

Medium-term Management Plan 2024 “Be a Trailblazer” Progress and Outlook

Asahi Kasei Corporation

April 11, 2023



Executive Summary

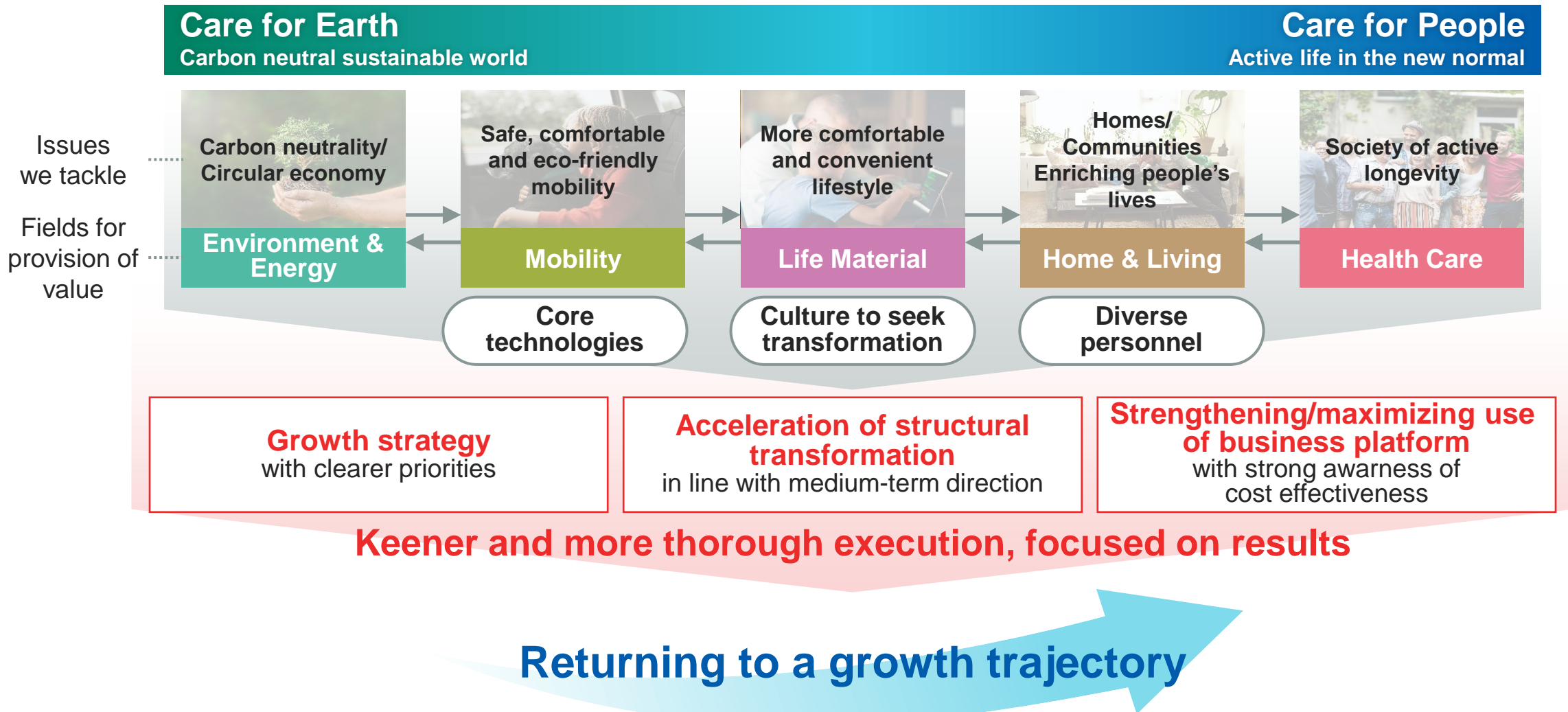
- > The operating income forecast for FY2022 is low at ¥125 billion, impacted by prolonged semiconductor shortages, stagnant demand due to lockdowns in China, and high feedstock and fuel prices. Although the business environment is expected to gradually improve, considering the divergence from the initial plan, **the operating income target for FY2024 has been changed to ¥200 billion yen or more**, with the initial target of **¥270 billion yen to be achieved with a delay of 2–3 years**.
- > In response to the delay in income growth, **we will work to strengthen our profit structure through productivity improvement and cost reduction**. Specifically, we will begin **cost reduction measures targeting approximately ¥20 billion per year** in SG&A expenses to raise the level of profits.
- > We will further accelerate structural transformation, aiming to **complete reforms in businesses with total sales of ¥100 billion or more by the end of FY2024**. For **petrochemical chain-related business (sales of ¥600 billion)**, which is highly volatile and faces challenges for carbon neutrality, **we are studying the prospects to raise business value through alliances with other companies**. Discussion with various stakeholders is proceeding, and **we expect to reach a conclusion on the course of action by the end of FY2024**.
- > Expansion of the **10 Growth Gears (GG10) businesses** to lead the next phase of growth is **progressing in line with the initial strategy**, although with some delays in income growth. We entered the biologics CDMO business and decided to increase capacity for electronic materials. While we will continue to invest for growth, in light of the impairment loss in the separator business, we will more **clearly prioritize resource allocation** within GG10, and apply more exacting scrutiny when making investment decisions.
- > We will continue to emphasize the principle of returning profits to shareholders through stable dividends, planning to **maintain or increase dividends per share**.
- > We will continue to **strengthen the business platform** from the perspective of Green/Digital/People and maximum use of intangible assets. We will **pursue the clear results** through more strict judgment of cost-effectiveness.

Review of Asahi Kasei's Business Portfolio Evolution

		FY2003–2005	FY2006–2010	FY2011–2015	FY2016–2018	FY2019–2021	FY2022–2024
Medium-term Management Plan		ISHIN-05 Selective diversification	Growth Action – 2010 Business portfolio realignment for expansion and growth	For Tomorrow 2015 Pursuit of growth, Promotion of "one AK" management	Cs for Tomorrow 2018 Building the base for the next phase with various Cs	Cs+ for Tomorrow 2021 Contributing to sustainable society	Be a Trailblazer Further portfolio evolution
(¥ billion)		FY2005 Result	FY2010 Result	FY2015 Result	FY2018 Result	FY2021 Result	FY2022 Forecast
Net sales		1,498.6	1,555.9	1,940.9	2,170.4	2,461.3	2,737.0
Operating income		108.7	122.9	165.2	209.6	202.6	125.0
Operating margin		7.3%	7.9%	8.5%	9.7%	8.2%	4.6%
Key Actions		Transition to holding company structure (Oct. 2003)	Adoption of Group Mission, Group Vision and Group Values	Promotion of "one AK" management	Transition to operating holding company structure (Apr. 2016)	New business unit structure for Material (Apr. 2019)	
	Expansion such as capacity increase (red enclosure indicates M&A)	<ul style="list-style-type: none"> Spandex fiber Semiconductors Electronic materials Separator Dialyzers 	<ul style="list-style-type: none"> Acrylonitrile Synthetic rubber Separator Semiconductor Bioprocess 	<ul style="list-style-type: none"> Acrylonitrile Synthetic rubber Separator ZOLL Medical Polypore International 	<ul style="list-style-type: none"> Synthetic rubber Artificial suede Separator Sage Automotive Interiors Overseas homes business 	<ul style="list-style-type: none"> Artificial suede Separator Veloxis Pharmaceuticals Critical care related Automotive interior material 	<ul style="list-style-type: none"> Electronic materials Overseas homes related Biologics CDMO
	Business structure transformation, etc.	<ul style="list-style-type: none"> Divestment of liquors operations Withdrawal from acrylic fiber business Transfer of salt business 	<ul style="list-style-type: none"> Withdrawal of polyester business Withdrawal of operations in Shiraoi, Hokkaido (AAC plant, coenzyme plant) 	<ul style="list-style-type: none"> Structural reform in Mizushima and Kawasaki (reduced capacity for acrylonitrile, styrene, etc.) Withdrawal of liquid diet products 	<ul style="list-style-type: none"> Started joint venture with Mitsubishi Chemical for joint naphtha cracker operation (closed our naphtha cracker) 	<ul style="list-style-type: none"> Withdrawal of ABS resin Withdrawal of clear styrenic block copolymer Withdrawal from acrylic latex and photocatalyst coating business 	<ul style="list-style-type: none"> Transfer of pellicles business Integration of spunbond with Mitsui Chemicals Closure of Iwakuni AAC Plant

