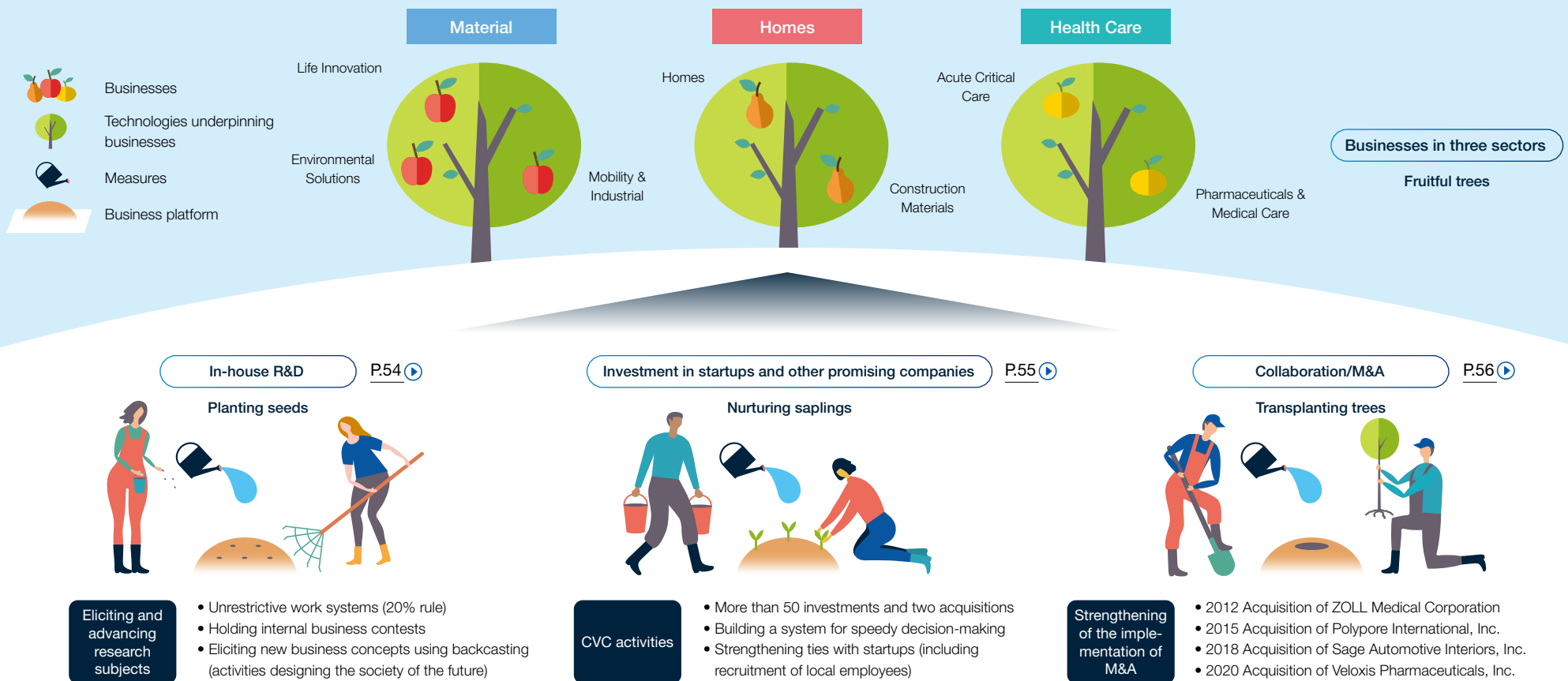


# New Business Creation

## New Business Creation Overview

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.





## In-House R&D

### Corporate R&D Mission

Based on the degree of novelty of the field of business and the market growth potential, R&D at the Asahi Kasei Group, is divided into group-wide corporate R&D on medium- to long-term subjects and R&D focused on specific subjects for the enhancement of each existing businesses. The mission of Corporate Research and Development is to continually generate new value that leads to new business creation at the technological frontier of the Asahi Kasei Group, fulfilling the following three roles.

#### Mission of Corporate Research and Development

Evolution and acquisition of core technologies	Evolving core technologies, acquiring and cultivating external technologies to develop highly differentiated and superior products and services
New value creation	Creating new value with a future-oriented perspective that captures potential customer and social needs
Deepening and evolution of platform technology functions	Deepening and evolving platform technology functions that support the Asahi Kasei Group

### Areas of Strategic Priority

In three strategic areas—carbon neutrality (decarbonization and use of hydrogen, energy storage and conservation), the circular economy (resource recycling), and health care—and we are prioritizing resource allocation on R&D subjects that contribute to the realization of a sustainable society. The main sustainability-related subjects are green hydrogen production, CO<sub>2</sub> separation and recovery, CO<sub>2</sub> chemistry, polyamide 66 using biomass-derived intermediate, and the development of polyamide recycling technology.

