

“Cs+ for Tomorrow 2021”
Medium-term Management Initiative
Progress and Outlook

May 25, 2020
Asahi Kasei Corp.

Asahi**KASEI**

Overview

1. Though the management climate is a challenging one faced with a global economic crisis, we will maintain the basic concepts of “Cs+ for Tomorrow 2021” while **proactively seeking opportunities to innovate with changes to society**
2. While forecasting performance is difficult, our 3-sector **business portfolio is successful to maintain a sound financial foundation** with an outlook for stable profit from Homes and Health Care
3. With greater financial discipline and further business portfolio transformation we will **strengthen the constitution for cash generation and maintain or raise the level of shareholder returns** even under the challenging environment
4. In the 5 priority fields for provision of value we will **proactively address discontinuous and irreversible market changes** due to COVID-19 through Asahi Kasei’s strengths of “diversity” and “capability to change”, raising corporate value
5. We will continue to **reinforce the management platform for sustainable growth** through various “Cs”, especially **Communication to build an environment for employees** and **Challenge to heighten operations** in the “new normal” for greater productivity

Stance for execution based on changing environment

Maintaining basic concepts of
“Cs+ for Tomorrow 2021”

Recognizing expected environmental changes as opportunities to innovate, proactively moving ahead toward our goals



Thorough financial discipline

- Careful selection of investments
- Scrutinizing investment efficiency

Strengthened constitution

- Maximizing returns on previous investments
- Acceleration of portfolio transformation
- Company-wide cost reduction

Innovation toward future changes

- Advancing contribution to sustainability
- Anticipating new trends and structural changes

Outline

1. Progress on financial objectives
2. Progress on growth strategy
3. Building platform for sustainable growth

Disclaimer

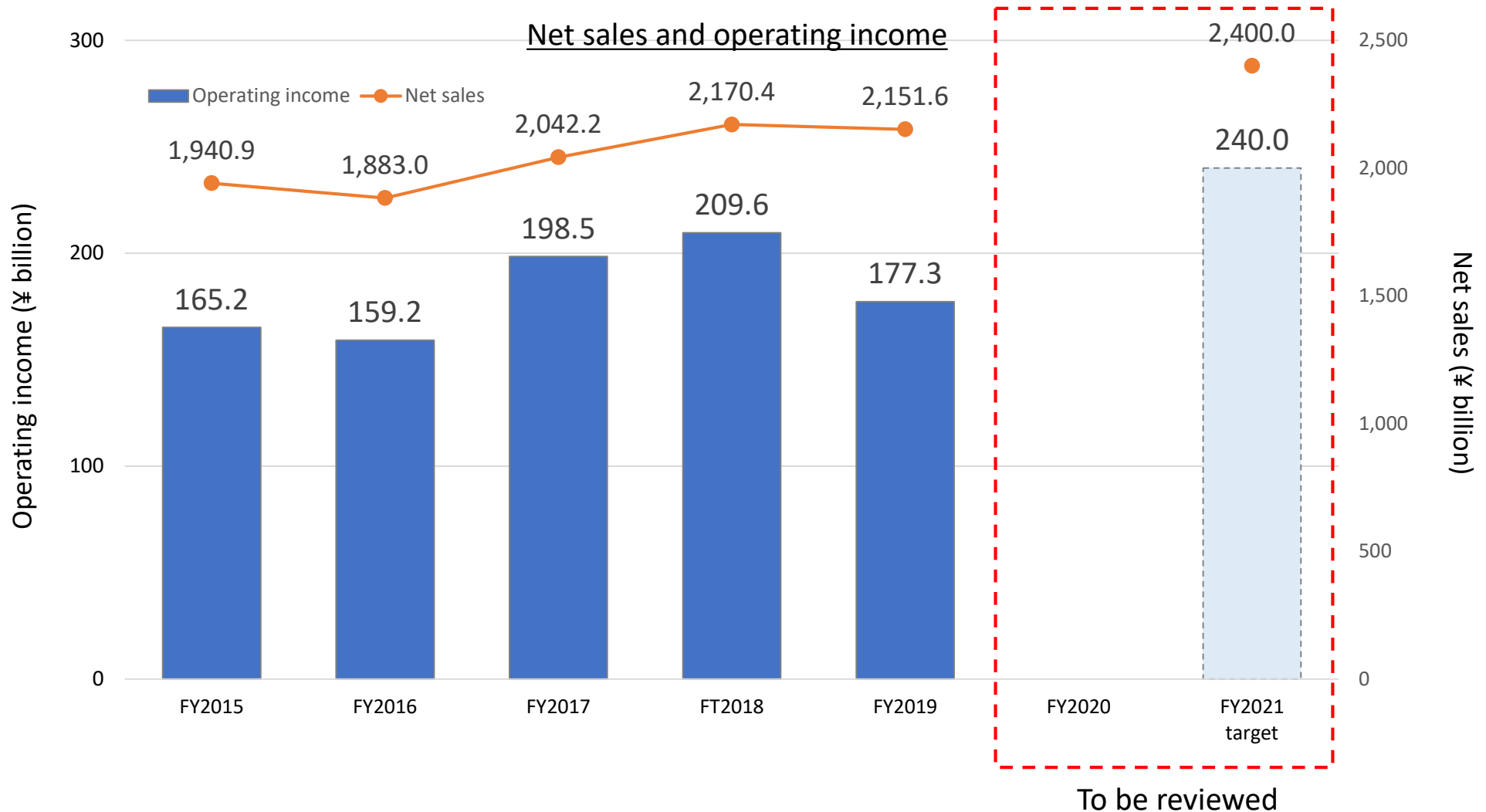
The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future to not imply a guarantee of actual outcomes.

1. Progress on financial objectives

Net sales and operating income

Target to be reviewed when impact of COVID-19 becomes visible.