Asahi Kasei's approach to reach what we want to be

Although performance has declined due to changes in the business environment, we aim to return to a growth trajectory through more thorough execution toward our goal



Outline

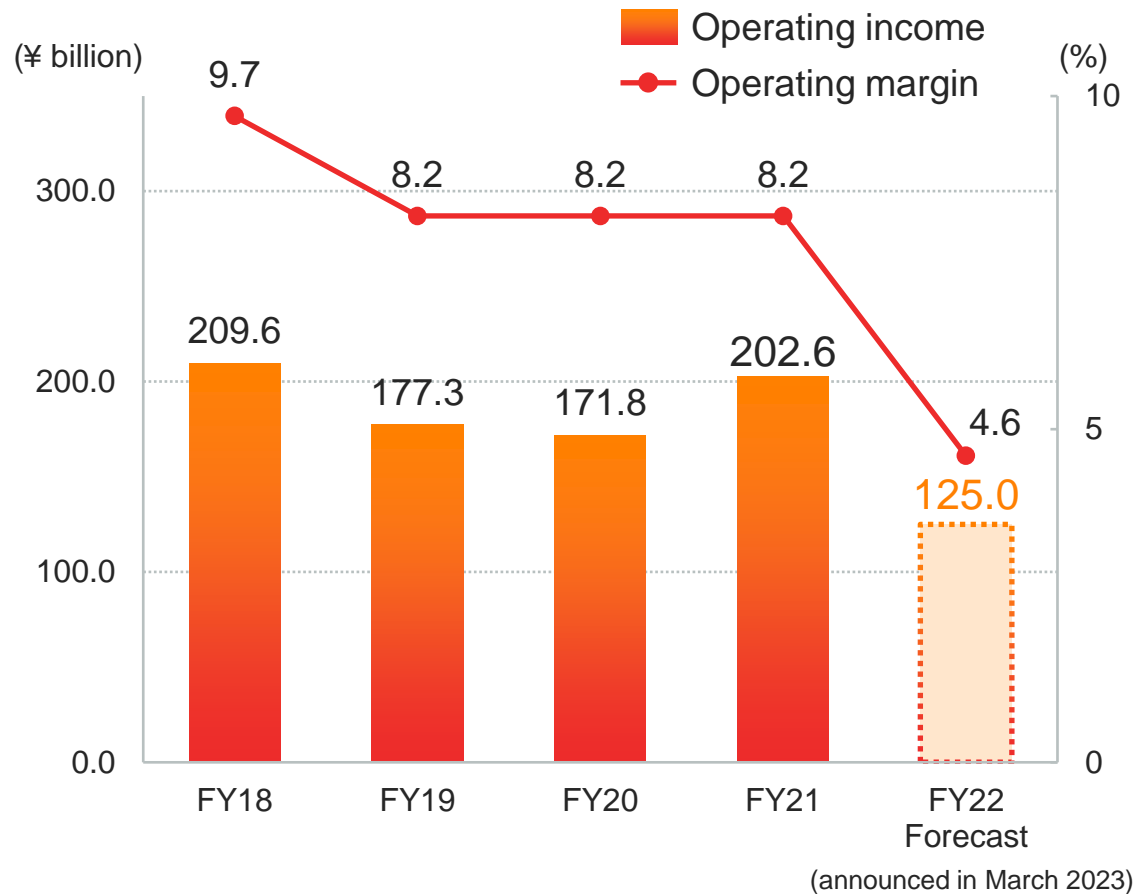
- 1. Progress of the medium-term management plan (overall)**
- 2. Progress of the medium-term management plan (by business)**
 - 2-1 Priority growth businesses
 - 2-2 Highlights by sector
- 3. Strengthening business platform**
 - 3-1 G/D/P + intangible assets
 - 3-2 Risk management/governance



