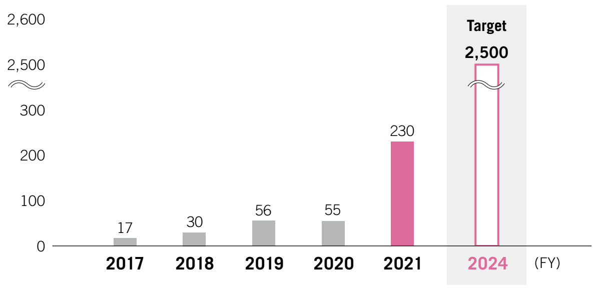
GHG emission reduction contributions through environmental contribution products



Volume of GHG emission reduction contributions of environmental contribution products[1] (left scale)
Portion of sales of environmental contribution products[2] (right scale)
Note: Internal calculation of the volume of GHG emission contributions from a life cycle assessment perspective based on the views of outside experts.
[1] Using fiscal 2020 as the baseline year (100)
[2] Portion of total net sales excluding the Health Care sector

Products and services of the Asahi Kasei Group that contribute to improving the environment across their entire life cycle are designated as environmental contribution products. We will work to develop environmental contribution products with the goal of reducing society's overall GHG emissions.

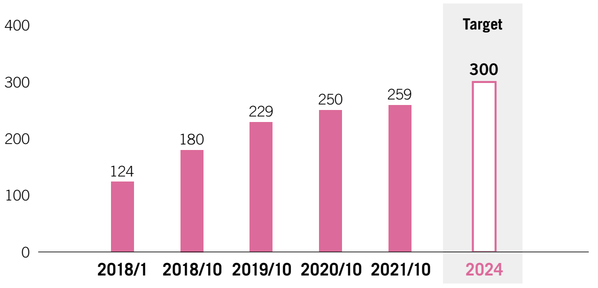
Number of digital professional human resources



Note: Total figures up to fiscal 2020 include only human resources specializing in data analysis.
Applicable range: Total employees worldwide

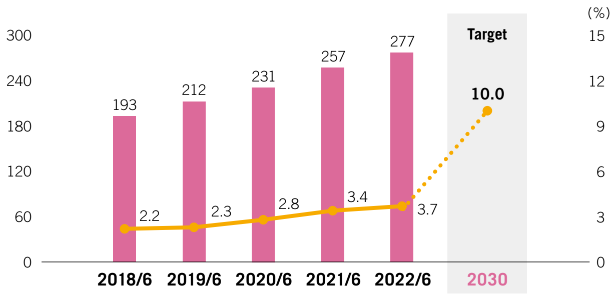
The Asahi Kasei Group will promote bottom-up human resource development to enable all employees globally to engage in their work duties with a mindset conducive to utilizing digital technology. In particular, we have defined human resources who resolve business issues and create new value and business models through advanced digital technology and data utilization as digital professional human resources. By proactively promoting the development and acquisition of such human resources, we aim to increase their number to 2,500 by fiscal 2024.

Number of Group Masters



The Asahi Kasei Group appoints, nurtures, and rewards as Group Masters human resources with the potential to proactively engage in and contribute to the creation of new businesses and the enhancement of established businesses. In addition to increasing corporate value, the Group Masters program contributes to the growth of our human resources and helps us to recruit outstanding external human resources. In accordance with business strategies and other matters, we also annually revise the technology and specialized fields for human resources to be appointed as Group Masters to enable us to better utilize the program.

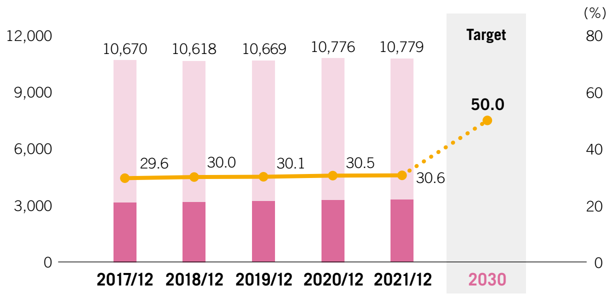
Number of women working as managers and percentage of women in the total number of managers and the Group Masters program



Number of women working as managers (left scale)
Percentage of women in the total number of managers and the Group Masters program (right scale)
Applicable range: Results for personnel employed by Asahi Kasei Corporation, Asahi Kasei Microdevices Corporation, Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corporation, and Asahi Kasei Medical Co., Ltd.

Amid rapid change in the operating environment, the Asahi Kasei Group must utilize the capabilities of its diverse human resources to boost co-creativity if it is to create value continuously. With the promotion of women as a KPI, we will realize conditions that enable diverse human resources, including women, to thrive in a variety of settings within the organization through the creation of an environment and requirements for achieving the KPI.

Number of valid patents and percentage of which accounted for by GG10-related patents



Total number of valid patents (of which, are GG10-related patents) (left scale)
Percentage of valid patents accounted for by GG10-related patents (right scale)
Note: Valid patents are those for which the patent right or patent application has not expired. The number of patents in the graph represents the number of patent families (number of inventions).

The Asahi Kasei Group focuses efforts on maximizing intellectual property value in order to establish a patent portfolio that contributes to its businesses. We will aim to further enhance our competitiveness by increasing the percentage of valid patents accounted for by 10 of our businesses (GG10) that will drive our growth going forward.

02

Asahi Kasei's Ideals

Message from the President

Asahi Kasei is stepping forward to become a global trailblazer by reanimating its "A-Spirit" to boldly advance transformation without fear of change

Koshiro Kudo
President

Message from the President

The fire and accident at Asahi Kasei Group plants

I would like to begin by once again offering my sincere apologies to everyone affected, including neighboring residents, for the considerable concern and inconvenience caused by the fire at our Bemberg Plant in Nobeoka, Miyazaki Prefecture, in April 2022, and the serious accident that occurred at an affiliate in fiscal 2021.

The Asahi Kasei Group will strive to identify the causes of these incidents, and thoroughly implement measures to prevent any recurrence. The foundations underpinning our businesses are the front line efforts for environmental protection, safety, and quality assurance. My task now is to ascertain the circumstances on the front lines fully and accurately, and to verify whether there is anything lacking that we have overlooked. I am currently visiting our front lines to communicate directly with employees and deepen my understanding of their circumstances, including by seeing the expressions on their faces as they work, and listening to their concerns. I am determined to take decisive actions grounded in the front lines that will be effective in contributing to a fundamental solution.

My ambition for Asahi Kasei

I became President & Representative Director in 2022, a pivotal year as the centennial of Asahi Kasei's founding. I sense a responsibility to preserve the heritage of Asahi Kasei that has been nurtured by our predecessors for a century, and firmly pass it on to subsequent generations. The essence of this heritage is "A-Spirit," an aggressive "animal spirit" and the spirit of Asahi Kasei. A-Spirit epitomizes the mettle of a pioneer and the ambition to create things that did not exist before. In this way, A-Spirit is unique to the corporate culture of the Asahi Kasei Group, and integral to the way we create new value without being bound by precedent.

I see the Asahi Kasei Group as a company that embodies sincerity, one of our Group Values. This is vividly reflected in the earnest manner in which our employees tackle their work, and in the value that our business activities provide to society. At the same time, however, I have been apprehensive that our appetite to take on challenges and create new things may have dimmed in recent years. I am concerned that, after several years of stable management, we may be on the verge of forgetting the meaning of A-Spirit. To allow A-Spirit to fade would be to squander the legacy that our predecessors worked so hard to build. Our heritage would be lost. Nevertheless, I am confident that A-Spirit—an intrinsic part of our heritage—can be reanimated if we inspire our personnel. My message to employees is: "tradition is what we create, not what we preserve." With this in mind, I intend to invigorate A-Spirit throughout the Asahi Kasei Group in fiscal 2022, building on the momentum of our centenary and the launch of our new medium-term management plan (MTP).

Message from the President

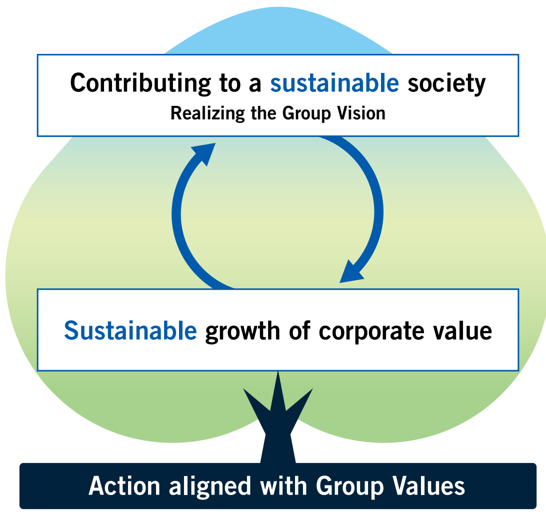
Asahi Kasei's potential to generate two mutually reinforcing aspects of sustainability

Rather than solely generating profits, I believe that companies must pursue their own purpose in society. In fiscal 2022, coinciding with the centennial of Asahi Kasei's founding, we redesigned the diagram of our corporate philosophy to reaffirm the Group Mission, Group Vision, and Group Values with employees globally. The Asahi Kasei Group Mission states that "we, the Asahi Kasei Group, contribute to life and living for people around the world." I believe that executing this mission sincerely will lead to sustainable growth of our corporate value. Indeed, it is only by contributing to the sustainability of society that we can achieve sustainable growth of corporate value. This is the basis of the two mutually reinforcing aspects of sustainability that we aim for.

The world faces several serious issues today—the decoupling of the United States and China, the Russia–Ukraine situation and the powerlessness of the United Nations, the deterioration of democracy and the rise of autocracy, and the differing expectations of various countries toward the creation of a carbon-neutral society, in addition to a declining birthrate and aging population and a growing disparity between urban and rural areas in Japan. I firmly believe that in contributing to a sustainable society, there is no place for selfishness, either as an individual or as a company. A sustainable society will only be achieved if a diverse range of stakeholders around the world are willing to cooperate with one another to overcome global issues through mutual compromise. For example, consider the various proposals for international rules to achieve global carbon neutrality. There is an issue of fairness between developed and developing countries. There are still many people in developing countries who are living in poverty and struggling to survive. These people would bear the brunt of such rules unless we fundamentally solve the issue of poverty. Achieving an energy transition for decarbonization will be extremely difficult unless we devise measures that not only take into account the wishes of developed countries but also the conditions of developing countries. Cooperation and contributions based on a resolve to accept compromise will enable us to overcome such divisions.

Considering the role companies play in contributing value to society, the key is how they create value and whether they are capable of creating significant value. Such potential to create value depends on a company's ability to combine and utilize its intangible assets—including human resources, intellectual property, know-how, and data—and whether the created value meets the needs of society at a given time. I firmly believe that the Asahi Kasei Group is exceptional in its abundance of intangible assets and ability to utilize them flexibly. We also have an exceptionally diverse array of

Two aspects of sustainability for Asahi Kasei



Message from the President

human resources as well as a broad range of businesses with active communication between them. Our custom, which dates from the time of our founding, of referring to one another by name as opposed to by title, affords a high degree of approachability. I am certain that our diversity, flexibility, and willingness to change allow us to create value by continuously recombining our resources to fulfill our Group Mission of contributing to life and living for people around the world.

The significance of three-sector management

A century has passed since the founding of the Asahi Kasei Group. Our success in navigating dramatic changes to the operating environment and maintaining firm growth is rooted in the efforts of our predecessors to overcome difficulties and proactively transform our business portfolio. By always remaining conscious of our strengths and core competencies while constantly transforming our wide-ranging business, we could maintain a certain degree of control as we adapted to changes in society for continual growth.

I believe that a big reason for the Asahi Kasei Group's continual portfolio transformation and operation in multiple sectors is an awareness that it must avoid a situation where the survival of the company would be imperiled by any single business being unable to continue. As Asahi Kasei is not affiliated with any large industrial group, we have always had to rely on our own capabilities to survive as a growing company throughout our history. Our business portfolio spanning multiple sectors indicates how we have continually grown by taking on a variety of challenges in accordance with changes in the operating environment.

The Asahi Kasei Group currently operates businesses in three sectors: Material, Homes, and Health Care. I believe that our current configuration of three sectors is optimal for pursuing our Group Mission of contributing to life and living for people around the world. We will achieve growth in all sectors over the medium to long term by continuing to refine our three-sector management to better clarify each sector's role. Specifically, the Material sector will aim to improve profitability and investment efficiency by helping resolve environmental issues through technological development and innovation in materials. The Homes sector will achieve growth in Japan, North America, and Australia, and raise its cash-generating capabilities by continuing to underpin people's safe and comfortable daily lives. The Health Care sector will drive overall profit growth by pursuing its mission of improving and saving patients' lives. In this way, we will advance the execution of growth strategies and the reorganization of our portfolio reflecting the respective roles of each sector. Achieving growth in all three sectors will further strengthen our business platform—including intangible assets such as human resources, intellectual property, know-how, and data—and the strengthened business platform will in turn create synergies that support the growth of each sector. I will increasingly emphasize to investors how our three-sector configuration enables us to organically utilize our intangible assets, which enhances the potential for increasing corporate value.

Throughout our history, the Asahi Kasei Group has recovered from difficult situations by leveraging the strength of having multiple sectors to overcome challenges cooperatively. We currently face challenges in terms of how to capture opportunities that arise from significant market changes, in order to achieve continuous growth. I am

Message from the President

convinced that by clarifying the respective role of each sector and strengthening our three-sector management, we will overcome these challenges and ultimately increase our corporate value. I am also prepared to reform our way of three-sector management as needed to enable us to continue responding to changes in society.

New Medium-Term Management Plan 2024 “Be a Trailblazer”

Commitment embodied in the key concept of “Be a Trailblazer”

To realize its ideals, the Asahi Kasei Group must create new value without fearing change. As I stated at the outset, I believe that we must once again awaken the A-Spirit, including a healthy sense of urgency and a spirit of taking on challenges, to achieve new growth for the next 100 years. Based on this, we emphasized our commitment to reawakening our A-Spirit in formulating the new MTP, including a redesign of our philosophy diagram.

While we were studying specific details of the new MTP, we had teams of mid-level employees expected to be next-generation leaders from the United States, Europe, China, and Japan discuss their vision of the Asahi Kasei Group for 2030. I decided to make “Be a Trailblazer” the key concept of the new MTP based on a phrase that came up during the discussions that struck a particular chord with me. I think that the key concept of “Be a Trailblazer” fits in perfectly with my commitment to reawaken our A-Spirit to take on challenges and create new things.

The new MTP is positioned as the first step toward realizing the Asahi Kasei Group's vision for 2030. Going forward, we will aim to reach our vision for 2030 in stages.

Process for achieving financial targets

Our financial targets in the new MTP are operating income of ¥270.0 billion, return on equity (ROE) of 11% or more, and return on invested capital (ROIC) of 8% or more by fiscal 2024. While achieving continuous profit growth by reaping the benefits of our previous growth investments, we will seek to improve our capital efficiency. Personally, I believe that boldness and a focus on our front lines will be the keys to increasing ROIC. In terms of boldness, transformation of our portfolio with a focus on the Material sector is an urgent task. To achieve our targets, we must make bold management decisions to push ahead with transformation. Meanwhile, I believe by focusing on our front lines we provide opportunities for business managers to exert their abilities. ROIC must be managed by each of our businesses based on their respective business characteristics and business stage. ROIC serves as a target for front-line employees in each business to align their direction, while taking the initiative in analyzing figures and the circumstances behind them to identify ways to raise efficiency. Consider the analogy of climbing a mountain. In the same way that working together to find the best route to the summit and supporting one another along the way would raise the spirits of a group of climbers, ROIC acts as a target for strengthening the bonds of our front-line employees toward achieving their targets in operating businesses. Corporate management will implement bold transformation of our portfolio, while the front lines promote efficient business operations using ROIC as an indicator. These two essential elements advance in tandem.

Capital policy will also be important for improving ROE. We had previously aimed for a debt-to-equity (D/E) ratio of around 0.5 times. In the new MTP, we changed this to a range between 0.4 times and 0.7 times, considering possible changes in the balance of our capital structure. I look forward to proactively communicating how our capital policy supports the business model of generating stable earnings in three sectors, to build further trust with shareholders, investors, and other stakeholders.

Working to evolve our business portfolio

Challenging investment for growth together with cash generation through the strengthening of existing businesses and structural transformation are the essential combination for further evolution of our business portfolio. While striking a balance between them, the new MTP strongly emphasizes the three elements of speed, asset-light, and high value-added.

As a manufacturer, there is a conventional process of performing in-house research and development (R&D), building plants, developing markets, and earning profits. While I am confident that the Asahi Kasei Group's R&D has many highly promising technology seeds, I also recognize that increasing the speed of commercialization and appropriately seizing business opportunities is an issue. To quickly commercialize projects at an early stage, it may be better not to keep the entire process in-house. As digital technology advances and society's needs rapidly evolve, trying to do everything by ourselves would only slow us down. We need to consider accelerating commercialization through out-licensing or forming alliances from a best-owner perspective in order to quickly get our outstanding technology into practical use. This is why I see speed and asset-light as two sides of the same coin. By pursuing the optimal operating framework with swift commercialization, we will greatly expand the potential for adding higher value.

We designated 10 businesses as "10 Growth Gears" (GG10) that will drive our future growth, and set a clear policy of making bold investments while proactively examining M&A opportunities. We aim to increase the percentage of overall operating income accounted for by GG10 from the current level of approximately 35% to 50% by fiscal 2024 and to 70% by around fiscal 2030. To do so, approximately ¥600 billion of the ¥1 trillion we have allocated for investments over the three years of the MTP will be in GG10-related investments. Examples of GG10 include, in the Material sector, the business for lithium-ion battery separators, which has driven growth in recent years, and a hydrogen-related business using alkaline water electrolysis that we are currently commercializing. In the Homes sector, GG10 include businesses in North America and Australia that we acquired and are growing with new business models. In the Health Care sector, they include the critical care business, which is seeing expansion in the area of serious cardiopulmonary conditions, and the bioprocess business including both Planova™ virus removal filters and Bionova Scientific, LLC, a CDMO (contract development and manufacturing organization) for next-generation antibody drugs, which we acquired in May 2022. These and the other GG10 businesses will drive our growth going forward. We will promote policies tailored to the characteristics and stage of each business while emphasizing the aspects of speed, asset-light, and high value-added.

In terms of generating cash through the strengthening of existing businesses and structural transformation, we will first aim to complete the reform of the strategic restructuring businesses that we have been advancing since the period of the previous MTP. After identifying the strategic restructuring businesses by fiscal 2021,

Message from the President

we classified them into the three categories of Recovery, Follow, and Exit based on reexamination of their strategies. Those classified as Recovery businesses are seeing their profit levels rise following progress in profit improvement measures. Going forward, we will continue to assess Follow businesses, which are currently executing reformulated strategies. Exit businesses will be downsized, divested, etc., as quickly as possible. We will continually assess our business portfolio from a medium-term perspective and take prompt action on the strategic restructuring businesses.

Fundamental transformation of our business structure will entail withdrawal not only from businesses with deteriorating performance but also from those that are incompatible with our vision. By distributing the resources gained through such withdrawals to GG10, we will further accelerate the evolution of our business portfolio. We will comprehensively evaluate compatibility with our vision from the five perspectives of best owner, carbon neutrality, competitiveness, growth potential, and profitability and capital efficiency, in addition to recent performance. The divestiture of the photomask pellicles business, announced in May 2022, is one example. The business has a high market share and consistently earns profits. Nevertheless, viewed from the best-owner perspective, we concluded that transferring it to another company would be optimal for the business itself.

I spent most of my career in Asahi Kasei's fibers and textiles business. Between 2001 and 2009, we closed down our viscose rayon, acrylic fiber, and polyester fiber businesses. These closures were very tough for our suppliers and other stakeholders, including employees who were reassigned. Based on this experience, I keenly realize that business closure is the last resort. It would surely be better to consider a business's future prospects while it's still profitable, and take measures before it's too late. On the other hand, if we determine that it would be best to keep a business or technology in house, then we should aim to further strengthen it by business development such as M&A.

Strengthening our business platform

The Asahi Kasei Group has businesses in a wide range of sectors, and human resources with a variety of experience. In light of this, we actively promote measures that strengthen our business platform by organically linking diverse human resources, intellectual property, know-how, and data, to utilize them as shared intangible assets. Nevertheless, there is still potential to further leverage our diversity. In addition to the viewpoints of green transformation (G), digital transformation (D), and human resource transformation (P), we have identified the maximum use of intangible assets as a key focus of the new MTP. We are steadily advancing measures in each area. I believe our A-Spirit will be indispensable, as well as effective, for enabling us to link the latent potential of such intangible assets to value creation and growth.

While advancing such activities will necessitate greater intensity than before, the first one or two steps in particular will require the most effort. If we can boldly clear those initial steps, I believe there is great potential for us to take the lead in society. Although our initiatives in relation to strengthening our business platform are currently receiving a strong reception externally, other companies will catch up or overtake us if we simply proceed at the same pace. I am therefore determined to reawaken our A-Spirit in the strengthening of our business platform, and continuously take on bold challenges in order to build a leading position among the global competition.

If we look at corporate governance solely in terms of companies meeting society's expectations, there is a risk of confusing ends with means. If you only try to follow, you will always be behind. The Corporate Governance Code may serve as a barometer,

Message from the President

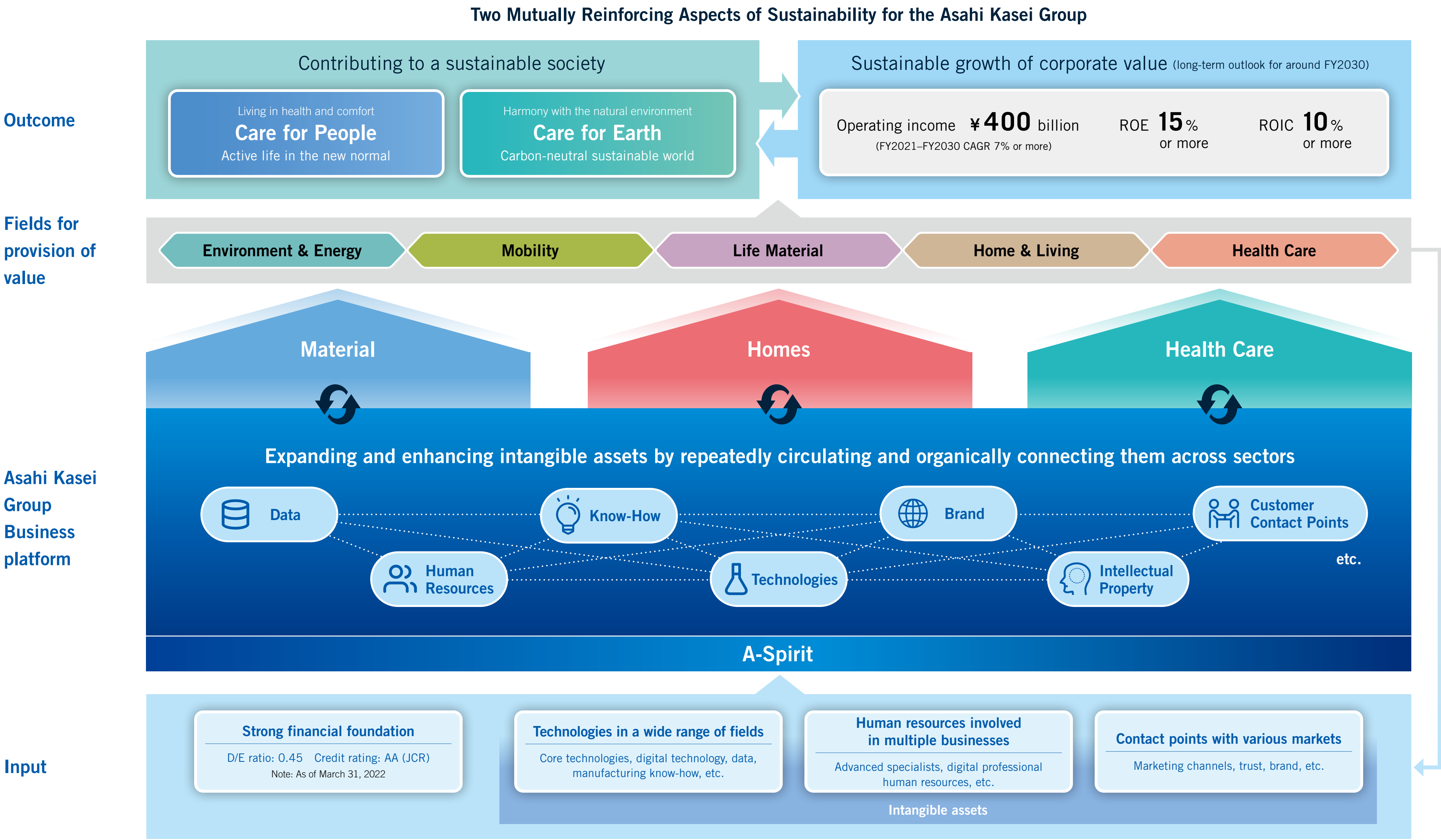
but ultimately it's up to us to consider on our own accord how to strengthen the Asahi Kasei Group's business platform. We must not fall into the trap of passively satisfying the items in the code. We should explain our rationale rather than mindlessly comply. At the same time, I recognize that we must confirm our corporate governance policy through dialogue with shareholders, investors, and other stakeholders, and revise it as appropriate. I look forward to opportunities for proactive dialogue where participants can have a frank exchange of views.

Toward the next 100 years

I have never been interested in doing something just because other people are doing it. I chose "Be a Trailblazer" as the key concept of the new MTP because of my commitment to deploying our A-Spirit to the fullest extent. This is the ethos of the Asahi Kasei Group, which has continuously taken on challenges by constantly anticipating the future. Fiscal 2022 is a pivotal year for us in a variety of senses, including the centennial of Asahi Kasei's founding. The time is ripe for us to boldly take risks and embrace challenges looking ahead to the next generation. To emphatically take our first step toward the next 100 years, we will awaken our A-Spirit to boldly carve out new paths without fearing change.

Koshiro Kudo
President

Value Creation Model



How Asahi Kasei Works to Achieve Its Vision

The Asahi Kasei Group seeks to achieve the two mutually reinforcing aspects of sustainability of “contributing to sustainable society” and “the sustainable growth of corporate value.” Here we describe Asahi Kasei’s value creation process, which is based on realizing the Asahi Kasei Group Vision.

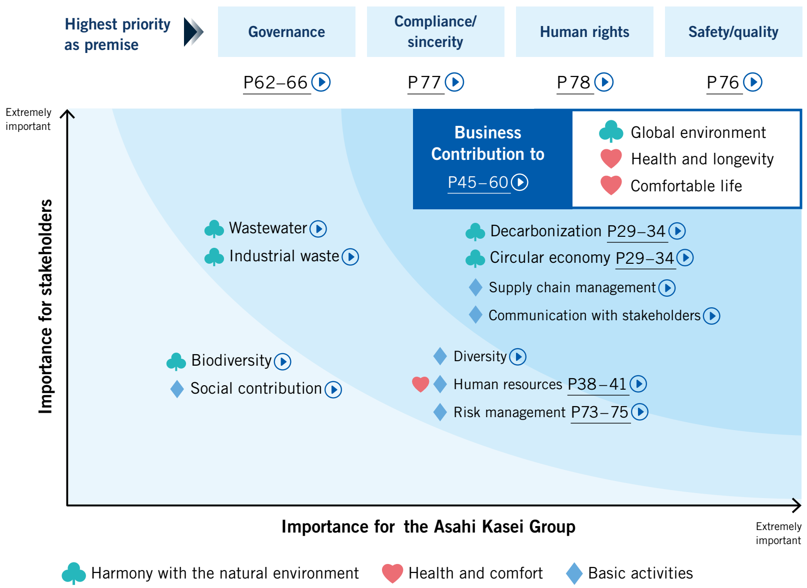
Sustainability for Asahi Kasei

The Asahi Kasei Group carries out business activities to provide new value to society by enabling “living in health and comfort” and “harmony with the natural environment,” as set forth in its Group Vision. We aim to achieve two mutually reinforcing aspects of sustainability whereby it contributes to the creation of a sustainable society while such efforts lead to improved corporate value. We believe that providing value that contributes to ensuring the sustainability of society will bring about sustainable improvements in our corporate value along with a high level of profitability, which will in turn enable us to take on further challenges. Guided by this belief, we established our Sustainability Policy in November 2021, under which we are accelerating actions for a sustainable society.

Key Points of the Asahi Kasei Group Sustainability Policy

- Realize the two mutually reinforcing aspects of sustainability of “contributing to sustainable society” and “the sustainable growth of corporate value”
- Pursue optimal corporate governance for realizing this goal
- Create value by contributing to sustainable society
- Carry out responsible business activities
- Facilitate the empowerment of personnel

Process for Identifying Materiality



Identification of Issues
We identified issues in light of requirements of society and our Group Mission, Group Vision, and Group Values while making reference to international guidelines such as ISO 26000 and the Global Reporting Initiative (GRI) Standards, as well as the evaluation criteria of major ESG rating institutions.

Determination of Degree of Importance
We evaluated the degree of importance both to society and to the Asahi Kasei Group and mapped it on two axes.

Evaluation of Appropriateness
We verified the appropriateness of the material issues by examining them from a diverse range of perspectives, such as through deliberations involving the leaders of various divisions, discussions with outside companies, and consultations with Outside Directors.

Examination and Approval
The Board of Directors approved the material issues after examination at the Management Council.

In fiscal 2017, the Asahi Kasei Group identified the important issues and subjects that it should prioritize as its materiality through the process outlined above in order to achieve its vision. Having since reviewed these issues and subjects in accordance with changes in the operating environment, we have defined them as shown in the above diagram. For detailed information on key performance indicators (KPIs) and initiatives for each material issue, please view more information under each category. Material issues are meaningful only when they are integrated into management strategies. Accordingly, in light of these material issues, the new medium-term management plan identifies issues to be addressed in five fields for provision of value that will contribute to Asahi Kasei’s creation of value over the long term. The next page clarifies the process leading up to identifying opportunities and creating value in each of the fields for provision of value in order to ensure that our efforts to resolve issues lead to the creation of highly profitable opportunities.

Process Leading Up to Value Creation in Each Field for Provision of Value

	Material			Homes	Health Care
Operating environment	• Expansion of clean energy • Transition to carbon neutrality and a circular economy	• Progression of CASE and MaaS	• Increasing sophistication of next-generation communications technology • Rising global population	• Diversification of lifestyles • Intensification of natural disasters • Labor shortages	• Advancement of a longevity society
Relevant fields for provision of value and issues they address	**Environment & Energy** **Carbon neutrality/ Circular economy**	**Mobility** **Safe, comfortable, and eco-friendly mobility**	**Life Material** **More comfortable and convenient lifestyles**	**Home & Living** **Homes/communities enriching people's lives**	**Health Care** **Society of active longevity**
Material issues that correspond with issues	• Global environment –Decarbonization –Circular economy	• Global environment –Decarbonization –Circular economy • Comfortable life	• Global environment –Decarbonization –Circular economy • Comfortable life	• Global environment –Decarbonization –Circular economy • Comfortable life	• Health and longevity
Specific examples of value creation opportunities projected based on the operating environment	• Creation of a business model aimed at achieving a hydrogen society • Accelerated commercialization of various technologies contributing to carbon recycling • Provision of products and services contributing to GHG emissions reductions	• Provision of products and services that meet diversifying needs for in-vehicle comfort as autonomous driving becomes widespread • Provision of products that meet needs for materials with low environmental impact	• Creation of innovative products with strengths in competitive sensing technologies in response to the development of markets for energy conservation and comfort • Provision of products and solutions with a strong competitive advantage for leading-edge semiconductor and packaging processes	• Realization of efficiency and greater productivity through industrialization and provision of high-quality homes suited to local conditions in North America and Australia • Provision of homes compliant with Net Zero Energy House (ZEH) and ZEH Mansion (ZEH-M) standards • Provision of highly resilient homes able to withstand disasters	• Provision of medical device solutions addressing unmet needs in the critical care and cardiopulmonary conditions fields • Promotion of a global pharmaceutical business that reflects increasing needs for better medical care and the progression of aging societies in various developed countries overseas • Provision of bioprocess-related products and services that support the safe and efficient manufacture of pharmaceuticals
Output	• Hydrogen-Related • CO_2 Chemistry • Energy Storage	• Car Interior Material	• Digital Solutions	• North American and Australian Homes • Environmental Homes and Construction Materials	• Critical Care • Global Specialty Pharma • Bioprocess

Strengths That Deliver Sustainable Growth

At the root of the Asahi Kasei Group's success throughout its history in adapting flexibly to changes in society to grow continuously are unique strengths that create value from its abundant intangible assets.