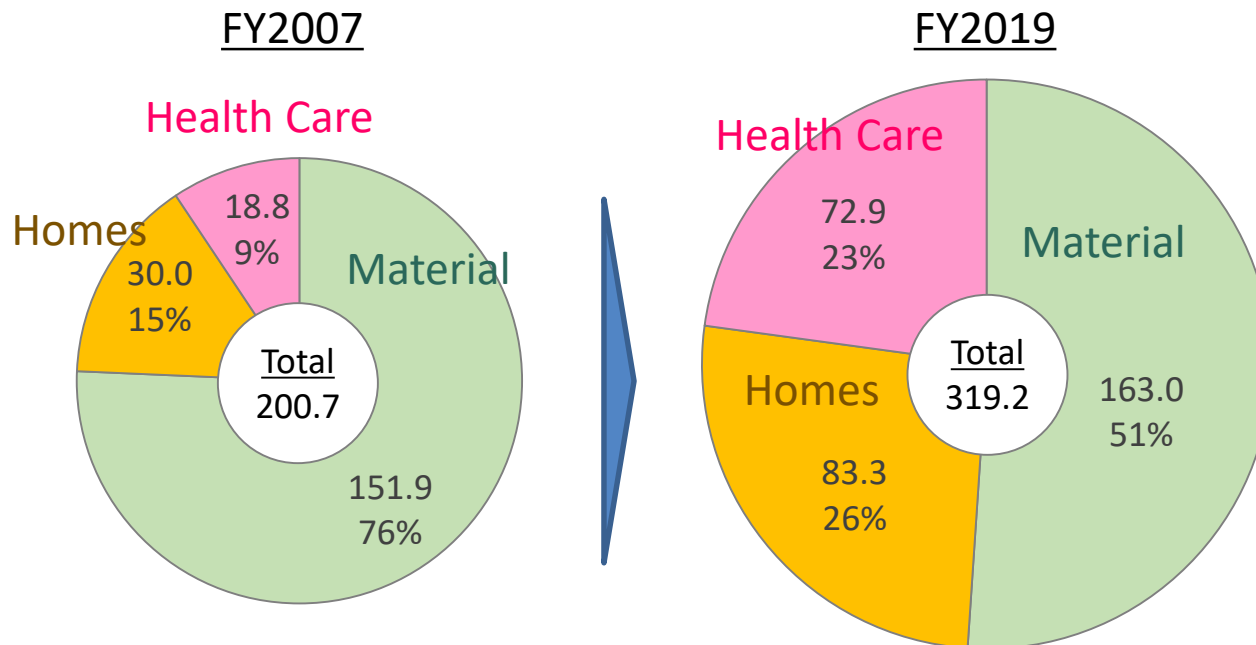
While FY21 target appears challenging, all possible measures will be taken toward attainment.



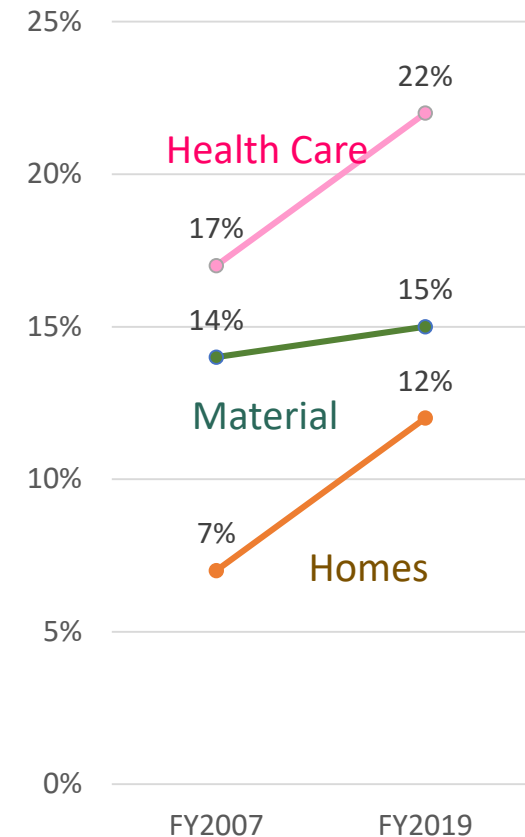
Reference: EBITDA by sector

Compared to before the 2008 financial crisis, our portfolio transformation has advanced and both earnings margins and amounts have increased significantly in the Homes and Health Care sectors. Even during recessions, Homes and Health Care generate steady earnings that support the overall portfolio.

EBITDA by sector (¥ billion)



EBITDA margin by sector



Financial performance by sector

(¥ billion)		FY2017	FY2018	FY2019	FY2021 target
Material	Net sales	1,087.7	1,176.2	1,093.1	1,350.0
	Operating income	121.9	129.6	92.4	150.0
	Operating margin	11.2%	11.0%	8.4%	11.1%
	EBITDA	186.9	190.7	163.0	240.0
	EBITDA margin	17.2%	16.2%	14.9%	17.8%
Homes	Net sales	641.0	659.8	704.4	750.0
	Operating income	64.4	68.2	72.7	75.0
	Operating margin	10.0%	10.3%	10.3%	10.0%
	EBITDA	73.9	77.2	83.3	89.0
	EBITDA margin	11.5%	11.7%	11.8%	11.9%
Health Care	Net sales	296.3	316.2	337.8	370.0
	Operating income	39.5	41.8	43.5	56.0
	Operating margin	13.3%	13.2%	12.9%	15.1%
	EBITDA	67.6	68.6	72.9	83.0
	EBITDA margin	22.8%	21.7%	21.6%	22.4%

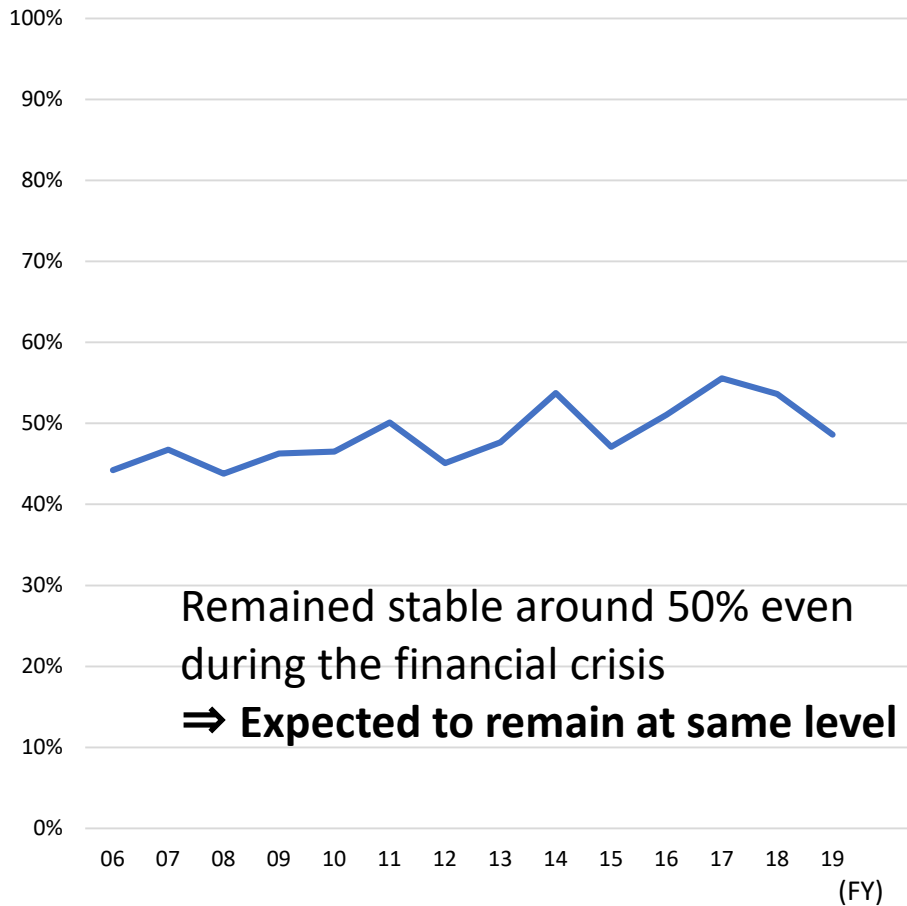
To be reviewed

* Sums of figures by sector differ from consolidated amounts.