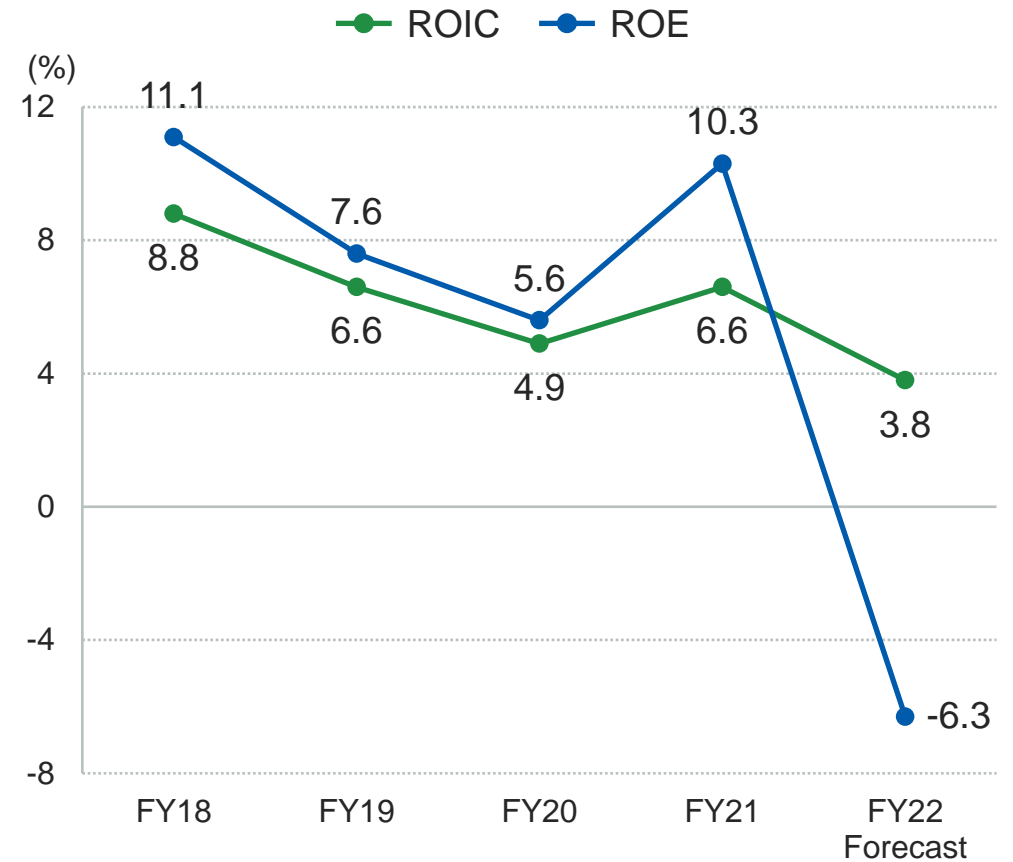
Operating income, ROIC, ROE

All indicators declined sharply from the previous year, affected by a slowdown in demand and other deterioration in the business environment

Operating income, operating margin








ROIC, ROE



Status by business sector

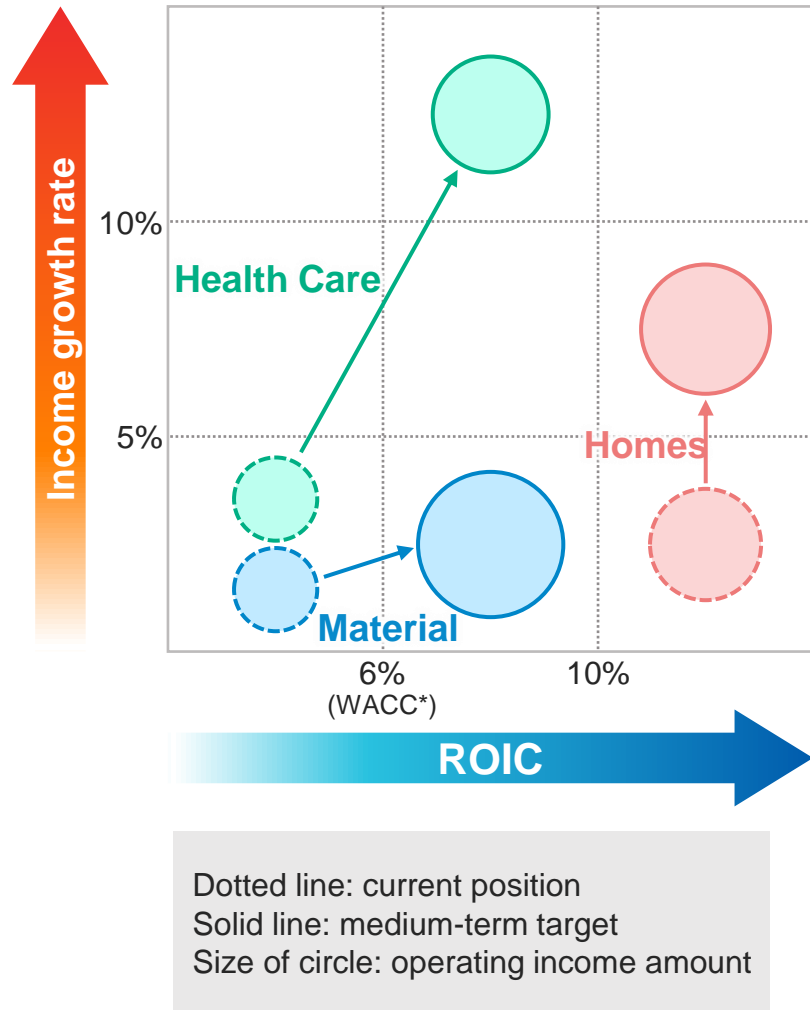
While Homes remains firm, growth in Health Care has temporarily slow down and income in Material is declining; Environmental Solutions in particular forecasting a loss due to sluggish market conditions and weak demand in Basic Materials

	FY22 Operating Income* (¥ billion)	Status of Business	
Health Care	58.0 → 41.2	 <ul style="list-style-type: none"> • In Critical Care, growth stagnated due to manufacturing issues stemming from shortage of semiconductors • Entry into biologics CDMO business 	
Homes	75.8 → 74.0	 <ul style="list-style-type: none"> • Despite a difficult market environment, maintained earnings in Japan through high value-added products • Steady income growth overseas while continuing to expand through acquisitions 	
Material	Life Innovation	37.4 → 28.6	 <ul style="list-style-type: none"> • Expansion strategy in Digital Solutions advancing despite partial earnings decline • Earnings in Comfort Life impacted by fire accidents and other factors
	Mobility & Industrial	23.8 → 11.5	 <ul style="list-style-type: none"> • Sluggish earnings due to slowdown in vehicle production growth caused by shortage of semiconductors, etc.
	Environmental Solutions	42.3 → (0.2)	 <ul style="list-style-type: none"> • Low market prices and weak demand in Basic Materials • Separator impacted by Chinese economic downturn and reduction of automotive production as well as impairment loss due to revised business strategy

* Initial forecast in May 2022 shown on the left, forecast in March 2023 shown on the right

Business portfolio and medium-term direction

Focusing on growth in Health Care and Digital Solutions while working to restore income from underperforming businesses



* Weighted average cost of capital

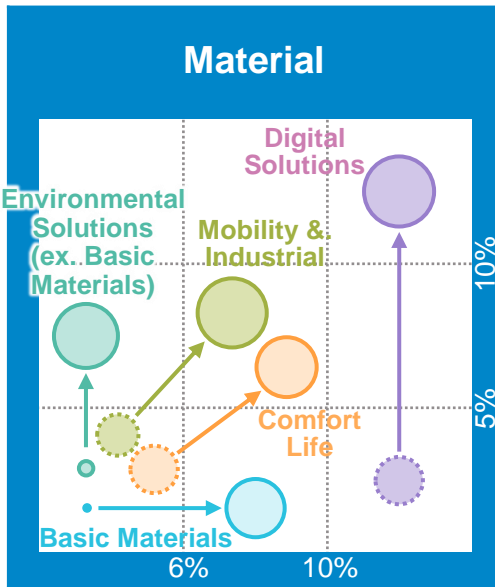
Medium-term direction

Health Care

- Reaping the fruits of past investments, the medium-term targets to be **achieved one year behind schedule**
- Continuing to seek investment opportunities for **inorganic growth**

Homes

- Continuing to **strengthen earnings of domestic business and pursue income growth through overseas expansion** to achieve the medium-term targets



Life Innovation

- Digital Solutions to not only expand existing products but also seek **inorganic growth**
- Comfort Life to focus on rebuilding its earnings base

Mobility & Industrial

- Income recovery by steadily capturing the recovery of automobile markets, and **structural strengthening** by enhancing cost competitiveness and reviewing the product portfolio