Turning a Diverse Array of Intangible Assets into the Group's Shared Assets

We have transformed our business portfolio flexibly and proactively in accordance with changes in the times. This transformation is supported by a business platform that underpins the Asahi Kasei Group as a whole. In a highly volatile and unpredictable operating environment, it becomes increasingly important to reinforce the foundation and platform supporting such transformation.

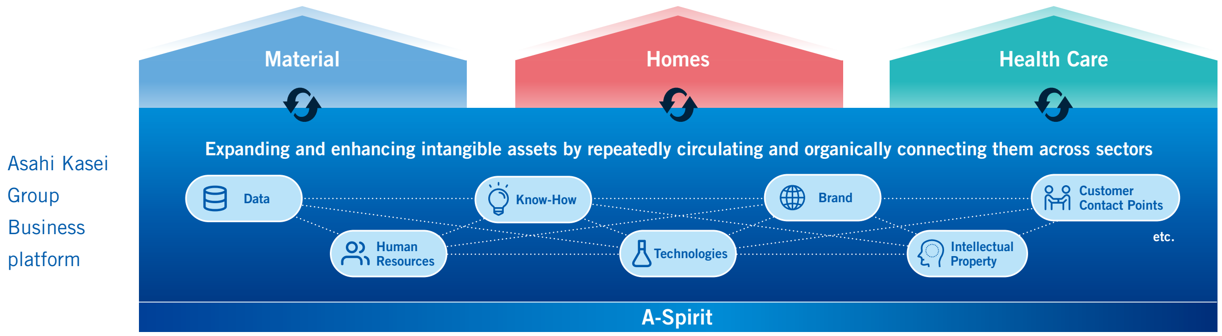
We have a diverse range of businesses. Rather than confining the diverse human resources, data, technologies, know-how, and other intangible assets created through these businesses to any single field, we accumulate them as shared assets for the Asahi Kasei Group as a whole. We have expanded and enhanced our diverse and extensive intangible assets by leveraging them across our business sectors to repeatedly circulate and organically connect them. Efforts that contribute to the circulation of such intangible assets include the transfer of human resources across business sectors, the deliberate provision of opportunities for human resources within the Asahi Kasei Group to connect, and the cultivation of an open and dynamic corporate culture receptive to diverse ideas that encourages employees to take on new challenges.

Maximizing the Value of Intangible Assets through the Promotion of DX and Intellectual Property Strategies

The Asahi Kasei Group focuses in particular on the promotion of DX and intellectual property strategies with the goal of appropriately combining its shared assets to maximize their value. As barriers between industries become lower and activities transcending industry frameworks accelerate, new value can be created by taking data, intellectual property, and other intangible assets accumulated in one field and utilizing them in another, or by combining such intangible assets in different fields. Amid an unpredictable operating environment, it is also vital to enhance the precision of strategy planning and decision-making by utilizing data and intellectual property in an integrated manner.

To this end, we established Digital Value Co-Creation to spread DX throughout the Asahi Kasei Group as a whole, and the Intellectual Property Intelligence Department to utilize intellectual property in our management. In addition, to deliberately track, manage, and analyze our accumulated intangible assets, we have accelerated the development of mechanisms such as DEEP, a data management infrastructure for the Asahi Kasei Group as a whole, and SPACE, a personnel recommendation system.

Systems for Accumulating, Expanding, and Enhancing Intangible Assets in Asahi Kasei's Business Platform



Examples of Utilizing Intangible Assets Across Business Sectors

Utilizing M&A know-how and human resources from the Health Care sector for overseas expansion in the Homes sector

In the Health Care sector, business development leveraging M&A and corporate venture capital (CVC) activities is driving growth. Utilizing the know-how and human resources accumulated through such efforts, the Homes business expanded into Australia in 2017 and North America in 2018. Overseas net sales in the Homes business were ¥146.3 billion in fiscal 2021, and the fiscal 2025 target is ¥200 billion.

Utilizing a variety of expertise gained through the operation of diverse businesses in enhancing the management of the Asahi Kasei Group as a whole

As our three business sectors differ in the value they provide and the industries that they serve, each has its own industry-specific management methods, perspectives, risk management know-how, and other unique expertise. Senior executives share the diverse perspectives and information gained from such expertise to quickly understand market trends and enhance management.

Utilizing human resource rotations across business sectors to cultivate the next generation of leaders

We cultivate human resources with broad viewpoints and elevated perspectives by implementing planned transfers across business sectors to give people experience of a diverse range of businesses. The systems we have developed to deliberately circulate our intangible assets are centered on people. For example, after growing as digital human resources, personnel from business units transferred to Digital Value Co-Creation return to their business units as DX promotion leaders.

03

Growth Strategy

▶ Company-wide Strategies

▶ Business Strategies by Sector

New Medium-Term Management Plan 2024—Be a Trailblazer

The Asahi Kasei Group formulated its new medium-term management plan (MTP) for three years from fiscal 2022 to fiscal 2024 focused on the theme "Be a Trailblazer" as the first step toward realizing its vision for 2030.

Review of the Previous Medium-Term Management Plan

While we achieved our initial target for net sales in fiscal 2021, the final year of the previous MTP, results for operating income, net income, ROIC, and ROE fell short of the plan amid changes in international affairs—such as the decoupling of the United States and China and the situation in Russia and Ukraine—and major changes in the operating environment, including the COVID-19 pandemic and surging feedstock and fuel prices. At the same time, we steadily implemented growth strategies in our fields for provision of value and strengthened our foundation for growth under an uncertain operating environment.

Major Initiatives

- Promoted growth strategies through proactive M&A in the Health Care and Homes sectors
- Accelerated the technological development and commercialization of hydrogen-related, CO_2 chemistry, and other businesses
- Implemented reforms in strategic restructuring businesses identified through business evaluations

Priority Investments

- Implemented M&A in the Health Care sector
- Expanded growth businesses such as lithium-ion battery (LIB) separator
- Strengthened foundation for digital transformation (DX) and decarbonization

Strengthened Business Platform

Green: Formulated Sustainability Policy, introduced internal carbon pricing, and declared goal of achieving carbon neutrality

Digital: Formulated Asahi Kasei DX Vision 2030, established Digital Value Co-Creation, and launched DX training

People: Strengthened management capabilities, began career design program for young employees, and promoted empowerment of women

Vision for 2030

Issues exposed by major changes in society, such as those prompted by COVID-19, correspond with the Asahi Kasei Group's commitment to "Care for People, Care for Earth." Such issues will become more interrelated across a variety of industries as industrial boundaries become less distinct. The Asahi Kasei Group, with its diverse range of businesses, views these issues as significant business opportunities and aims to achieve further growth by boldly taking on challenges in our five fields for provision of value. We are also targeting a reduction in our GHG emissions of 30% or more by fiscal 2030 compared with fiscal 2013.

Long-Term Outlook for Around FY2030

Operating income ¥400 billion
ROE 15% or more ROIC 10% or more

Aims of the New Medium-Term Management Plan

We will evolve our business portfolio to realize our vision by pursuing two mutually reinforcing aspects of sustainability as "contributing to sustainable society" and "the sustainable growth of corporate value." Specifically, we will focus resources on business that will drive future growth while reaping the benefits of growth investments and advancing the reform of strategic restructuring businesses. In addition, we will embark on a fundamental business structure transformation from a medium-term perspective.

Financial Targets for FY2024

Operating income ¥270 billion
ROE 11% or more ROIC 8% or more

Basic Guidelines for Business Portfolio Evolution

Challenging investment for growth together with cash generation through the strengthening of existing businesses and structural transformation are the essential combination for further evolution of our business portfolio. To strike a balance between them, we will place a strong emphasis on the three elements of speed, asset-light, and high value-added.

With regard to "asset-light," we will create optimal business models and scenarios tailored to each of our businesses based on the following two approaches without being constrained by conventional ideas of the process industries. In terms of existing businesses, we will pursue ways to generate profits by utilizing existing assets to the full. In the Material sector in particular, we will examine a variety of possibilities, including the downsizing and divestiture of businesses, from the standpoint of reducing GHG emissions to achieve carbon neutrality. In order to establish new businesses, we will thoroughly pursue optimal uses of capital, including utilizing the capital of other companies, without being exclusively dependent on our own R&D investments or owning our own facilities for commercialization. Being asset-light in the development of new businesses accelerates the pace of development and allows us to focus on fields where we can build superior positions, resulting in higher added value.

Challenging Investment for Future Growth

The Asahi Kasei Group has designated businesses that will drive future growth as 10 Growth Gears (GG10) and will focus resources on them going forward. With GG10 as gears to not only accelerate our own growth but also the transformation of society, we aim to accelerate the creation of a sustainable society.

We plan to invest ¥1 trillion or more on a cumulative basis over the period of the new MTP, of which approximately ¥600 billion will be in GG10-related businesses. We will also proactively identify M&A opportunities to make bold investments. For more details, please see the "Capital Expenditure and Investments" section on page 28. Although GG10 currently account for approximately 35% of our total operating income, we will aim to increase this to more than 70% by around 2030. The following table provides an overview of GG10.

Overview of GG10 Businesses

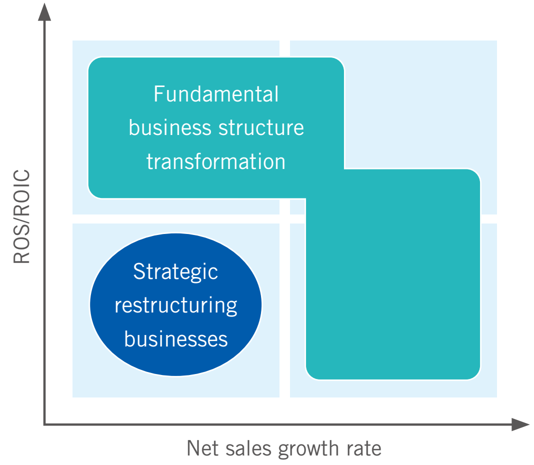
GG10	Major Products and Services	Market Environment	Future Direction
Environment & Energy			
Hydrogen-Related (P46)	Hydrogen-related business centered on alkaline water electrolysis systems	Amid growing global demand for green hydrogen, the water electrolysis market is predicted to grow, led by Europe.	Through participation in demonstration projects around the world, etc., we aim to become a leading supplier driving the commercialization of the business by 2025 and construction of a supply chain.
CO_2 Chemistry (P47)	• CO_2 separation and recovery systems (CO_2 adsorption technologies, etc.) • CO_2 chemistry (manufacture of chemical products using CO_2 as feedstock)	The CO_2 separation and recovery market, garnering increasing attention with efforts to achieve carbon neutrality, is expected to expand globally.	We will advance demonstrations in Europe with the aim of commercializing a business for CO_2 separation and recovery systems by 2027. As for CO_2 chemistry, we began R&D in the 1980s and have been operating a licensing business since 2002; we will seek to commercialize next-generation technologies in addition to expanding existing technologies.
Energy Storage (P48)	• LIB separators and next-generation battery materials • Various new technologies helping enhance the value of batteries over their total life	With growth centered on automotive applications, the LIB separator market is forecasted to more than triple in size between 2021 and 2025.	To meet robust demand, we will increase our production capacity for LIB separators over the medium to long term, including by examining strategic partnerships. We will identify various new technologies that will contribute to the swift commercialization of innovative new materials and the enhancement of the value of batteries over their total life.
Mobility			
Car Interior Material(P49)	• Interior materials, such as seat upholstery • Interior space management-related technologies and solutions (air conditioning, sound, etc.)	As new needs arise in relation to interior space in conjunction with the rapidly advancing shift to electric vehicles (EVs) on a global scale, the growth of the car interior market is expected to outpace the growth of automobile production.	Catering to new market trends and needs, we will utilize group-wide resources such as marketing, technological, and design capabilities in an integrated manner, and strengthen our concept proposals in addition to material proposals with the aim of becoming the leading global manufacturer of car interior materials.
Life Material			
Digital Solutions (P50)	**Electronic components** Current sensors, gas sensors, magnetic sensors, millimeter wave radar ICs, etc. **Electronic materials** Photosensitive polyimide, photosensitive dry film, high-performance glass fabric, epoxy resin curing agent, etc.	The market for digital solutions is likely to expand due to increasing needs for digital technologies and the cutting-edge technologies that underpin them due to the progression toward a carbon-neutral society, an aging society, and a digital society.	We will offer components, materials, and solutions in response to the needs of the digital society by strengthening our integration of electronic components and materials. In addition, we will explore new developments aimed at future growth, including M&A, while promoting the identification of new business opportunities.

GG10	Major Products and Services	Market Environment	Future Direction
Home & Living			
North American and Australian Homes (P53)	**North America** Promoting a supplier model to streamline a wide range of processes in manufacturing and on construction sites **Australia** Promoting a new business model pursuing competitive advantages leveraging strengths in R&D	Amid expectations of solid ongoing demand for homes in North America and Australia on the back of a housing shortage associated with population growth, issues including labor shortages, lengthy construction periods, and delays in the adoption of IT have become evident.	Using our know-how in industrialized housing development cultivated in Japan, we will offer high-quality homes suited to local conditions. In North America, we will aim to establish and promote a supplier model streamlining a wide range of processes around housing frames at manufacturing and construction sites. In Australia, we will pursue customer satisfaction by establishing a highly competitive business model that builders or suppliers could not achieve alone.
Environmental Homes and Construction Materials (P52)	Hebel Haus™ unit homes, Hebel Maison™ apartment buildings, pre-owned Hebel Haus™ homes, Neoma Foam™ insulation panels	Potential demand is high as only 20% of new order-built unit homes in Japan currently meet ZEH standards, despite the government target for ZEH-level energy efficiency performance in new housing from fiscal 2030.	Based on our superior homes with high durability and thermal insulation performance, we will offer new solutions in the field of energy, such as electricity purchasing systems. By contributing to the environment and realizing customer satisfaction, we expect this business to continue to be a main source of stable earnings from fiscal 2025 onward.
Health Care			
Critical Care (P57)	• Critical care medical devices, such as defibrillators (defibrillators for professional use, AEDs, LifeVest™ wearable defibrillator, etc.,) • Diagnosis and treatment of cardiopulmonary conditions	Global market growth is anticipated in both critical care medical devices and the diagnosis and treatment of cardiopulmonary conditions due to factors including the progression and increasing sophistication of medical care and the aging of society.	We will aim to become the leading global player in cardiopulmonary resuscitation and related areas through endeavors that include offering critical care medical devices and multifaceted solutions for the diagnosis, treatment, and management of heart disease and launching innovative medical devices that address unmet needs in relation to sleep apnea, acute myocardial infarction, and other diseases.
Global Specialty Pharma (P55)	Various pharmaceuticals for immunology and transplantation, etc. (such as Envarsus XR™ immunosuppressant)	With approximately 25,000 kidney transplants carried out annually in the United States, the market is expected to see ongoing growth.	We will promote business development, clinical development, and sales through collaboration between Asahi Kasei Pharma and Veloxis Pharmaceuticals. In addition, we will aim to capture further growth opportunities, including the potential for acquiring a business platform in Europe.
Bioprocess (P56)	• Bioprocess-related products centered on Planova™ virus removal filters • Pharmaceutical contract research organization (CRO) and contract development and manufacturing organization (CDMO) services	The bioprocess market is predicted to expand continuously due to the ongoing growth of biotherapeutics, such as biopharmaceuticals, and the increasing diversity and sophistication of pharmaceutical technologies.	In addition to expanding our position in the virus removal filter market, we will aim to capture further growth opportunities through our entry into the CRO and CDMO businesses.

Generating Cash through the Strengthening of Existing Businesses and Structural Transformation

During the period of the new MTP, we will promote fundamental business structure transformation from a medium-term perspective while aiming to complete the reform of the strategic restructuring businesses, which we has been advancing since the period of the previous MTP.

Business Evaluation Framework

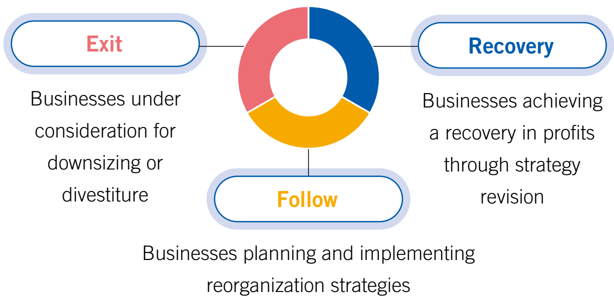


Building on evaluations of the growth potential (net sales growth rate), profitability (operating margin), and capital efficiency (ROIC) of each strategic restructuring business, we have evaluated these businesses including the perspectives of sustainability (quantitative indicators such as GHG emissions), profit amount, profit volatility, and business stage. Based on the results of the business evaluations, senior executives, including the President, and the heads of businesses held discussions reexamining the strategies of strategic restructuring businesses. These businesses are categorized as Recovery businesses (those achieving a recovery in profits through strategy revision), Follow businesses (those planning and implementing reorganization strategies), and Exit businesses (those under consideration for downsizing or divestiture). Going forward, we will carefully monitor Follow businesses and downsize or sell Exit businesses as quickly as possible. At the same time, we will implement regular evaluations of our business portfolio, based on which we will promptly reformulate the strategies of underperforming businesses.

Furthermore, we will advance a fundamental business structure transformation, not only with respect to businesses with deteriorating performance but also from the standpoint of compatibility with our vision. Assessing businesses from the five perspectives of best owner, carbon neutrality, competitiveness, growth potential, and profitability and capital efficiency, we will create and implement a specific road map during the period of the new MTP. We will then allocate the resources gained through fundamental business structure transformation to GG10 in order to accelerate the evolution of our business portfolio.

Reform of Strategic Restructuring Businesses

Revise the strategies of businesses whose recent performance deteriorated due to the COVID-19 pandemic and other factors

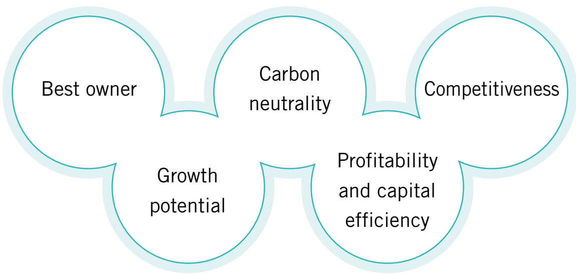


Targets in the New Medium-Term Management Plan

- Assess Follow businesses that are currently executing reformulated strategies and complete the downsizing or divestiture of Exit businesses
- Implement regular business evaluations and revise the strategies of underperforming businesses

Fundamental Business Structure Transformation

Structural transformation by assessing not only business performance but also strategic fit with our vision



Targets in the New Medium-Term Management Plan

- Formulate and implement a road map for fundamental business structure transformation
- Invest the resources gained through transformation in GG10 to accelerate growth

Financial and Capital Policy

Toshiyasu Horie, CFO
Director, Senior Executive Officer

Enhancing Capital Efficiency

The Asahi Kasei Group focuses on the cost of shareholders' equity and seeks to continuously realize return on equity (ROE) exceeding that cost. While pursuing the optimal capital structure, we will work to heighten return on invested capital (ROIC) in each business by portfolio transformation, building competitive advantage, raising productivity, and carefully examining investment projects to ensure effective returns.

Achievements of the Previous Medium-Term Management Plan

In fiscal 2021, the final year of our previous medium-term management plan (MTP), net sales exceeded the initial target while profitability and capital efficiency fell short. This was largely due to lower than expected operating income and ROIC in the Material sector which was impacted by changes in the operating environment from around fiscal 2019, such as the global economic slowdown as an effect of United States–China decoupling and the COVID-19 pandemic. In response, we are advancing strategy reformulation following evaluations of businesses that were unable to maintain certain levels of operating income, ROIC, and revenue growth.

Despite the impact of changes in the operating environment, we maintained a sound financial foundation thanks to the success of our three-sector management. While emphasizing financial discipline, we made proactive investments in the Health Care sector, where we expect growth over the medium to long term, in lithium-ion battery separators and other growth businesses, and to strengthen our business platform, such as by digital transformation and measures for decarbonization. Regarding shareholder returns, the cumulative dividend payout ratio over the three years of the previous MTP (fiscal 2019 to 2021) was 41%, essentially in line with the initial plan.

Primary Financial Metrics

		FY2018	FY2019	FY2020	FY2021	FY2021 initial plan (as of May 2019)
	Net sales (¥ billion)	2,170.4	2,151.6	2,106.1	2,461.3	2,400.0
Profitability	Operating income (¥ billion)	209.6	177.3	171.8	202.6	240.0
	Operating margin	9.7%	8.2%	8.2%	8.2%	10.0%
	EBITDA (¥ billion)	313.6	295.6	305.1	350.8	370.0
	EBITDA margin	14.5%	13.7%	14.5%	14.3%	15.4%
	Net income (¥ billion)	147.5	103.9	79.8	161.9	180.0
	EPS	¥106	¥75	¥57	¥117	¥130
Capital efficiency	ROIC	8.8%	6.6%	4.9%	6.6%	9.0%
	ROE	11.1%	7.6%	5.6%	10.3%	11.1%
Financial health	D/E ratio	0.31	0.52	0.45	0.45	Around 0.50
	Net D/E ratio	0.17	0.36	0.30	0.31	—
	Capital ratio	53.6%	48.2%	50.3%	50.4%	—

Policies in the New Medium-Term Management Plan

Framework for capital allocation

By raising our overall cash generation capability and capital efficiency, over the three years of the new MTP we expect to achieve operating cash flow between ¥750 billion and ¥900 billion, and investing cash flow between ¥800 billion and ¥900 billion including capital expenditure and financial investments. Shareholder returns of between ¥150 billion and ¥180 billion are expected along with profit growth. We plan to increase interest-bearing debt to augment cash as needed, expecting to borrow between ¥50 billion and ¥300 billion depending on the circumstances. Anticipating a debt-to-equity (D/E) ratio of between 0.4 times and 0.7 times, we will pursue optimal capital efficiency while maintaining financial soundness.

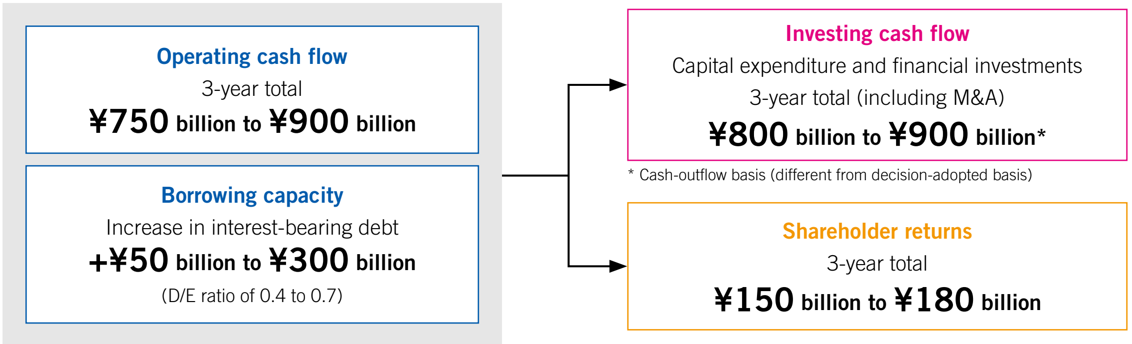
Capital expenditure and investments

Over the three years of the new MTP, we plan to make investments exceeding ¥1 trillion, of which we expect to invest approximately ¥600 billion in the GG10 businesses. In selecting investment projects, we will emphasize financial discipline in both large and small investments for growth by carefully examining projects from the three perspectives of environmental value (whether it is worth investment even considering carbon pricing), investment efficiency (whether it will ultimately contribute to improved ROIC), and the investment scenario (whether it is better to invest with capital outside Asahi Kasei.)

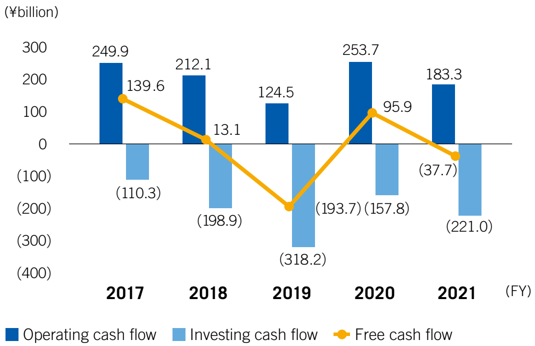
Shareholder returns

We will determine the level of shareholder returns based on the medium-term outlook for free cash flow. Shareholder returns will basically be by dividends, with an aim to maintain or increase dividends per share. We will strive to steadily increase the level of shareholder returns, with a payout ratio of around 30% to 40% (total for the three years of the new MTP.) Share buybacks will be performed as deemed appropriate based on comprehensive consideration of the suitable level of equity, investment items, and the share price.

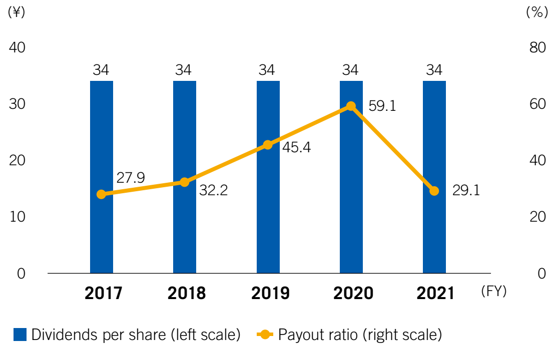
Framework for Capital Allocation (three-year period FY2022–2024)



Cash flows



Dividends per share and dividend payout ratio



Green Transformation (GX)

To create new value by strengthening its business platform and enhancing the sophistication of its businesses, the Asahi Kasei Group is focused on the key areas of green (G), digital (D), and people (P). As green transformation (GX) is a shared and pressing task globally, initiatives are advanced including cooperation with other companies.

Aiming to Create a Carbon-Neutral and Sustainable World

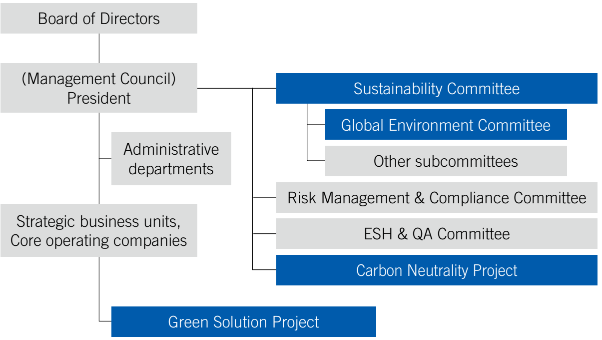
With GX as a key for enabling "harmony with the natural environment" under our Group Vision, we aim to create a carbon-neutral and sustainable world. We are working to achieve this aim through a two-pronged approach: reducing GHG emissions from our business activities and contributing to reducing society's GHG emissions.

We are targeting a reduction of 30% or more GHG emissions from our business activities by fiscal 2030 (compared with fiscal 2013), and our goal is carbon neutrality by 2050. We aim to achieve carbon neutrality with efforts centered on the utilization of existing technologies up to 2030 in combination with efforts over the medium to long term looking ahead to 2050, including the development of new technologies. The evolution of our business portfolio, as set out in the medium-term management plan (MTP), is also a vital element in achieving these goals.

To contribute to reducing society's GHG emissions, we will capitalize on the diverse technologies and businesses that are a distinctive feature of the Asahi Kasei Group to pursue the development of products and the creation of businesses that will help reduce GHG emissions from a variety of perspectives. Given that reducing society's GHG emissions requires a fundamental transformation of social structures, people's lifestyles, and other matters, we will proactively cooperate with other companies across industries and promote initiatives with government agencies and other parties. Through these efforts, we will also advance our own evolution and growth.

Framework for Promoting GX

In fiscal 2019, we established a Sustainability Committee with the goal of promoting sustainability across the Asahi Kasei Group. Chaired by the President and with Executive Officers for Business Sectors, Technology Functions, and Business Management Functions as members, the committee shares information on sustainability-related issues including global environmental measures and provides direction for activities. In fiscal 2021, in order to accelerate our contribution to reducing society's GHG emissions, we launched a Green Solution Project to advance the creation of new businesses aimed at achieving carbon neutrality. Regarding efforts to reduce GHG emissions from our business activities, we appointed an Executive Officer for Carbon Neutrality and established a dedicated project in fiscal 2022. The project has begun detailed discussions on clarifying and giving concrete form to our roadmap for carbon neutrality.



GX in Management Strategy

GX is one of the pillars of the Asahi Kasei Group's management strategy. In our MTP, we formulated our growth strategy based on megatrends related to climate change. As initiatives related to climate change, pursuing business opportunities from the perspective of reducing risks related to our businesses and mitigating and adapting to climate change are key tasks along with transforming our business portfolio.

To implement these initiatives related to climate change, we have also allocated a budget for investments related to decarbonization to give greater priority to such investments, and are prepared to implement investments totaling approximately ¥60 billion over the three years to fiscal 2024.

To raise awareness and encourage actions for achieving carbon neutrality, we operate internal carbon pricing (ICP) that tracks GHG emissions from our business activities as a monetary value. We seek to carefully select investment projects in order to increase production and accelerate investments that reduce CO_2 emissions by incorporating a monetary value of ¥10,000 per ton of CO_2 emissions into calculations to determine the profitability of capital expenditures. We also incorporate ICP into performance evaluations for internal awards. Furthermore, we calculate and provide data to customers on the carbon footprint of our products—GHG emissions from the extraction of raw materials to manufacture and shipment—with a view to accelerating the reduction of society's overall GHG emissions.

Reducing GHG Emissions from Business Activities

Asahi Kasei has adopted the following targets for Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions from the use of electricity, heat, and steam supplied by other companies), which are the GHG emissions that our business activities most directly affect as a manufacturer, and that we are most expected to reduce.

Targets	2030	Target to reduce GHG emissions by 30% or more (compared with fiscal 2013)
	2050	Goal to achieve carbon neutrality (net-zero emissions)

In the period covered by the first step toward reducing GHG emissions from our business activities, leading up to 2030 we will advance reductions with a focus on existing technologies. In the second step, which we will promote from 2030 to 2050, we will advance reductions centered on the utilization of new technologies.

Specifically, in the first step we will aim to reduce 300,000 tons of emissions through the low-carbonization of in-house power generation, between 100,000 tons and 200,000 tons through purchases of non-fossil fuel electricity, and between 100,000 tons and 200,000 tons through manufacturing process improvement and innovation. In addition, we will transform our business portfolio with an emphasis on the perspective of GHG emission reductions.

In the second step, we will seek to achieve carbon neutrality by 2050 through the greening of electricity and steam through the practical application of decarbonization technologies developed by the Asahi Kasei Group, such as alkaline water electrolysis technology, the innovation of manufacturing processes, and the further transformation of our business portfolio.

Progress to Fiscal 2021

The Asahi Kasei Group is successively upgrading and raising the capacity of the hydroelectric power facilities it owns, primarily in Miyazaki Prefecture. In addition, we converted one of our independently owned coal-fired thermal power plants to run on liquefied natural gas in order to reduce GHG emissions, with start-up in March 2022. The fuel conversion is expected to reduce GHG emissions by approximately 160,000 tons annually. We are also expanding our utilization of biomass fuel and solar power. For example, the Italian manufacturing site of Sage Automotive Interiors, Inc., and the Shiga Plant of Asahi Kasei Jyuko Co., Ltd., are proactively utilizing solar power generation. The Asahi Kasei Group has also begun using electricity generated from solar power systems installed on Hebel Maison™ apartment buildings of Asahi Kasei Homes Corp.

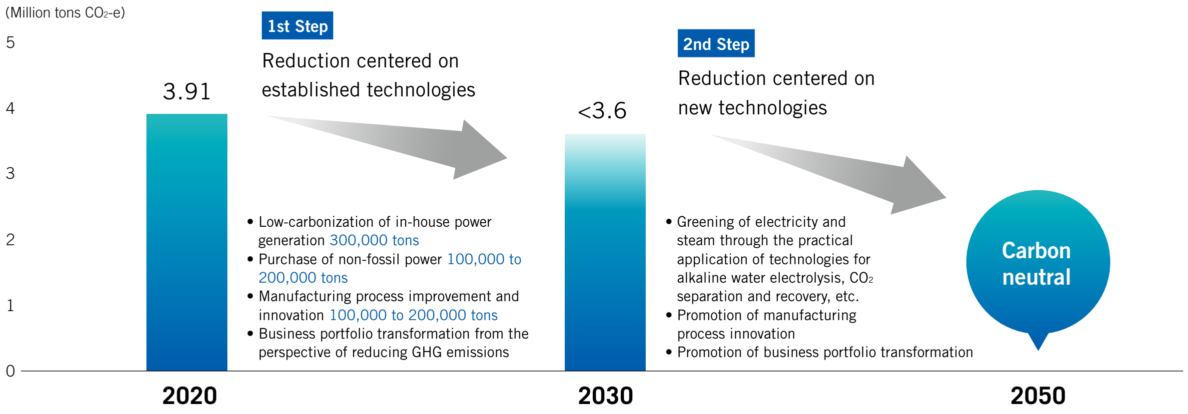
Accelerating the Utilization of Carbon Footprints

Calculating the carbon footprint of products and services and providing that data to customers represents an important role that a materials manufacturer can play in helping society as a whole achieve carbon neutrality. With a focus on our mainstay products, we are advancing the calculation of the carbon footprint of products while utilizing digital technology.