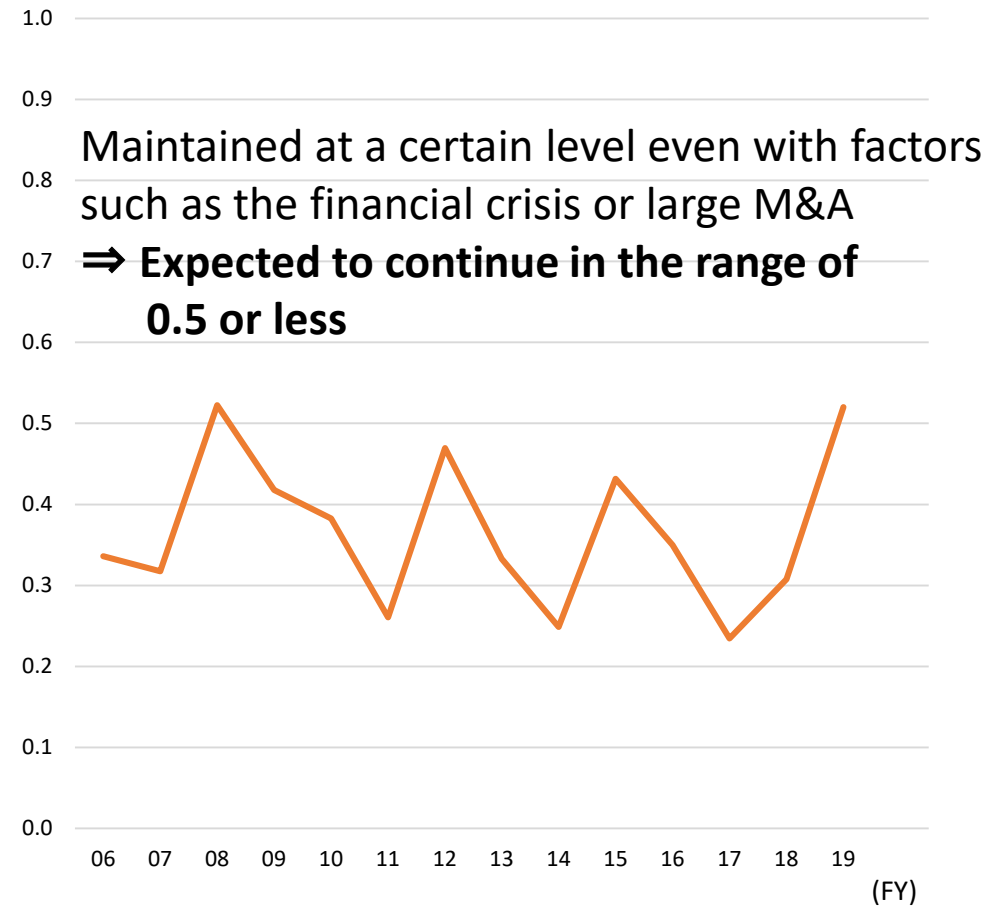
Financial health

Aiming to raise corporate value while maintaining financial health

Net worth ratio



D/E ratio

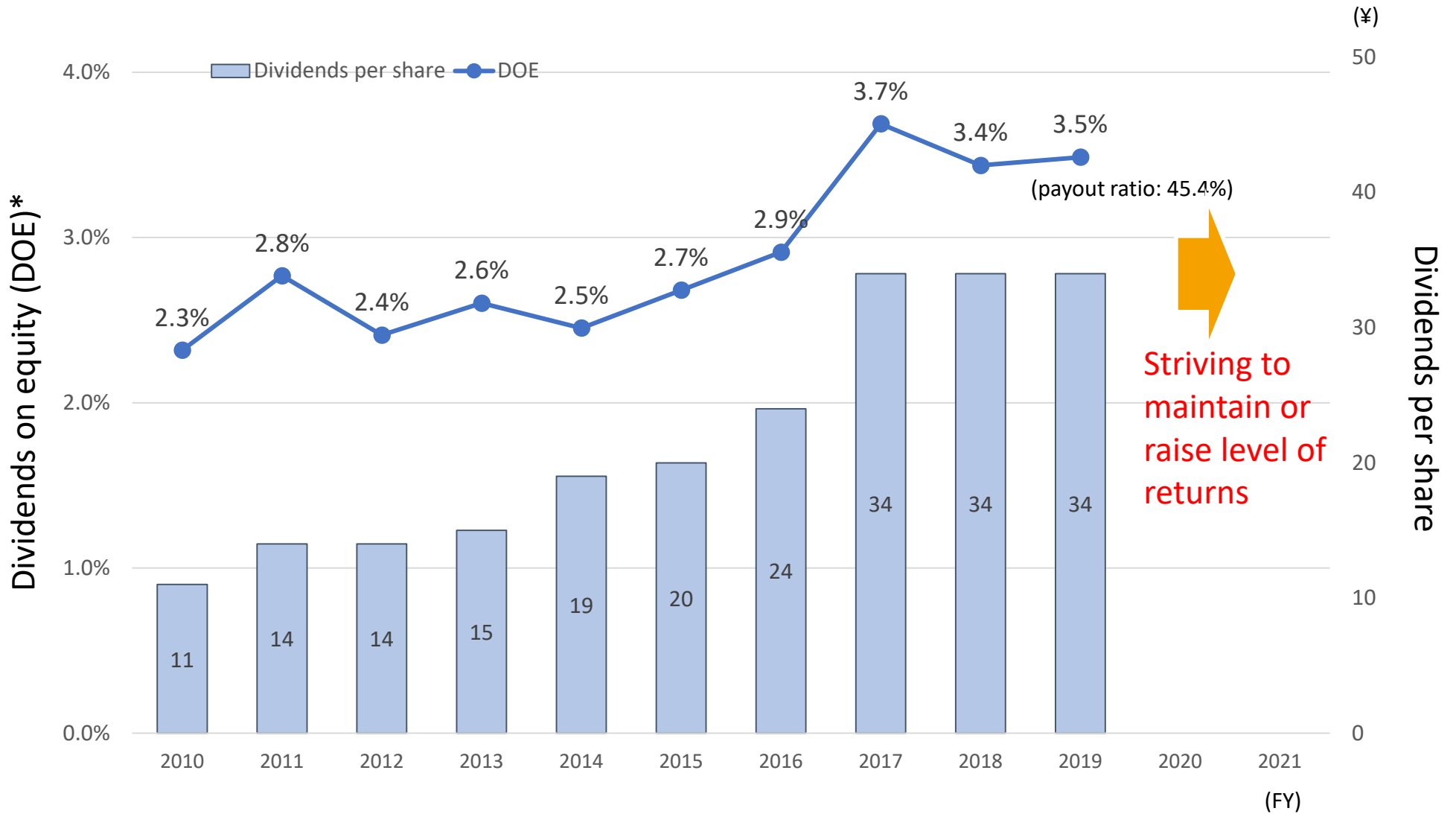


Shareholder returns policy

- 1 Determining level of shareholder returns based on medium-term FCF outlook**
- 2 Shareholder returns basically by dividends, aiming to maintain or increase dividends per share**
- 3 With payout ratio of around 30–40%, considering dividend on equity (DOE) as well, aiming to steadily increase level of shareholder returns**
- 4 Share buybacks as appropriate considering suitable level of equity**

Though challenging environment is expected, planning to maintain or increase level of shareholder returns based on medium-term FCF outlook

Dividends