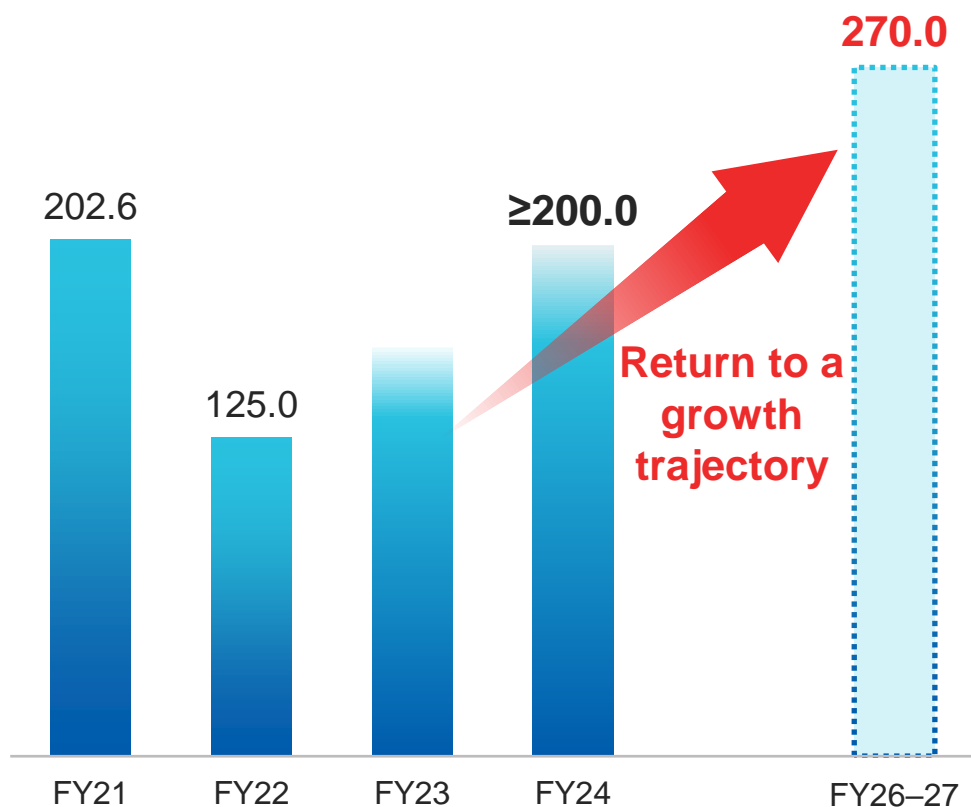
Environmental Solutions

- Basic Materials to accelerate **structural transformation and strengthening**
- Separator business to accelerate **an expansion strategy including the use of capital from other companies**

Operating income target

Operating income target for FY2024 revised of ¥200 billion or more, with the initial target of ¥270 billion to be achieved with a delay of 2–3 years

Operating income (¥ billion)¹



(¥ billion)	FY2024 original target	FY2024 revised target	Difference	FY2022 forecast
Health Care	80.0	60.0	(20.0)	41.2
Homes	95.0	95.0	0.0	74.0
Material²	1,300.0	110.0	(20.0)	41.2
Life Innovation	53.0	47.0	(6.0)	28.6
Mobility & Industrial	34.0	26.0	(8.0)	11.5
Environmental Solutions (ex. Basic Materials)	25.0	26.0	1.0	1.4
Basic Materials	30.0	23.0	(7.0)	(1.6)
Total³	270.0	≥200.0	≤(70.0)	125.0






¹ Result for FY21, forecast for FY22 (announced in Mar. 2023); targets for FY23 and beyond reflect lowered amortization cost due to impairment on Polypore.

² Total targets of the Material sector do not equal the sums of the targets of each SBU; FY24 revised targets reflect lowered amortization cost due to impairment on Polypore

³ Consolidated targets do not equal the sums of the targets of the sectors, as the above table does not include "others" or "corporate expenses/eliminations," and certain risks of fluctuation are factored in

Growth Strategy – GG10 directions

Clarified priorities within GG10 and focusing resources on the three Health Care businesses, Digital Solutions, separator and hydrogen-related

	Businesses to drive future growth 10 Growth Gears (GG10)	FY22–24 investment amount and major projects in FY22 (¥ billion, decision-adopted basis)	FY21 ⇒ FY24 profit increase ¹
First Priority <ul style="list-style-type: none"> Gaining income from past investments Continued aggressive investment, including inorganic growth 	Critical Care Global Specialty Pharma Bioprocess Health Care	≤ 200 <ul style="list-style-type: none"> Acquisition of Bionova Scientific, a U.S. biologics CDMO 	$+ \approx 15$ billion 
	Digital Solutions Material Life Innovation	≤ 200 <ul style="list-style-type: none"> Increased capacity for Pimel photosensitive polyimide precursor 	$+ \approx 10$ billion 
Growth Potential <ul style="list-style-type: none"> Growth drivers of future business Promoting alliance strategies from a competitive perspective 	Energy Storage (separator) Hydrogen-related CO ₂ Chemistry Material Environmental Solutions	≥ 200	– 
	North American & Australian Homes Environmental Homes and Construction Materials Homes	≤ 100 <ul style="list-style-type: none"> Acquisition of Focus Companies in the U.S. Acquisition of Arden Homes in Australia 	$+ \approx 10$ billion 
Earnings Base Expansion <ul style="list-style-type: none"> Finding opportunities to expand scale while maintaining stable earnings (focus on projects with high probability of success) 	Car Interior Material Material Mobility & Industrial	≤ 100 <ul style="list-style-type: none"> U.S. automotive interior materials 	$+ \approx 10$ billion 

GG10 financial targets

FY22–24 cumulative investment
(decision-adopted basis)

≈¥600 billion
(total amount including maintenance investments, etc.)

FY24 operating income

GG10 total
≈¥150 billion

>50% of all business income²








Progressing toward GG10 targets as planned

¹ Operating income + amortization from PPA

² Proportion of business income, excluding corporate expenses

Outlook for recent M&A investment

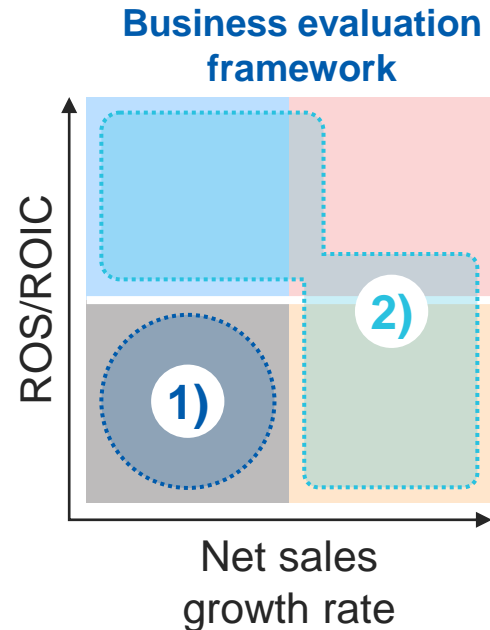
Although with some delays due to Covid-19, recent M&A investment projects are expanding in line with the initial growth strategy