In May 2022, we established a system to calculate the carbon footprint of synthetic rubber and elastomer products, and began providing the data to customers in June. Using this system, we can adjust the unit size and scope of the carbon footprint data we calculate, enabling us to ascertain data according to needs. We have also established a platform for calculating the carbon footprint of performance resins used as material for automobile parts, electronic parts, etc., by ascertaining GHG emissions of each product grade.

Leveraging these leading examples, we will utilize digital technology to establish a framework enabling us to grasp the carbon footprint of products in each of our businesses.

Roadmap to 2050



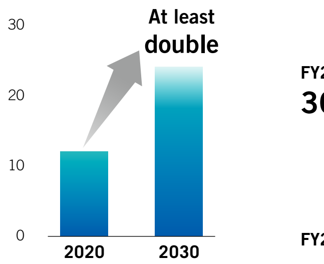
Contribution to Reducing Society's GHG Emissions

To contribute to reducing society's GHG emissions, we are working to reduce such emissions from a life cycle assessment (LCA) perspective, which assesses the impact of our products and services with an emphasis on reducing environmental impact across their entire life cycle. We have adopted the following targets in order to advance the further expansion and new development of products and services that contribute to such reductions.

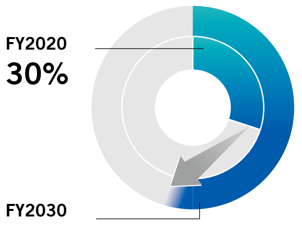
Targets	**2030** • At least double the contribution to reduced GHG emissions (compared with fiscal 2020) • Increase the sales ratio of environmental contribution products

Based on the opinions of outside experts, the Asahi Kasei Group independently calculates the amount of contribution to GHG emission reduction from an LCA perspective. We have designated a total of 20 products and services as environmental contribution products in fiscal 2022. We are proactively promoting the development and widespread adoption of environmental contribution products, aiming to at least double their contribution to reduced GHG emissions by fiscal 2030 compared with fiscal 2020. Looking ahead to fiscal 2030, we also aim to further increase the sales ratio of environmental contribution products, which currently account for approximately 30% of total consolidated net sales excluding the Health Care sector.*

GHG Reduction by Environmental Contribution Products
(Million tons CO_2-e)



Sales Ratio of Environmental Contribution Products
(%)



* As the Health Care sector emphasizes providing value to society from the perspective of enabling "living in health and comfort," its net sales are excluded from the calculation.

Expansion of Environmental Contribution Products

Defining environmental contribution products

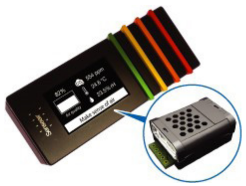
Taking into account reviews by outside experts, the Asahi Kasei Group assesses the environmental contribution level of products proposed by its strategic business units and core operating companies from an LCA perspective. The products and services that are recognized internally as contributing to the environment are designated "environmental contribution products." We assess such products and services from the perspectives of climate change (including CO_2 emission reduction, energy saving, and renewable energy), resources (waste reduction, recycling, water resources, and raw materials), biodiversity, and prevention of environmental pollution. As efforts to develop and expand such products contribute to reduced environmental impact in society while fostering the growth of our businesses, they also help promote the two mutually reinforcing aspects of sustainability of "contributing to sustainable society" and "the sustainable growth of corporate value," which we aim for.

Polycarbonate manufacturing technology using CO_2

Polycarbonate is a high-performance plastic used in a wide range of products, such as DVDs, Blu-ray discs, housings for smartphones and other consumer electronics, automobile headlight covers, and windows for airplanes and high-speed trains. Asahi Kasei was the first company in the world to commercialize technology for making polycarbonate using CO_2 and ethylene oxide, and has licensed the technology to polycarbonate manufacturers globally. This technology recovers CO_2 that would otherwise be emitted into the atmosphere from other plants, and uses it as a material to manufacture polycarbonate, which reduces CO_2 emissions compared with conventional manufacturing methods. In addition, as the manufacturing process involves materials alone, without using solvents, the absence of any environmental impact in conjunction with disposing of used solvents is also a distinguishing feature.

Reduction of energy consumption by using CO_2 sensors

The Asahi Kasei Group has developed CO_2 sensors—small, high-precision, low-power gas sensors that measure CO_2 concentration levels in the air—by combining the module technology of Senseair AB, a company we acquired, with our own compound semiconductor technology. While optimal ventilation in accordance with air quality can improve the energy efficiency of air conditioning in buildings and large structures, this requires the high-precision measurement of CO_2 concentration levels. Our CO_2 sensors are suited to this application, helping to reduce the electricity consumption of heating and cooling systems. As the measurement of CO_2 concentration levels is similarly essential for the energy efficiency of the air conditioning of electric vehicles (EVs), we will strengthen our environmental contribution by increasing the sales of our CO_2 sensors in line with the widespread adoption and expansion of EVs.



Initiatives Regarding Climate Change Disclosure Based on the TCFD[1] Recommendations

The Asahi Kasei Group examines the changes that are expected to occur due to climate change and their impact on its businesses from a variety of perspectives. Along with posing risks, climate change also presents opportunities for Asahi Kasei. Our new medium-term management plan (MTP), which is currently in progress, was formulated with these risks and opportunities in mind. We will contribute to the creation of a sustainable society through our diverse technologies and businesses while proactively promoting climate change adaptation and mitigation measures as growth opportunities.

Corporate Governance

The Asahi Kasei Group regards promoting measures to address climate change as an important management task. Accordingly, these measures are one of the core themes of our management strategy.

Policies and important matters regarding climate change are deliberated and decided by the Board of Directors, and specific related matters are determined by the Management Council, the decision-making body for business execution (specifically, these include decisions on MTPs, GHG emission reduction targets, and capital expenditure plans, as well as confirming the state of their progress).

Our Sustainability Committee, which is chaired by the President, promotes the decisions of the Board of Directors and the Management Council at the business level. At meetings of the Sustainability Committee, members of executive management share information on and discuss issues related to sustainability, including climate change. The results of these discussions are reported to the Board of Directors, which then discusses issues including the state of initiatives for the whole Asahi Kasei Group. We are also working on a specific roadmap for achieving our GHG emission reduction targets through the Carbon Neutrality Project (please see page 29 for a diagram on this system).

Strategy

Basis of analysis

We examined the impact on our current businesses and the new opportunities for us leading up to 2050 based on a +4℃ scenario in which global warming countermeasures have not progressed adequately (IPCC, SSP3-7.0[2]) and a +1.5℃ scenario in which CO_2 emissions have been significantly curbed in order to rein in temperature rises (*WEO*, Net Zero Emissions by 2050 Scenario (NZE)[3]).

Note: Our analysis is based on a variety of assumptions. Changes to these assumptions may result in actual risks and opportunities differing significantly from the analysis.

Risks

Under the +4℃ scenario, we primarily anticipate physical risks, such as intense heat, heavy rain, and floods. In particular, we perceive damage to production sites caused by the effects of increasingly severe storms and floods and the resultant cost of such damage to be a risk for our major sites in Japan and overseas. Under the +1.5℃ scenario, in addition to tightened regulations through carbon pricing and other government policies primarily aimed at achieving decarbonization, we anticipate a shift in demand to materials suitable for decarbonization as a risk. We also anticipate market structure changes resulting from an acceleration in the transition to a circular economy and the emergence of innovative technologies designed to create a decarbonized society as risks.

While the degree of these risks varies, we are advancing risk mitigation initiatives based on the view that all may manifest as the climate changes going forward.

Estimated Cost of CO_2 under the +1.5℃ Scenario

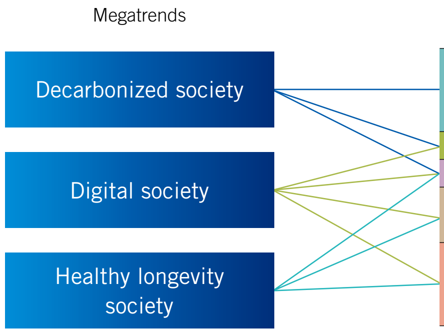
The Asahi Kasei Group currently emits approximately four million tons of CO_2 (Scopes 1 and 2) per year. Assuming a CO_2 price of ¥10,000 per ton, the annual cost of these emissions would come to ¥40.0 billion. As we are reducing our emissions with the goal of achieving carbon neutrality by 2050, this cost is declining. Under a trial calculation based on the required CO_2 price[4] and our CO_2 reduction targets, the total cost of emissions until 2050 would be ¥530.0 billion on a cumulative basis (using a present value discount rate of 5%).

Meanwhile, the Asahi Kasei Group has approximately ¥1.7 trillion in net assets (as of March 31, 2022) and is positioned to record positive net income every year up to 2050. We will accurately perceive climate change risks, including CO_2 costs, to pursue business opportunities and evolve our business portfolio. We will endeavor to expand net assets and enhance shareholder returns through strategic investments in businesses that contribute to the environment.

[1] TCFD: Task force on Climate-related Financial Disclosures. The TCFD was established and its recommendations were officially announced by the Financial Services Board in 2017.
[2] One of the scenarios in the sixth report of the Intergovernmental Panel on Climate Change (IPCC). SSP stands for Shared Socio-Economic Pathway and SSP3-7.0 refers to a regional rivalry in which no climate change countermeasures are enacted and temperatures rise 4℃ by 2100.
[3] One of the scenarios in *World Energy Outlook (WEO) 2021*, prepared by the International Energy Agency (IEA). NZE is a scenario for achieving global net-zero emissions by 2050 in order to limit temperature rises to 1.5℃ by 2100.
[4] CO_2 prices (US\$/tCO_2) under NZE in *WEO 2021*: US\$130 in 2030, US\$205 in 2040, and US\$250 in 2050.

Opportunities

The Asahi Kasei Group has positioned Environment & Energy, Mobility, Life Material, Home & Living, and Health Care as fields for provision of value in its MTP. We have also designated GG10 as businesses in which we will focus resources to achieve growth. Established on the basis of megatrends related to climate change, these fields can clearly provide value in terms of mitigation and adaptation under various climate change scenarios, even considering the latest IPCC and IEA reports. Accordingly, we believe that our business promotion and direction can provide various products and services as business opportunities to address climate change.



Fields for provision of value	GG10	Relationship with climate change scenarios 4ºC	1.5ºC
Environment & Energy	Hydrogen-Related	○	◎
	CO_2 Chemistry	○	◎
	Energy Storage	○	◎
Mobility	Car Interior Material	○	○
Life Material	Digital Solutions	○	◎
Home & Living	North American and Australian Homes	○	
	Environmental Homes and Construction Materials	◎	◎
Health Care	Critical Care	◎	○
	Global Specialty Pharma	○	
	Bioprocess	○	○

Note: ◎ Deemed to have a strong relationship, including a direct reference in the sixth IPCC report and in *WEO 2021*
○ Although not as strong as the above, expected to be broadly related

Risks	Important Changes	Main Risks	Major Initiatives
+4ºC scenario	Serious storm and flood damage	"Physical" production risks • Impact on production from damage to plants or suppliers	• Continuous revision of BCP and reinforcement of preemptive response (review of inventory levels, study of multiple suppliers/sites, etc.)
	Rise in temperature	"Human" production risks • Deterioration of working environment and productivity at construction sites	• Promotion of industrialization and utilization of IT in housing construction • Promotion of heatstroke countermeasures at construction sites
+1.5ºC scenario	Decarbonization	• Rise in costs due to stricter regulations (manufacturing and raw material costs) • Changes in materials needs (decarbonization requirements, necessary specifications)	• Expansion in utilization of renewable energy, etc. • More efficient energy use; development and commercialization of industrial processes for decarbonization • Decarbonization of raw materials • Acceleration of product decarbonization by ascertaining carbon footprints[5]
	Changes in market structure	• Contraction of existing markets due to the transition to a circular economy • Contraction of existing markets due to the advance of replacement technologies	• Development of material and chemical recycling technologies and promotion of their practical application • Adoption of biomass feedstock • Review of management resource allocation

Opportunities	Important Changes	Main Opportunities	Major Initiatives
+4ºC scenario	Serious storm and flood damage	• Increase in need for disaster-resilient housing	• Greater emphasis on resilience in home construction and urban development, such as the expansion of Hebel Haus™ and Hebel Maison™
	Increase in heatstroke and infectious diseases	• Expansion in demand for existing and new pharmaceuticals and acute critical care products	• Provision of related pharmaceuticals and medical devices • Provision of related process materials, equipment, and services
+1.5ºC scenario	Decarbonization	• Promotion of the spread of ZEH[6] and ZEH-M[6] through government policies • Expansion in demand for carbon-free products	• Decarbonization of homes and urban environments through the expansion of ZEH-compliant Hebel Haus™ and Hebel Maison™ • Promotion of the low carbonization of various products (energy, materials, processes) • Development of chemicals made with CO_2 as material
	Spread of electric vehicles (EVs)	• Increase in EV-related demand (battery components, materials for reducing vehicle weight)	• Development of materials for next-generation mobility • Strengthening of collaboration with automobile and battery manufacturers
	Advent of a hydrogen society	• Increase in demand for water electrolysis using renewable energy	• Development of a system to manufacture green hydrogen and promotion of its commercialization
	Transition to a circular economy	• Expansion in demand for materials and infrastructure compatible with a circular economy	• Development of material and chemical recycling technologies and promotion of their practical application • Adoption of biomass feedstock
	Expansion of the digital market	• Growth in demand for decarbonization-related digital solutions (industry and society)	• Promotion of electronic components, such as current sensors and CO_2 sensors, and semiconductor- and substrate-related electronic materials businesses

[5] GHG emissions of a product from material extraction to production
[6] Net Zero Energy House (ZEH) and Net Zero Energy House Mansion (ZEH-M): Houses and apartment buildings with a net energy consumption of zero or less through advanced insulation and energy saving combined with power generation such as solar

Risk Management

Asahi Kasei implements independently assured tracking of its GHG emission volumes on an annual basis. The Sustainability Committee and its subcommittee the Global Environment Committee share information on the results and the level of progress toward achieving targets and discuss future initiatives. The committees also monitor the level of GHG emission reductions, examine business strategies, and report to the Board of Directors during the formulation and annual review of the MTP. In addition, the committees monitor related matters on a quarterly and monthly basis. For capital expenditures examined and proposed as needed, the committees also assess profitability and make decisions in light of internal carbon pricing.

Metrics and Targets

The Asahi Kasei Group has positioned the following metrics as being relevant to climate change risks and opportunities.

	Target	Significance of Metric
GHG emissions[7]	2030: Reduce by 30% or more (compared with fiscal 2013) 2050: Achieve carbon neutrality	
GHG emissions[7]/operating income	(Fiscal 2021 result: 2,000 t-CO_2e/100 million yen)	Decline signifies reduction of carbon tax risk
ROIC	Around 2030: Achieve ROIC of 10% or more	Increase indicates progress toward becoming a high-earnings enterprise capable of adapting to change
Operating income of GG10	Around 2030: 70% or more of total operating income (Fiscal 2021: 35%)	Signifies growth of related businesses capable of contributing to addressing climate change

Others

Internal carbon pricing (ICP)	Make investment decisions based on ¥10,000/t-CO_2e and utilize in awards program
Reflection of climate change issues in executive remuneration	Reflect the level of achievement of sustainability promotion, including initiatives related to climate change, in performance-linked remuneration

[7] Direct GHG emissions from business activities as indicated by Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions from use of electricity, heat, and steam supplied by other companies)

Overview of the Group's Response to Climate Change

Various scenarios in the event of climate change progressing

From curtailing temperature rises through government policies and social changes to intense heat, flood damage, and ecosystem destruction, etc., through failure to curtail temperature rises

Risks

Transition risks

- Carbon pricing (CO_2 costs)
- Loss of value of business assets through CO_2 costs
- Business deterioration resulting from technological progress and market changes, etc.

Physical risks

- Damage to supply chain due to flooding and other adverse weather events, etc.

Control

Asahi Kasei Group Management

Promotion of new MTP focused on the theme "Be a Trailblazer"

(GG10, asset-light, business structure transformation)

KPIs

GHG emissions, GHG emissions/operating income, ROIC, GG10 operating income

Progress management

Quarterly meetings, rolling review of MTP, monthly monitoring, Global Environment Committee

Proactive advancement

Opportunities

Climate change mitigation and adaptation

- Hydrogen-related business
- CO_2 separation, recovery, and utilization
- EV-related business
- ZEH and resilient homes
- Digital-related products and services
- Health care business, etc.

Digital Transformation

Formulation of a DX Promotion Road Map and the Asahi Kasei DX Vision 2030

The Asahi Kasei Group proactively promotes the utilization of digital technology as a means of leveraging its diverse intangible assets to transform business models and drive value creation. In promoting the utilization of digital technology, we formulated an overall road map to reinforce our foundations for advancing digital transformation (DX), setting the period up to fiscal 2021 as the Digital Introduction Period to focus on its front lines and resolve actual issues using digital technology and the Digital Deployment Period to deploy digital technology across businesses, regions, work roles, and other aspects of operations. From fiscal 2022, we will advance the utilization of digital technology in adding value from intangible assets and creating new business models and businesses as the Digital Creation Period with the aim of transitioning to the Digital Normal Period, which sees all employees utilize digital technology as a matter of course. In recognition of these initiatives, Asahi Kasei was selected as a DX Stock for two consecutive years in 2021 and 2022, a selection made jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, Inc. Our initiatives were also featured in DX White Paper 2021, which was published by the Information-technology Promotion Agency, Japan.

DX銘柄2021 Digital Transformation

DX銘柄2022 Digital Transformation

In fiscal 2021, we formulated the Asahi Kasei DX Vision 2030 in order to further accelerate DX. The vision internally and externally portrays the world that we aim to realize through DX in 2030 by co-creating "healthy living" and "a future world full of smiles" through borderless connections enhanced by digital innovation.

Strengthening of the DX Framework

We have worked to strengthen the framework to accelerate the promotion of DX across the Asahi Kasei Group as a whole. In April 2021, we established Digital Value Co-Creation, an organization consolidating the promotion of DX in each of the functions of sales, marketing, research and development (R&D), manufacturing, and production together with digital technology-related matters such as IT infrastructure and cybersecurity. In doing so, we put in place a system for co-creation and collaboration with internal and external parties in the digital field. To promote such co-creation and collaboration, we opened CoCo-CAFE, a digital co-creation laboratory with the aim of fortifying our DX foundation and creating businesses by encouraging interactions among internal and external digital-related human resources. We have also established a system for collaboration between the heads of business units and Digital Value Co-Creation (relationship manager system) to facilitate the sharing of issues, key topics, and other matters in each business and the promotion of concrete initiatives.

Overview of the DX Promotion Road Map

From 2018 Digital Introduction Period	From 2020 Digital Deployment Period	From 2022 Digital Creation Period	From 2024 Digital Normal Period
Foundations of functional DX • MI, production technology innovation, IP landscape, etc. **⇒About 400 projects**	**Acceleration of group-wide DX promotion** • Formulation of the Asahi Kasei DX Vision 2030 • Digital Value Co-Creation, co-creation laboratories, etc.	**Management innovation through DX** • Business model transformation, adding value from intangible assets • Utilization in management decision-making • Utilization in human resource management, etc.	40,000 digital human resources **All employees gain a mindset of digital utilization**

Cultivation and Recruitment of Digital Human Resources

We are proactively cultivating and recruiting digital human resources. Along with solidifying our DX human resources foundation by advancing measures to create 40,000 digital personnel, with all employees acquiring digital literacy and working with a mindset for utilizing digital technology, we are also cultivating human resources who can promote DX autonomously in each of our businesses, including through the development of business leaders into DX leaders. Through the implementation of development programs and recruitment, we have also advanced the cultivation and recruitment of digital professional human resources who can resolve the issues of businesses and create new value and business models by utilizing advanced digital technology and data. As a result of these efforts, we achieved our target of recruiting and cultivating 230 digital professional human resources by the end of fiscal 2021, as planned.

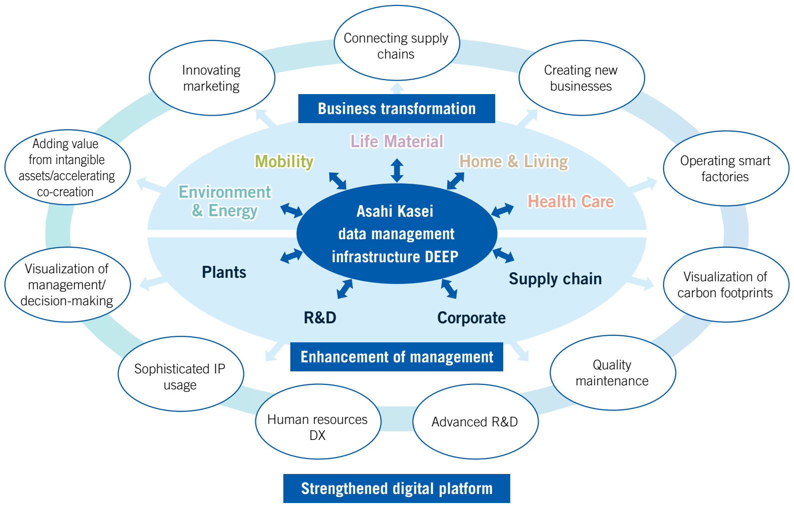
Three Main Pillars of the Digital Creation Period from Fiscal 2022

In the Digital Creation Period from fiscal 2022, the Asahi Kasei Group will promote DX through the three main pillars of business transformation, enhancement of management, and a strengthened digital platform based on its data management platform with a diverse array of data. In terms of specific initiatives, we will focus on business transformation in the five areas of adding value from intangible assets and accelerating co-creation, innovating marketing, connecting supply chains, creating new businesses, and operating smart factories. For the enhancement of management, we will focus on the six areas of DX utilization for promoting the visualization of management and for decision-making, sophisticated intellectual property usage, invigoration of human resources, advanced research and development, quality maintenance, and the visualization of product carbon footprints.

For a strengthened digital platform, we will accelerate the cultivation and recruitment of digital human resources, instill agile development that makes use of design thinking throughout the Asahi Kasei Group, and facilitate data utilization.

We have also established DX-Challenge 10-10-10 as a key performance indicator (KPI) (fiscal 2024 target) to measure the progress of our DX efforts. Under this KPI we will aim for a tenfold increase in the number of our digital professional human resources compared with fiscal 2021 (approximately 2,500 of all employees globally), a tenfold increase in the volume of data usage throughout the Asahi Kasei Group compared with fiscal 2021, and a ¥10 billion profit contribution from main projects, in addition to the contribution to profits through the utilization of DX in normal business activities. In these ways, we will fully utilize our diverse assets by leveraging digital technology to change our business models at a rapid pace.

Three main pillars of the Digital Creation Period

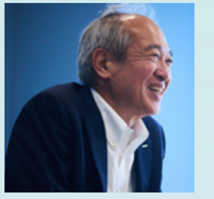


Digital HR cultivation and recruitment, further introduction of agile development, promotion of digital data usage

DX-Challenge 10-10-10	
Digital professional human resources	**10 times** (vs. FY2021)
Volume of digital data usage	**10 times** (vs. FY2021)
Profit contribution from main projects	**¥10 billion** (Three-year total)

DX-related investment*	
Three-year total:	**≈¥30.0 billion**

* IT investments and cloud usage fees for digital transformation



Kazushi Kuse
Director
Primary Executive Officer
Oversight: Digital Transformation (DX)
Senior General Manager,
Digital Value Co-Creation

Eliminating All Barriers through Digital Technology to Evolve Value Creation

I believe that people, data, and organizational culture are the three factors that are vital to the success of DX. The Asahi Kasei Group accumulates an enormous volume of data from its diverse businesses, technologies, and human resources. The extent to which we can create new value, such as business transformation and increased efficiency, by making full use of such data depends on our people and organizational culture. DX will progress dramatically when we have established an organizational culture in which not only digital professional human resources but all employees properly understand digital technology to make full use of the abundance of data we accumulate, and in which employees proactively utilize Garage methodology and the like to promote agile development. Ultimately, spurring transformation depends on people and organizations—digital technology is a means of achieving such transformation.

I sense a tremendous potential in a future that will be unlocked by combining manufacturing technology with digital technology. We will continue transcending the barriers among companies and industries through the power of digital technology to accelerate our contribution to resolving a wide range of social issues and the creation of new value.

People, Data, and Organizational Culture as Success Factors for Digital Transformation: Initiatives of the Asahi Kasei Group

People

In fiscal 2021, we launched the Asahi Kasei DX Open Badge Program with the goal of enhancing the digital literacy of all employees. The program comprises five levels, from Level 1 to Level 5, with those up to Level 3 designated as expected achievement levels for all employees to become digital human resources and Levels 4 and 5 used as part of efforts to cultivate digital professional human resources. We have currently held courses up to Level 3, with employees worldwide working to acquire the knowledge and skills through e-learning and hands-on experience to resolve issues autonomously on the front lines utilizing digital technology. Employees are issued with a digital badge managed by a blockchain after completing each level, which helps promote the visualization of their skills. For Levels 4 and 5, we will advance the cultivation of digital professional human resources in coordination with ongoing human resource cultivation efforts in the fields of R&D and production technology along with the Group Masters program.

Level 1	Level 2	Level 3	Level 4	Level 5
Knowledge	**Skill**	**Experienced**	**Expert**	**Thought Leader**
Novice level	Intermediate level	Target for all employees	True digital professional	Transformation driver
15 minutes	1 hour	A few hours	Solving actual problems	Recognized as Group Masters

40,000 digital personnel targeted in fiscal 2023

Data

Accelerating value creation as an integrated whole requires a framework that enables the data assets accumulated in the Asahi Kasei Group to be utilized in a cross-sectional manner. To this end, we have established the data exploration and exchange pipeline (DEEP), a data management platform. DEEP can readily locate data dispersed throughout the Asahi Kasei Group and link data between different systems. These functions have reduced the lead time required to utilize data, increased efficiency, and raised productivity. Going forward, we will use the platform to enhance data governance and foster a data utilization culture. Using DEEP, we are currently advancing efforts that include consolidating the sales data of automotive-related businesses, visualizing the carbon footprint of our products, and visualizing the state of management of each business. We will further accelerate the digital transformation of our businesses by utilizing DEEP to drive forward the sharing and utilization of the information assets of the Asahi Kasei Group as a whole.

Dashboard

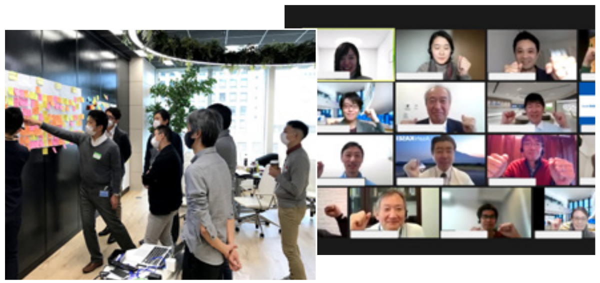
Portal site

Sharing a dashboard utilizing various data on the portal site

Pictograms to enliven use

Organizational culture

Fostering an organizational culture to drive the Asahi Kasei Group's digital transformation and value creation is essential. With this in mind, we are promoting Garage methodology—an approach for spurring innovation and achieving DX—to foster such an organizational culture. The Garage approach is used to create new value and services based on products and know-how in Asahi Kasei's diverse business sectors through co-creation and digital technology. A diverse range of participants in different generations, positions, and organizations use design thinking to create narratives of human-centered ideas and experiences. Deploying a development style that verifies value in an agile manner will enable us to foster a culture that reflects user feedback without delay. The fostering of an organizational culture for digital transformation and value creation is proceeding steadily with CoCo-CAFE—a venue for taking on challenges and co-creating—being utilized in a variety of value creation activities and undertakings on a daily basis.



Transformation of HR

The Asahi Kasei Group seeks to create new value by leveraging its diverse intangible assets including human resources, intellectual property, know-how, and data. To support this effort, we are developing platforms that support the autonomous growth of our human resources and are conducive to contributions from diverse individuals in accordance with our basic principles that "people are our most valuable assets" and that "everything starts with people."

The Asahi Kasei Group's Human Resource Strategies

Discovering the Future with Lifelong Growth and Co-creativity of Diverse Individuals

Lifelong growth—whereby all employees continuously challenge themselves and achieve growth—and co-creativity—leveraging the Asahi Kasei Group's diversity to promote collaboration—will play an important part in enabling us to adapt and take the initiative in an operating environment characterized by discontinuous and unpredictable changes.

To ensure lifelong growth, we will further intensify efforts to promote learning and challenges aimed at achieving such growth, with each and every employee envisioning their own career, and enhance management capabilities that bring about results by fully drawing out the strengths of individuals and teams.

To enhance co-creativity by leveraging diversity, we will implement a range of initiatives focused on expanding diversity and connecting diversity.

Overview of Human Resource Strategies

People are our most valuable assets, everything starts with people

Discovering the future with **lifelong growth and co-creativity** of diverse individuals

Promoting challenge and growth
Lifelong growth
Autonomous career development and realization of growth × Improvement of management capabilities to draw out the strengths of individuals and teams

Leveraging diversity
Co-creativity
Expanding diversity
Diverse expertise, individuality, and workstyles × Connecting diversity
Combination and integration of knowledge

Enhancing employee well-being and work engagement
Strengthening competitiveness of the Asahi Kasei Group

Main KPIs

Number of Group Masters
FY2024: 300
(FY2021: 259 in 64 fields)

Growth behavior index
Continuous actions to monitor and maintain/improve
Engagement survey results on a 5-point scale
FY2020: 3.65, FY2021: 3.69

Diversified HR index
Proportion of women working as managers and Group Masters
FY2030: 10%
(FY2018: 2.2%, FY2021: 3.4%)
Proportion of women and non-Japanese Executive Officers
FY2018: 8%, FY2022: 22%

In specific terms, we are promoting a number of measures with the objective of raising the active participation and work engagement of diverse human resources. These entail enhancing the development of professional human resources by expanding the Group Masters program,* implementing measures aimed at revitalizing our organizations and spurring the growth of our human resources based on the results of KSA engagement surveys (an assessment of employee empowerment and growth), and establishing a workplace environment that facilitates the active participation of diverse human resources, including women. In order to expand the human resources responsible for management, we are encouraging the next generation of leader candidates to take the initiative in achieving their own growth through coaching and other approaches while implementing training through programs to strengthen leadership and teamwork.

We are also providing systems, IT infrastructure, and other attributes of the working environment to facilitate employee performance in the post-COVID-19 era. Going forward, we will utilize digital tools to promote the visibility of human resources and connect them with each other to enable diverse individuals to enhance their expertise and achieve growth, regardless of their age. In addition, we will establish key performance indicators (KPIs) and implement measures that will allow us to continuously provide value to society by combining and uniting their knowledge.

* A program to increase highly specialized human resources who are recognized inside and outside the company by appointing, developing, and rewarding human resources as Group Masters who proactively engage in, and are expected to contribute to, the creation of new businesses and the strengthening of established businesses

Enhancement of Human Resource Management Capacities

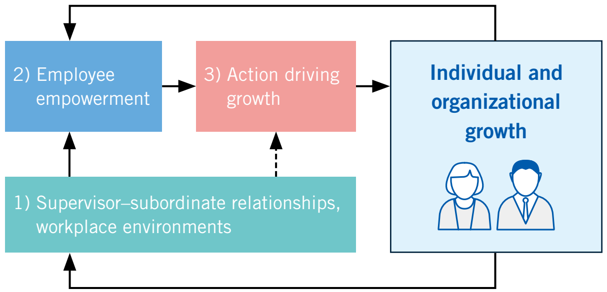
Workplace environments have been transformed as a result of the COVID-19 pandemic, making online communication the norm and fostering greater acceptance of diverse lifestyles and workstyles. As such, the empowerment and motivation of employees requires management to implement appropriate measures based on an accurate understanding of the circumstances surrounding employees and organizations. Based on this recognition, the Asahi Kasei Group launched its KSA engagement surveys in fiscal 2020, which gauge metrics pertaining to employee empowerment and growth. Work engagement is generated from synergies between the capacities of individual employees, exemplified in their feelings of self-efficacy and confidence and positivity toward work, and the capacities of organizations, demonstrated through support from supervisors and coworkers, workplace discretion, and evaluations and feedback. To measure work engagement, we track conditions pertaining to the empowerment of individual employees, supervisor–subordinate relationships, and workplace environments. This information is shared within the organizations to facilitate discussion among employees and therefore spur the autonomous growth of both employees and organizations.