### Strengthening Platform Technology Functions (Active Use of DX and Open Innovation)

In advancing R&D, we actively utilize digital technology and open innovation, aiming both to accelerate R&D and raise added value. Specifically, with regard to DX, we utilize materials informatics, IP landscaping, and digital platforms to raise the efficiency of R&D, while actively formulating technology strategies and anticipating market trends.

In open innovation, we aim to deepen our core technologies and acquire new technologies through future-oriented backcasting. To that end, we are engaged in multifaceted activities such as joint research with leading universities and research institutes both in Japan and overseas, collaboration with startups, and co-creation with new partners using external platforms.

### Initiatives to Accelerate Commercialization

We use a stage-gate system for R&D project management and appropriate resource allocation. We refine business models, business strategies, and patent strategies by clarifying requirements at each stage of exploration, research, development, business development, and preparation for commercialization, while specifying the stage-based positioning of each project. In addition, as part of our R&D and commercialization efforts aimed at the three elements of speed, asset-light, and high value-added, we pursue business development with technology value in order to quickly and effectively maximize the value the intangible assets (intellectual intangible assets such as technology, know-how, and processes) of the Asahi Kasei Group and leverage them for business contribution. This initiative is a new co-creation strategy approach that aims to build a profit model different from the traditional product sales business and monetize projects at the development stage.

### Aiming for World-Changing Innovations

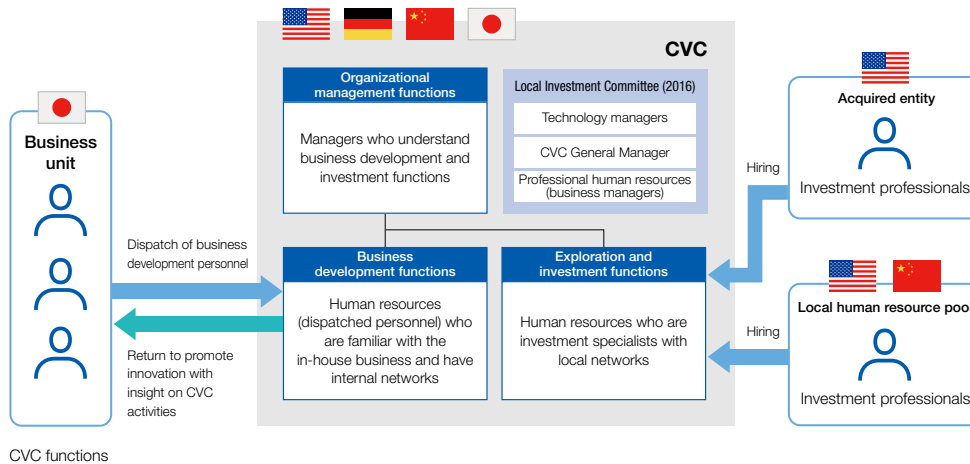
Guided by its slogan “Let’s create innovations that change the world,” Corporate Research & Development is working to build mechanisms and foster a corporate culture that encourages the spontaneous growth of highly specialized human resources. Specifically, we are implementing a variety of bottom-up measures, such as a system by which up to 20% of work assignments are decided at the individual’s discretion (20% rule), a poster presentation event aimed at providing opportunities for free and lively communication to create new businesses and core technologies (idea fest), and a registration system for those wishing to experience work at a startup or work on secondment outside the company for a limited time (cross-border learning). By effectively combining these with top-down measures, we aim to foster a culture that encourages growth and constantly taking on challenges, both as an organization and as individuals.



## Investment in Startups and Other Promising Companies

### Corporate Venture Capital (CVC) Activities

The Asahi Kasei Group established a CVC Office in 2008 to pursue new business creation. Since 2011, from bases in the U.S., we have taken measures to evolve our business portfolio by acquiring cutting-edge technologies and businesses through investment and collaboration with startup companies. Currently, in addition to Silicon Valley and Boston in the U.S., we have expanded the scope of our global activities by adding bases in Germany in 2019, China in 2020, and Japan in 2023. At each base, dispatched personnel and local employees select investment targets according to the regional characteristics of each startup, with further dedicated personnel in Japan to enhance internal collaboration.



CVC functions

In the U.S., where the “outside-in” approach of incorporating other companies’ technology and business is widespread among major corporations, different players handle the three stages of research, development, and business. At the research stage, research institutions such as universities develop technologies, and at the development stage, startup companies develop products from those technologies and verify business models. At the business stage, major corporations acquire promising targets from among a large number of startups and deploy their businesses. In addition to undertaking all three stages ourselves through in-house development and conducting the final business stage through M&A, we are

also pursuing CVC activities as an option to be involved from the development stage. Collaborating with startup companies at the development stage allows us to deepen our understanding of new markets and technologies, and to gain corporate knowledge on the appropriate timing of decisions to proceed to the next step. Additionally, investing in startup companies enables us to secure future potential acquisition candidates and build up a pipeline for new business creation.