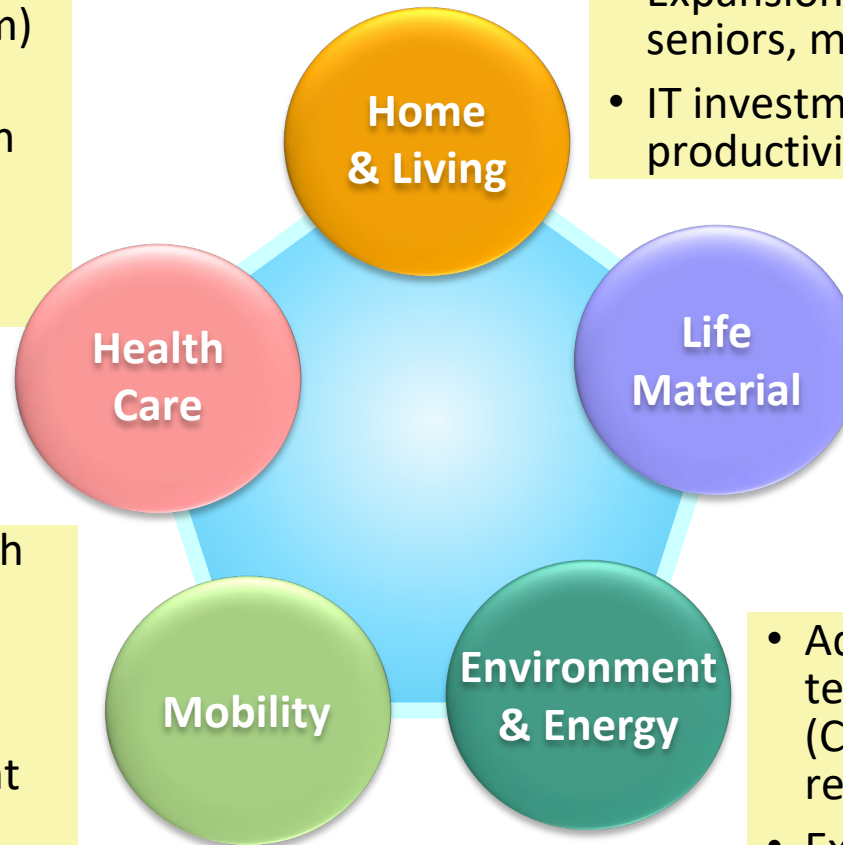
* DOE = dividend total / shareholders' equity

2. Progress on growth strategy

Actions in priority fields for provision of value

- Acquisition of US pharmaceutical company Veloxis (gaining North American business platform)
- Strengthening existing businesses (growth through acquisitions by ZOLL, etc.)
- Strengthening of domestic Japanese businesses

- Expansion of Sage (growth through acquisition)
- Expanding capacity for Lamous artificial suede
- Accelerating development of SunForce mPPE foam beads



- Accelerating overseas businesses
- Expansion in homes for seniors, medium-rise homes
- IT investments for increased productivity

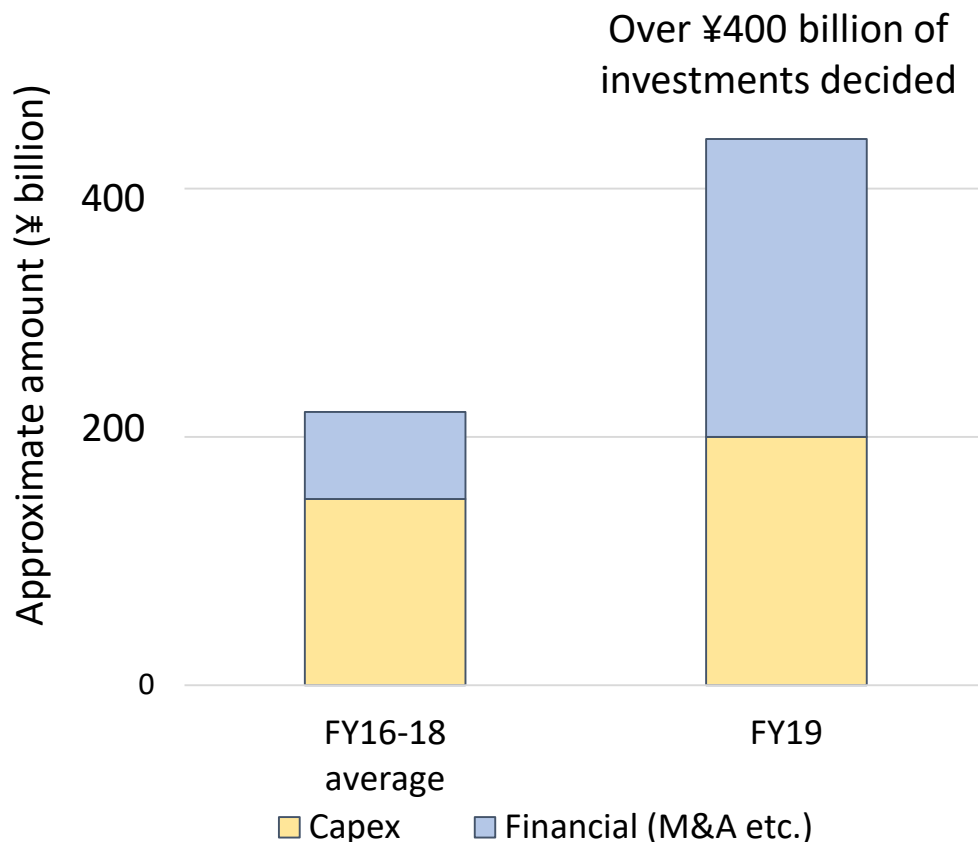
- Accelerating business for 5G materials
- Advancing UVC LED business