The KSA engagement surveys are based on the empowerment and growth cycle model proposed by Professor Hiroya Hirakimoto of Osaka University and use three indicators related to individual employees and organizations: (1) Supervisor–subordinate relationships, workplace environments; (2) Employee empowerment; and (3) Action driving growth.

The gauging of these three indicators and their degree of impact facilitates the ability to visualize the success or failure of past measures and provides accurate information on the current status of the organization that can be used to guide future action.

In fiscal 2021, we began conducting and utilizing KSA in an integrated manner with stress checks, which had previously been conducted separately. This enables a more multifaceted and comprehensive understanding of individuals and organizations, which contributes to the formulation of measures.

Framework of KSA Engagement Surveys



Items Gauged through KSA Engagement Surveys

1) Supervisor–subordinate relationships, workplace environments

- Support from supervisors
- Interpersonal relationships supporting work
- Encouragement of ingenuity
- Respect for diversity
- Workplace openness

2) Employee empowerment

- Ability to maintain a positive stance (individual capabilities)
  - Confidence, feeling of self-efficacy
  - Strength to overcome adversity
  - Capacity for plotting course toward achieving goals
  - Optimism
- Motivation toward work (work engagement)

3) Action driving growth

- Experience-based learning
- Contributions to organization
- Problem-solving/improvement efforts
- Job crafting

Comments from Managers Following the Implementation of KSA Engagement Surveys

(questionnaire responses of managers directly overseeing subordinates)

“It was very beneficial to use the results of the KSA survey in discussions with division members to involve everyone in thinking about ways to drive employee empowerment and growth in the workplace.”

“The KSA survey results helped me share the strengths and weaknesses of our organization with everyone.”

“The results of the KSA survey cast light on aspects of organizations that I was unaware of as a department head. The weaknesses indicated by the survey report gave me a newfound understanding of our organization.”

“We gained a deeper understanding of our organization through the KSA survey, fostering a greater sense of solidarity in our efforts to maintain our strong corporate culture.”

Group Masters Program

In implementing human resource strategies, the heightening of the specialized skills of individual employees is as important as the enhancement of human resource management capacities. For this purpose, the Asahi Kasei Group has established the Group Masters program to appoint, nurture, and reward individuals who are contributing or are expected to contribute to the creation of new businesses or the reinforcement of established businesses as Group Masters. This program thus helps develop a robust pool of human resources with high-level specialist expertise and skills who are competitive inside and outside the organization. The program defines five ranks of Group Masters. The roles of each rank are clearly defined, and compensation increases in line with rank, to promote the growth of human resources while enabling us to recruit external talent. Moreover, succession plans are put in place for Group Masters to link the development of human resources with the cultivation of businesses in order to raise competitiveness.

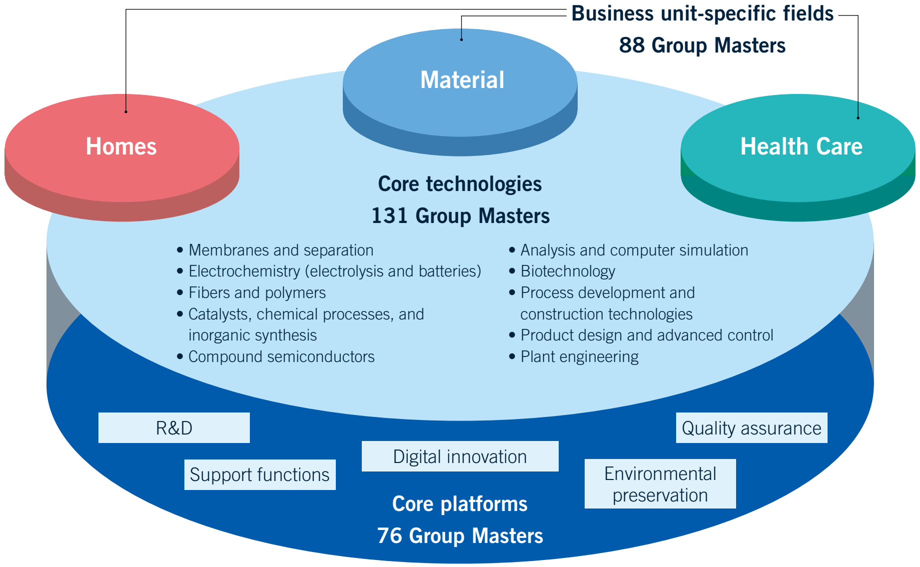
Group Masters Human Resource Portfolio

Under the Group Masters program, technology fields to be strengthened from a cross-business perspective are defined as core technologies, and engineers that drive the enhancement of technologies in these fields are appointed as Group Masters. For the pursuit of ongoing business growth and new business creation over the next five to ten years, we annually review the core technologies, production technologies, expertise, business platforms, and diverse market channels and business models that serve as the source of our competitiveness. In fiscal 2021, biotechnology was added to the fields identified as core technologies, bringing the total to ten as shown below. We also annually review the fields and categories of work for which specialists should be cultivated in both specific business fields and core company-wide functions as core platforms. In fiscal 2022, we added machine safety and other items to core platforms while making changes that included transferring digital innovation from core technologies to core platforms. In this way, we are accelerating the development of human resources who will drive forward each sector.

Group Master Ranks and Roles

Ranks	Roles
Executive Fellow **(Status Equivalent to Executive Officer)** Person who newly developed or considerably expanded a field of technology **Principal Expert** **(Status Equivalent to Managing Executive or Senior Managing Executive)** Person who takes the lead in a field of technology **Senior Fellow** **(Status Equivalent to Managing Executive, Senior Managing Executive, or Executive Officer)** Person whose term as Executive Fellow or Principal Expert expires after retirement age but who is expected to continue the roles shown at right	1. Actively participating in and contributing to new business creation and strengthening operations by cultivating and enhancing their skills and abilities as a leading specialist 2. Fostering younger personnel in the relevant areas
Lead Expert Person ranked below Principal Expert (candidate to be Principal Expert) **Expert** Person ranked below Lead Expert (candidate to be Lead Expert)	Actively participating in and contributing to new business creation and strengthening operations by cultivating and enhancing their skills and abilities

Group Masters Fields in Fiscal 2022



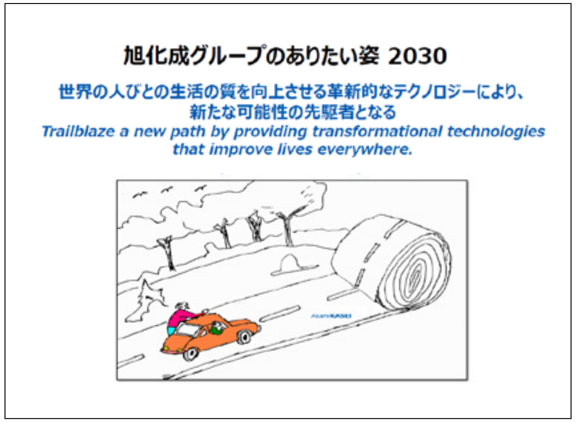
Active Participation of Global Human Resources

Promotion of Human Resources from Companies Acquired Overseas to the Management of Core Operating Companies

When an overseas business is acquired, its outstanding human resources are also incorporated into the Asahi Kasei Group. Their participation is advancing in the management of core operating companies at the Executive Officer level. Also, while Asahi Kasei Corp. had three non-Japanese Executive Officers in fiscal 2016, this increased to six in fiscal 2022. Of these six, one has oversight of a business sector while another has been assigned as Chief Executive of an acquired business. As these appointments demonstrate, we utilize human resources in ways that extend beyond their original business backgrounds.

Development and Active Participation of Human Resources Hired Locally Overseas

We are further promoting efforts to develop outstanding human resources hired locally overseas to be human resources who contribute not only to their respective businesses but to the Asahi Kasei Group as a whole. In addition to working to develop human resources hired locally overseas, including through cross-border rotations for their development and the strengthening of their networks with personnel in Japan, we are promoting their participation in discussions by the next generation of leaders on company-wide subjects. In fiscal 2021, when considering the new medium-term management plan (MTP) which began in fiscal 2022, we created teams comprising next-generation leaders from the United States, Europe, and China to discuss the Asahi Kasei Group's vision for 2030. A suggestion by the United States team during those discussions formed the basis of "Be a Trailblazer," the theme of the new MTP.



Comments from Participants in Workshops on the Asahi Kasei Group's Vision for 2030

"I was able to deliberate on future businesses as well as work across divisions with a real sense of unity. The workshop produced many wonderful ideas. I think it would be excellent for the Group to hold similar exercises every two or three years on improving its current businesses as well as on its future vision."
—Phani Nagaraj, Asahi Kasei Asaclean Americas, Inc.

"The workshop was a great opportunity for me to network with other members of the Asahi Kasei Group. I am grateful for this experience and hope that such company-wide networking opportunities will continue in the future."
—Meghann Woo, Synergos Companies LLC

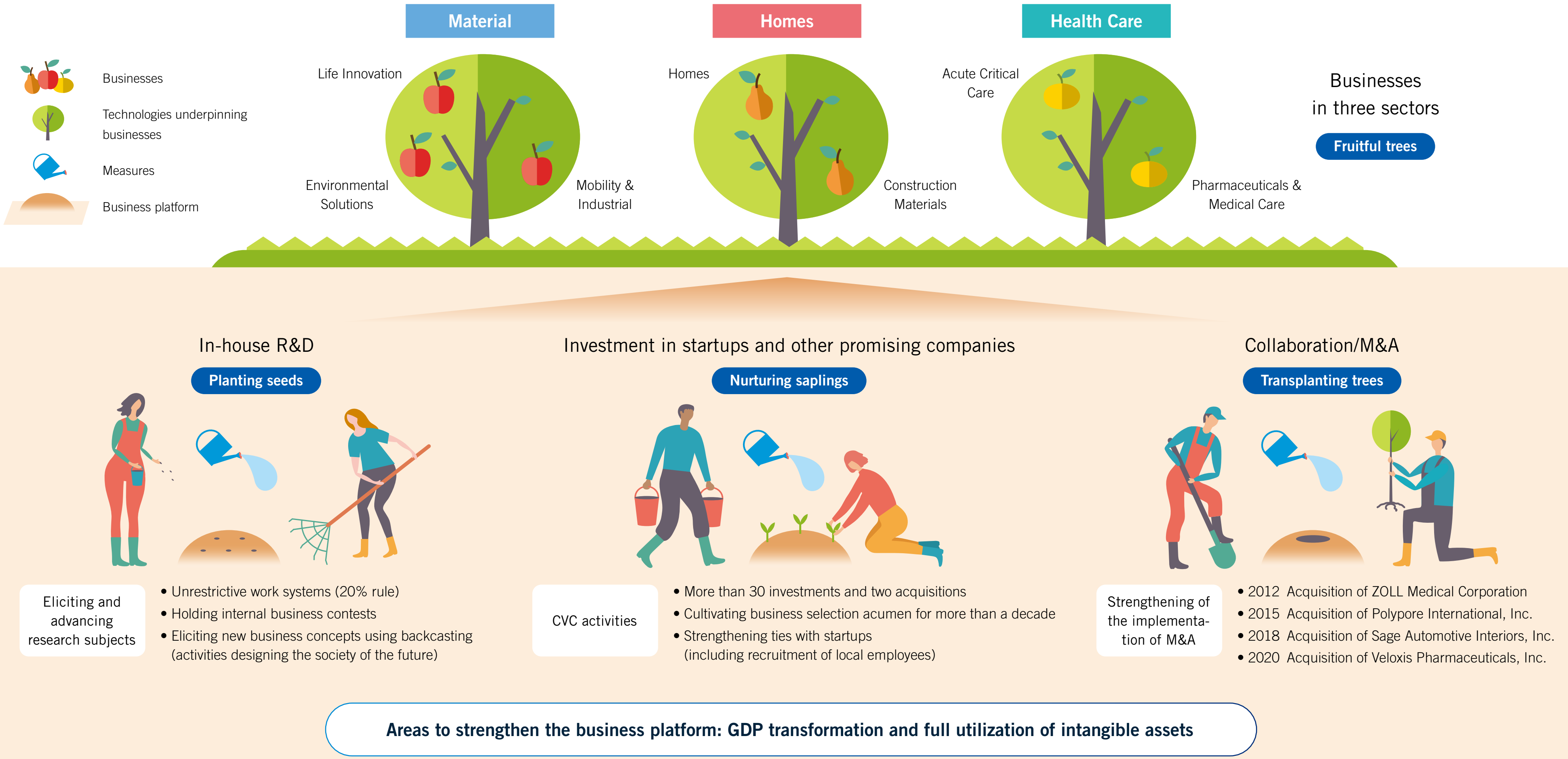
"The workshop gave me a sense that the Group is committed to transforming itself to move forward. With the further vitality of those working locally, I have high hopes for the Group's development and success in the Chinese market."
—Juan Guo, Asahi Kasei Microdevices (Shanghai) Co., Ltd.

"This initiative led me to feel that the Asahi Kasei Group has the potential to offer valuable solutions that are really needed by the industry through the synergies the Group creates."
—Bijan Farazandeh, Asahi Kasei Microdevices Europe GmbH

New Business Creation

Various Approaches to New Business Creation

The Asahi Kasei Group primarily adopts three approaches—in-house R&D, investment in startups and other promising companies, and collaboration/M&A—to the creation of new businesses. We take steps including eliciting and advancing research subjects, corporate venture capital (CVC) activities, and strengthening the implementation of M&A in order to promote and accelerate each of these approaches. To strengthen the business platform underpinning these approaches to new business creation, we are focusing on green (G), digital (D), and people (P)—GDP—transformation and the full utilization of intangible assets.



Fully Utilizing Intellectual Property and Other Intangible Assets to Create New Businesses—Establishment of the Intellectual Property Intelligence Department

The Asahi Kasei Group's policy for utilizing intellectual property and other intangible assets entails aligning them with corporate strategy and business strategies in a timely manner, maximizing its own diverse intangible assets, and fully utilizing intellectual property landscaping (IPL). Based on this policy, we established the Intellectual Property Intelligence Department as an organization reporting to the Executive Officer for Corporate Strategy, tasked with the mission of utilizing intellectual property and other intangible assets to create and execute strategies aiming to achieve the growth of GG10.

Policy for utilization of intellectual property and other intangible assets

Timely alignment with corporate/business strategies × Maximization of the value of diverse intellectual property × Visualization of intangible assets using IPL

Case Studies of Business Strategies Utilizing Intellectual Property and Other Intangible Assets Focused on Creating New Businesses

Formulation of strategies for the hydrogen-related business

Centered on alkaline water electrolysis technology, we have created business strategies utilizing intellectual property and other intangible assets via the following steps in order to enter the hydrogen business.

STEP 1	Implement an overarching analysis of the entire hydrogen business based on available information
STEP 2	Using IPL, clarify the technologies that will be our strengths and the technologies that will be the strengths of competitors
STEP 3	Verify our areas of superiority and consider partners with whom we should join forces

Process for Formulating Strategies for the Hydrogen-Related Business

STEP 1 Industry Trend Analysis ▶ **STEP 2 Benchmarking** ▶ **STEP 3 Additional Analysis and Examination of Business Strategies**

Overview of industry trend

Understand alkaline water electrolysis technology trends

▼

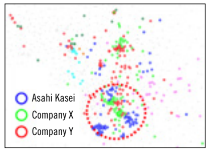
Identify noteworthy players (companies)

Capabilities of competitors

	Technology 1	Technology 2	Technology 3	Technology 4	Technology 5
Asahi Kasei	○	—	○	—	—
Company A	○	—	—	○	—
Company B	○	○	—	○	—
Company C	—	○	—	—	○
...	—	—	—	—	○

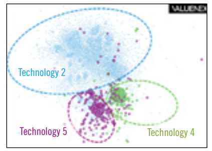
Strategy to focus on strength

Verification of superiority based on an overview of patents in relation to Technology 3



Strategy for co-creation

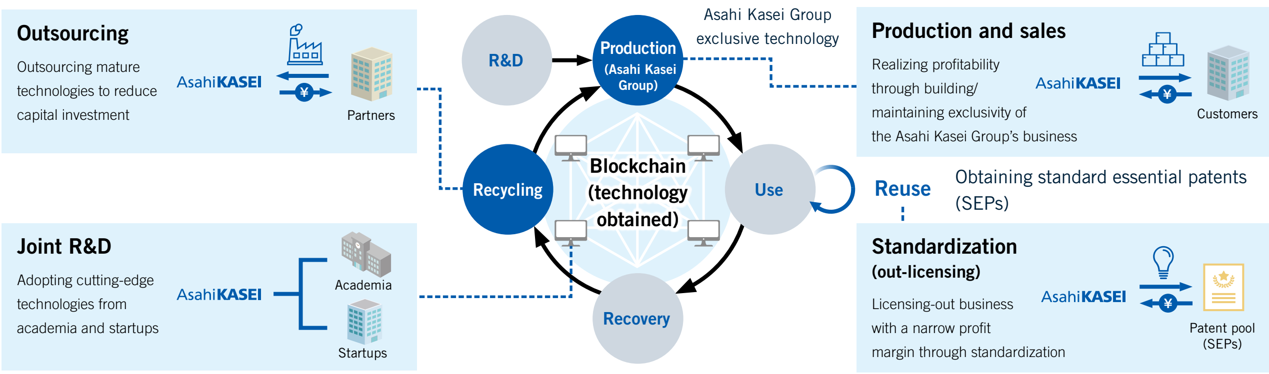
Co-creation with a partner that has Technology 4, which Asahi Kasei lacks



Formulation of strategies for circular economy-related businesses

To lead the design of the circular economy (CE) market, we must combine accelerating market formation with achieving commercial viability. The Asahi Kasei Group seeks to accelerate development by carrying out joint development with other companies in order to take the initiative in the CE market. We reduce our investment by outsourcing technologies that have already been established and widely licensing low-profit businesses to other companies. We will ensure the commercial viability of our core sectors by continuing to maintain exclusive ownership of them.

Strategies for Fully Maximizing the Value of Intellectual Property and Other Intangible Assets in the Circular Economy Market



Growth Strategy

▶ Business Strategies by Sector

Business Strategies by Sector

Material

Koshiro Kudo
Executive Officer
for Material Business Sector
President & Representative
Director

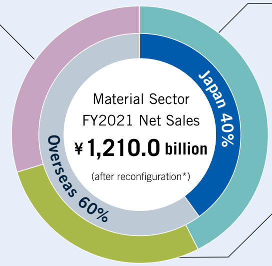
In fiscal 2022, Asahi Kasei reconfigured the Material sector into three strategic business units: Environmental Solutions, Mobility & Industrial, and Life Innovation. Amid dramatic upheaval in the operating environment prompted by social changes including decarbonization, the Material sector has adopted a more keenly market-focused business management, with an organizational system supporting the Environment & Energy, Mobility, and Life Material fields for provision of value. In this way, we will promote business expansion by strengthening existing businesses and shifting management resources to future growth fields for a high-value-added profit structure that is not easily impacted by market conditions, thereby accelerating growth.

Sales Composition and Major Products by Business Field

Life Innovation

Digital Solutions
- Mixed-signal LSIs, electronic compass
- Magnetic sensors • UVC LEDs
- Pimel™ photosensitive polyimide/PBO precursor
- Sunfort™ dry film photoresist • Glass fabric

Comfort Life
- Bemberg™ cupro fiber, Roica™ premium stretch fiber
- Saran Wrap™ cling film
- Ceolus™ microcrystalline cellulose pharmaceutical and food additive
- Photopolymers and platemaking systems



Environmental Solutions
- Hipore™ and Celgard™ lithium-ion battery separators, Daramic™ lead-acid battery separators
- Chlor-alkali electrolysis systems, Microza™ hollow-fiber filtration membranes
- Synthetic rubber, elastomers
- Acrylonitrile (AN), methyl methacrylate, styrene, polyethylene, polystyrene

Mobility & Industrial
- Dinamica™ artificial suede
- Leona™, Tenac™, and Xyron™ engineering plastics, SunForce™ foamed beads, Asaclean™ purging compound for molding machines
- Leona™ nylon 66 filament
- Duranate™ curing agent for polyurethane coatings

Basic Policy of the Medium-Term Management Plan

Basic Strategy

Improving profitability and capital efficiency by portfolio transformation with strategies and tactics that are not following existing paths in order to realize carbon neutrality

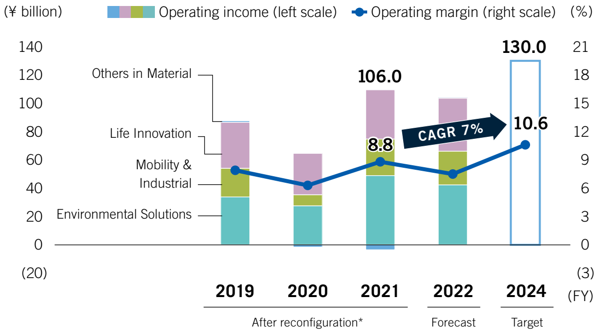
Portfolio Strategy

Challenging investment **Focus on next growth businesses**
- Accelerating commercialization of new businesses that contribute to decarbonization (related to hydrogen, CO_2, energy storage, etc.)
- Building on value chain in automotive interior materials
- Exploring new business opportunities related to electronic components and materials

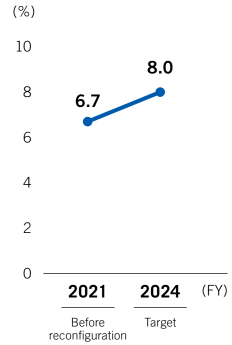
Cash generation **Full use of existing assets**
- Profit growth by expanding production capacity in the separator business
- Business development utilizing intangible assets (technology licensing business related to CO_2 chemistry, new business models for ion-exchange membranes, etc.)

Business Performance and KPIs

Operating income growth, operating margin



ROIC



* Figures have been recalculated to reflect the revision of business categories in FY2022

GG10 Hydrogen-Related

Environment & Energy

Asahi Kasei seeks to help reduce greenhouse gas emissions around the world through the supply of low-cost green hydrogen by swiftly commercializing large-scale alkaline water electrolysis systems and becoming a key player in the hydrogen supply chain.

Operating Environment Global progress in hydrogen-related technology development aimed at realizing a decarbonized society

As hydrogen is gaining attention as an essential material for a decarbonized society, many companies are advancing efforts for R&D and commercialization of hydrogen-related technologies.

There are several methods for producing hydrogen. Among these methods, Asahi Kasei is developing alkaline water electrolysis technology, which is suited for large-scale systems and is expected to enable low-cost, mass production of hydrogen.

Meanwhile, we have set up a hydrogen production project for applying this technology in countries around the world, most notably in Europe, where demand is rising for green hydrogen produced using renewable energy. Moreover, the market for electrolytic cells for producing hydrogen is expected to grow to a significant scale going forward.

Strengths of the Asahi Kasei Group Participation in multiple large-scale verification projects for alkaline water electrolysis systems based on chlor-alkali electrolysis technology

Asahi Kasei's alkaline water electrolysis systems are based on the ion-exchange membrane chlor-alkali electrolysis technology we have been developing since 1975. We are unrivaled in the chlor-alkali electrolysis field with our ability to provide membranes, electrolytic cells, electrodes, operating technology, and monitoring systems, and we have a leading share in the global market for ion-exchange membranes. The expertise accumulated in this area is being utilized to develop large-scale alkaline water electrolysis systems that can be used with renewable energy and other intermittent power supplies, and we are participating in multiple verification projects in this regard.

In Japan, trial operation of a 10 MW-class water electrolysis system, one of the largest single-unit systems in the world, is underway at the Fukushima Hydrogen Energy Research Field of the New Energy and Industrial Technology Development Organization (NEDO). In addition, we are engaged in a joint project for developing large-scale alkaline water electrolysis hydrogen production systems and verifying green chemical plants together with JGC Holdings Corporation. This project was adopted as a NEDO green innovation fund project, specifically for hydrogen production through electrolysis using renewable energy, in 2021. In this project, we are working to develop large-scale alkaline water electrolysis hydrogen production systems, with the target of creating 100 MW-class systems, as well as systems for integrating and controlling the production of green chemicals using renewable energy.

In Europe, Asahi Kasei is accumulating operating expertise and data through participation in the ALIGN-CCUS project and its successor, the TAKE-OFF project.

Source: NEDO

Business Strategies

Becoming a leading supplier of alkaline water electrolysis systems through swift commercialization and supply chain development

While performing trials to achieve high-reliability alkaline water electrolysis systems, we are working to reduce the costs for practical application with commercialization targeted in 2025. We plan to expand beyond system supply to become involved in operation and monitoring. With this objective in mind, we will start by introducing these systems into Europe, which is ahead of other markets in this regard.

Our hydrogen-related business requires the development of new supply chains through collaboration with various companies, ranging from upstream energy suppliers to downstream hydrogen users. We are already receiving a large number of inquiries regarding our alkaline water electrolysis systems. Accordingly, we will be seeking out ideal partners as we drive the development of the supply chain.

Our goal going forward is to become a leading supplier of alkaline water electrolysis systems with a share of 20% in the electrolytic cell market. At the same time, we will invest proactively to meet the rapidly growing demand for green hydrogen as we accelerate the global expansion of our hydrogen-related business through means such as collaboration with other companies with a focus on asset-light operations.

Key Points for Development of the Hydrogen-Related Business

- Completion of technologies for large-scale systems and modularization
- Development of integrated control systems (overall process optimization)
- Reduction of costs
  Alkaline water electrolysis equipment costs: ¥52,000 per kilowatt (2030)
- Development of partnerships in the supply chain
- Securing hydrogen demand based on region and business model

→ Commercialization in 2025 and growth into new business pillar in 2030

GG10 CO_2 Chemistry

Environment & Energy

Asahi Kasei is pursuing carbon neutrality by utilizing cutting-edge, proprietary technologies to separate, recover, and utilize CO_2.

Operating Environment — Development of various CO_2-related technologies for contributing to decarbonization

For carbon neutrality, technologies for separating, recovering, and utilizing CO_2 are being developed around the world.

Centered on eco-conscious Europe, movements toward carbon neutrality are advancing in various industries. Specific efforts include recovering CO_2 from flue gas at power plants and factories, and separating CO_2 and recovering methane from biogas. Accordingly, related markets are expected to grow rapidly in the future.

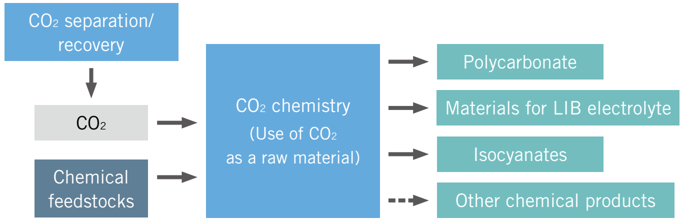
There has also been a sharp increase in attention directed toward carbon footprints in the procurement of raw materials. There is thus rising interest in reducing CO_2 emissions from raw material manufacturing processes as well as in using materials produced from CO_2.

Asahi Kasei is developing CO_2 separation and recovery technology as well as technology for producing chemical products from CO_2 (CO_2 chemistry). We thereby aim to contribute to reduced CO_2 emissions through various efforts spanning from CO_2 recovery to usage.

Strengths of the Asahi Kasei Group — CO_2 adsorption through proprietary zeolite and use of CO_2 as a material via various technologies

Asahi Kasei is developing CO_2 separation and recovery technology that adsorbs CO_2 from mixed gases using a proprietary zeolite. We have a long history of using zeolite as a catalyst, and the associated knowledge and technology are being utilized for the purpose of CO_2 adsorption. The CO_2 adsorption process using our zeolite only requires half of the energy needed for the amine method that is currently mainstream. This process is therefore expected to contribute to lower CO_2 recovery costs.

Moreover, the Asahi Kasei Group has been engaged in the development of CO_2 chemistry, for using CO_2 as a raw material, since the 1980s. In 2002 we began licensing our polycarbonate manufacturing technology which was the first in the world to utilize CO_2 while also not using toxic phosgene, and our technology is used for 16% of global polycarbonate production capacity. Based on this technology and our commercialization expertise, we started licensing a technology that uses CO_2 as a raw material for lithium-ion battery (LIB) electrolyte in 2021. We are also developing various isocyanates for use as materials for producing polyurethane. The Asahi Kasei Group enjoys world-leading R&D capability and a track record of commercialization in these fields.



Business Strategies

Verification trials for CO_2 separation and recovery technology, and advancement of business for CO_2 utilization technology

Asahi Kasei is studying the launch of verification trials for CO_2 separation and recovery technology using actual gas in fiscal 2022 or fiscal 2023. We are targeting commercialization of this technology for relatively small-scale processes using biogas or other gases by fiscal 2027.

In Europe, the trend toward encouraging the use of biogas is creating demand for technology to separate CO_2 and recover methane from biogas. We are therefore studying the possibility of conducting trials in Europe.

Meanwhile, development is being advanced for large-scale systems that can be used at facilities like power plants and factories.

As for CO_2 chemistry, we are focused on licensing the technology we have commercialized for LIB electrolyte material. At the same time, we are accelerating the development of isocyanate production technology. We are targeting the commercialization of a special isocyanate expected to be used as a next-generation automotive paint material in 2026.

Other new technologies under development include CO_2 conversion using green hydrogen, ethylene production by CO_2 electroreduction, and bio-conversion of CO_2.

With our world-leading environmental solutions technologies, we will contribute to the increased utilization of CO_2 and to the reduced use of fossil resources.

GG10 Energy Storage

Environment & Energy

The Asahi Kasei Group will respond to rising energy storage demand associated with decarbonization and thereby expand its contributions centered on LIB separators and pursue new business opportunities related to next-generation energy storage devices.

Operating Environment: Rising importance of LIBs as energy storage devices widely adopted throughout society

As efforts to reduce greenhouse gas emissions advance, we expect that dependence on fossil fuels will decrease and the use of renewable energy will expand, stimulating growth in demand for energy storage devices. Various technologies are currently being developed to create next-generation storage devices. Nevertheless, LIBs will continue to be an important device in the energy storage field for the foreseeable future.

The trend toward electric vehicles has recently sparked rapid growth in the market for LIBs centered on automotive applications. Demand for LIBs is anticipated to continue to grow as this trend is complemented by the full-fledged spread of electricity storage systems going forward.

Battery and component manufacturers are currently increasing their supply capacity while devoting effort to the development of new technologies to address the diverse needs arising from the expansion of applications for energy storage devices.

In addition, global growth in LIB demand is also projected to stimulate increased demand for LIB reuse and recycling solutions, which, in turn, is expected to give rise to new markets.

Strengths of the Asahi Kasei Group: Provision of high-quality separators that address diverse needs based on accumulated expertise and industry-leading technological capability

The Asahi Kasei Group started researching and developing LIBs in the 1970s, and we developed the early devices that would evolve to become the LIBs of today. The technology and knowledge we have accumulated over this long history are being applied to our business for separators, one of the core components of LIBs.

Our strengths in this business include the safety and high performance of our separators backed by our technological expertise, reliable supply capability, and ability to supply both wet-process and dry-process separators. We have earned high recognition for our ability to make proposals and develop products that leverage these strengths, and we have built strong relationships with customers in areas demanding high levels of performance. Other strengths of the Asahi Kasei Group include our eco-friendly production processes and our comprehensive patent portfolio. Over the medium term, we plan to raise our separator production capacity to 3 billion m^2 a year in order to meet the projected robust demand.

Furthermore, our subsidiary Polypore International, LP, partnered with Shanghai Energy New Materials Technology Co., Ltd., in 2021 to establish a dry process separator joint venture in China's growing LIB market. With this joint venture, we aim to cultivate the Chinese market for LIBs for electricity storage systems.