To advance these activities, Corporate Venture Capital seeks out startup companies that are compatible with the Asahi Kasei Group, disseminates information to related departments, conducts investment-related operations, and supports investee companies to promote commercialization. We operate a system that enables speedy decision-making and investment-related procedures suited to local business customs. We have allocated \$90 million for investment over the three years through fiscal 2024, and the investment committee is given discretion to make decisions regarding investments up to \$5 million per company. To date, we have invested in more than 50 startup companies in the U.S., Europe, China, Japan, and other countries in various fields among the Asahi Kasei Group’s three business sectors. We have played a role in creating new innovations, including the acquisition of two companies, Crystal IS, Inc., and Senseair AB.

In April 2023, we established a “Care for Earth” investment framework as a new initiative to achieve carbon neutrality. Over the five-year period through fiscal 2027, we have allocated \$100 million globally to invest in startup companies working to solve environmental issues in areas such as hydrogen, batteries, carbon management, and biochemicals. In addition to direct investment, we will also engage in indirect

Original CVC investment framework Care for People	Parallel Effort	Newly CVC investment framework Care for Earth
<p><b>Scope</b> DX, Health Care sector, Homes sector</p> <p><b>Objectives</b> Aiming to create new businesses, partnerships, and acquisitions based on corporate and division strategies</p> <p><b>Time frame</b> Aiming for commercialization within 5 years</p>		<p><b>Scope</b> Areas related to decarbonization centered on hydrogen, carbon management, biochemicals, and batteries</p> <p><b>Objectives</b> (1) Reduction of GHG emissions for Asahi Kasei and society (2) Creation of new businesses related to decarbonization (3) Participation in sustainable ecosystem</p> <p><b>Time frame</b> Aiming for commercialization within 5–10 years</p>

CVC investment categories

investment through venture capital (VC) firms, which specialize in the management of funds collected from investors. By utilizing a portion of our investment budget to include external professionals and expand access to deal sources (sources of information on investment projects), we can also obtain information regarding regulations. Aiming toward carbon neutrality in 2050, the “Care for Earth” framework has different time frames and different decision criteria compared to conventional investments. By allocating an

investment framework dedicated to this area, we aim not only to create new businesses but also to reduce our own GHG emissions and the GHG emissions of society. Additionally, through participation in the ecosystem of carbon neutrality, this investment framework also serves as a starting point for portfolio transformation in the Material sector.

## Collaboration/M&A



### M&A Target Fields

Since acquiring ZOLL Medical Corporation in 2012, the Asahi Kasei Group has actively pursued business expansion through full-fledged M&A. In our current MTP, we are promoting M&A to accelerate growth and achieve results, mainly in the growth fields of GG10. In the Health Care sector, we have positioned M&A as a means of strategic growth in the critical care and bioprocess fields, and are expanding existing businesses and entering new fields. In the Homes sector, we have positioned the overseas housing business as a new pillar of earnings and are conducting M&A in the U.S. and Australia. Regarding our future M&A trajectory, we will continue to use it as a means of strategic growth in the Health Care sector, while in the Material sector, we will position it as an important means of expanding our business in future mainstay fields such as Digital Solutions.

### M&A Selection Criteria

Criteria we emphasize when selecting candidates for M&A include compatibility with our growth strategies. With limited management resources in terms of both finances and human resources, we are concentrating on M&A in GG10 and other growth areas. Based on our experience with several successful cases of M&A, we have positioned the following four points as keys to success, and conduct thorough checks when selecting companies to invest in, and this has given us a solid track record.

- Strong business foundation and clear business strategy
- Management that runs operations with full command over the business
- Management that understands and accepts Asahi Kasei Group philosophy, management policies, and business operations
- Trust cultivated through business activities prior to acquisition

### Post-Merger Integration

From the initial M&A consideration stage, we conduct due diligence in anticipation of the following three points with a view to post-merger integration (PMI).

- Post-acquisition governance (management structure, approval authority at acquired company)
- Post-acquisition operational framework (method for providing services to customers)
- Acquisition scenario to accomplish envisioned operations

By incorporating the results into a concrete PMI plan, we are able to implement PMI that maximizes post-M&A synergistic effects.

In addition, to maximize synergistic effects, we appoint a suitable person responsible for PMI implementation, and thoroughly monitor the status of synergy creation both quantitatively and qualitatively.

### Approach to Future M&A

We regularly review previous M&A cases and accumulate knowledge in the form of an M&A Management Book, including cases of failure, which is used to educate personnel involved in M&A projects. In addition, by reporting reviews of M&A to the Board of Directors, the Management Council, and business unit leaders, we receive diverse opinions and take steps to increase the probability of successful M&A, thereby contributing to inorganic growth going forward.