- Advancing development of technologies for sustainability (CO₂ adsorption, plastic recycling)
- Expanding capacity for LIB separators

Long-term investments for sustainable growth

FY19 investment decisions for growth in priority fields for provision of value, such as acquisition of Veloxis

Investment decisions adopted



Stance for future investments

Focusing resources on selected investments for growth opportunities based on operating climate

Viewpoints

Contributing to sustainability

Raising productivity
(workstyle reform, digital transformation, etc.)

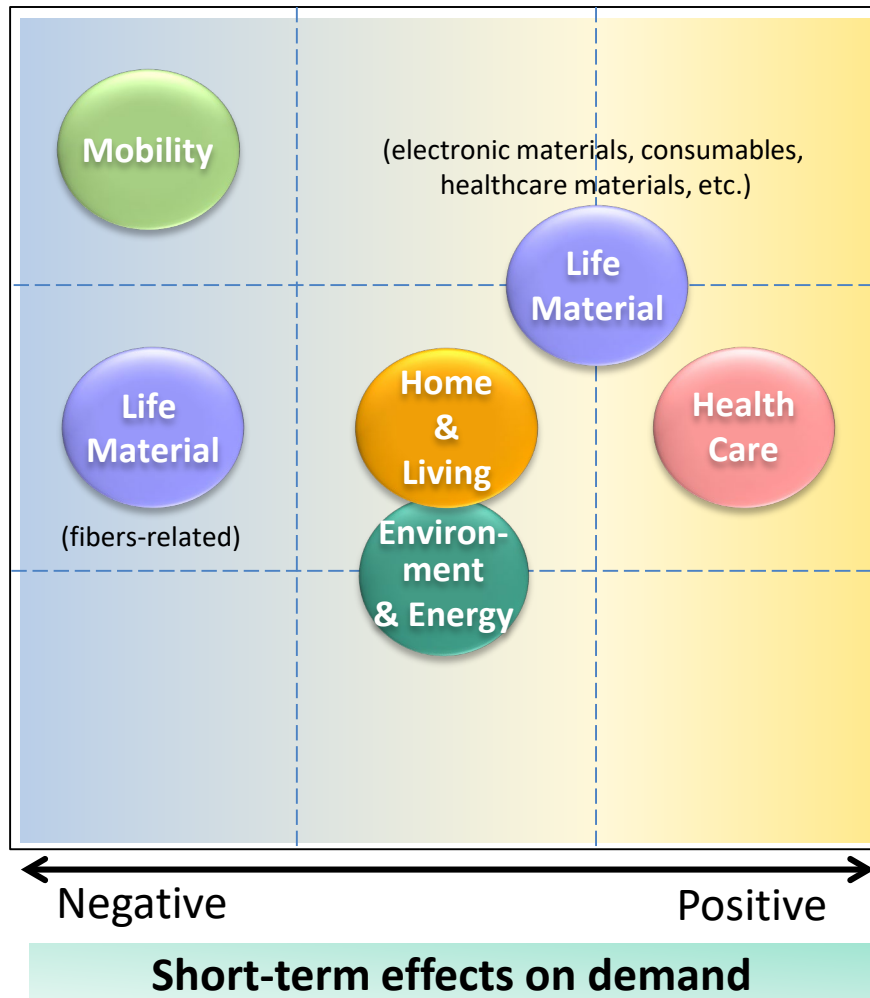
Innovation

Emerging needs/trends

Review of operating climate in priority fields for provision of value

Disparate impacts of COVID-19 on the 5 priority fields for provision of value—striving to ascertain short-term effects on demand and long-term structural changes

View of COVID-19 impacts



Short-term effects on demand

- Decline or obscurity:
Mobility, apparel fibers
- Careful observation:
Homes-related, environment & energy
- Stability or growth:
Health Care, electronic materials, consumables, healthcare materials

Long-term structural market changes

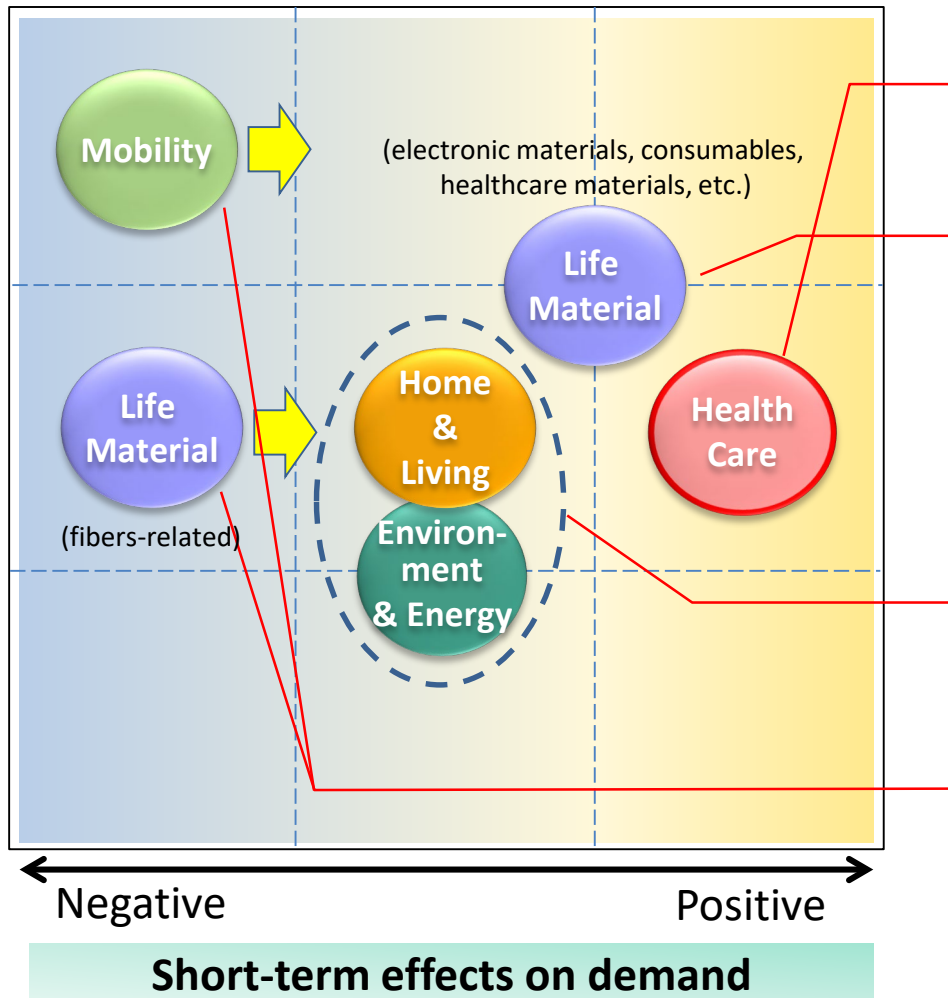
- Rising or changing needs related to life (critical care, hygiene materials, etc.)
- Product/service needs arising from new lifestyles (accelerated progress of CASE*, 5G, smart house, etc.; spread of new styles of living and working)