Business Strategies

Pursuit of growth of separator business while exploring new business opportunities

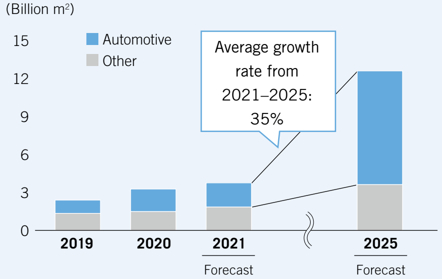
Maintaining its focus on the growth of the separator business, the Asahi Kasei Group will explore the potential for broadening its operations to include other energy storage-related products and services.

For separators, we are studying the addition of production capacity in Europe and the United States to facilitate local production and consumption. We are also examining the possibility of strategic partnerships with other companies to achieve an asset-light configuration. At the same time, higher levels of profitability will be pursued through means such as raising productivity via digital transformation in order to maximize returns from past investments.

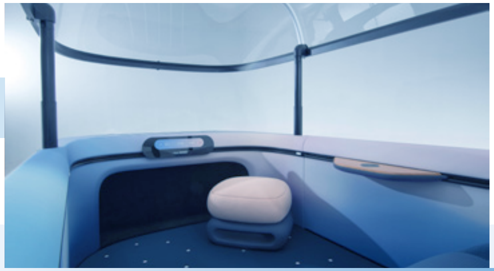
Meanwhile, we are working toward the development of next-generation energy storage devices. Efforts to this end include commercializing innovative electrolytes that utilize the high ion-conductivity solvents currently under development, and developing innovative lithium-ion capacitors featuring improved energy density and reduced costs.

As we pursue new business opportunities in the growing LIB market, we will also seek to develop innovative, next-generation batteries.

LIB Separator Market Scale



Source: *Future Outlook of Energy, Large Scale Secondary Batteries, and Materials 2020—Electric Vehicles and Automotive Batteries, Future Outlook of Energy, Large Scale Secondary Batteries, and Materials 2020—Electricity Storage Systems and Fixed Installation Batteries, Future Outlook of Energy, Large Scale Secondary Batteries, and Materials 2021—Electric Vehicles and Automotive Batteries,* Fuji Keizai Co., Ltd.



GG10 Car Interior Material

Mobility

Asahi Kasei will supply its proprietary, differentiated, high-value-added solutions to the automotive interior material market, which is growing in conjunction with the diversification of automotive interior needs.

Operating Environment

Growth projected in automotive interior material market together with diversification of automotive interior needs driven by advancement of CASE and MaaS

The advancement of CASE (connected, autonomous, shared, and electric) and mobility as a service (MaaS) trends in the automotive industry is driving the diversification of needs related to automotive interiors.

These trends are creating needs for functions and characteristics in materials and components that differ from conventional expectations. As a result, the automotive interior material market is projected to grow at a faster rate than vehicle production volumes. The broadening range of automotive interior needs presents a substantial business opportunity for us, with our diverse lineup of products and technologies.

Changes to Automotive Interiors Driven by CASE

	Connected	Autonomous	Shared	Electric
Changes in automotive interiors	• Monitoring of in-vehicle environment • Recognition and monitoring of passengers	• Use as in-vehicle living room or office • Diversification of seat design and layout	• Public use • Availability for various purposes	• Noise reduction • Thermal management • Weight reduction
New needs for interior parts/components	• Monitoring technologies • Smart textiles	• Greater comfort • Innovative designs	• Easy cleaning, antifouling properties • Odor resistance, antibacterial properties • Enhancement and diversification of performance	• Soundproofing, vibration proofing, thermal insulation • Transition to new materials

Strengths of the Asahi Kasei Group

Provision of comprehensive solutions leveraging Sage Automotive Interiors' superior proposal capabilities and Asahi Kasei's diverse products

Sage Automotive Interiors, Inc., which joined the Asahi Kasei Group in 2018, enjoys strengths in its design and customer proposal capabilities. These strengths are being used to shape regional and material strategies and are thereby contributing to the rapid growth of our automotive interior material business. We have thus been able to secure a position as a leading global supplier in the seat fabric* market.

Asahi Kasei's Dinamica™ artificial suede has been well received as a high-quality sustainable material that does not use organic solvents during the production process. Incorporating Sage's design capabilities into this brand has enabled us to create distinctive high-value-added products, which have been increasingly adopted around the world.

Our diverse lineup of products and technologies includes various offerings for increasing the quality of automotive interiors, and combining these offerings to make unique proposals creates significant opportunities for Asahi Kasei. At the same time, we will take advantage of our digital transformation, intellectual property (IP), and other foundations to provide proposals that leverage IP landscaping for automobile manufacturers.

* Knitted, woven, and nonwoven car seat fabric (excluding natural and synthetic leather)

Business Strategies

Becoming an automotive interior solutions provider by offering value that meets new needs

By honing superiority for solutions in terms of design, sustainability, and comfort, we aim to become a distinctive automotive interior solutions provider by developing materials and components, and by offering services, with a focus on user experience.

Sage will further solidify its position as a leading supplier by transforming its business portfolio for higher added value. This will entail enriching its lineup of fabrics matched to customer needs and developing frameworks for regional supply in accordance with regional demand. Sage is targeting net sales exceeding ¥100 billion in 2024. While raising production capacity for Dinamica™ products, sustainability initiatives will be reinforced.

Our growth strategies for meeting diversifying automotive interior needs will include the further differentiation of our solutions. We will acquire foundations for direct involvement in and contribution to the development activities of automobile manufacturers in specific automotive interior fields, and develop plant-derived materials, highly recyclable monomaterials, and materials featuring greater comfort. We will also seek to create sensing systems that monitor automotive interiors to track passenger comfort. In addition, effective key account management practices will be adopted to gain a better understanding of automobile production processes so that we can provide unique, comprehensive solutions through development proposals matched to current trends and needs.

GG10 Digital Solutions

Life Material

Asahi Kasei will respond to the needs of the digital society with distinctive components, materials, and solutions by leveraging its unique position of having both electronic components and electronic materials, and by integrating these offerings.

Operating Environment: Accelerated evolution of digital technologies and solutions in response to diversification of needs stimulated by social change

Digital technologies and solutions are constantly evolving in conjunction with the accelerated digitalization of society, leading to continued market growth. As needs become more diverse in a variety of fields, the operating environment is changing at a rapid pace. Digital technologies and solutions will be imperative to providing new value in response to these trends.

The market is expected to undergo substantial growth over the medium to long term as a result of the advancement of digital technologies and solutions. Factors behind this advancement are projected to include the new trend toward electric vehicles amid rising environmental awareness; digitalization as seen in the spread of 5G, 6G, and other high-speed communications systems; and the rising desire for more comfortable lifestyles as people live healthier and longer.

Strengths of the Asahi Kasei Group: Deployment of high-value-added products that lead the markets for electronic components and electronic materials

Having both electronic component and electronic material businesses is a significant strength of the Asahi Kasei Group.

In our electronic component business, we supply competitive technologies and solutions in markets related to energy conservation and healthy and comfortable lifestyles. Specific areas include sound quality control, and technologies for sensing magnetic fields, gases, etc. We also lead the industry in terms of mixed-signal large-scale integrated circuit design technology for bridging the gap between analog and digital information. In these areas, Asahi Kasei offers a number of products with world-leading market shares and has built strong, trust-based relationships with customers as a distinctive electronic components manufacturer.

Our electronic materials business, meanwhile, supplies highly competitive products that are employed in cutting-edge semiconductors. World-leading market shares have been maintained along with high evaluation globally for products including Pimel™ photosensitive polyimide precursor, a semiconductor buffer coating; dry film photoresist used in etching circuits on printed wiring boards; and ultrathin glass fabric for printed wiring boards.

Electronic components	Electronic materials
Creating innovative products with competitive sensing technology in the energy conservation and comfort markets	Providing highly competitive products and solutions for leading-edge semiconductor and packaging process innovations
Product examples	**Product examples**
• Current sensors • Gas sensors (CO_2, alcohol) • Magnetic sensors • Millimeter wave radar ICs	• Photosensitive polyimide precursor • Photosensitive dry film • High-performance glass fabric • Epoxy resin curing agent

Business Strategies

Provision of unique solutions matched to new market needs by integrating electronic components and electronic materials

Based on an accurate understanding of market trends, we integrate electronic components and electronic materials to create solutions using various technologies, providing new value with unique products and services that meet the latest market needs.

To meet needs emerging amid rising environmental awareness, we will pursue opportunities related to sensing solutions for electric vehicles, and related to Hall elements that contribute to energy conservation in air conditioning and other equipment.

To contribute to the advancement of a digital society, we will drive the evolution of new electronic components that accommodate 5G, 6G, and other communication systems as well as electronic materials for cutting-edge semiconductors, for data server and other applications, and for chip packaging process innovation.

Meanwhile, we will supply solutions that utilize sound quality control and sensing technologies to improve sound and air quality in living spaces and vehicles in order to accommodate the desire for more comfortable lifestyles as people live healthier and longer.

Furthermore, a dedicated organization for creating innovation has been established to drive future growth. This will help us capitalize on the latest needs in order to create value through means including in-licensing of technologies and M&A activities.

Homes

Fumitoshi Kawabata
Executive Officer
for Homes Business Sector
Director, Primary Executive Officer,
Asahi Kasei Corp.
President & Representative Director,
Asahi Kasei Homes Corp.
Director, Asahi Kasei Construction
Materials Corp.

In fiscal 2021, Asahi Kasei Homes made McDonald Jones Homes Pty. Ltd. (which became NXT Building Group Pty. Ltd. in April 2022) a consolidated subsidiary as part of the development of overseas business in North America and Australia as a new pillar of growth.

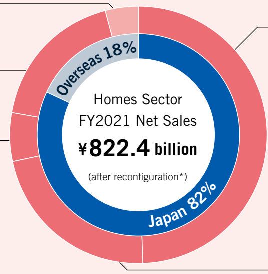
I believe that by steadily transforming the business portfolio of the Homes sector in step with the needs of the era, we will offer new value to society while further strengthening our efforts to generate cash in a stable manner. Utilizing the strengths we have developed in existing businesses, we will proactively expand into new businesses and markets and transform our business model while sharpening our focus on customer satisfaction.

Sales Composition and Major Products by Business Field

Construction Materials
- Hebel™ AAC panels
- Neoma Foam™ and Neoma Zeus™ phenolic foam insulation panels
- Foundation piles, structural components

Overseas Business and Others
- Australian business
- North American business

Remodeling
- Maintenance, renovation, etc.



Homes
Order-Built Homes
- Hebel Haus™ unit homes
- Hebel Maison™ apartment buildings

Real Estate
- Apartment rental network, real estate brokerage
- Atlas™ condominiums

Basic Policy of the Medium-Term Management Plan

Basic Strategy

Maximizing lifetime customer value in the domestic business and continuing to invest and generate returns from past investments in the overseas business, increasing cash generation capability while maintaining high operating margin (10%) and ROIC (over 30%)

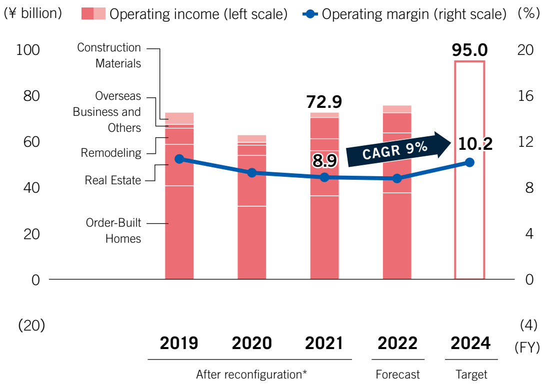
Portfolio Strategy

Challenging investment **Focus allocation of resources to growth businesses**
- Focusing expansion based on platforms in North America and Australia (including continued M&A)
- Expanding environmentally friendly homes and construction materials (net-zero emission houses and apartment buildings, insulation material)

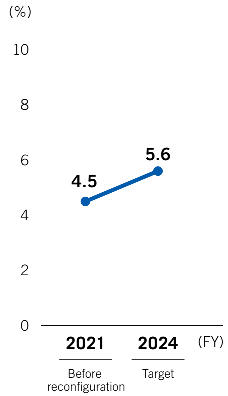
Cash generation **Promotion of high added value in domestic business and maximization of synergies in overseas business**
- Customer satisfaction as the essence of the domestic business; developing and providing homes and services that seamlessly meet the ever-changing needs of people's lives at different times and in different environments
- Improvement of profitability of overseas business by leveraging the industrialization, systemization, and digitalization know-how cultivated in Japan

Business Performance and KPIs

Operating income growth, operating margin



Free cash flow over net sales



* Figures have been recalculated to reflect the revision of business categories in FY2022

GG10 Environmental Homes and Construction Materials

Home & Living

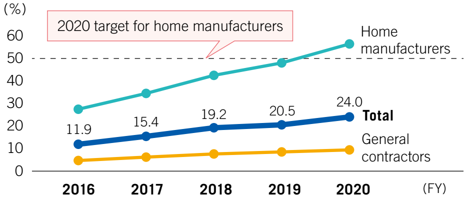
We will pursue customer satisfaction as the essence of business as well as seek to protect and enrich people's lives and create platforms to support life.

Operating Environment: Strong latent housing demand amid numerous social issues to be resolved through housing

In Japan, the number of housing units is sufficient when compared to the number of households, but roughly 40% of the occupied housing units do not meet standards for seismic resistance. Furthermore, homes that feature both easy access and energy efficiency are only a few percent of the total. In urban areas, the large number of homes constructed during the peak period for housing starts in the 1970s have since aged, creating a pressing need to replace them with high-quality homes that can be passed on to the next generation.

The Japanese government has adopted a goal of having all new homes constructed from fiscal 2030 feature energy efficiency that complies with Net Zero Energy House (ZEH) standards. This is just one of the momentous changes occurring in the environment surrounding homes and energy. In 2020, only 24% of newly ordered unit homes met ZEH standards, and apartment buildings that are compliant with the applicable ZEH-M standards are still rare throughout the industry. For this reason, home manufacturers will have an important role to play in advancing the trend toward such homes going forward.

ZEH-Compliant Homes among New Housing Orders



Source: Survey presentation materials from Sustainable open Innovation Initiative

Strengths of the Asahi Kasei Group: Commitment to the "Long Life Home" concept since the founding of Asahi Kasei Homes

Since its founding, Asahi Kasei Homes has continued working to create homes that can be passed down through successive generations. The "Long Life Home" concept that we advocate has garnered new attention as people's values grow more diverse, and as society ages rapidly, approaching an era when many people will live to be 100.

We are contributing to the realization of a sustainable society while exercising consideration for society and for the planet. These contributions are being made with the high durability and seismic resistance of Hebel Haus™ houses, our planning capabilities for flexibly accommodating lifestyle changes, our long-term maintenance and inspection systems, and our service frameworks for passing houses on to future generations. When developing houses compliant with ZEH standards, we strive to offer distinctive value propositions. To deliver this value, we utilize our Neoma Foam™ next-generation insulation, which maintains its superior insulation performance over the long term; help improve disaster resilience by encouraging the installation of storage batteries; and purchase surplus solar power through our Hebel Electric Power electricity retail business.

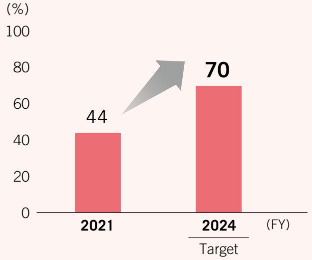
Business Strategies

Proposal of greater value through enhanced inter-business synergies

The fundamental goal of our homes business is to satisfy customers, and this is why we seek to maximize the value we provide to customers over the entire lifespan of the products we offer. We pursue synergies among our various areas of operations beginning from order-built homes, with renovation, real estate brokerage, insurance, infrastructure, and other operations developed to offer seamless support for the living needs that change based on lifestyles. In this manner, we supply homes and services that continue to the favor of customers, thereby securing reliably high earnings and cash generation capabilities.

In addition, we have set targets to increase the ratio of ZEH-compliant unit homes, and of achieving a 70% rate of ZEH-M–compliant apartment building orders among total orders received in fiscal 2024. As one facet of these efforts, we began offering our unique Eco ResiGrid system for rental housing units in March 2021. Through this system, we lease the roofs of newly constructed Hebel Maison™ buildings from their owners over a 30-year period, during which we maintain and operate solar power generation systems on these roofs. By partnering with owners and tenants of rental housing units, we aim to help protect the environment, strengthen resilience to disasters, and provide greater levels of value.

ZEH-M–Compliant Apartment Building Orders among Total Hebel Maison™ Orders



GG10 North American and Australian Homes

Home & Living

We are providing high-quality homes suited to each region by improving efficiency and productivity through industrialization.

Operating Environment: Substantial opportunities created by labor shortages, long construction periods, and sluggish adoption of IT

Efforts to expand our housing business overseas are being limited to North America and Australia out of consideration for the sizes of their economies, their population growth rates, and their ratios of high-income individuals. Housing demand has been growing in recent years. At the same time, however, needs to rationalize construction processes and to reduce costs have also been rising rapidly amid construction delays due to chronic labor and material shortages, as well as rising costs associated with increasing material prices.

North American Market

In North America, the millennial generation that represents a large portion of the population has reached house-buying age. As such, this market is expected to see firm residential housing demand going forward. At the same time, the changes to the social climate brought about by the COVID-19 pandemic have sparked a rise in the desire for homeownership, which in turn has triggered a sharp increase in demand. Asahi Kasei's main target market is the state of Arizona, with a high population growth rate, which has drawn a large number of companies to participate in this market. However, Arizona also faces a housing shortage stemming from factors including insufficiency of construction workers.

Australian Market

Through a combination of natural growth and immigration, the population of Australia is expected to rise to 30 million by 2030, a 15% increase from the level today. It is therefore anticipated that this country will enjoy steady growth in the housing industry over the medium to long term. Order trends are strong in this market due to the historic highs for construction demand spurred by the government subsidy programs implemented in response to the impacts of the COVID-19 pandemic. Meanwhile, labor costs are rising sharply as a result of shortages of workers, and materials costs are also on the rise. As a result, construction periods are lengthening.

Strengths of the Asahi Kasei Group: Industrialized housing development, design, and construction expertise fostered through Hebel Haus™

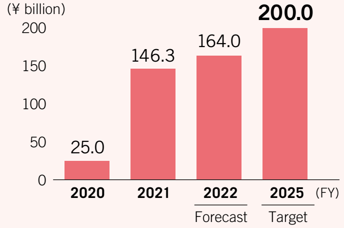
In Japan, industrialized housing, which involves managing quality through the use of standardized components and materials, and prefabricated modules, has become well established. This is considered to be exceptional when compared with other countries. Reasons for this are said to include the evolution of unique technologies spurred by efforts to improve quality in response to Japan's frequent earthquakes and humid climate. Asahi Kasei launched its homes business amid the growing demand of the 1970s. We then proceeded to propose housing that met urban lifestyle needs, including three-story homes and two-generation homes, while developing frameworks for the efficient supply of high-quality houses. The development, design, and construction expertise fostered through these efforts is anticipated to give rise to innovation in the construction industries and at the construction sites of overseas countries, where construction periods can be nearly twice as long as those in Japan. We thereby aim to contribute to the rationalization of construction processes and to the improvement of the quality of homes.

Business Strategies

Improvement of quality and reinforcement of earnings power by shortening construction periods through heightened efficiency

Rather than simply adapting Japanese homes to overseas markets, Asahi Kasei partners with local companies with a strong understanding of the market and of our approach in order to increase quality, and to streamline and shorten construction, through improved processes and IT. We thereby aim to grow net sales from overseas housing operations to ¥200 billion in fiscal 2025 while achieving an operating margin on par with the level of 10% or more in our domestic business.

Net Sales in Overseas Housing Operations



North America In North America, we have acquired several companies in the home-building industry, most notably Erickson Framing Operations LLC, a building component supplier that produces and installs walls and roofs for wooden houses. We also acquired companies that perform electrical, concrete, and HVAC work, as well as plumbing work. Our goal in the North American market is to develop a supplier model that rationalizes the various processes at construction sites.

Australia In Australia, we have acquired steel frame home builders, most notably NXT Building Group Pty. Ltd., and brought frame fabrication processes in-house. We will pursue high levels of customer satisfaction in Australia by establishing a model that achieves a level of competitiveness that could not be reached by a single construction company or supplier.

Health Care

Shuichi Sakamoto
Executive Officer
for Health Care Business Sector (joint)
Director, Primary Executive Officer, Asahi Kasei Corp.
Chairman & Director, Asahi Kasei Pharma Corp.
Chairman & Director, Asahi Kasei Medical Co., Ltd.
Board Director, ZOLL Medical Corporation

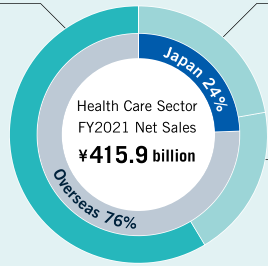
Richard A. Packer
Executive Officer
for Health Care Business Sector (joint)
Primary Executive Officer, Asahi Kasei Corp.
Chairman & Board Director, ZOLL Medical Corporation

In fiscal 2021, the Health Care sector continued to implement proactive business expansion measures. These included M&A related to sleep apnea in the acute critical care business, in-licensing in the pharmaceutical business, and adopting capital expenditure decisions for the bioprocess business in the medical care business.

The Health Care sector aims to become a major pillar and the driver of the Asahi Kasei Group's growth by evolving as a global health care enterprise promoting both pharmaceuticals and medical devices worldwide. We will pursue further growth by offering optimal solutions to medical needs in order to fulfill our mission of saving the lives of patients and improving their quality of life (QOL).

Sales Composition and Major Products by Business Field

Acute Critical Care
- Defibrillators for professional use
- LifeVest™ wearable defibrillator
- Automated external defibrillators (AEDs)
- Ventilators
- Thermogard System™ temperature management system
- Implantable neurostimulator devices for central sleep apnea
- Home-based testing and diagnostic solutions for sleep apnea



Pharmaceuticals
- Teribone™ and Reclast™ osteoporosis drugs
- Recomodulin™ anticoagulant
- Kevzara™ rheumatoid arthritis drug
- Plaquenil™ immunomodulator
- Envarsus XR™ immunosuppressive drug

Medical Care
- Planova™ virus removal filters
- Hemodialysis products
- Therapeutic apheresis devices
- Contract research organization (CRO) and contract development and manufacturing organization (CDMO) businesses

Basic Policy of the Medium-Term Management Plan

Basic Strategy

Under the mission of "improve and save patients' lives," capture a wide range of business opportunities in global markets in both pharmaceuticals and medical devices to drive the Asahi Kasei Group's income growth

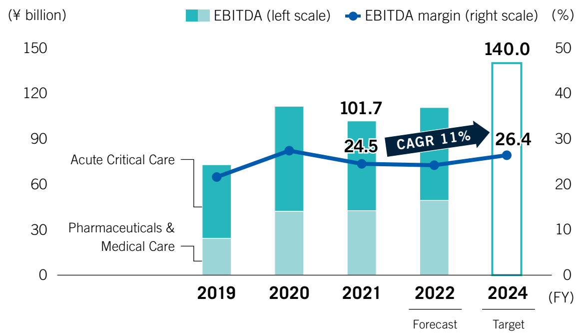
Portfolio Strategy

Challenging investment **Accelerate growth through business development**
- Bringing innovative medical devices in critical care to market
- Expanding global pharmaceutical business through collaboration of Asahi Kasei Pharma and Veloxis
- Expanding the scope of the bioprocess business to capture market growth

Cash generation **Gain earnings through growth of overseas business and strengthening of domestic businesses**
- Strengthening and expanding of overseas market position in critical care, pharmaceutical, and bioprocess businesses
- Greater efficiency and sophistication of domestic business operations through the use of DX, etc.

Business Performance and KPIs

EBITDA growth, EBITDA margin



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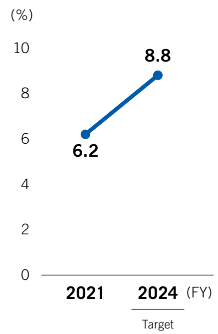


GG10 Global Specialty Pharma

Health Care

We will transform into a Global Specialty Pharma business focused on immunology, transplantation, and related disease areas.

Operating Environment

Paramount importance of the U.S. pharmaceutical market, the largest in the world, to growing the pharmaceutical business

The global pharmaceutical market is expected to grow to the scale of $1.6 trillion by 2025, with a compound annual growth rate of between 3% and 6% over the period from 2021 to 2025. During this period, the U.S. pharmaceutical market will continue to be the world's largest market, with a projected scale of between $605 billion and $635 billion in 2025.[1] This market features an ecosystem through which innovation is created as pharmaceutical companies, other companies, government agencies, academic institutions, drug discovery startups, and investors perform their respective roles while coordinating with other parties. Accordingly, our acquisition of a business platform in the U.S. market is expected to facilitate the further growth of our pharmaceutical business.

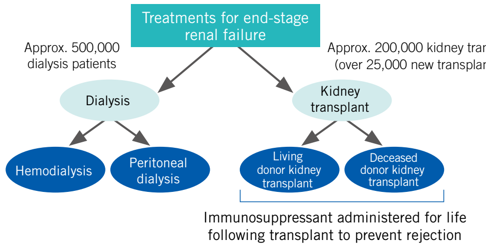
Asahi Kasei enjoys strengths in markets related to kidney failure and kidney transplantation. In the U.S., one in seven adults, or approximately 37 million people, suffer from chronic kidney disease, and some 780,000 of them have end-stage renal failure. Compared with dialysis, kidney transplantation is a treatment that provides better quality of life for patients and is more economical from a healthcare standpoint. Around 25,000 kidney transplantations are performed each year, and this number is projected to increase.

[1] Source: *Global Medicine Spending and Usage Trends Outlook to 2025*, IQVIA Holdings, Inc.

Strengths of the Asahi Kasei Group

Unique Envarsus XR™ immunosuppressive drug and U.S. sales channels of Veloxis

In the U.S., our subsidiary Veloxis Pharmaceuticals, Inc., supplies Envarsus XR™, an immunosuppressive drug for kidney transplant patients, and is establishing sales channels targeting major hospitals and medical specialists in the immunology and transplantation fields. Envarsus XR™ employs a proprietary sustained release tacrolimus formulation that limits the rise in maximum concentration of the drug in the bloodstream and maintains an effective concentration for a longer period of time. This allows the drug to be effective with a single daily dose and with reduced side effects. Moreover, Envarsus XR™ has already been designated as a vital drug for kidney transplant patients by numerous leading-edge healthcare institutions in the U.S., and we are achieving smooth growth of this product with a share of more than 10% of tacrolimus applications and at least 30% of new kidney transplant patients.



Source: National Kidney Foundation

Business Strategies

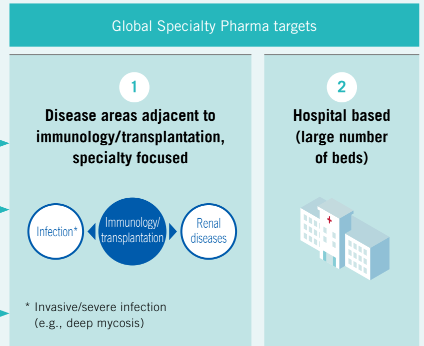
Utilization of expertise in core fields for Veloxis and Asahi Kasei Pharma

We will continue to pursue higher sales of Envarsus XR™, positioning this drug as a growth driver for the pharmaceutical business.

In developing our global pharmaceutical operations, we will utilize the expertise of Veloxis and Asahi Kasei Pharma to accelerate clinical and business development, through means such as M&A, in-licensing, and open innovation. At the same time, we will look to develop, launch, and expand sales of new drugs. This objective will be accomplished by strengthening our clinical and business development functions in the U.S., the world's largest pharmaceutical market and the forefront of pharmaceutical innovation. We also aim to establish a business platform in Europe, in addition to those in Japan and the U.S., in order to capture new business opportunities.

In the Japanese market, we plan to grow sales of existing pharmaceuticals, including Teribone™ and Kevzara™, while actively expanding our pipeline through in-licensing. We will also form drug discovery alliances with academic institutions and biotech startups to create innovative new drugs through open innovation.

Region	Core treatment areas	Products
Asahi Kasei Pharma		
Japan	Orthopedics	• Teribone™ • Reclast™
	Critical care/ hospital based	• Recomodulin™
	Immunology	• Kevzara™ • Bredinin™ • Plaquenil™
Veloxis Pharmaceuticals		
U.S.	Transplantation	• Envarsus XR™ • VEL-101 (former FR104)



GG10 Bioprocess

Health Care

We will evolve into a premium partner that contributes to biologics safety and manufacturing efficiency for pharmaceutical companies.

Operating Environment — Expansion of bioprocess-related markets in conjunction with rapid growth of the biopharmaceutical market

The emergence of more diverse and sophisticated drug discovery technologies is driving the growth of bioprocess-related markets. This growth is being fueled by the shift in focus of drug discovery away from small molecule medicines produced through chemical syntheses and toward new drugs such as biopharmaceuticals, which utilize gene recombination, cell culture, and other biotechnologies, as well as next-generation therapies, such as cell therapy, gene therapy, and nucleic acid drugs.

In these areas, the market for virus removal filters, which are used to prevent the contamination of biopharmaceuticals, plasma derivatives, and other biologically originated formulations by viruses, has continued to show strong growth in conjunction with biopharmaceuticals and plasma derivatives. This strong level of growth is expected to continue going forward. For biopharmaceuticals, it is important to develop production processes that ideally match the characteristics of each formulation, and there is also a need to select the appropriate filter based on the requirements of the given process. Accordingly, the ability to reliably supply a broad lineup of high-quality products is of the utmost importance to induce pharmaceutical companies to choose Asahi Kasei as their trusted partner.

Strengths of the Asahi Kasei Group — Leading position in virus removal filter field

In 1989, Asahi Kasei released Planova™, a cellulose hollow-fiber membrane that was the world's first virus removal filter to be developed for use during the manufacture of biotherapeutics. We have since gained the No. 1 global market share for this product. The production of biopharmaceuticals and plasma derivatives requires sophisticated quality management. We have earned a strong reputation and trust with regard to our ability to contribute to quality management with technologies for removing viruses from substances with a high level of precision based on the size of membrane pores. Moreover, we are able to offer technical support backed by scientific insight, and product proposal and supply capabilities that accommodate customer needs. This has enabled us to build a strong network among pharmaceutical companies and key opinion leaders in the industry.

To achieve the reliable supply required in this area, we have decided to build a new Planova™ assembly plant in Nobeoka, Miyazaki Prefecture, Japan, which is scheduled for completion during fiscal 2023. The new plant will take full advantage of automation and digital transformation technologies as a smart factory featuring superior levels of quality and production efficiency.

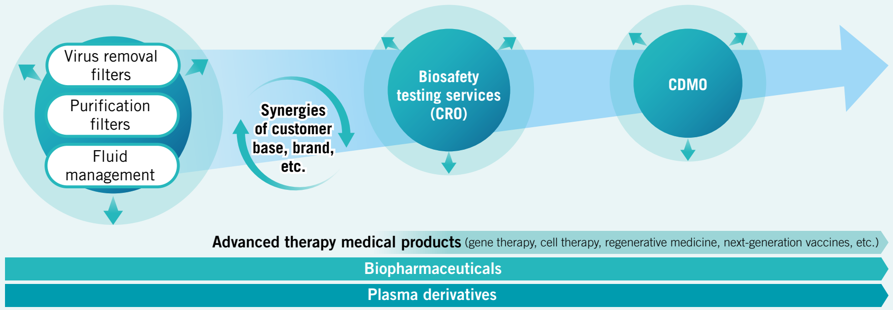
Business Strategies

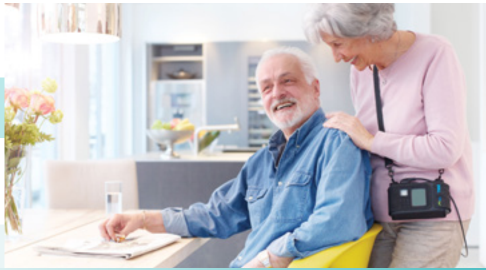
Capturing new growth opportunities through CRO and CDMO businesses

Leveraging our customer base and brand, which span across a variety of bioprocess fields, we are expanding the scope of operations. For example, we have entered the contract research organization (CRO) business in the area of assessing the safety of biotherapeutics. In 2019, we acquired ViruSure Forschung und Entwicklung GmbH, an Austrian company that performs contract biosafety testing services for confirming safety with respect to viruses and other pathogens on behalf of pharmaceutical companies. This was followed in 2021 by our acquisition of Bionique Testing Laboratories LLC, a U.S. company supplying mycoplasma contract testing services.