	Acquired company	Completion of acquisition		Profit ¹ growth through FY2025 (¥ billion)
Health Care	 Veloxis PHARMACEUTICALS	Mar. 2020	Progress delayed by 1–2 years due to impact of Covid-19 resulting in decreased sales	+ 5–10
	 Respicardia [®]	Apr. 2021	Although impacted by restrictions on in-person sales activities, aiming to expand sales through market development leveraging synergies with LifeVest and Itamar	+ 3–5
	 itamar [™] medical	Dec. 2021	Steadily expanding sales in North America as the market leader in the field of at-home sleep apnea testing	+ 3–5
	 Bionova Scientifico [®]	May 2022	Decision to expand process development and GMP manufacturing capacity for next generation antibody drugs; aiming to increase income by expanding orders	+ 5–10
Homes	 synergos (North American homes)	Dec. 2018 ²	Steady growth by introducing Asahi Kasei Homes' know-how for high quality and industrialization; demand expected to remain firm due to chronic shortage of housing supply in the targeted geographical areas	+ 3–5
	 NXT Building Group (Australian homes)	Jun. 2021 ³	Accelerating growth by streamlining construction processes and applying know-how to improve efficiency, despite impacts of longer construction periods, a shortage of workers, and elevated material prices	+ 3–5
Material	 SAGE Automotive Interiors	Sep. 2018	Impacted by slowing growth in the automotive market, but returning to a growth trajectory as the market recovers	+ ≥10

¹ Operating income + amortization from PPA. ² Date of acquisition of Erickson Framing Operations. ³ Became a consolidated subsidiary through purchase of additional shares of McDonald Jones Homes.

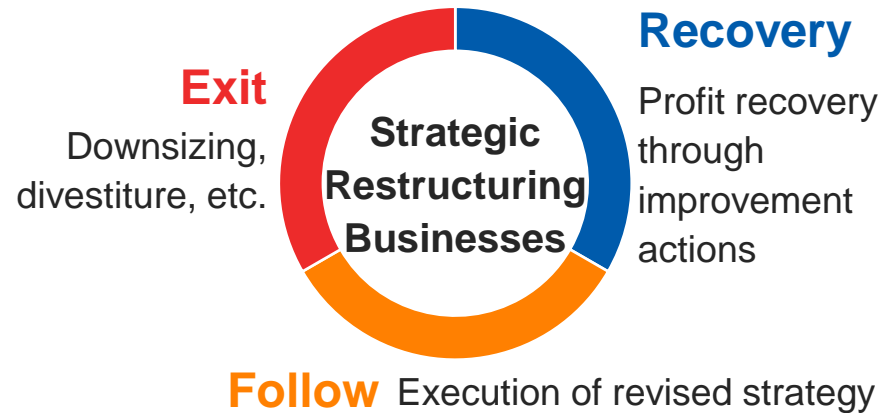
Business portfolio transformation

In response to deteriorating results, considering transformation of businesses with sales totaling more than ¥700 billion



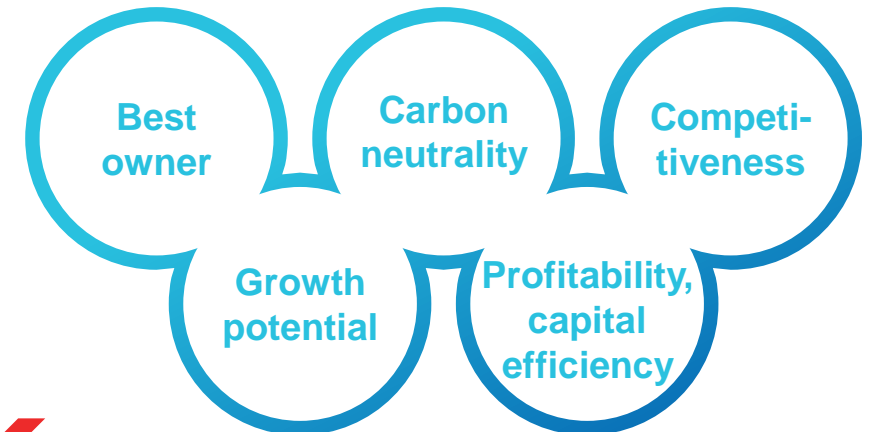
1) Reform of Strategic Restructuring Businesses

Review and revise the strategy of the Strategic Restructuring Businesses



2) Fundamental business structure transformation

Structural transformation based not only on performance but also on **strategic fit with Asahi Kasei's vision**



Considering the overall structural transformation of **1)** and **2)** integrated, taking chain linkages into account

Sales of subject businesses

(FY21 results)

>¥700 billion

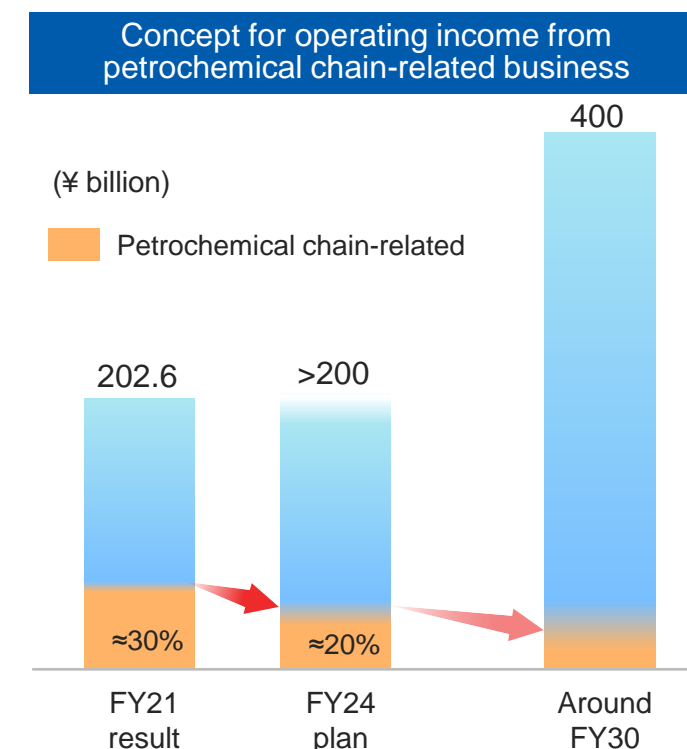
- A** Planning to implement structural transformation of businesses with sales of **more than ¥100 billion** during FY22–24 (incl. those designated as Exit in the Strategic Restructuring Business)
- B** Examining the medium-term direction of the petrochemical chain-related business with sales of **approximately ¥600 billion** with a view to carbon neutrality

Policy for structural transformation of petrochemical chain-related business

The direction of each business is to be determined by the end of FY2024 in light of carbon neutrality

Perspective to consider	Can the business generate sufficient income considering the investment and cost burden (including carbon tax) required for carbon neutrality?
-------------------------	---