* CASE: Connected, Autonomous, Shared & Service, Electric

Perspective on growth strategy in priority fields for provision of value

Accelerating growth in Health Care through concentration of management resources. Though Mobility and Life Material (fibers-related) face severe climate for now, taking structural market changes as opportunities to seek medium-term profit growth.

View of COVID-19 impacts

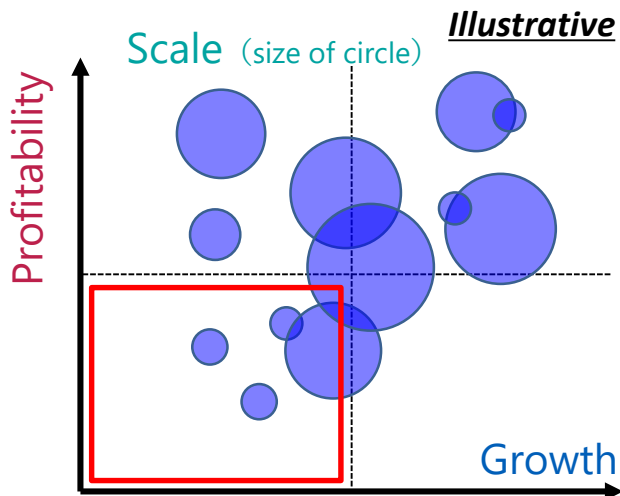


- Management resources **further concentrated on Health Care**, growing as 3rd major pillar through further cultivation of critical care and advancement in North America
- While carefully observing short-term effects, **providing innovative materials and solutions for new needs** arising from advance of 5G, awareness for hygiene, and changing lifestyles
- **Maintaining and advancing medium-term growth strategy** while reducing the impact through productivity improvements
 - ✓ Home & Living: Leveraging know-how gained in urban markets to contribute to quality social infrastructure and living fulfillment
 - ✓ Environment & Energy: Contributing to harmony with the environment through diverse technologies
- **Structural changes** such as acceleration of CASE and heightened needs for hygiene materials **taken as opportunities** to seek medium-term profit growth
 - ✓ Accelerating transformation of portfolio to high value-added products
 - ✓ Reinforcing marketing to key customers

Approach of business portfolio transformation

Advancing portfolio transformation of low-profit businesses based on evaluation of each business, shifting corporate resources into priority fields for provision of value

Growth × Profitability

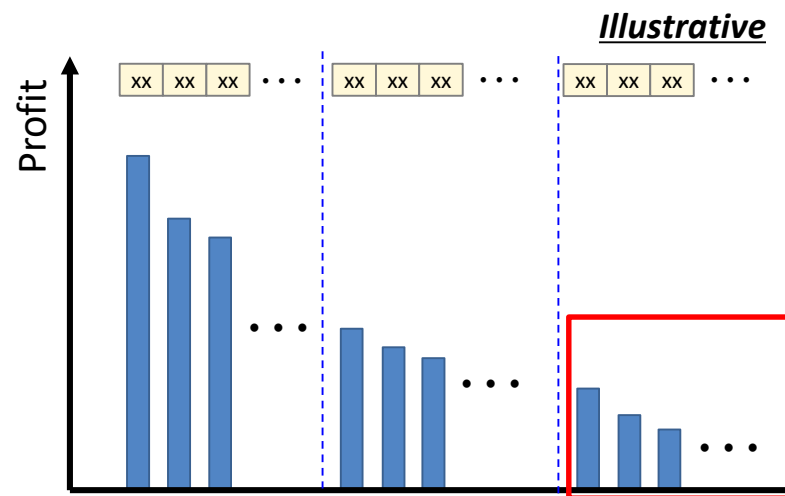


Growth: Revenue growth rate, market growth rate, etc.

Profitability: ROS, ROIC, etc.

Scale: Capital employed, revenue, etc.
(Size of circle)

Amount of profit, productivity



- Categorized by amount of profit
- Considering profit per employee, etc.

Business profile

- Priority fields for provision of value
- Contribution to sustainability
- Competitive advantage
(Market position, cost competitiveness, technological advantage, etc.)
- Synergies with other businesses
⋮