We have also entered the contract development and manufacturing organization (CDMO) business. Bionova Scientific, LLC, acquired in May 2022, is a biopharmaceuticals CDMO that provides pharmaceutical companies with production process development and manufacturing services on a contract basis. Bionova has a strong track record with next-generation antibody drugs, which are complicated and challenging to produce, and has earned a strong reputation for its process development technology. Based in California, Bionova is targeting the numerous drug-discovery startups on the U.S. West Coast. Bionova looks to grow orders by differentiating itself through the supply of contract process development and manufacturing services for small-scale research projects that are difficult for large CDMOs to accommodate.

In these ways, we are taking a multifaceted approach to capturing the growth of the pharmaceutical market, including the rapidly growing sector of next-generation pharmaceuticals, by supplying pharmaceutical companies with comprehensive products and services.





GG10 Critical Care

Health Care

We will pursue growth by expanding operations in cardiopulmonary resuscitation and other existing areas as well as in adjacent areas in order to contribute to improved health care and save more lives.

Operating Environment — Global growth in medical needs related to heart disease

Heart disease is the leading cause of death in the U.S. and many other developed countries. This situation is stimulating global growth in medical needs related to defibrillators for treating cardiac arrest and other lifesaving devices, as well as equipment for diagnosing and treating heart disease and related conditions.

Defibrillators include those implanted in the body and those that are used externally. External defibrillators include those used by healthcare institutions, the automated external defibrillators (AEDs) placed in public facilities, and the wearable defibrillators that are worn at all times by individuals at risk of cardiac arrest. When a person is in cardiac arrest, the chance of survival decreases by the minute. As such, it is important to further spread the availability of medical devices and systems for swiftly saving people's lives.

Moreover, there are substantial unmet medical needs in areas adjacent to heart disease as there are still numerous diseases for which effective treatments have yet to be established.

Strengths of the Asahi Kasei Group — Market-leading lineup of defibrillators along with new businesses established through M&A

Our subsidiary ZOLL Medical Corporation offers a broad product portfolio with outstanding technology related to cardiopulmonary resuscitation. ZOLL has continued to grow its existing operations while acquiring new technologies and businesses through M&A.

Currently, ZOLL's two main business domains are resuscitation, in which it supplies defibrillators for healthcare institutions and AEDs, and cardiac management solutions, which is centered on the LifeVest™ wearable defibrillator.

With business centered in the U.S., ZOLL has a world-leading market share for defibrillators for healthcare institutions, AEDs, and LifeVest™ along with a superior R&D capabilities and support systems that have earned high levels of customer satisfaction. Moreover, a solid position has been built for LifeVest™ as a bellwether for developing new markets. LifeVest™ has been worn by more than 800,000 people around the world and has saved thousands of lives.

In addition, ZOLL purchased Respicardia, Inc., and Itamar Medical Ltd. in fiscal 2021, thereby entering a new business field through the acquisition of innovative devices for diagnosing and treating sleep apnea, which is common among heart disease patients.

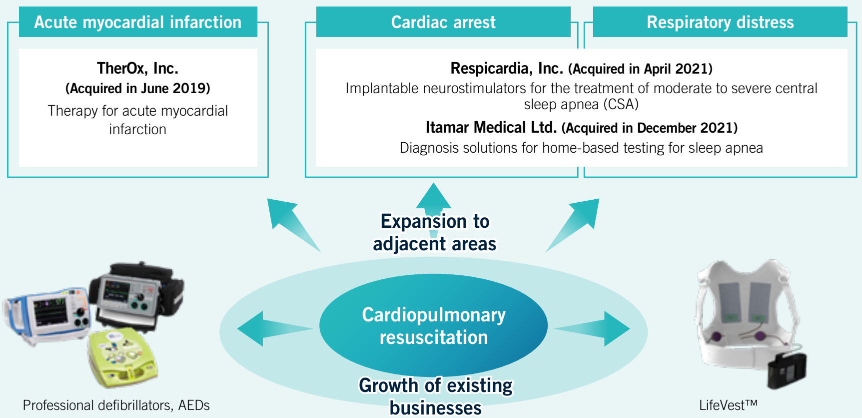
Business Strategies

Pursuit of growth by augmenting our portfolio in cardiopulmonary disease areas

We have continued to pursue organic growth in existing critical care businesses centered on cardiopulmonary resuscitation. We are also expanding our existing businesses and branching into adjacent fields through M&A.

In resuscitation, we are solidifying our market position by expanding operations in the U.S., Europe, and other regions while diversifying our product portfolio. In cardiac management solutions, we have heightened the penetration of LifeVest™ in the U.S. and other markets. Looking ahead, we will further promote LifeVest™ with the goal of having it adopted as a standard of care.

Meanwhile, the heart disease insight gained and the relationships built with healthcare institutions will be used to accelerate the market adoption of the sleep apnea diagnosis and treatment solutions of Respicardia and Itamar Medical. We aim to achieve further growth by enriching our portfolio of products that address unmet medical needs in cardiopulmonary disease as well as areas adjacent to critical care.



Interview with the CEO of ZOLL Medical Corporation

Critical Care

Driving the growth of the Asahi Kasei Group, pressing ahead for the next 10 years

Jonathan Rennert

Chief Executive Officer
ZOLL Medical Corporation

Q1 This year marks the 10th anniversary of ZOLL joining the Asahi Kasei Group in 2012. Since then, ZOLL has achieved remarkable growth. What are the key factors and driving forces of this success?

We're very proud of ZOLL's growth. We have quadrupled our business in the last 10 years, and Asahi Kasei has been tremendously supportive of our efforts.

There are several factors that have driven the successful relationship between Asahi Kasei and ZOLL. One of the most important is the respect each organization holds for the other. We have a mutually beneficial, symbiotic relationship that is based on trust and respect. Together, we have found the right balance of Asahi Kasei's support and governance and ZOLL's autonomy. For example, Asahi Kasei's sound financial foundation and our shared emphasis on innovation have enabled ZOLL to pursue our growth strategies in the ways we think are best for our business and for the larger group of Asahi Kasei companies.

Another reason for our mutual success is that Asahi Kasei and ZOLL are both focused on long-term growth. Since joining Asahi Kasei, ZOLL has achieved a compound annual growth rate of 14%, and we are very proud to be a leading part of what is an incredibly resilient and determined long-term growth culture.

Q2 ZOLL has expanded its businesses through M&A. What kind of strategic investments has ZOLL pursued, and what do you focus on when evaluating opportunities?

ZOLL is always looking for M&A opportunities that complement our business, spur growth, and positively enhance patient care. We have three approaches to strategic investments:

- Small equity investments in startups that we think hold great potential;
- Structured investments in companies with an option to purchase in the future;
- Outright acquisition of companies and technologies that we think offer a good fit with our portfolio of solutions.

Since joining Asahi Kasei in 2012, ZOLL has made 12 acquisitions—totaling approximately $1.2 billion of acquisition cost—and numerous equity investments. Some of those transactions have augmented existing businesses, while others are helping us expand into adjacent markets.

Critical Care

Q3 Regarding the core businesses of Resuscitation and Cardiac Management Solutions, what continuous growth trajectory is ZOLL aiming for? And what is the company focusing on specifically?

ZOLL's largest businesses are the Resuscitation and Cardiac Management Solutions (CMS) divisions. Although both lead their respective markets, they continue to pursue aggressive growth strategies as there are still many unserved patients who would benefit from ZOLL's technologies.

In Resuscitation, we are investing in innovation and product development to extend our market leadership in external defibrillators. We also continue to diversify our revenue base, including meeting increased demand for integrated data solutions, and growing ExpertCare™ Services, which covers product training, device testing, software updates, and technical support.

Our CMS division focuses on the diagnosis, treatment, and management of acute cardiovascular disease, evolving from an initial emphasis on preventing sudden cardiac death (SCD) to addressing broader clinical needs across the cardiac disease "continuum of care." Of course, we remain committed to CMS' flagship product, the LifeVest® wearable cardioverter defibrillator (WCD): Twenty years after ZOLL pioneered the commercialization of this technology, other providers have started to enter this space, which validates our strategy and will only drive deeper adoption by physicians around the world. Additionally, we are expanding our portfolio of cardiac diagnostic products, including launching the ZOLL Arrhythmia Management System (AMS) in 2021. Lastly, CMS is collaborating closely with ZOLL's newest divisions to help more patients receive diagnosis and treatment for sleep-disordered breathing conditions, which are shown to correlate with cardiovascular disease, and help strengthen the collaboration between the worlds of cardiology and sleep medicine.

Q4 In 2021, ZOLL acquired Respicardia and Itamar. What were the objectives for these acquisitions as new fields of business for ZOLL? And what value will they create?

Sleep-disordered breathing is a major co-morbidity of cardiac disease, and ZOLL's acquisition of Respicardia and Itamar in 2021 will help us extend our core mission of helping to save more lives.

Research shows complex interrelationships between cardiovascular disease and both obstructive sleep apnea (OSA) and central sleep apnea (CSA). For example, CSA is common in patients with heart failure—with an estimated 10 million patients worldwide who suffer from both.

We see tremendous potential for increasing the synergy between the worlds of cardiology and sleep medicine, and that's been supported by recent clinical guidance on the importance of systematic screening of cardiology patients for sleep apnea. Of course, ZOLL already has deep roots and expertise in cardiac disease, and expanding into sleep-disordered breathing will enable us to help even more underserved patients with products that complement each other in the areas of diagnosis and treatment.

Itamar's WatchPAT™ is revolutionizing diagnosis of sleep apnea with an at-home test that is commercially available in multiple markets, including the U.S., Japan, and Europe. By helping connect the world of cardiology with the world of sleep-disordered breathing, we expect to extend Itamar's leadership position in the home sleep-apnea testing (HSAT) market.

Itamar's WatchPAT™ ONE home sleep apnea test device

Critical Care

Our Respicardia division offers the remedē® System, which is the only implantable device approved by the FDA to treat moderate to severe CSA in adult patients. Since joining ZOLL in April 2021, Respicardia has seen significant and steady growth in implants and order revenue, and we expect that momentum will accelerate throughout 2022.

Q5 What areas will ZOLL expand in moving forward? In fiscal 2022, what areas is ZOLL investing in?

There are powerful trends influencing international opportunities—including aging populations, investments in digitalization, and demand for improved health services—and the global market for medtech is expected to reach approximately $600 billion by 2025. We recognize the tremendous opportunities in markets outside of the U.S., and we prioritize accordingly.

We will also continue to evaluate M&A opportunities and could be in a position to execute additional transactions should the conditions be attractive. Finally, we plan to be active in small strategic equity investments this year.

However, our main focus in fiscal 2022 will be to support and grow the companies that have recently joined the ZOLL family. Each new technology added to our portfolio represents market opportunities in the billions of dollars. We will concentrate on realizing synergies and accelerating market penetration.

Q6 ZOLL has become the driver of the Health Care business sector of the Asahi Kasei Group. What is ZOLL aiming for in the next ten years?

As ZOLL looks to the future, our business strategy remains focused on improving outcomes for underserved patients suffering from critical cardiopulmonary conditions.

We have aggressive goals for growth. While maintaining our leadership positions in resuscitation, we will continue to broaden our scope to other areas of acute critical care, including acute myocardial infarction (AMI), heart failure (HF), and sleep-disordered breathing and acute respiratory care.

To get there, we will continue to: diversify our portfolio of products and solutions; pursue the clinical work to prove other indications of use for those solutions; and realize the synergies of recent acquisitions to fuel future growth.

For the past decade, Asahi Kasei has been on a journey to become a global healthcare company, and ZOLL has been a big part of that journey. Our contributions include a record of growth and significant contributions to Asahi Kasei's financial performance—contributions that will continue.

ZOLL represents Asahi Kasei's largest workforce in the U.S., and there are two areas of additional contribution that stem from that. One is that, because of the size of ZOLL's workforce in the U.S., we carry significant value as "brand ambassadors" for Asahi Kasei in a marketplace where the

Asahi Kasei brand is less well known. Another contribution is that we serve as a bridge between Asahi Kasei's Japanese heritage and some of the different management styles commonly used in U.S.-based companies, and having a decade of experience balancing this dynamic has been helpful as more companies join the Asahi Kasei family. It all comes back to the mutual respect and symbiotic relationship between ZOLL and Asahi Kasei.

04

Strengthening of Corporate Governance

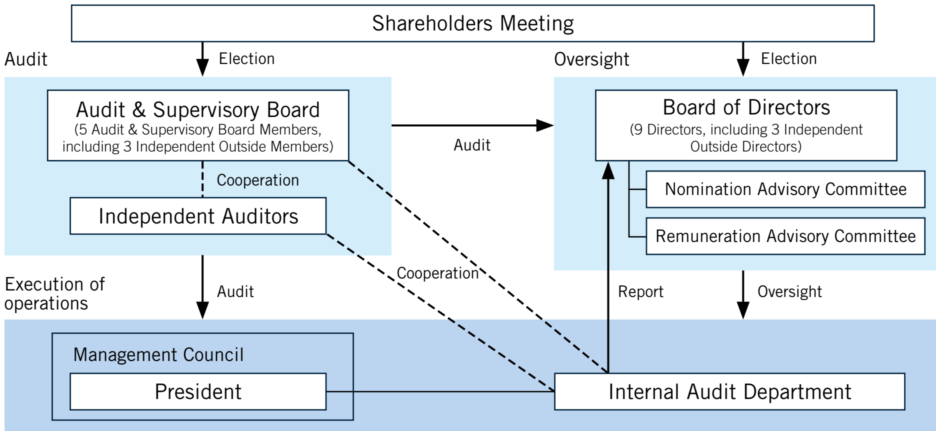
Corporate Governance

Basic Approach

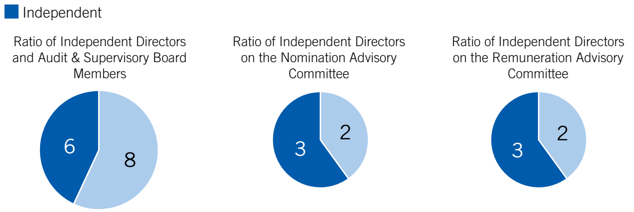
Guided by the Group Mission of contributing to life and living for people around the world, the Group Vision for Asahi Kasei is to provide new value to people throughout the world and help resolve social issues by enabling “living in health and comfort” and “harmony with the natural environment.” Based on this approach, we aim to contribute to society while achieving sustainable growth and improving corporate value over the medium to long term, by spurring innovation and creating synergies through the integration of our diverse range of businesses.

To that end, we will continuously pursue the optimal corporate governance framework for ensuring transparent, fair, timely, and resolute decision-making in accordance with changes in the business environment.

Corporate Governance Configuration

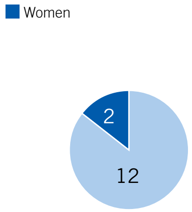


Ratio of Independent Officers



Note: 6 out of 14 Officers are independent (3 out of 9 Directors are independent)

Ratio of Women



Note: 2 out of 14 Officers are women (1 out of 9 Directors is a woman)

Meetings of the Board of Directors, Advisory Committees, and Audit & Supervisory Board (fiscal 2021)

	Composition	No. of Meetings Held	Average Attendance	Main Subjects of Agenda
Board of Directors **Chair** Hideki Kobori	All 9 Directors All 5 Audit & Supervisory Board Members	15	99%	• Business investment • Medium-term management plan • Risk management and compliance
Nomination Advisory Committee **Chair** Tsuyoshi Okamoto	**Outside Directors** Tsuneyoshi Tatsuoka Tsuyoshi Okamoto Yuko Maeda **Representative Directors** Hideki Kobori Shigeki Takayama	3	100%	• Optimum composition and size of Board of Directors • Policy for nomination of candidates to be Directors and Audit & Supervisory Board Members • Standards for judging independence of Outside Directors and Audit & Supervisory Board Members
Remuneration Advisory Committee **Chair** Tsuyoshi Okamoto	**Outside Directors** Tsuneyoshi Tatsuoka Tsuyoshi Okamoto Yuko Maeda **Representative Directors** Hideki Kobori Shigeki Takayama	6	100%	• Policy and system for remuneration of Directors • Deciding on performance-linked remuneration of individual Directors
Audit & Supervisory Board **Chairperson** Masafumi Nakao	All 5 Audit & Supervisory Board Members	18	99%	• Auditing state of performance of Directors' duties • Auditing state of operations and financial affairs • Evaluation of Independent Auditors

Major Activities of Outside Officers

Attendance rate of Outside Directors and Audit & Supervisory Board Members at meetings of the Board of Directors 96.2%

Tsuneyoshi Tatsuoka	93%	Tsuyoshi Okamoto	100%
Yuko Maeda	100%	Akio Makabe	100%
Tetsuo Ito	93%	Akemi Mochizuki	91%

Attendance rate of Outside Directors at meetings of the Nomination Advisory Committee 100%

Tsuneyoshi Tatsuoka	100%
Tsuyoshi Okamoto	100%
Yuko Maeda	100%

Attendance rate of Outside Directors at meetings of the Remuneration Advisory Committee 100%

Tsuneyoshi Tatsuoka	100%
Tsuyoshi Okamoto	100%
Yuko Maeda	100%

Attendance rate of Outside Audit & Supervisory Board Members at meetings of the Audit & Supervisory Board 97.3%

Akio Makabe	100%
Tetsuo Ito	100%
Akemi Mochizuki	92%

Fields in Which Expectations of Directors and Audit & Supervisory Board Members Are Particularly High

In order to contribute to life and living for people around the world, Asahi Kasei pursues two aspects of sustainability: "contributing to a sustainable society" and "sustainable growth of corporate value." To this end, we have identified the knowledge, experience, and capabilities required to advance Group management and its supervision and auditing at a higher level in a discontinuous and uncertain business environment, and have considered the composition of the Board of Directors with consideration to the balance of its diversity and independence.

Specifically, in addition to expertise in the fields of corporate management & strategy, finance & accounting, legal affairs, intellectual property, & risk management, and R&D, manufacturing, & technology, which are indispensable for pursuing opportunities and reducing risks, we also emphasize global knowledge to align with the internationalization of markets and businesses, digital expertise to advance digital transformation, knowledge of the environment & society to respond to changes in the social environment and the status of stakeholders with agility, and human resource management expertise to utilize people as the foundation of business management.

We expect each Director and Audit & Supervisory Board Member to demonstrate their knowledge, experience, capabilities, etc., especially in the areas described as follows, and will accordingly carry out important decision-making of group management and appropriate supervision and auditing comprehensively from diverse perspectives.

			Corporate Management & Strategy	Finance & Accounting	Legal Affairs, Intellectual Property & Risk Management	R&D, Manufacturing & Technology	Global	Digital	Environment & Society	Human Resource Management
Directors	Hideki Kobori		★		★				★	
	Koshiro Kudo		★				★		★	★
	Shuichi Sakamoto		★				★		★	★
	Fumitoshi Kawabata		★						★	★
	Kazushi Kuse					★		★	★	
	Toshiyasu Horie		★	★					★	
	Tsuneyoshi Tatsuoka	Independent			★		★		★	
	Tsuyoshi Okamoto	Independent	★	★					★	
	Yuko Maeda	Independent			★	★			★	
Audit & Supervisory Board Members	Masafumi Nakao				★	★		★	★	
	Yutaka Shibata			★	★				★	
	Tetsuo Ito	Independent			★				★	
	Akemi Mochizuki	Independent		★					★	
	Haruyuki Urata	Independent	★	★					★	

Note: Up to four fields with particularly high expectations are noted for each individual. The table above does not represent all of the knowledge, experience, and capabilities of each individual.

Results of Evaluation of Effectiveness of the Board of Directors (fiscal 2021)

The Board of Directors conducts regular evaluations of its own effectiveness through deliberations at meetings of the Board of Directors at the end of each fiscal year. The main measures implemented in fiscal 2021 and issues recognized for the future are as follows:

Main measures implemented in fiscal 2021

The Board of Directors implemented the following measures in fiscal 2021 based on the evaluation of the previous fiscal year.

1) Consideration of the role of the Board of Directors throughout the year, including enhanced agenda items relating to medium- to long-term management issues and holding meetings of independent officers

The Board of Directors actively took up and deliberated agenda items relating to sustainability, business portfolio management, risk management promotion, and the new medium-term management plan that starts in fiscal 2022. Furthermore, in addition to the regular meeting opportunities between Outside Directors and Audit & Supervisory Board Members that were held in the past, in October 2021, an opportunity was created for only Outside Directors and Outside Audit & Supervisory Board Members to hold a discussion on the role of the Board of Directors, the nature of explanations and deliberations at meetings of the Board of Directors, and how to evaluate the effectiveness of the Board of Directors, from an independent and objective standpoint, as an interim review of effectiveness evaluations of the Board of Directors. Based on this, and following multiple deliberations at meetings of the Board of Directors, the following items were determined as described below: 2) Introduction of “matters to be discussed” and narrowing down of agenda items, and 3) Improvements to enhance deliberations at meetings of the Board of Directors.

2) Introduction of “matters to be discussed” and narrowing down of agenda items

In addition to “matters for resolution” and “matters for reporting,” “matters to be discussed” was established as an agenda item to further deepen deliberations on important management matters, such as, for example, financial and capital policies, establishment of optimum governance, the medium-term management plan and other management plans, business portfolio strategies, and large-scale M&A and investments. At the same time, the scope of sustainability and diversity-related matters to be discussed by the Board of Directors was expanded, while the entrustment of decision-making authority for certain business operations, such as capital investment and personnel affairs, was promoted to ensure prompt management decision-making and effective deliberations by the Board of Directors.

3) Improvements to enhance deliberations at meetings of the Board of Directors

The Board of Directors further enhanced deliberations at its meetings by increasing the time for questions and answers on the day of meetings based on prior explanations to Outside Directors and by clarifying issues and improving executive summaries for large-scale M&A and investment projects, etc.

Issues recognized for the future

Based on measures implemented in fiscal 2021, the Board of Directors has confirmed a common awareness of the following issues for the future.

1) Review and improve results of efforts during the current fiscal year

Based on the improvement efforts made during the current fiscal year, conduct an interim review and make improvements in a timely and appropriate manner.

2) Deepen deliberations on the makeup of the Board of Directors

Continuously examine the size and makeup of the Board of Directors, including its independence and diversity.

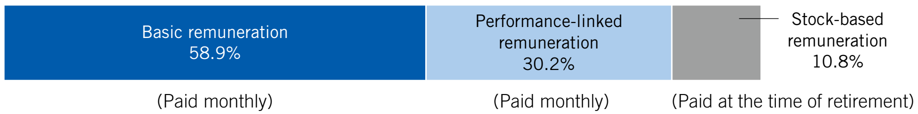
Officer Remuneration

Remuneration for Officers in fiscal 2021

The amount of remuneration, etc., of Directors and Audit & Supervisory Board Members in fiscal 2021

Classification		Amount paid (Millions of yen)	Breakdown by remuneration type (Millions of yen): Basic remuneration	Performance-linked remuneration	Stock-based remuneration	Number of Directors and Audit & Supervisory Board Members paid
Directors		470	297	127	46	11
	of which, Outside Directors	49	49	–	–	4
Audit & Supervisory Board Members		140	140	–	–	6
	of which, Outside Audit & Supervisory Board Members	45	45	–	–	3

Composition of remuneration for Executive Directors in fiscal 2021



- Performance-linked remuneration = commitment to results
- Stock-based remuneration = perspective of shareholders

Note: Outside Directors receive basic remuneration only.

Remuneration for Directors

At the 131st Ordinary General Meeting of Shareholders, held on June 24, 2022, Asahi Kasei submitted and obtained approval for a proposal to raise the maximum monetary remuneration for Directors and Audit & Supervisory Board Members and partially revise its stock-based remuneration system. The Company also revised its policy for determining the content of individual remuneration, etc., for each Director (hereinafter, the “decision-making policy”). The following is an outline of remuneration for Directors following the revision.

(1) Decision-making policy

As one of the corporate governance mechanisms to ensure that the Asahi Kasei Group achieves sustainable growth and enhances corporate value over the medium to long term, the Board of Directors sought the advice of the Remuneration Advisory Committee on the decision-making policy. Respecting the contents of the committee’s report, the Board of Directors passed a resolution on the decision-making policy, which includes the following basic policy.

Basic policy

The Directors' remuneration of the Company is one of the important components of corporate governance. The Company designs this system to provide appropriate incentives to both executives and supervisors for achieving sustainable growth and improving medium- to long-term corporate value.

Remuneration for Non-executive Directors[1] including Outside Directors, who supervise the management of the Company, solely comprises fixed basic remuneration at a level determined in consideration of third-party survey data, in order to secure a high degree of independence unaffected by short-term earnings fluctuations.

The remuneration for Executive Directors combines performance-linked remuneration with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration, which serves a basic livelihood, in order to provide incentives tied to earnings and management strategy as senior management, with levels of remuneration amounts and proportions of types of remuneration adjusted as appropriate for each role according to management strategy and tasks, in consideration of third-party survey data.

To ensure the optimal way of remunerating Directors and the design of the remuneration system, the Board of Directors and the Remuneration Advisory Committee regularly deliberate and continually confirm their appropriateness and make improvements.

[1] Non-executive Directors include the Chairman.

(2) Basic design

1) Performance-linked remuneration

- Designed by combining both the achievement of financial targets, such as capital efficiency, to provide incentives tied to earnings and management strategy as management leaders, together with the achievement of non-financial targets including individual targets, one of which is progress on sustainability
- Calculated by making a comprehensive judgment based on achievement of financial targets such as consolidated net sales, operating income, return on invested capital (ROIC), etc., together with achievement of individually set targets, including progress on sustainability
- Standards for financial incentives selected from the perspectives of appropriateness as clear and objective evaluation criteria based on earnings results as well as awareness for increased capital efficiency
- The formula required to calculate individual performance-linked remuneration is outlined as follows:

Index calculated by evaluation[2] × Basic amount by rank = Individual performance-linked remuneration amount

[2] Coefficient comprehensively considering achievement of financial targets and non-financial targets

In conjunction with the revision of the decision-making policy, Asahi Kasei revised the performance-linked remuneration component of remuneration for Directors. Specifically, the Company changed its standard financial indicators from ROA to ROIC from the perspective of emphasizing awareness of the importance of increasing invested capital efficiency and of linking remuneration with the degree of achievement of the targets established in the medium-term management plan.

2) Stock-based remuneration

- Designed to reinforce a common perspective with shareholders, including both the benefits of share price increases and the risk of share price decreases
- A trust established by Asahi Kasei acquires shares of the Company and grants them to eligible Directors. Based on the Share Grant Regulations adopted by the Board of Directors, eligible Directors are conferred points in accordance with their rank (maximum of 150,000 points per fiscal year) and the shares are granted to eligible Directors corresponding to the accumulated number of points at the time of their retirement as Director and as Executive Officer of the Group (one share of stock per point).

Point calculation formula

Standard points determined for each individual rank × 50% + Standard points determined for each individual rank × 50% × performance-linked index

The "performance-linked index" shall be a number[1] determined in the range of 0.0 to 1.5 according to the degree of target achievement[2] of non-financial and other indicators relating to sustainability set forth in the medium-term management strategies and plans.

Indicator	Weight	Indicator Calculation Method	FY2022 Target	FY2024 Target
Job satisfaction	1/3	Percentage of employees absent due to mental illness	0.80%	0.64%
DX	1/3	Total number of digital professionals	1,000	2,500
Diversity	1/3	Percentage of female employees in line posts and highly specialized positions	3.9%	5.0%

1 Values set forth in the table on the right shall be used as the performance-linked index according to the degree of achievement of the targets.

2 Targets are set for each fiscal year for the above-mentioned indicators and the percentage of achievement for each indicator is calculated. The degree of target achievement is deemed to be the total of the achievement percentage for each indicator multiplied by each of the weights.

Degree of Target Achievement	Performance-Linked Index
120% or more	1.5
105% or more but less than 120%	1.2
95% or more but less than 105%	1.0
80% or more but less than 95%	0.5
Less than 80%	0.0

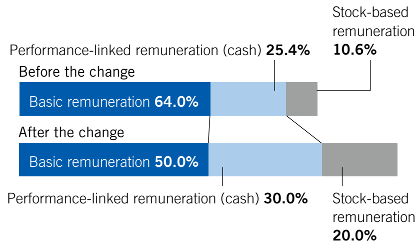
Asahi Kasei revised its stock-based remuneration system at the 131st Ordinary General Meeting of Shareholders held on June 24, 2022. Specifically, in order to further improve the link between the stock-based remuneration system and the Group's medium-term management strategies and plans, the Company changed to a performance-based stock remuneration system linking the number of shares granted to the degree of achievement of performance targets. In addition, the Company raised the maximum number of shares to be granted to Directors under the revised system by increasing the maximum amount of money to be contributed by the Company to the trust for acquiring the shares of the Company, and the maximum number of points to be granted to Directors (revising the upper limit on the total number of points per fiscal year to be granted to eligible Directors from 100,000 to 150,000).

(3) Decision-making process

- As authorized by the Board of Directors, the Remuneration Advisory Committee confirms the reasonableness and appropriateness of the evaluation of the achievement of targets by Executive Directors, as proposed by the President & Director, and determines remuneration amounts for individual Directors by applying this evaluation to the framework formula determined by the Board of Directors.
- The Board of Directors determines the amount of fixed basic remuneration by rank.
- Stock-based remuneration is granted when certain conditions are met, corresponding to points conferred based on the Share Grant Regulations adopted by the Board of Directors (the Remuneration Advisory Committee reports the degree of achievement of targets and the performance-linked indicators at the end of each fiscal year in relation to stock-based remuneration).
- The Remuneration Advisory Committee comprises a majority of Outside Directors and regularly reports to the Board of Directors on the process of confirmation and determination described on the left.

(4) Changes to breakdown and levels of remuneration

As a result of the revision of remuneration for Directors, the breakdown and levels of remuneration for the President & Representative Director will be changed as described on the right on the assumption that the basic amount is multiplied by an evaluation index of 100%.



Remuneration for Audit & Supervisory Board Members

The performance-linked remuneration system is not applied with regard to the remuneration for Audit & Supervisory Board Members, and their remuneration consists of fixed remuneration. Individual remuneration amounts are determined through discussions with Audit & Supervisory Board Members.

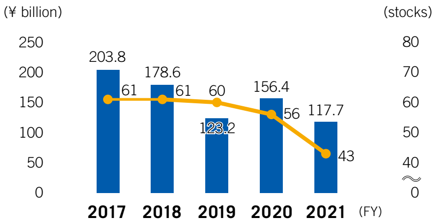
Strategic Shareholdings

The Company is continuing to reduce its holdings of shares held for purposes other than pure investment (strategic shareholdings), taking into consideration factors such as the risk of share price fluctuations, costs associated with such holdings, and capital efficiency.

The purpose, effectiveness, and economic rationale of individual strategic shareholdings are regularly evaluated from qualitative and quantitative aspects each year, and are reviewed by the Board of Directors.

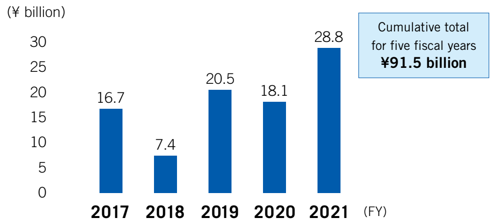
As a result of the verification, the Company reduces, through sales or other means, holdings of shares judged to be no longer compatible with the purpose of holding them or deemed to have costs and risks that outweigh the benefits of holding them, taking into consideration the conditions of the company concerned.

Strategic holdings of listed shares



Fiscal year-end amounts of strategic shareholdings on the balance sheets (left scale)
Number of stocks (right scale)

Sales of strategic shareholdings



Note: During fiscal 2021, the Company sold all of its holdings in 13 stocks including Bridgestone Corporation and Lion Corporation. As a result, at the end of fiscal 2021, strategic shareholdings (including unlisted companies) amounted to 7% of consolidated net assets.