	Aspects	Examples*
1) Collaborative operation with other companies through JV, etc.	<ul style="list-style-type: none"> Raising competitiveness Sharing required investment and cost burden Mutual utilization of innovations for carbon neutrality 	Established JV for spunbond nonwovens
2) Exit from the business	<ul style="list-style-type: none"> Plant downsizing/closure Sale of the business to the best owner 	Divestiture of photomask pellicles
3) Developing carbon-neutral technology and increasing added value	<ul style="list-style-type: none"> Using proprietary or licensed technology for carbon neutrality Transformation of product portfolio with value for customers 	Developing proprietary technology for basic feedstocks from bioethanol



- While **exploring the possibility of 3)**, considering the possibility **of 1) and 2) in parallel**
- The direction of several businesses has already been formulated and execution begun; the direction of the remaining businesses **will be determined by the end of FY2024**

* Including projects other than petrochemical chain-related business

Management KPIs

ROIC and ROE targets revised to $\geq 6\%$ and $\geq 9\%$, respectively, in line with the revised earnings plan

		(¥ billion)	FY2021	FY2022 forecast (announced in Mar. 2023)	FY2024 revised target	FY2024 original target (announced in Apr. 2022)	Long-term outlook (around 2030)
Profitability	Net sales		2,461.3	2,737.0	3,000.0	2,700.0	
	Operating income		202.6	125.0	≥ 200.0	270.0	400.0
	Operating margin		8.2%	4.6%	$\geq 6.7\%$	10.0%	
	Operating income before amortization of goodwill		231.0	163.0			
	EBITDA ¹		350.8	302.0	≥ 370.0	470.0	
	EBITDA margin		14.3%	11.0%	$\geq 12.3\%$	17.4%	
	Net income attributable to owners of parent		161.9	(105.0)	≥ 140.0	200.0	300.0
EPS (¥)		117	(76)	≥ 101	144	216	
Capital efficiency	ROIC ²		6.6%	3.8%	$\geq 6\%$	$\geq 8\%$	$\geq 10\%$
	ROE		10.3%	-6.3%	$\geq 9\%$	$\geq 11\%$	$\geq 15\%$
Financial health	D/E ratio		0.45	0.57			
	Net D/E Ratio		0.31	0.44			
	Capital ratio		50.4%	49.2%			

Exchange rate (¥/\$)

112

135

130

110

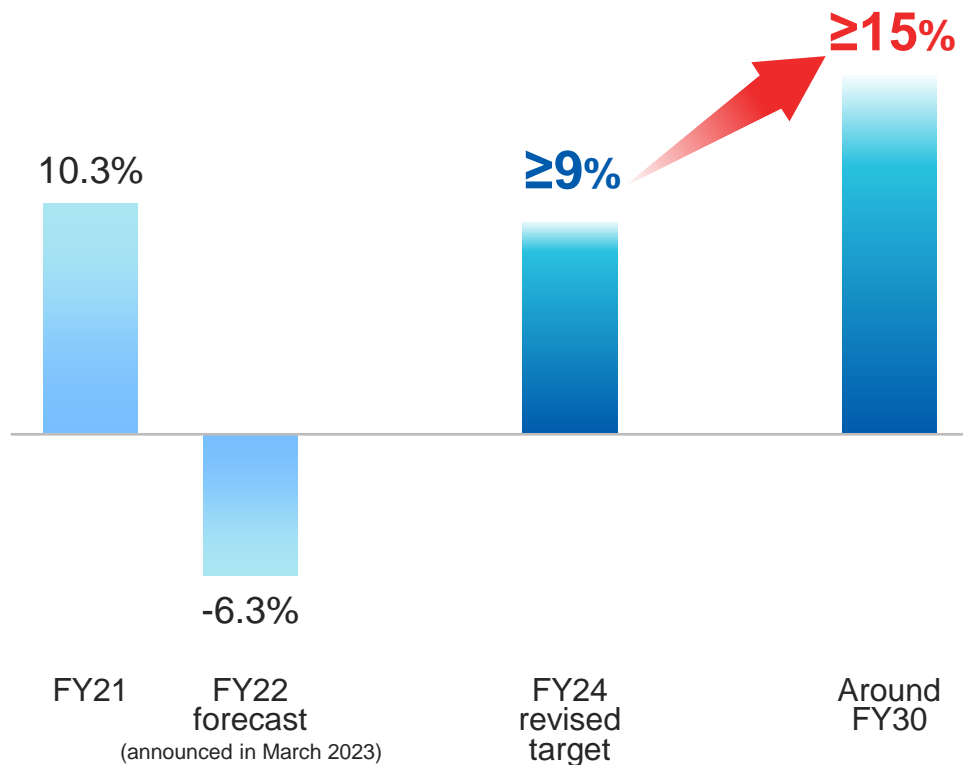
¹ EBITDA = operating income + depreciation and amortization (tangible, intangible, and goodwill)

² ROIC = (operating income - income taxes) / average invested capital

Financial and capital policy (improving capital efficiency)

Aiming to continuously improve ROE by implementing strategic actions with strong awareness of capital efficiency

Trends in ROE



Net income	FY21	FY22 forecast	FY24 revised target	Around FY30
(¥ billion)	161.9	(105.0)	≥140.0	300.0

(¥ billion)

Accelerating business portfolio transformation

Accelerating **structural reform of capital-inefficient businesses** with ROIC persistently below cost of capital; shifting to business models conscious of **asset light**

Enhancing profitability

In addition to accelerating initiatives to raise operating profitability and reduce manufacturing costs, aiming to **reduce SG&A expenses by ¥20 billion/year**

Sale of strategic shareholdings

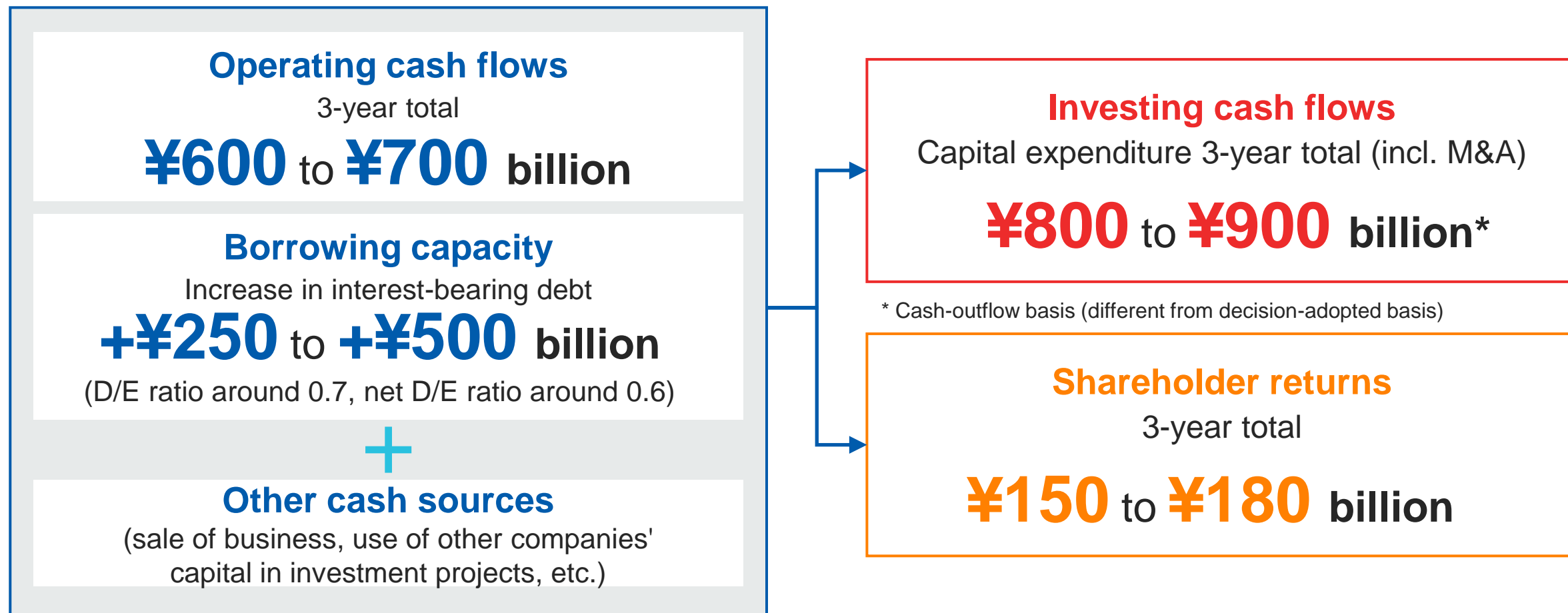
Continuously **reducing strategic shareholdings** and promoting capital streamlining