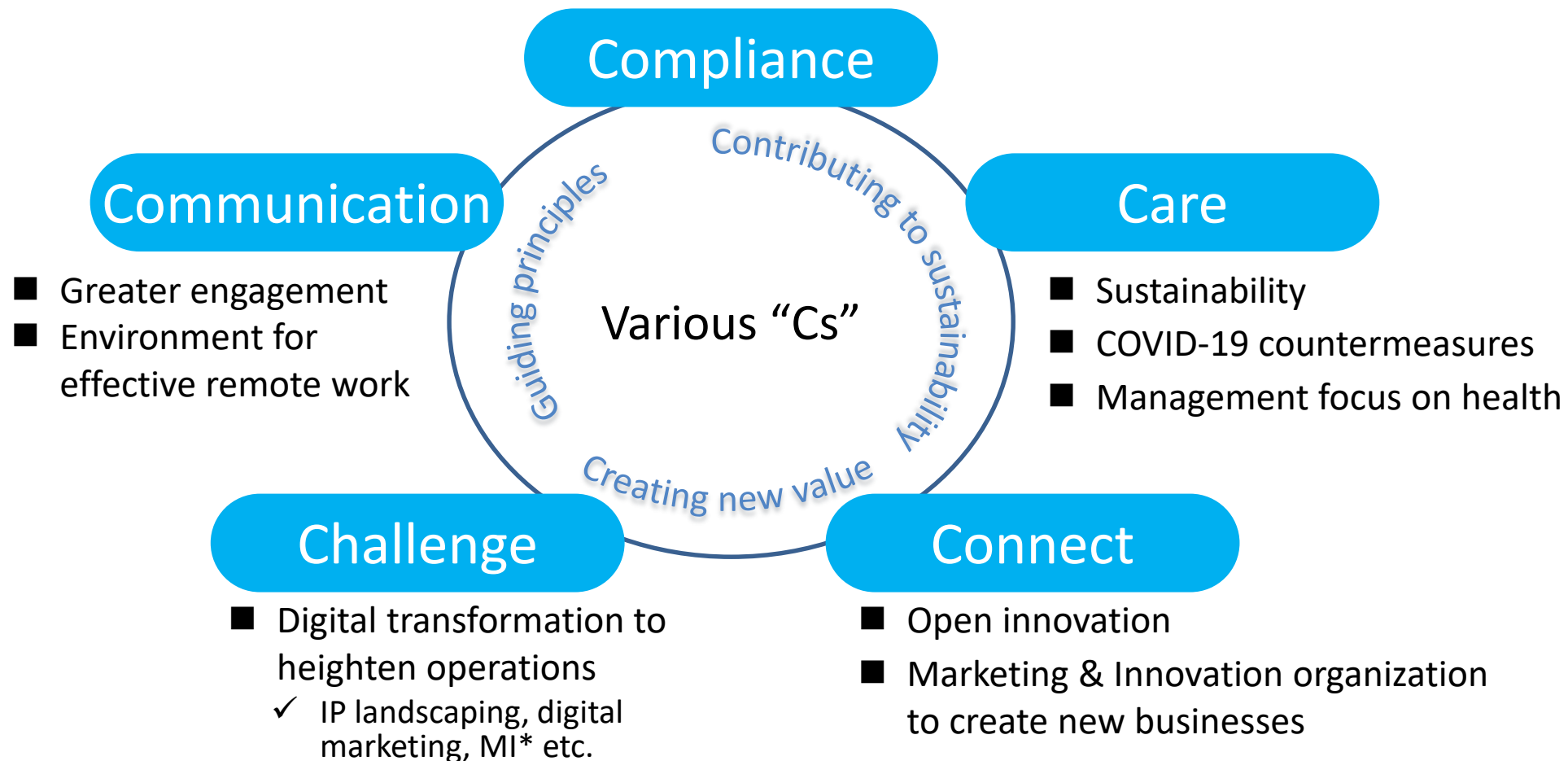
- Review the portfolio position of each business twice per year
- Based on review, select items to execute

3. Building platform for sustainable growth

Strengthening platform for sustainable growth

Continuously strengthening the platform for sustainable growth through various “Cs”, with particular focus on Communication to build the environment for employees in the new normal, and Challenge to heighten operations by digital transformation, for higher productivity

- 3 Actuals
- Quality/safety
- BCP



Care: Efforts against COVID-19

Ventilators

Raising monthly production from 400 units toward target of 10,000 units



Medical gowns

Spunbond nonwoven for surface material



Therapeutic apheresis

Devices and filters to treat critical conditions such as acute renal failure



Health Care

Home & Living

Life Material

Masks

Spunbond nonwoven for surface and edge material



Pharmaceuticals

Examining the potential of COVID-19 indication for existing drugs



Mobility

Environment & Energy

Virus removal filters

Used in the process of manufacturing biotherapeutics



Disinfectant wipers

Cellulose nonwoven for disinfectant wipers



Care: Measures for sustainability

- Reducing GHG emissions
- Working on plastic waste issues
- Determination of environmental contribution products
- Joining initiatives
 - Support for recommendations of TCFD
 - Joining CLOMA*
 - Joining RE100 (Asahi Kasei Homes)

Environmental

Care for People
Care for Earth

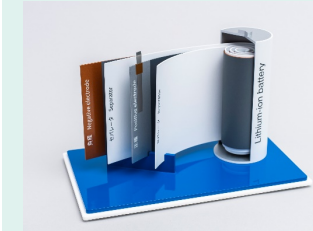
Social

- Designation of Executive Officer for Health
- Management declaration on health
- White logistics declaration

Governance

- Establishment of department and committee for sustainability
- Enhancing effectiveness of BOD (fuller information provision, enriching discussions at BOD meetings, etc.)

Examples of environmental contribution products



Hipore LIB separator

Membrane process for chlor-alkali electrolysis



* CLOMA: Clean Ocean Material Alliance

Challenge: Heightening operations by digital transformation

Advancing use of digital transformation for strategic proposals and new business creation in addition to raising efficiency

MI to innovate means of development



AI for automatic image inspection



Enhancing plant diagnostic technology



Formulating business strategy with IP information



Example of using IP information for formulation of business strategy

- Together with Sage, acquired in 2018, high-level analysis of industry and competitors' IP
- Results being used in search for new fields to develop by combining technologies of Sage and Asahi Kasei

➔ Launched joint development project for new business

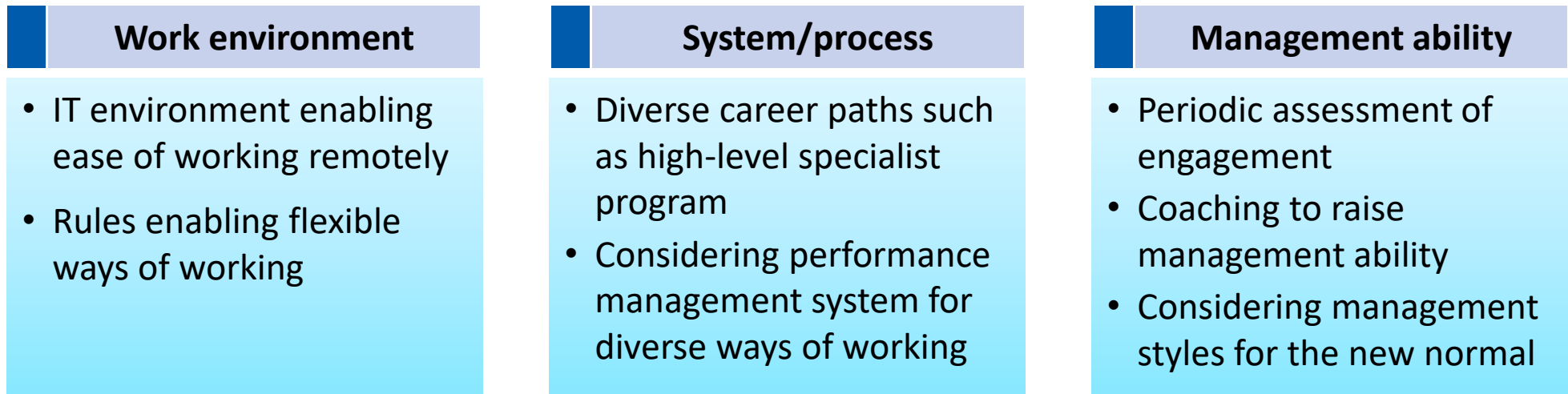
Strengthening capabilities for digital transformation