Directors and Audit & Supervisory Board Members (as of June 24, 2022)

Directors

Hideki Kobori

Chairman & Representative Director

April 1978	Joined Asahi Kasei
April 2008	Asahi Kasei Microdevices Director, Senior Executive Officer
April 2009	Asahi Kasei Microdevices Director, Primary Executive Officer
April 2010	Asahi Kasei Microdevices President & Representative Director, Presidential Executive Officer
April 2012	Asahi Kasei Senior Executive Officer
June 2012	Asahi Kasei Director (position held at present)
April 2014	Asahi Kasei Representative Director (position held at present), Primary Executive Officer
April 2016	Asahi Kasei President and Director, Presidential Executive Officer
April 2022	Asahi Kasei Chairman and Director (position held at present)

Koshiro Kudo

President & Representative Director

Presidential Executive Officer

April 1982	Joined Asahi Kasei
April 2013	Asahi Kasei Fibers Executive Officer
April 2016	Asahi Kasei Lead Executive Officer
April 2017	Asahi Kasei President of Fibers & Textiles SBU, Senior General Manager, Osaka Office
April 2019	Asahi Kasei Senior Executive Officer, President of Performance Products SBU
June 2021	Asahi Kasei Director (position held at present)
April 2022	Asahi Kasei Representative Director (position held at present), President and Director (position held at present), Presidential Executive Officer (position held at present)

Shuichi Sakamoto

Director

Primary Executive Officer

April 1981	Joined Asahi Kasei
April 2011	Asahi Kasei Chemicals Executive Officer
April 2014	Asahi Kasei Chemicals Director, Senior Executive Officer
November 2014	Asahi Kasei Lead Executive Officer, Corporate Strategy General Manager
April 2016	Asahi Kasei Senior Executive Officer
June 2016	Asahi Kasei Director (position held at present)
April 2018	Asahi Kasei Pharma Chairman & Director (position held at present) Asahi Kasei Medical Chairman & Director (position held at present)
April 2019	Asahi Kasei Primary Executive Officer (position held at present)

Fumitoshi Kawabata

Director

Primary Executive Officer

April 1982	Joined Asahi Kasei
April 2012	Asahi Kasei Homes Executive Officer
April 2013	Asahi Kasei Homes Director (position held at present), Senior Executive Officer
April 2014	Asahi Kasei Homes Marketing Division General Manager
February 2016	Asahi Kasei Homes Chubu Sales Division General Manager
April 2017	Asahi Kasei Senior Executive Officer Asahi Kasei Homes President & Representative Director (position held at present), Presidential Executive Officer (position held at present)
April 2019	Asahi Kasei Primary Executive Officer (position held at present)
June 2019	Asahi Kasei Director (position held at present)

Kazushi Kuse

Director

Primary Executive Officer

April 1987	Joined IBM Japan
April 2005	IBM Japan Executive Officer
January 2008	IBM Vice President
January 2017	IBM Japan Chief Technology Officer
July 2020	Joined Asahi Kasei Asahi Kasei Executive Officer Asahi Kasei Executive Fellow
April 2021	Asahi Kasei Senior Executive Officer Asahi Kasei Digital Value Co-Creation Senior General Manager (position held at present)
April 2022	Asahi Kasei Primary Executive Officer (position held at present)
June 2022	Asahi Kasei Director (position held at present)

Directors

Toshiyasu Horie

Director
Senior Executive Officer

April 1985	Joined Asahi Kasei
April 2015	Asahi Kasei Chemicals Corporate Planning & Coordination General Manager
April 2016	Asahi Kasei Petrochemicals Business SBU Planning & Coordination General Manager
April 2019	Asahi Kasei Executive Officer
April 2020	Asahi Kasei Lead Executive Officer
April 2022	Asahi Kasei Senior Executive Officer (position held at present)
June 2022	Asahi Kasei Director (position held at present)

Tsuneyoshi Tatsuoka

Outside Director

April 1980	Joined Ministry of International Trade and Industry
January 2010	Councilor, Cabinet Secretariat
August 2011	Deputy Vice-Minister of Economy, Trade and Industry
June 2013	Vice-Minister of Economy, Trade and Industry
July 2015	Retired from Ministry of Economy, Trade and Industry
June 2016	Asahi Kasei Director (position held at present)

Tsuyoshi Okamoto

Outside Director

April 1970	Joined Tokyo Gas Co., Ltd.
June 2002	Tokyo Gas Co., Ltd. Executive Officer
April 2004	Tokyo Gas Co., Ltd. Senior Executive Officer
June 2004	Tokyo Gas Co., Ltd. Director
April 2007	Tokyo Gas Co., Ltd. Representative Director, Executive Vice President
April 2010	Tokyo Gas Co., Ltd. Representative Director, President
April 2014	Tokyo Gas Co., Ltd. Director, Chairman
April 2018	Tokyo Gas Co., Ltd. Director, Senior Corporate Advisor
June 2018	Asahi Kasei Director (position held at present)
July 2018	Tokyo Gas Co., Ltd. Senior Corporate Advisor (position held at present)

Yuko Maeda

Outside Director

April 1984	Joined Bridgestone Corporation
September 2003	Tokyo Medical and Dental University Director of Technology Transfer Center and Intellectual Property Manager of Intellectual Property Right Department
October 2009	Tokyo Medical and Dental University Visiting Professor
October 2011	Kyoto Prefectural University of Medicine Specially Appointed Professor
May 2013	Bridgestone Corporation Executive Officer
April 2014	Japan Agency for Marine-Earth Science and Technology Auditor (position held at present)
January 2017	CellBank Corp. Director (position held at present)
October 2020	Kyushu University Executive Vice President (position held at present)
June 2021	Asahi Kasei Director (position held at present)

Audit & Supervisory Board Members

Masafumi Nakao

Audit & Supervisory Board Member

April 1978	Joined Asahi Kasei
April 2009	Asahi Kasei Microdevices Director, Executive Officer
April 2012	Asahi Kasei Lead Executive Officer, New Business Development General Manager
June 2012	Asahi Kasei Director
April 2014	Asahi Kasei Corporate Research & Development General Manager
June 2014	Retired as Asahi Kasei Director
April 2015	Asahi Kasei Senior Executive Officer
April 2016	Asahi Kasei Primary Executive Officer
June 2016	Asahi Kasei Director
April 2017	Asahi Kasei Representative Director, Vice-Presidential Executive Officer
June 2019	Asahi Kasei Audit & Supervisory Board Member (position held at present)

Yutaka Shibata

Audit & Supervisory Board Member

April 1979	Joined Asahi Kasei
April 2008	Asahi Kasei Executive Officer
April 2009	Asahi Kasei Lead Executive Officer
April 2011	Asahi Kasei Kuraray Medical President & Representative Director, Presidential Executive Officer Asahi Kasei Medical President & Representative Director, Presidential Executive Officer
April 2016	Asahi Kasei Primary Executive Officer
April 2017	Asahi Kasei Pharma President & Representative Director, Presidential Executive Officer
June 2018	Asahi Kasei Director
April 2019	Asahi Kasei Vice-Presidential Executive Officer
June 2021	Asahi Kasei Audit & Supervisory Board Member (position held at present)

Tetsuo Ito

Outside Audit & Supervisory Board Member

April 1975	Joined Public Prosecutors Office
June 2001	Director, Special Investigation Dept., Tokyo District Public Prosecutors Office
July 2007	Chief Prosecutor, Tokyo District Public Prosecutors Office
July 2008	Superintending Prosecutor, Takamatsu High Public Prosecutors Office
January 2009	Deputy Prosecutor-General, Supreme Public Prosecutors Office
December 2010	Retired from Public Prosecutors Office
April 2011	Certified as an attorney of Counsel, Nishimura & Asahi law firm (position held at present)
June 2015	Asahi Kasei Audit & Supervisory Board Member (position held at present)

Akemi Mochizuki

Outside Audit & Supervisory Board Member

October 1984	Joined Aoyama Audit Corporation
March 1988	Certified as a Certified Public Accountant
August 1996	Joined Tohmatsu Audit Corporation (currently Deloitte Touche Tohmatsu LLC)
June 2001	Tohmatsu Audit Corporation Partner
July 2018	Akahoshi Audit Corporation Partner (position held at present)
June 2021	Asahi Kasei Audit & Supervisory Board Member (position held at present)

Haruyuki Urata

Outside Audit & Supervisory Board Member

April 1977	Joined Orient Leasing Co., Ltd. (currently ORIX Corporation)
February 2005	ORIX Corporation Executive Officer
August 2006	ORIX Corporation Managing Executive Officer
June 2007	ORIX Corporation Managing Director
January 2008	ORIX Corporation Director and Deputy President
January 2009	ORIX Corporation Director and Deputy President, and Group CFO
January 2011	ORIX Corporation Representative Director and Deputy President, and Group CFO
June 2015	ORIX Bank Corporation Representative Director and President
June 2020	ORIX Bank Corporation Director and Chairman
June 2021	ORIX Bank Corporation Special Adviser (position held at present)
June 2022	Asahi Kasei Audit & Supervisory Board Member (position held at present)

Discussion Among Outside Directors

Honing flexibility and sensitivity to changes in the operating environment, achieving further growth as a sustainable company

How do you rate "Be a Trailblazer," the new medium-term management plan for 2024, and what expectations do you have for the new management team?

Tatsuoka In formulating the new medium-term management plan (MTP), members of the Board of Directors shared their perceptions of the external environment and fully discussed matters to be incorporated into the plan over several meetings. Of particular note is the adoption of return on invested capital (ROIC) as a key performance indicator (KPI) for performance-linked remuneration, to emphasize capital cost and capital efficiency as well as sales and profits.

From the perspective of achieving sustainable growth, it is extremely important that Asahi Kasei has established the MTP to serve as a milestone until 2024, while advancing toward a vision for 2030, with portfolio management identified as a key for achieving the objectives.

Okamoto Likewise, I find it highly notable that discussions were advanced on a company-wide basis, including the process in which numerous discussions took place at meetings of the Board of Directors. The new MTP is an excellent plan that will allow Asahi Kasei to steadily advance its immediate priorities while maintaining a long-term outlook toward 2030. Particularly distinctive is Asahi Kasei's commitment to focusing on how it will strengthen its three-sector management through the plan.

In specific terms, the MTP clearly identifies 10 businesses—referred to as 10 Growth Gears (GG10)—that will drive Asahi Kasei's future growth. The plan also targets strategic structural transformation, setting out the way in which Asahi Kasei will renew its existing business portfolio. Furthermore, as the plan clarifies the approach to various issues, including policies on cash flow management and shareholder returns, I consider it to be well balanced and clear.

Tatsuoka I feel that the new MTP expresses Kudo-san's strong resolve as the new President. Asahi Kasei uses the term "A-Spirit" to express an "animal spirit" and the Asahi Kasei spirit comprising ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement. I hope that Asahi Kasei will promote the plan by successfully instilling this spirit throughout the company, allowing employees to swiftly exert their abilities to the fullest extent despite an uncertain outlook.

Tsuyoshi Okamoto
Outside Director

Yuko Maeda
Outside Director

Tsuneyoshi Tatsuoka
Outside Director

Okamoto It's important for employees to feel that corporate policies, not only the MTP, relate directly to them. A company depends on the strength of its front-line workers. The management style should enable those working on the front lines to sense the President's high expectations of them. While it entails a heavy responsibility for a new President to assume office amid a challenging and dramatically fluctuating operating environment, it must also be rewarding in the sense that Asahi Kasei celebrated its centenary in 2022 and is now embarking on its next 100 years.

Maeda I also hope that Asahi Kasei will develop employee-friendly workplaces where those on the front lines are motivated. In many cases at large Japanese companies, those whose efforts have underpinned the company over a long period become executives. At Asahi Kasei, however, the Executive Officer in charge of digital transformation took up the position only a few years after joining the company. Such flexible Executive Officer promotions are excellent in terms of providing motivation. Ideally, I would like to see the further promotion of women to such positions.

From a diversity perspective, I have concerns about the KPIs for non-financial metrics in the new MTP. The KPIs include only a numerical target for the number of women in senior positions. However, I am keen for Asahi Kasei to develop workplaces that are friendly not only to women but to all employees, including ways to reduce the personnel turnover rate. I think that having non-financial indicators as performance metrics for management is a very positive step toward making them effective.

How do you evaluate the corporate governance configuration? Also, what corporate governance issues do you think Asahi Kasei will face going forward?

Okamoto The Board of Directors evaluates its own effectiveness on an annual basis with regard to Asahi Kasei's corporate governance configuration, and I appreciate that the evaluations have accumulated substantial results. In the evaluations, members give their frank opinions, based on which various reforms and improvements have been promoted. For example, meetings between Outside Directors and Audit & Supervisory Board Members have been introduced, as have discussions among Outside Officers. Accordingly, I sense that the corporate governance configuration has improved steadily overall.

Maeda Although many companies hire outside experts to evaluate the effectiveness of their Board of Directors, Asahi Kasei conducts its evaluation internally. For this reason, evaluations contain many in-depth comments that reflect the actual situation, and indicate a good understanding of internal circumstances, which leads me to feel that information sharing is functioning well. Nevertheless, speaking as an outsider, there are times when it takes me some time to grasp the chronology of a matter proposed to the Board of Directors. I would appreciate it if such materials could be improved slightly to facilitate more in-depth discussions. Given the recent efforts to ensure that matters for deliberation are discussed fully, though, I do feel that discussions are improving steadily.

Tatsuoka The last few years have seen Asahi Kasei transition from a management system in which resolutions are passed on each agenda item to a monitoring system whereby important subjects are monitored on a company-wide basis. Asahi Kasei currently operates a hybrid system of management and monitoring. As a result, discussions on the new MTP followed a different format than with previous MTPs. I also feel that important subjects are being presented to the Board of Directors with greater frequency. Going forward, I hope the Board of Directors will more proactively discuss important issues that affect the company's future direction over the medium to long term—portfolio transformation and human resource development, for example. We should have deeper discussions on such subjects in addition to adopting resolutions on specific agenda items.

As Okamoto-san mentioned, meetings between Outside Directors and Audit & Supervisory Board Members, and among Outside Officers, now take place on a regular basis. Having a supervisory side whose members routinely communicate and exchange opinions with each other freely will help ensure smooth cooperation if an urgent situation arises. As regularly sharing information on matters identified enhances the ability of the supervisory side to execute their roles, I feel that such meetings have facilitated progress.

Okamoto The Board of Directors has long discussed the organizational structure in relation to corporate governance. Although Asahi Kasei is a company with an Audit & Supervisory Board, it also has a Nomination Advisory Committee and a Remuneration Advisory Committee. This structure enables the Board of Directors to operate flexibly in accordance with real conditions at any given time to determine matters to be discussed and decided upon. If this positive facet of its corporate governance is used effectively, I believe the Board of Directors can perform its governance functions satisfactorily through its current organizational structure.

What is your opinion on the series of fires and accidents at Asahi Kasei's plants? Also, what in your view is particularly important to prevent recurrences?

Maeda I have been greatly disappointed by the succession of accidents over the last few years. My biggest concern is whether the message that safety is the highest priority is properly reaching those working on the front lines. The company I worked at previously designated the day on which a fire had occurred as a company-wide disaster prevention day. Every year on that day, all officers would visit plants, where operations were stopped for the day to give employees the opportunity to reflect on disaster prevention and safety. Such steps were taken to impress upon employees that nothing is more important than preventing accidents. It's often difficult for large companies to thoroughly convey management's commitment in this regard to contractors and subcontractors. Demonstrating its corporate stance by designating a certain day for all employees to consider safety would be one way for Asahi Kasei to promote the issue.

Okamoto Accidents and corner-cutting tend to occur in places that are difficult for management to monitor. In its new MTP, I commend Asahi Kasei for focusing investments in the GG10 as growth drivers and bringing such businesses to center stage. At the same time, I wonder how it's possible to monitor and assess all the employees who support GG10 behind the scenes. I believe that enabling employees to work with pride, confidence, and a sense of responsibility will boost front-line morale and serve as an important element in contributing to a fundamental solution to accidents.

Tatsuoka The string of accidents is extremely regrettable and must be recognized as a serious matter. Issues of quality and safety have been raised as agenda items at meetings of the Board of Directors on numerous occasions. The Board of Directors has repeatedly discussed issues including the status of Asahi Kasei's systems for managing safety and quality, and how to increase employee awareness levels. In light of the accidents, however, maybe we should return to first principles and carry out thorough examinations based on the assumption that some fundamental issue may exist. I believe it's necessary not only to gather feedback from the front lines but also to examine matters of safety in specific terms by incorporating the views of objective third parties.

On what areas do you think Asahi Kasei must focus going forward in order to achieve ongoing improvements in corporate value?

Tatsuoka In its aim to achieve ongoing improvements in corporate value, I believe it is crucial for Asahi Kasei to promote businesses that society and people continuously consider to be essential by offering solutions to social issues regardless of the operating environment. Sharpening its alertness to changes in the operating environment and working with determination and a sense of speed will be vital in determining how Asahi Kasei will apply its outstanding technology seeds and business models for a carbon-neutral society.

Maeda Asahi Kasei operates highly specialized businesses in three sectors. However, when a company becomes as big as Asahi Kasei, it must not only grow but enhance its significance by truly making a difference to people's lives in order to continue to thrive. Offering social value requires Asahi Kasei to strengthen its inputs, such as new ideas from a mutual perspective that utilize the respective specialties of the three sectors, and collaboration through the adoption of unique research by universities, national research institutes, and other organizations. Doing so will further advance Asahi Kasei's vision of three-sector management in terms of change and flexibility, which will in turn improve future corporate value.

Okamoto Going forward, as barriers between industries become lower and social issues become more interrelated, I suspect that developments transcending industries will only accelerate. I believe that a sustainable society and ongoing improvement of corporate value will naturally follow if Asahi Kasei shares its management assets and steadily promotes the new MTP by leveraging its diverse range of business in accordance with its Group Mission. Adapting to change will be essential for implementing the plan. It will be important for Asahi Kasei to accurately understand changes and revise its basic stance as necessary, and to flexibly respond to changes by remaining highly sensitive to the operating environment. In my capacity as an Outside Director, I am committed to further fulfilling my role in being alert to changes.

Risk Management

Overview of the Risk Management Framework and Roles of Constituents

Risk Management Policies

The Asahi Kasei Group is accelerating its global development of diverse operations in three sectors. This development is taking place in a highly volatile operating environment, characterized by changes in values spurred by the COVID-19 pandemic as well as rising international tensions associated with the decoupling of the economies of the United States and China and Russia's invasion of Ukraine. The emergence of new and more complex risks threatens to have an even greater impact on the operations of the Group. We therefore recognize the need to track risks on a group-wide basis and strengthen our risk countermeasures. Accordingly, measures were launched in fiscal 2022 as our first step in reinforcing corporate governance.

Risk Management Reinforcement Measures Instituted in September 2022

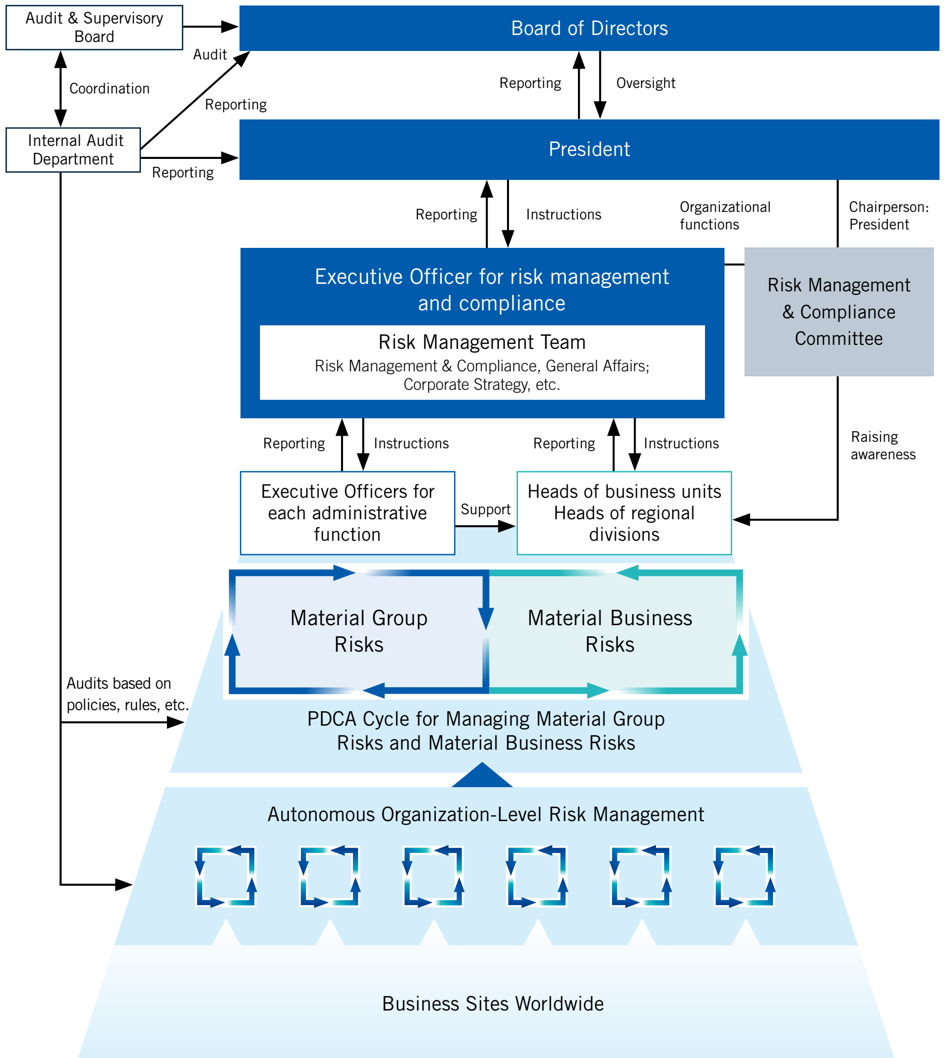
Clarification of the risk management framework and roles of involved parties

Under the guidance of the Board of Directors, the President oversees overall risk management with support from the Executive Officer for risk management and compliance. This Executive Officer tracks conditions pertaining to our overall risk management activities based on the instructions of the President, and offers guidance and support to the heads of the relevant departments (administrative, business, etc.) with regard to specific risk countermeasures. Furthermore, a Risk Management Team has been assembled under this Executive Officer. This team is responsible for monitoring the risk management activities of each department and aiding in the implementation of risk countermeasures. Meanwhile, the Risk Management & Compliance Committee, which is chaired by the President, works to reinforce awareness among department heads regarding management-level decisions and instructions pertaining to risk management.

Enhancement of risk management PDCA cycle

The Asahi Kasei Group's basic policy is to have organizations managing risks autonomously. To facilitate these efforts, we are enhancing our risk management PDCA (plan–do–check–act) cycle based on established risk categorizations. Risks requiring regular monitoring by the Board of Directors are defined as Material Group Risks. Meanwhile, risks with the potential to impact the ability of business divisions to accomplish the assigned goals of annual management plans are categorized as Material Business Risks, which are addressed through a focused approach within the respective fiscal year. For more information, please refer to the following page.

Risk Management Framework and Roles of Constituents



Risk Management PDCA Cycle (Material Group Risks and Material Business Risks)

	Material Group Risks		Material Business Risks
Selection Criteria	■ Material risks with the potential to impede the fulfillment of the Group Mission or the accomplishment of the goals of the medium-term management plan ■ Risks that relate to social responsibility with a large degree of impact on, or significant attention from, stakeholders and society ■ Shared, group-wide material risks requiring a group-wide response		■ Material risks with potential to impact the ability of business divisions to accomplish goals of annual management plans and that thus need to be addressed through a focused approach within the respective fiscal year
Response Process	• Examination of possible risks by **the Executive Officer for risk management and compliance, and by the Risk Management Team**, through discussion with corporate administrative departments and business departments Discussion with the President and approval of risk items and response policies by the Board of Directors at the beginning of the fiscal year*	Selection	• Examination of possible risks by **business departments**, incorporation into annual management plans, and approval by the Board of Directors at the beginning of the fiscal year
	• Planning of countermeasures after incorporation of necessary subjects into concrete risk items by **the Risk Management Team and departments responsible for specific risk subjects**	Countermeasure planning	• Planning of risk countermeasures by **business departments** based on management plans • Support for risk countermeasures **from corporate administrative divisions and the Risk Management Team**
	• Implementation of risk countermeasures by relevant departments, **regular reporting to the President and Board of Directors by the respective Executive Officers, and reflection of feedback into risk countermeasures**	Implementation/ reporting	• Implementation of risk countermeasures by business departments, **regular reporting to the President by heads of business units, and reflection of feedback into risk countermeasures (twice annually)**

Monitoring of the overall PDCA cycle by the Executive Officer for risk management and compliance and by the Risk Management Team
Reporting on annual activities and plans to the Board of Directors

* Revisions instituted as necessary in response to major changes in the operating environment

Risks Identified for Fiscal 2022

Material Group Risks	Material Business Risks
Risks related to accidents at production sites	Risks related to workplace safety (environmental pollution or suspension of operations due to accidents, etc.)
Risks related to quality-associated misconduct	Risks related to quality issues or associated misconduct
	Risks related to violation of laws and regulations
Risks related to noncompliance with laws and regulations for the environment, safety, and quality	Risks related to products and services meeting regulatory requirements or customer expectations
Risks related to global supply chains (feedstock procurement, material procurement, economic sanctions, export restrictions, human rights)	Risks related to procurement or supply (supply chain) disruptions
	Risks related to logistics (regulations,work environments, costs)
	Risks related to personnel and labor
Risks related to cybersecurity and communications infrastructure	Risks related to leaks of confidential or personal information and cybersecurity
Risks related to large-scale natural disasters, pandemics, or emergencies overseas (terrorism, conflict, etc.)	Risks related to pandemics (suspension of operations, etc.)
Risks related to M&A	Risks related to business alliances and M&A
Risks related to climate change	

Directives for Addressing Material Group Risks

Material Group Risks		Approach of Main Measures	
Risks related to accidents at production sites		• Enhancement of culture of safety through more extensive communication between management and frontline workers • Reinforcement and enhancement of Life Saving Actions (adherence to activity prohibitions for eliminating serious accidents) • Improvement of workplace safety and fire prevention technologies • Reinforcement of workplace safety auditing functions and cultivation of environmental safety experts	For more information, see **"Environmental Protection" on page 76**
Risks related to quality-associated misconduct		• Enhancement of quality awareness and culture through regular communication between management and frontline workers • Extensive circulation of information regarding quality risks through increased information communication from corporate quality assurance departments • Reinforcement of governance through quality inspections and reinforcement of training for quality assurance personnel	
Risks related to noncompliance with laws and regulations for the environment, safety, and quality		• Circulation of information regarding regulations and regulatory revisions, exhaustive education activities, appointment of experts, and strengthening of internal consultation frameworks • Development of systems for improving compliance	
Risks related to global supply chains		Quick detection of and response to signs of emerging risks through close coordination among relevant departments from wide-ranging perspectives related to geopolitical trends, economic security, etc.	
	Feedstock procurement risks	• Monitoring of suppliers • Diversification of procurement routes and maintenance of appropriate inventory levels for feedstocks used in major products and businesses	
	Material procurement risks	• Monitoring of suppliers • Formation and maintenance of relationships with alternative suppliers for equipment components prone to unreliable supplies • Revision of management procedures pertaining to delivery and upgrade timings for equipment components	
	Risks related to economic sanctions, export restrictions, etc.	• Timely monitoring of regulatory trends and consultation with relevant organizations and experts as necessary before issues emerge • Rigorous screening of customers through external screening systems	
	Human rights risks	• Installation of internal frameworks for protecting human rights in line with the Asahi Kasei Group Human Rights Policy • Definition of priority businesses across supply chain and performance of human rights due diligence	For more information, see **"Human Rights" on page 78**
Risks related to cybersecurity and communications infrastructure		• Implementation of swift and flexible countermeasures to combat ever-evolving cyberattacks through technical measures made possible by installing security systems and raising and reinforcing awareness regarding security via employee education, etc.	For more information, see **"Information Security" on page 77**
Risks related to large-scale natural disasters, pandemics, or emergencies overseas (terrorism, conflict, etc.)		• Redevelopment of response policies and manuals based on past incidents (large-scale earthquakes, pandemics, etc.) and arrangement of drills in preparation for risk materialization • Establishment of standards and systems for setting up emergency response headquarters and response manuals to prepare for acts of terrorism, conflicts, and other extreme circumstances that may occur overseas	
Risks related to M&A		• Prudent due diligence of potential acquisitions • Careful verification of post-merger integration plans	
Risks related to climate change		• Monitoring and formulation of measures based on annual analyses and investigations of climate change-related risks and opportunities	For more information, see **"Initiatives Regarding Climate Change Disclosure Based on the TCFD Recommendations" on page 32**

Environmental Protection

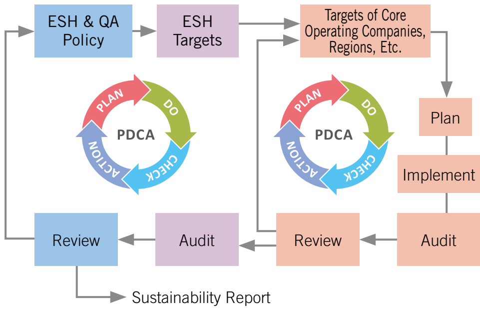
Policy and Management Framework

The Asahi Kasei Group Mission states that "we, the Asahi Kasei Group, contribute to life and living for people around the world." Based on this mission, we implement environment, safety, and health (ESH) and quality assurance (QA) activities that recognize health maintenance, process safety, workplace safety and hygiene, quality assurance, and environmental protection as the most important management tasks in all business activities. In July 2022, we revised the Asahi Kasei Group Environment, Health, Safety, and Quality Assurance Policy. Under this revision, we strive for stable and safe operation while preventing workplace accidents and securing the safety of personnel and members of the community, and are strengthening our environmental safety initiatives.

We aim to gain public understanding and trust by ensuring legal compliance and adopting self-imposed targets to achieve continuous improvement while proactively disclosing information and communicating.

Management Framework

PDCA Cycle for Safety Management



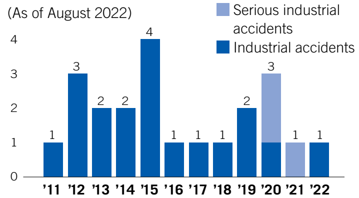
The Asahi Kasei Group, which aims to realize the two mutually reinforcing aspects of sustainability of "contributing to sustainable society" and "the sustainable growth of corporate value," acknowledges that the serious industrial accidents of recent years constitute a serious risk that could undermine our value from the perspectives of public trust, consideration for the environment, the safety of employees and local communities, and our own growth. To prevent such critical accidents, we are striving to enhance process safety technology on a company-wide basis and foster a culture of safety, including at subsidiaries and affiliates, while incorporating improvement measures based on audits by experts.

Masatsugu Kawase
Lead Executive Officer
Oversight: ESH & QA and Manufacturing Functions

Current Status and Fiscal 2022 Improvement Policy

In fiscal 2021, in addition to a serious industrial accident at an affiliate in March 2021, there were 21 minor industrial accidents involving small fires, smoke, and minor leaks of hazardous materials and other substances within plant grounds. In addition, a fire lasting for an extended period occurred in April 2022, bringing the total number of industrial accidents over the past 10 years to 22.

Occurrences of industrial accidents and serious industrial accidents



In light of these circumstances, a meeting of the ESH & QA Committee held in July 2022 reaffirmed that measures to address industrial accidents and prevent the spread of fires are an urgent task. At the same time, the committee decided to accelerate the effects of investigations by first applying the results to the front lines in order to realize a swift and sure response, and determined on a policy to thoroughly implement efforts to prevent any recurrence of industrial accidents and fires by once again carrying out an in-depth assessment to ascertain their causes. In fiscal 2022, we are prioritizing the following three measures based on this policy.

1) Company-wide promotion and establishment of activities to enhance process safety technology in order to prevent industrial accidents
2) Implementation of performance assessments through expert audits to evaluate the effectiveness of these activities
3) Enhancement of the effectiveness of fire prevention and extinguishing equipment and of emergency drills to prevent the spread of fires

In addition, we will focus on creating a culture that strengthens two-way communication with the goal of fostering a culture of safety among all employees. As part of these efforts, we will promote and ingrain the Life Saving Actions program, one of our uniform, company-wide safety initiatives.

FY2022	Target	Priority Initiatives and Measures
ESH	Nurture a culture of safety	• Promotion and ingraining of the Life Saving Actions program (thorough adherence to rules on prohibited behaviors to eradicate serious occupational accidents) • Strengthening of two-way communication between management and the front lines
	Develop human resources with expertise in ESH	• Establishment of Group Masters in ESH and formulation of succession plans for them
Process Safety	Achieve zero serious industrial accidents	• Company-wide promotion of activities to enhance process safety technology and introduction of expert audits
	Prevent the spread of fires	• Enhancement of the effectiveness of fire prevention and extinguishing equipment (participation of experts) • Implementation of effective emergency drills in cooperation with public fire departments

Please see "Process Safety" for details on these initiatives.

Compliance / Information Security

Compliance

Policy and Management Framework

The Asahi Kasei Group positions compliance as a priority issue of materiality from the perspective of value creation. We seek to act with sincerity in accordance with our Group Values through strict compliance with internal rules as well as laws and regulations that relate to our businesses and operations. We apply the Asahi Kasei Group Code of Conduct to all executives and employees and thoroughly familiarize them with the code while continuously revising it in light of changing societal demands and circumstances.