Continuous ROE improvement to raise PBR

Capital allocation

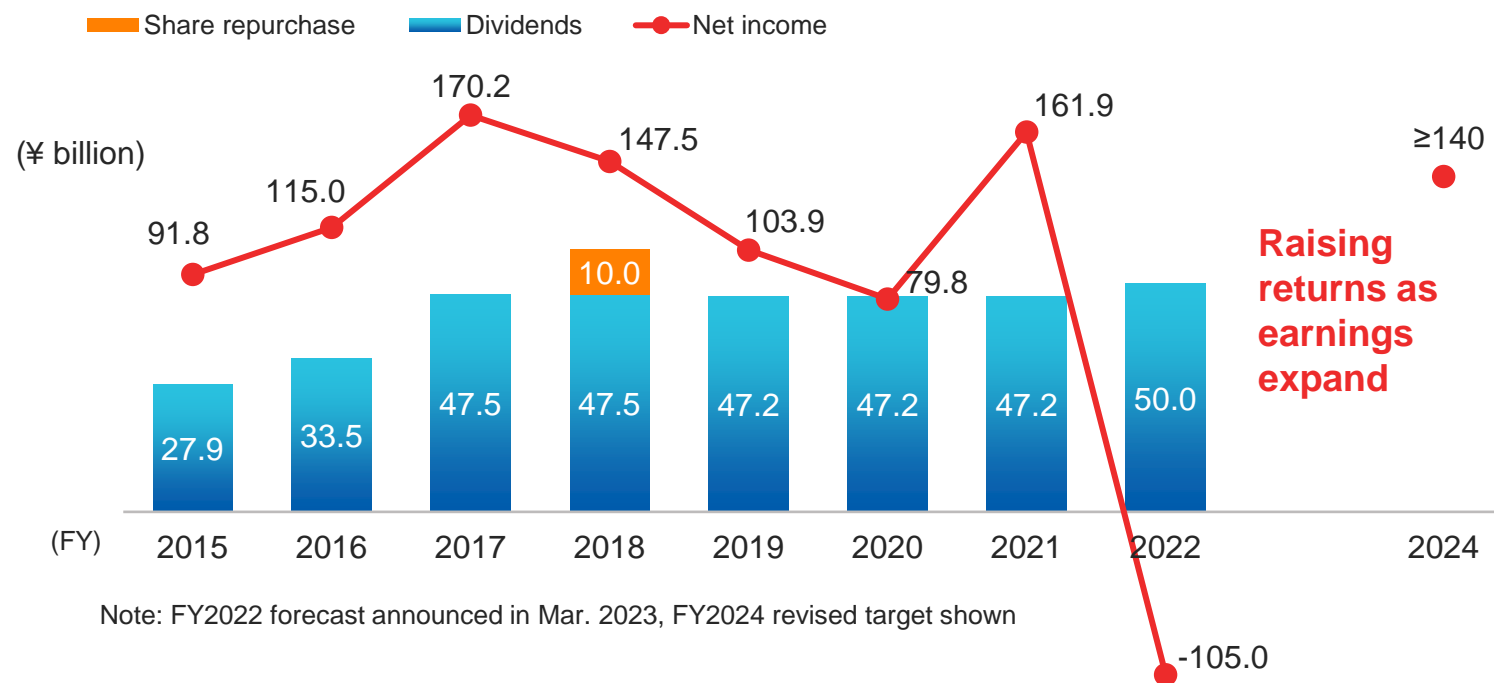
In addition to generating operating cash flow through earnings improvement measures, we will also consider the sale of businesses and the use of capital from other companies as sources of cash

Framework for capital allocation (3-year period FY2022–2024)



Shareholder returns

Shareholder returns basically through dividends, increasing the level of returns in line with profit growth



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% (3-year total), aiming to steadily increase level of shareholder returns
- 4) Share repurchases as appropriate based on comprehensive consideration of optimal debt/equity level, investment items, and share price

Payout ratio	30.4%	29.1%	27.9%	32.2%	45.4%	59.1%	29.1%	—
Dividends per share (¥)	20	24	34	34	34	34	34	36

Dividends per share for FY23–24 will be maintained or improved from the current level

Outline

1. Progress of the medium-term management plan (overall)
2. Progress of the medium-term management plan (by business)
 - 2-1 Priority growth businesses
 - 2-2 Highlights by sector
3. Strengthening business platform
 - 3-1 G/D/P + intangible assets
 - 3-2 Risk management/governance