- Increasing digital professional personnel to 150 by end of FY2021
- Establishing open innovation site for digital engineers (scheduled for end of FY2020)



Communication: Building foundation for employees to thrive

Raising management ability to enhance employee engagement while creating environment to enable employees to perform in the new normal



Enhanced employee engagement/greater sense of organizational participation

- Producing results as a team of diverse employees; each individual feels more engaged and fulfilled
- Greater motivation by sensing how one's own work contributes to life and living for people around the world

I have to work ⇒ **We want to work together**

Closing

- **We view the current broad social transformations as opportunities, and are proactively executing change**
- **We are reviewing what should be preserved and what should be changed, and advancing business portfolio transformation to continue to provide value to society**
- **By boldly taking Challenges, actively making Connections, and changing the concept of Communication, we are leveraging our strengths of “diversity” and “capability to change” to achieve sustainability**
(contributing to a sustainable society,
sustainable increase in corporate value)



Reference: Financial results

		FY2015	FY2018	FY2019
	(¥ billion, unless otherwise specified)			
	Net sales	1940.9	2170.4	2151.6
Profitability	Operating income	165.2	209.6	177.3
	Operating margin	8.5%	9.7%	8.2%
	EBITDA*¹	274.8	313.6	295.6
	EBITDA margin	14.2%	14.5%	13.7%
	Net income	91.8	147.5	103.9
	EPS (¥)	66	106	75
Capital Efficiency	ROIC*²	7.9%	8.8%	6.6%
	Net income per shareholder's equity (ROE)	8.6%	11.1%	7.6%
Financial Health	D/E ratio	0.43	0.31	0.52
	Capital ratio	47.1%	53.6%	48.6%
	Exchange rate (¥/ \$)	120	111	109

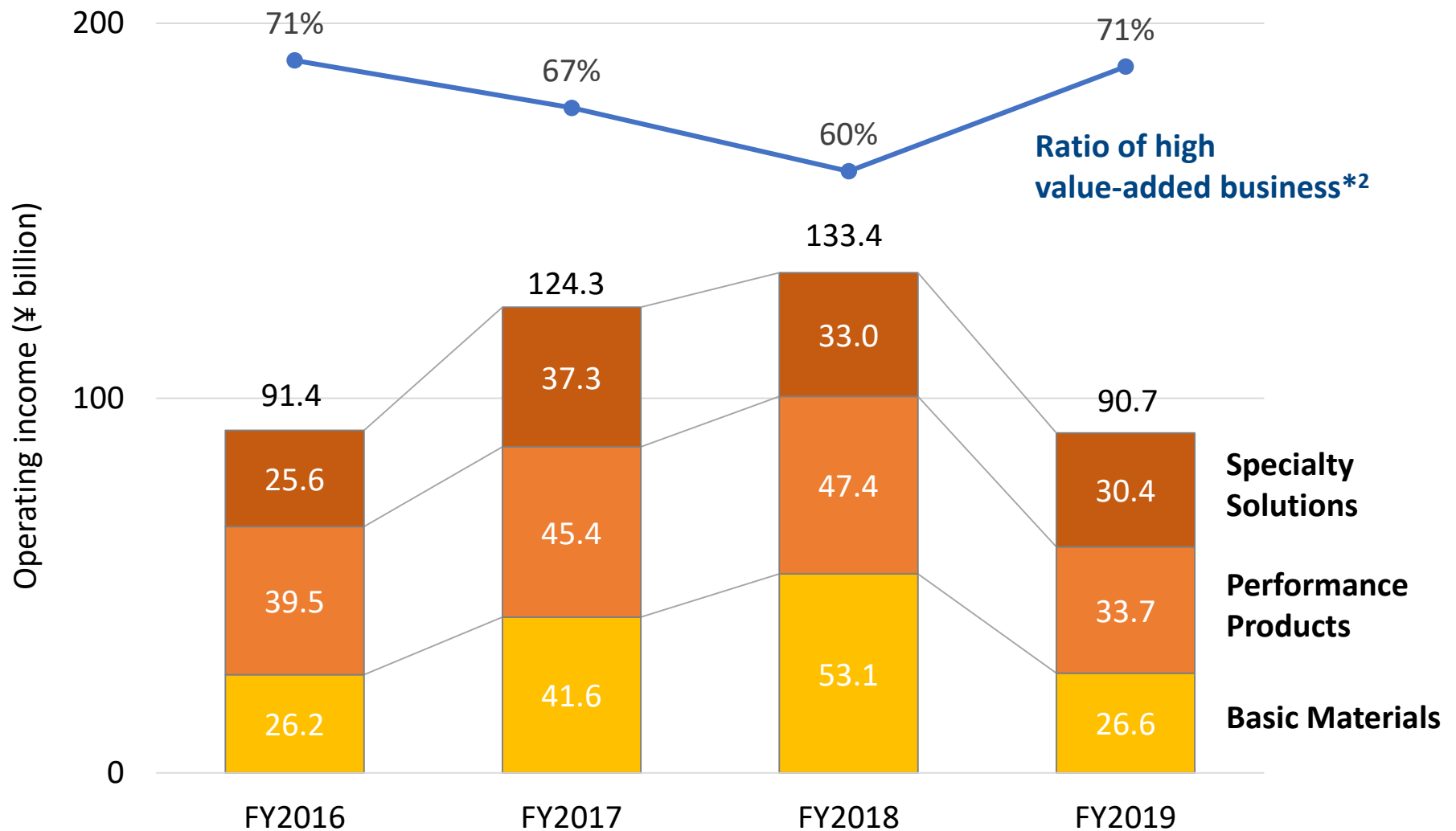
FY2021 target
2400.0
240.0
10.0%
370.0
15.4%
180.0
130
9.0%
11.1%
≈0.5
110

*1 Operating income, depreciation, and amortization (tangible, intangible, and goodwill)

*2 (Operating income – income taxes) / average annual invested capital

To be reviewed

Reference: Operating income of Material segment*1



*1: Beginning with FY2019, the business categories in the Material segment are reclassified. Results from FY2016 through FY2018 are recalculated in accordance with the new classifications. Sums of figures by category differ from Material segment total due to intrasegment expenses and others.

*2: High value-added business: Performance Products and Specialty Solutions

Creating for Tomorrow

The commitment of the Asahi Kasei Group:

To do all that we can in every era to help the people of the world make the most of life and attain fulfillment in living.

Since our founding, we have always been deeply committed to contributing to the development of society, boldly anticipating the emergence of new needs.

This is what we mean by “Creating for Tomorrow.”

AsahiKASEI