To strengthen management of compliance, we established the Risk Management & Compliance Committee, which is chaired by the President and has Presidents of SBUs and core operating companies as members. Matters to be reported include plans and results of compliance promotion activities, serious compliance violations, and the operational status of the Compliance Hotline.

Awareness of the Code of Conduct

Group companies in Japan maintain an understanding of the status of compliance through questionnaires on the issue and regular exchanges of opinions in small groups—such as sections and subsections—using examples of compliance violations, which help promote awareness and understanding of compliance. In fiscal 2021, the compliance questionnaire response rate came to 93.5%, with 97% of respondents answering that they had read the Asahi Kasei Group Code of Conduct and approximately 80% that they understood it. Going forward, we will also expand and strengthen compliance activities globally.

Compliance Hotline

The Asahi Kasei Group operates a Compliance Hotline in order to promptly collect information on compliance violations and take measures in response. A wide variety of reports and consultations are received, including from suppliers and their employees, with the designated office or an investigation and response team carrying out investigations depending on the nature of the reports or consultations. The Executive Officer for Risk Management & Compliance reports on the operational status of the hotline to the Risk Management & Compliance Committee and to the Audit & Supervisory Board.

The system was revised in June 2022 in accordance with an amendment to Japan's Whistleblower Protection Act.

Number of reports and operational status (fiscal 2021): 66 reports
(4 of which were in relation to human rights issues, such as discrimination and harassment)

Prevention of Bribery

The Asahi Kasei Group has endorsed the United Nations Global Compact and declared that it will work to prevent all forms of corruption, including coercion and bribery. In particular, we consider bribery to be a serious risk factor that could considerably jeopardize our corporate reputation. Accordingly, we have established the Asahi Kasei Group Basic Policies for Prevention of Bribery and operate bribery prevention measures in accordance with regulations.

Information Security

Policy and Management Framework

The Asahi Kasei Group considers information security to be a serious issue for management in promoting digital transformation (DX). Accordingly, we formulated the Asahi Kasei Group Information Security Policy with the aim of ensuring and further enhancing information security. Regarding the information security framework, we have established a specialized internal organization (the Security Center) for the implementation of information security measures at all Group companies in Japan and overseas from the perspectives of both corporate governance and technology.

Cybersecurity

Cybersecurity measures have become increasingly important due to the sharp rise and growing sophistication of cyberattacks. The Asahi Kasei Group began operating a security operation center (SOC)[1] utilizing advanced security systems, such as endpoint detection and response (EDR),[2] to prevent such cyberattacks. In addition, we devote efforts to employee awareness activities, including carrying out targeted email attack drills several times a year, as most cyberattacks originate from suspicious emails, and implementing regular information security training.

[1] A SOC is an organization that monitors security. It receives alerts and other intelligence from security tools and investigates the impact scope and severity of attacks.
[2] EDR is a system for detecting advanced cyberattacks. The system can also respond to incidents in a variety of ways, such as by collecting logs required for analysis and isolating breached computers.

Human Rights

Policy

Respect for the human rights of all people is one of the most important aspects of the Asahi Kasei Group's business activities. The Asahi Kasei Group Human Rights Policy, which was established with the approval of the Board of Directors in March 2022, complies with the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The Asahi Kasei Group has also pledged its support for the Ten Principles of the United Nations (UN) Global Compact as well as the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles. Guided by these frameworks, we will strive to identify and appropriately address human rights issues in our business activities.

Outline of the Asahi Kasei Group Human Rights Policy

Basic Approach
- Respecting the human rights of all stakeholders
- Compliance with international human rights standards
- Endeavoring with business partners to remediate and eliminate human rights violations that occur

Addressing Human Rights Issues (daily activities)
- Compliance with laws and regulations (including on working hours, wages, safety and hygiene, and protection of personal information)
- Prohibition of unacceptable conduct (including discrimination and harassment)
- Respect for the human rights of all people in society (including customers and communities)

Promoting Respect for Human Rights (corporate initiatives)
- Education
- Implementation of human rights due diligence
- Commitment to engage with affected stakeholders
- Grievances mechanisms
- Disclosure

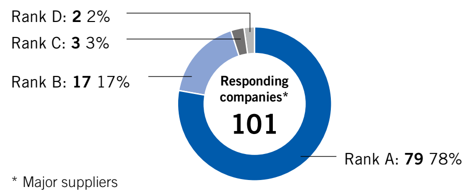
Regarding the supply chain, the Asahi Kasei Group's procurement policy states that it is a policy to consider suppliers as important partners. In addition, we formulated Supplier Guidelines in 2021 to promote understanding and cooperation among suppliers.

Due Consideration for Human Rights in Procurement

In order to address human rights and labor issues, the Asahi Kasei Group has established a management framework that coordinates among Corporate Procurement & Logistics, the Sustainability Strategy Planning Department, and Group companies. Under this framework, in addition to providing ongoing training for employees, we ascertain the status of corporate social responsibility (CSR) initiatives at suppliers with a CSR questionnaire, and work together with suppliers to foster an awareness of CSR, including human rights.

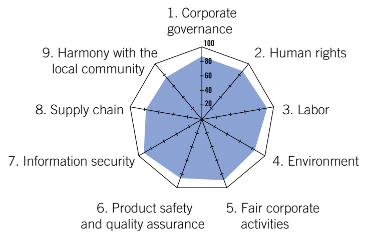
FY2021 CSR Procurement Questionnaire Results (raw material suppliers)

Overall Evaluation



* Major suppliers

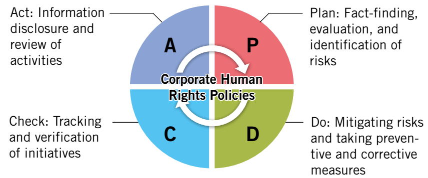
Average Scores by Category



Human Rights Due Diligence

To fulfill our responsibility to respect human rights, we will establish a human rights due diligence system and create a mechanism to implement it on an ongoing basis. The system will proactively identify, avoid, and mitigate any negative impacts that the Asahi Kasei Group may have on society.

Human Rights Due Diligence Process



Human Rights Education and Training

The Respect for Human Rights and Diversity section of the Asahi Kasei Group Code of Conduct clearly expresses a firm policy against all forms of discrimination and harassment. This policy applies to all executives and employees. Specific examples of education and training include study sessions focusing on abuses of power in the workplace and promoting greater awareness of human rights and diversity issues through the in-house magazine and intranet. Going forward, we will continue to advance various initiatives based on the Asahi Kasei Group Human Rights Policy.

Health and Productivity Management

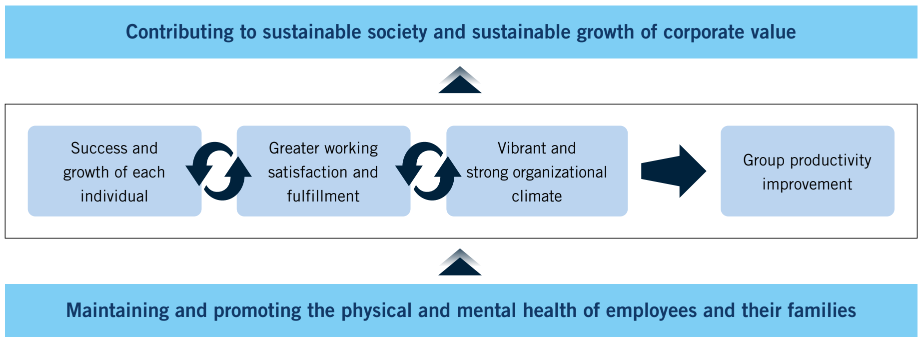
Overview of Health and Productivity Management Initiatives

Efforts to maintain and promote the physical and mental health of our employees and their families are at the core of the Asahi Kasei Group's health and productivity management activities. Based on the Statement on Management for Health issued in October 2020, and the Group Health and Productivity Management Vision set forth in the statement, the Corporate Health Care Promotion Center—an organization reporting to the Chief Health and Productivity Officer (CHO)—takes the lead in promoting initiatives for health and productivity management.

In recent years, the total number of leave days taken by employees has been increasing, causing both the amount of lost working time and healthcare costs to increase. In response, we have been promoting measures to address mental health issues, metabolic syndrome, cancer, and smoking, which are factors behind the increase in leave days. In April 2022, we added the enhancement of sleep quality and quantity—which are said to be largely related to presenteeism[1]—to our health and productivity management targets, and relevant initiatives are advancing. Among such measures, we especially consider company-wide self-care[2] training to address mental health issues to be essential for maintaining and promoting physical and mental health through health and productivity management initiatives in order to achieve sustainable increases in corporate value.

At the same time, we are also focusing on individual and organizational revitalization that supports the success and growth of each individual, fosters greater working satisfaction and fulfillment, and creates a vibrant and strong organizational climate. For this purpose, we will improve our productivity and development by enhancing work engagement and advancing the comprehensive utilization of KSA engagement surveys[3] and stress checks, enabling us to pursue the two mutually reinforcing aspects of sustainability of "contributing to sustainable society" and "the sustainable growth of corporate value," which the Asahi Kasei Group aims for.

[1] The practice of going to work while suffering from an illness or symptoms of some kind, lowering work performance and productivity.
[2] In mental health promotion, self-care is the practice of employees being aware of their own stress levels and applying the knowledge and methods they have acquired to cope with such stress.
[3] Engagement surveys that ascertain the state of individuals and organizations using three indicators: (1) Supervisor–subordinate relationships, workplace environments; (2) Employee empowerment; and (3) Action driving growth.



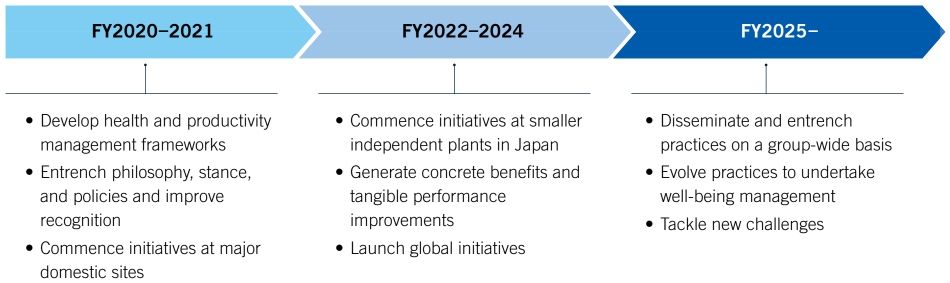
Initiatives and Medium- to Long-Term Approach to Health and Productivity Management

In April 2021, the Asahi Kasei Group transferred responsibility for the health and productivity management functions at its major domestic sites to the Corporate Health Care Promotion Center, and commenced health and productivity management initiatives within a framework to promote health and productivity management on an integrated, group-wide basis. In April 2022, we also began a variety of health and productivity management activities at smaller offices and subsidiaries in Japan.

Our focus from fiscal 2022 to fiscal 2024 will be to generate concrete benefits through the activities of major domestic sites and to ensure that the benefits of such activities are tangible for as many employees as possible. We also plan to expand the activities to smaller offices and subsidiaries in Japan as well as to overseas sites during this period. In addition, we will introduce health management tools through the digital transformation of health information with the goal of quantitatively ascertaining conditions at each workplace and verifying the effectiveness of various measures.

From fiscal 2025, we will further enhance various health and productivity management activities by evaluating and inspecting prior activities. We will take on new challenges, disseminating and entrenching health and productivity management on a group-wide and global basis as we seek to undertake well-being management.[4]

[4] Well-being management is a management approach that goes beyond promoting physical and mental health to emphasize the development of organizations in which employees feel happiness, sense tangible growth, and go about their work with a high degree of autonomy and motivation.



05

Corporate Information

Consolidated Financial Statements

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2022 and 2021

Detailed Consolidated Financial Statements are available at the following link:
https://www.asahi-kasei.com/ir/library/financial_briefing/pdf/2203statements.pdf

	Millions of yen		Thousands of U.S. dollars*
ASSETS	2022	2021	2022
Current assets:			
Cash and deposits	¥ 244,641	¥ 221,779	$ 1,998,538
Notes and accounts receivable–trade	–	338,640	–
Notes, accounts receivable–trade, and contract assets	434,595	–	3,550,323
Merchandise and finished goods	252,521	203,159	2,062,912
Work in process	146,120	166,494	1,193,693
Raw materials and supplies	141,608	111,798	1,156,834
Other	117,195	97,131	957,397
Allowance for doubtful accounts	(2,471)	(2,225)	(20,186)
Total current assets	1,334,209	1,136,776	10,899,510
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures	646,311	598,675	5,279,887
Accumulated depreciation	(333,966)	(319,144)	(2,728,257)
Buildings and structures, net	312,344	279,531	2,551,622
Machinery, equipment and vehicles	1,569,782	1,535,326	12,823,969
Accumulated depreciation	(1,288,462)	(1,286,057)	(10,525,790)
Machinery, equipment and vehicles, net	281,320	249,269	2,298,178
Land	69,567	70,577	568,311
Lease assets	8,679	8,615	70,901
Accumulated depreciation	(6,814)	(7,687)	(55,665)
Lease assets, net	1,865	928	15,236
Construction in progress	102,284	84,463	835,585
Other	159,312	182,414	1,301,462
Accumulated depreciation	(121,477)	(149,920)	(992,378)
Other, net	37,834	32,495	309,076
Subtotal	805,215	717,262	6,578,017
Intangible assets			
Goodwill	431,335	351,921	3,523,691
Other	405,508	342,454	3,312,703
Subtotal	836,843	694,374	6,836,394
Investments and other assets			
Investment securities	246,701	286,517	2,015,366
Long-term loans receivable	6,227	1,241	50,870
Long-term advance payments–trade	30,432	29,390	248,607
Net defined benefit asset	1,193	–	9,746
Deferred tax assets	54,276	21,116	443,395
Other	34,404	32,709	281,055
Allowance for doubtful accounts	(426)	(445)	(3,480)
Subtotal	372,808	370,529	3,045,568
Total noncurrent assets	2,014,866	1,782,165	16,459,979
Total assets	¥ 3,349,075	¥ 2,918,941	$27,359,489

* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥122.41 = US$1 prevailing on March 31, 2022, has been used.

	Millions of yen		Thousands of U.S. dollars*
LIABILITIES AND NET ASSETS	2022	2021	2022
Liabilities:			
Current liabilities:			
Notes and accounts payable–trade	¥ 178,092	¥ 142,087	$ 1,454,881
Short-term loans payable	239,491	144,571	1,956,466
Commercial paper	113,000	84,000	923,127
Lease obligations	2,224	880	18,168
Accrued expenses	146,275	126,705	1,194,960
Income taxes payable	58,115	21,268	474,757
Advances received	62,476	78,601	510,383
Provision for grant of shares	208	124	1,699
Provision for periodic repairs	4,738	7,222	38,706
Provision for product warranties	4,007	3,522	32,734
Provision for removal cost of property, plant and equipment	4,445	5,651	36,312
Other	110,778	88,533	904,975
Total current liabilities	923,850	703,163	7,547,178
Noncurrent liabilities:			
Bonds payable	160,000	110,000	1,307,083
Long-term loans payable	253,785	320,404	2,073,237
Lease obligations	8,715	3,921	71,195
Deferred tax liabilities	52,017	58,669	424,941
Provision for grant of shares	490	513	4,003
Provision for periodic repairs	5,396	3,415	44,081
Provision for removal cost of property, plant and equipment	12,298	12,652	100,466
Net defined benefit liability	152,081	158,832	1,242,390
Long-term guarantee deposits	22,490	21,939	183,727
Other	39,139	30,899	319,737
Total noncurrent liabilities	706,410	721,243	5,770,852
Total liabilities	1,630,260	1,424,406	13,318,030
Net assets:			
Shareholders' equity			
Capital stock Authorized—4,000,000,000 shares Issued and outstanding—1,393,932,032 shares	103,389	103,389	844,612
Capital surplus	79,887	79,641	652,618
Retained earnings	1,282,325	1,158,792	10,475,656
Treasury stock (2022—6,640,935 shares, 2021—6,396,867 shares)	(6,219)	(5,932)	(50,805)
Total shareholders' equity	1,459,381	1,335,890	11,922,073
Accumulated other comprehensive income			
Net unrealized gain on other securities	66,287	91,887	541,516
Deferred gains or losses on hedges	(341)	(347)	(2,786)
Foreign currency translation adjustment	167,225	50,462	1,366,106
Remeasurements of defined benefit plans	(5,142)	(10,416)	(42,006)
Total accumulated other comprehensive income	228,029	131,586	1,862,830
Non-controlling interests	31,405	27,058	256,556
Total net assets	1,718,815	1,494,535	14,041,459
Commitments and contingent liabilities			
Total liabilities and net assets	¥3,349,075	¥2,918,941	$27,359,489

* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥122.41 = US$1 prevailing on March 31, 2022, has been used.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022
Net sales	¥2,461,317	¥2,106,051	$20,107,156
Cost of sales	1,691,549	1,425,342	13,818,716
Gross profit	769,769	680,709	6,288,449
Selling, general and administrative expenses	567,122	508,901	4,632,971
Operating income	202,647	171,808	1,655,477
Non-operating income:			
Interest income	1,364	1,895	11,143
Dividends income	4,332	4,308	35,389
Equity in earnings of affiliates	8,878	3,451	72,527
Other	7,088	7,677	57,904
Total non-operating income	21,663	17,331	176,971
Non-operating expenses:			
Interest expense	3,643	3,209	29,761
Other	8,614	7,893	70,370
Total non-operating expenses	12,257	11,102	100,131
Ordinary income	212,052	178,036	1,732,309
Extraordinary income:			
Gain on sales of investment securities	26,545	17,312	216,853
Gain on sales of noncurrent assets	912	353	7,450
Insurance income	3,777	–	30,855
Gain on step acquisitions	1,700	–	13,888
Total extraordinary income	32,934	17,665	269,047
Extraordinary loss:			
Loss on valuation of investment securities	511	66	4,174
Loss on disposal of noncurrent assets	7,526	10,637	61,482
Impairment loss	6,811	1,937	55,641
Loss on fire at plant facilities	–	22,287	–
Loss on product compensation	–	2,118	–
Business structure improvement expenses	15,017	7,750	122,678
Total extraordinary loss	29,866	44,795	243,983
Income before income taxes	215,121	150,906	1,757,381
Income taxes — current	93,046	73,273	760,118
— deferred	(41,759)	(4,465)	(341,140)
Total income taxes	51,287	68,808	418,977
Net income	163,834	82,098	1,338,404
Net income attributable to non-controlling interests	1,954	2,330	15,963
Net income attributable to owners of the parent	¥ 161,880	¥ 79,768	$ 1,322,441

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Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022
Net income	¥163,834	¥ 82,098	$1,338,404
Other comprehensive income			
Net increase (decrease) in unrealized gain on other securities	(25,746)	24,806	(210,326)
Deferred gains or losses on hedges	5	(106)	41
Foreign currency translation adjustment	114,406	35,491	934,613
Remeasurements of defined benefit plans	5,403	12,631	44,139
Share of other comprehensive income of affiliates accounted for using equity method	3,599	3,020	29,401
Total other comprehensive income	97,668	75,842	797,876
Comprehensive income	¥261,502	¥157,941	$2,136,280
Comprehensive income attributable to:			
Owners of the parent	¥258,322	¥154,817	$2,110,301
Non-controlling interests	3,180	3,124	25,978

* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥122.41 = US$1 prevailing on March 31, 2022, has been used.

Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2022 and 2021

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	¥103,389	¥79,641	¥1,158,792	¥(5,932)	¥1,335,890	¥ 91,887	¥(347)	¥ 50,462	¥(10,416)	¥131,586	¥27,058	¥1,494,535
Cumulative effects of changes in accounting policies			9,212		9,212							9,212
Restated balance	103,389	79,641	1,168,004	(5,932)	1,345,102	91,887	(347)	50,462	(10,416)	131,586	27,058	1,503,747
Changes during the fiscal year												
Dividends from surplus			(47,187)		(47,187)							(47,187)
Net income attributable to owners of the parent			161,880		161,880							161,880
Purchase of treasury stock				(412)	(412)							(412)
Disposal of treasury stock		0		125	125							125
Transfer from retained earnings to capital surplus					–							–
Change of scope of consolidation			(371)		(371)							(371)
Capital increase of consolidated subsidiaries		245			245							245
Net changes of items other than shareholders' equity						(25,600)	5	116,763	5,274	96,443	4,347	100,789
Total changes of items during the period	–	245	114,321	(287)	114,279	(25,600)	5	116,763	5,274	96,443	4,347	215,069
Balance at March 31, 2022	¥103,389	¥79,887	¥1,282,325	¥(6,219)	¥1,459,381	¥ 66,287	¥(341)	¥167,225	¥ (5,142)	¥228,029	¥31,405	¥1,718,815

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2020	¥103,389	¥79,641	¥1,125,738	¥(5,990)	¥1,302,777	¥67,027	¥(241)	¥13,027	¥(23,275)	¥ 56,538	¥24,145	¥1,383,460
Changes during the fiscal year												
Dividends from surplus			(45,800)		(45,800)							(45,800)
Net income attributable to owners of the parent			79,768		79,768							79,768
Purchase of treasury stock				(10)	(10)							(10)
Disposal of treasury stock		(0)		69	69							69
Transfer from retained earnings to capital surplus		0	(0)		–							–
Change of scope of consolidation			(914)		(914)							(914)
Capital increase of consolidated subsidiaries		0			0							0
Net changes of items other than shareholders' equity						24,860	(106)	37,434	12,859	75,049	2,913	77,962
Total changes of items during the period	–	0	33,054	59	33,113	24,860	(106)	37,434	12,859	75,049	2,913	111,075
Balance at March 31, 2021	¥103,389	¥79,641	¥1,158,792	¥(5,932)	¥1,335,890	¥91,887	¥(347)	¥50,462	¥(10,416)	¥131,586	¥27,058	¥1,494,535

Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2022 and 2021

Thousands of U.S. dollars*

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2021	$844,612	$650,609	$ 9,466,481	$(48,460)	$10,913,242	$ 750,649	$(2,835)	$ 412,238	$(85,091)	$1,074,961	$221,044	$12,209,256
Cumulative effects of changes in accounting policies			75,255		75,255							75,255
Restated balance	844,612	650,609	9,541,737	(48,460)	10,988,498	750,649	(2,835)	412,238	(85,091)	1,074,961	221,044	12,284,511
Changes during the fiscal year												
Dividends from surplus			(385,483)		(385,483)							(385,483)
Net income attributable to owners of the parent			1,322,441		1,322,441							1,322,441
Purchase of treasury stock				(3,366)	(3,366)							(3,366)
Disposal of treasury stock		0		1,021	1,021							1,021
Transfer from retained earnings to capital surplus					–							–
Change of scope of consolidation			(3,031)		(3,031)							(3,031)
Capital increase of consolidated subsidiaries		2,001			2,001							2,001
Net changes of items other than shareholders' equity						(209,133)	41	953,868	43,085	787,869	35,512	823,372
Total changes of items during the period	–	2,001	933,919	(2,345)	933,576	(209,133)	41	953,868	43,085	787,869	35,512	1,756,956
Balance at March 31, 2022	$844,612	$652,618	$10,475,656	$(50,805)	$11,922,073	$ 541,516	$(2,786)	$1,366,106	$(42,006)	$1,862,830	$256,556	$14,041,459

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Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022
Cash flows from operating activities:			
Income before income taxes	¥ 215,121	¥ 150,906	$ 1,757,381
Depreciation and amortization	119,738	108,369	978,172
Impairment loss	6,811	1,937	55,641
Amortization of goodwill	28,391	24,903	231,934
Increase in provision for grant of shares	60	148	490
(Decrease) increase in provision for periodic repairs	(502)	2,033	(4,101)
Increase (decrease) in provision for product warranties	233	(221)	1,903
(Decrease) increase in provision for removal cost of property, plant and equipment	(1,562)	9,891	(12,760)
Decrease in net defined benefit liability	(2,939)	(4,303)	(24,009)
Interest and dividend income	(5,696)	(6,202)	(46,532)
Interest expense	3,643	3,209	29,761
Equity in earnings of affiliates	(8,878)	(3,451)	(72,527)
Gain on sales of investment securities	(26,545)	(17,312)	(216,853)
Loss on valuation of investment securities	511	66	4,174
Gain on sale of property, plant and equipment	(912)	(353)	(7,450)
Loss on disposal of noncurrent assets	7,526	10,637	61,482
Decrease in notes and accounts receivable–trade	–	5,214	–
Increase in notes, accounts receivable–trade, and contract assets	(45,911)	–	(375,059)
(Increase) decrease in inventories	(73,257)	6,110	(598,456)
Increase in notes and accounts payable–trade	21,392	1,706	174,757
Increase in accrued expenses	10,184	1,371	83,196
Increase in advances received	10,546	8,190	86,153
Other, net	(19,112)	15,896	(156,131)
Subtotal	238,843	318,744	1,951,172
Interest and dividend income, received	7,212	8,690	58,917
Interest expense paid	(3,647)	(3,086)	(29,793)
Income taxes paid	(59,137)	(70,672)	(483,106)
Net cash provided by operating activities	183,271	253,676	1,497,190
Cash flows from investing activities:			
Payments into time deposits	(3,267)	(6,262)	(26,689)
Proceeds from withdrawal of time deposits	7,224	4,333	59,015
Purchase of property, plant and equipment	(142,256)	(133,347)	(1,162,127)
Proceeds from sales of property, plant and equipment	1,280	656	10,457
Purchase of intangible assets	(27,452)	(16,945)	(224,263)
Purchase of investment securities	(5,805)	(8,061)	(47,423)
Proceeds from sales of investment securities	33,437	20,264	273,156
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(80,912)	(4,811)	(660,992)
Payments for transfer of business	–	(17,566)	–
Payments of loans receivable	(6,102)	(6,144)	(49,849)
Collection of loans receivable	2,782	10,428	22,727
Other, net	52	(297)	425
Net cash used in investing activities	¥(221,019)	¥(157,751)	$(1,805,563)

	Millions of yen		Thousands of U.S. dollars*
	2022	2021	2022
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥ 65,632	¥(168,641)	$ 536,165
Increase (decrease) in commercial paper	29,000	(55,000)	236,909
Proceeds from long-term loans payable	896	143,467	7,320
Repayment of long-term loans payable	(51,094)	(16,936)	(417,401)
Proceeds from issuance of bonds payable	50,000	50,000	408,463
Repayments of lease obligations	(2,298)	(1,226)	(18,773)
Purchase of treasury stock	(412)	(10)	(3,366)
Proceeds from disposal of treasury stock	125	69	1,021
Cash dividends paid	(47,187)	(45,800)	(385,483)
Cash dividends paid to non-controlling interests	(2,190)	(1,198)	(17,891)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	–	(307)	–
Other, net	(152)	(287)	(1,242)
Net cash provided by (used in) financing activities	42,321	(95,869)	345,732
Effect of exchange rate change on cash and cash equivalents	21,027	9,639	171,775
Net increase in cash and cash equivalents	25,600	9,695	209,133
Cash and cash equivalents at beginning of year	216,235	204,771	1,766,481
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,112	1,769	9,084
Cash and cash equivalents at end of year	¥ 242,948	¥ 216,235	$ 1,984,707

* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥122.41 = US$1 prevailing on March 31, 2022, has been used.

Corporate Profile / Stock Information (as of March 31, 2022)

Corporate Profile

Company Name	Asahi Kasei Corporation
Founding	May 25, 1922
Establishment	May 21, 1931
Paid-in Capital	¥103,389 million
Employees	46,751 (consolidated) 8,646 (non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

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Hibiya Mitsui Tower
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1705-1706, 17th Floor Singha Complex Building,
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Core Operating Companies

Asahi Kasei Microdevices
Hibiya Mitsui Tower
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan
Tel: +81-(0)3-6699-3933

Asahi Kasei Homes
1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan
Tel: +81-(0)3-6899-3000

Asahi Kasei Construction Materials
1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan
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Asahi Kasei Pharma
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1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan
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Asahi Kasei Medical
Hibiya Mitsui Tower
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan
Tel: +81-(0)3-6699-3750

ZOLL Medical
269 Mill Rd., Chelmsford, MA 01824-4105 U.S.A.
Tel: +1-978-421-9655

Veloxis Pharmaceuticals
2000 Regency Parkway, Suite 500 Cary, NC 27518 U.S.A.
Tel: +1-919-591-3090

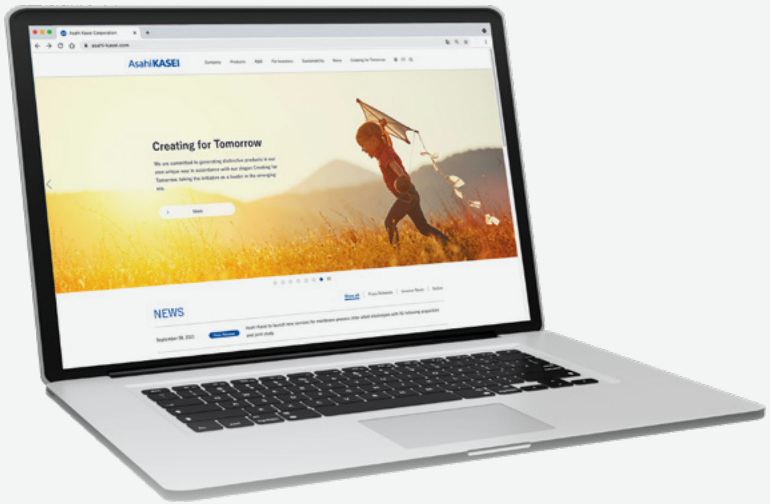
Stock Information

Stock Listing	Tokyo
Stock Code	3407
Authorized Shares	4,000,000,000
Outstanding Shares	1,393,932,032
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd.
Independent Auditors	PricewaterhouseCoopers Aarata LLC
Number of Shareholders	166,437

Largest Shareholders	% of equity
The Master Trust Bank of Japan, Ltd. (trust account)	17.62
Custody Bank of Japan, Ltd. (trust account)	5.32
JP Morgan Chase Bank 385632	3.32
Nippon Life Insurance Company	2.95
Asahi Kasei Group Employee Stockholding Assn.	2.59
Sumitomo Mitsui Banking Corp.	1.83
State Street Bank West Client — Treaty 505234	1.60
Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Mizuho Bank account) Trustee of sub-trust: Custody Bank of Japan, Ltd.	1.43
Sumitomo Life Insurance Company	1.43
Custody Bank of Japan, Ltd. (trust account 4)	1.35

Note: Percentage of equity ownership after exclusion of treasury stock

Information Disclosure



Investor Relations

On our IR website, we present information on the Asahi Kasei Group's business performance and future policies, in addition to posting financial results materials and a wide variety of management briefing materials.

https://www.asahi-kasei.com/ir/

Sustainability

We disclose detailed information on Asahi Kasei's sustainability policies, systems, results, and data regarding ESG issues on our sustainability website (Sustainability Report).

https://www.asahi-kasei.com/sustainability/

GRI Standards Content Index

https://www.asahi-kasei.com/sustainability/basic_information/guidelines/

SASB Content Index

https://www.asahi-kasei.com/sustainability/basic_information/sasb/

Inclusion in Socially Responsible Investment Indexes (as of 2022)

- FTSE4Good Index
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- MSCI ESG Leaders Indexes
- MSCI Japan Empowering Women Index (WIN)
- MSCI Japan ESG Select Leaders Index
- S&P/JPX Carbon Efficient Index

FTSE4Good

FTSE Blossom Japan Index

FTSE Blossom Japan Sector Relative Index

2022 MSCI ESG Leaders Indexes Constituent

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

S&P/JPX Carbon Efficient Index

CDP Climate Change and Water Security A– Evaluation

Asahi Kasei received an A– evaluation in the categories of Climate Change and Water Security in the 2021 survey conducted by CDP. We received an A– in the Climate Change category for seven consecutive years from 2015 to 2021, while 2021 was our third year to receive an A– in the Water Security category.

Acquisition of the Highest Rank from Development Bank of Japan, Inc. (DBJ) under its DBJ Environmentally Rated Loan Program

In August 2022, Asahi Kasei received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the system's highest rating as a "company with particularly advanced environmental programs."

DBJ 環境格付 2022

Selected as a DX Stock

In 2022, Asahi Kasei was selected as a Digital Transformation (DX) Stock, an initiative conducted jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for the second consecutive year.

DX銘柄2022
Digital Transformation

ASAHI KASEI CORPORATION

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