Growth strategies 1) Critical Care

Pursuing further growth in the area of serious cardiopulmonary conditions

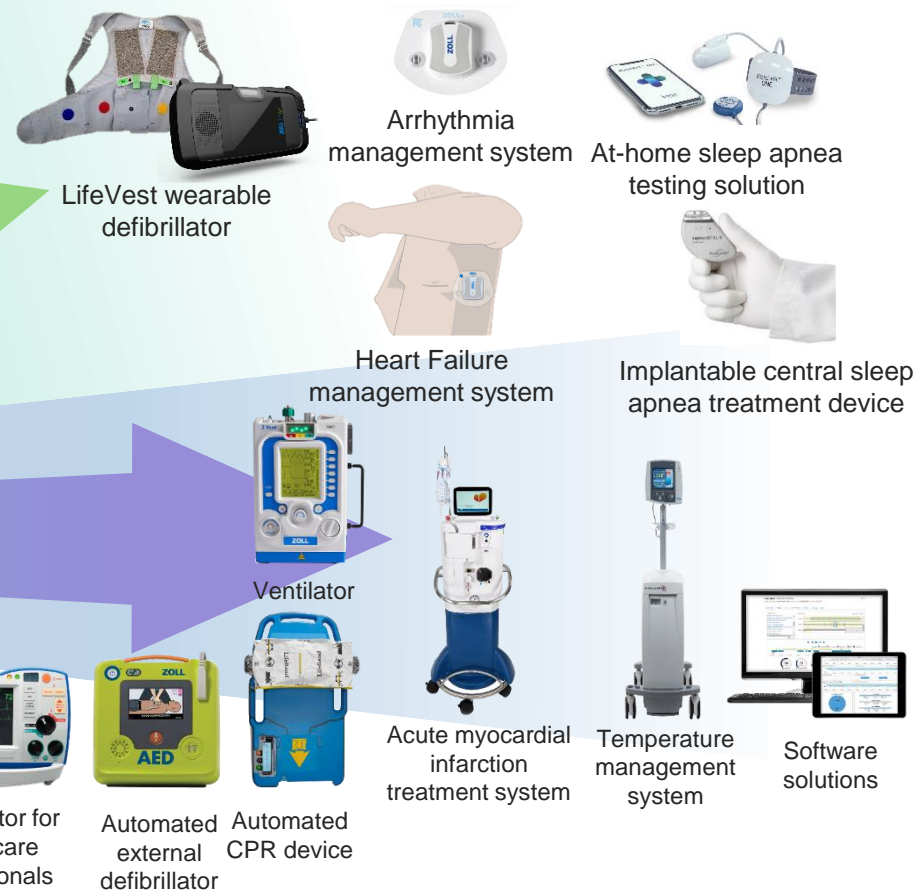
- **Patient services:** Achieve high growth by developing large latent market opportunities with novel innovative technologies targeting unmet clinical needs
- **Healthcare infrastructure:** Expand by steadily capturing market growth as the market leader with diverse products and solutions
- **Growth through a combination of organic growth of existing businesses, reaping fruits of past investments, and pursuit of new business opportunities**

Patient services

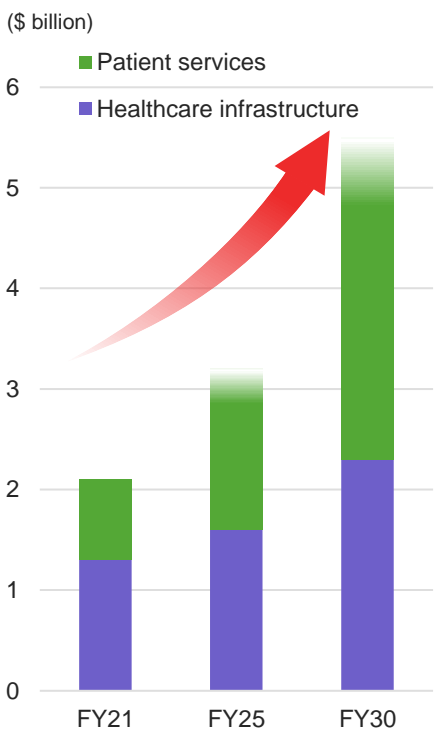
- Global market potential >\$10 billion
- Current penetration <10%
- Mid-teens business growth rate
- 70–80% gross margins

Healthcare infrastructure

- Global market opportunity >\$5 billion
- Leading position in multiple product categories
- High single-digit growth rate
- 50–60% gross margins



Sales growth concept






Growth strategies 2) Global Specialty Pharma

Transformation into Global Specialty Pharma focused on immunology/transplantation and adjacent disease areas


- Promote business development, clinical development, and sales through collaboration between Asahi Kasei Pharma and Veloxis in global target areas
- Achieve early growth in business scale by leveraging M&A and the introduction of late-stage development and marketed products
- Aim for long-term sustainable growth by introducing early-stage products and promoting joint research and development

Region	Core disease areas	Products
--------	--------------------	----------

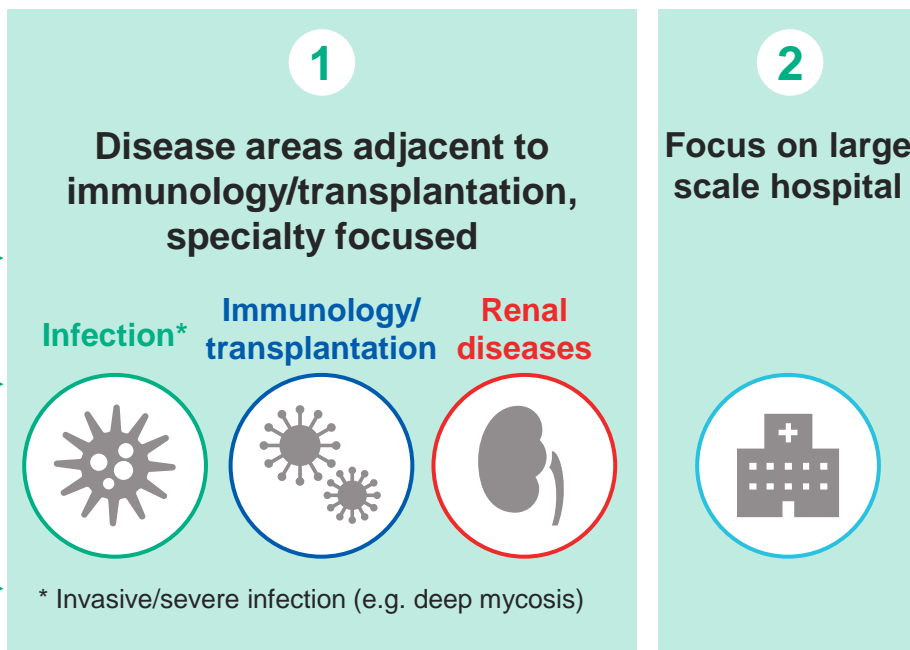
Asahi Kasei Pharma

Japan	Orthopedics	 <ul style="list-style-type: none"> • Teribone • Reclast
	Critical care/hospital based	 <ul style="list-style-type: none"> • Recomedulin
	Immunology	 <ul style="list-style-type: none"> • Kevzara • Plaquenil

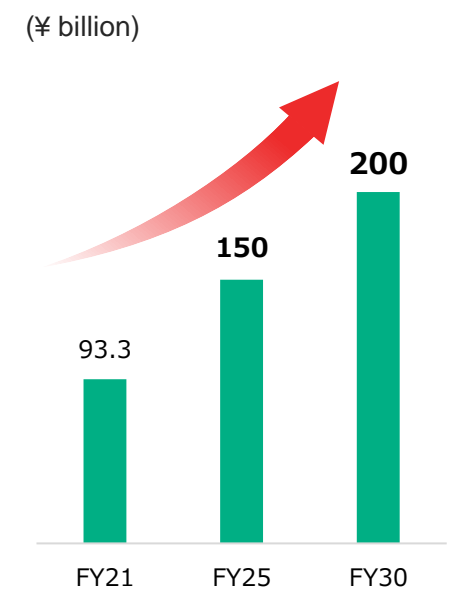
Veloxis Pharmaceuticals

U.S.	Transplantation	 <ul style="list-style-type: none"> • Envarsus XR • VEL-101 (former FR104)
------	-----------------	---

Global Specialty Pharma targets



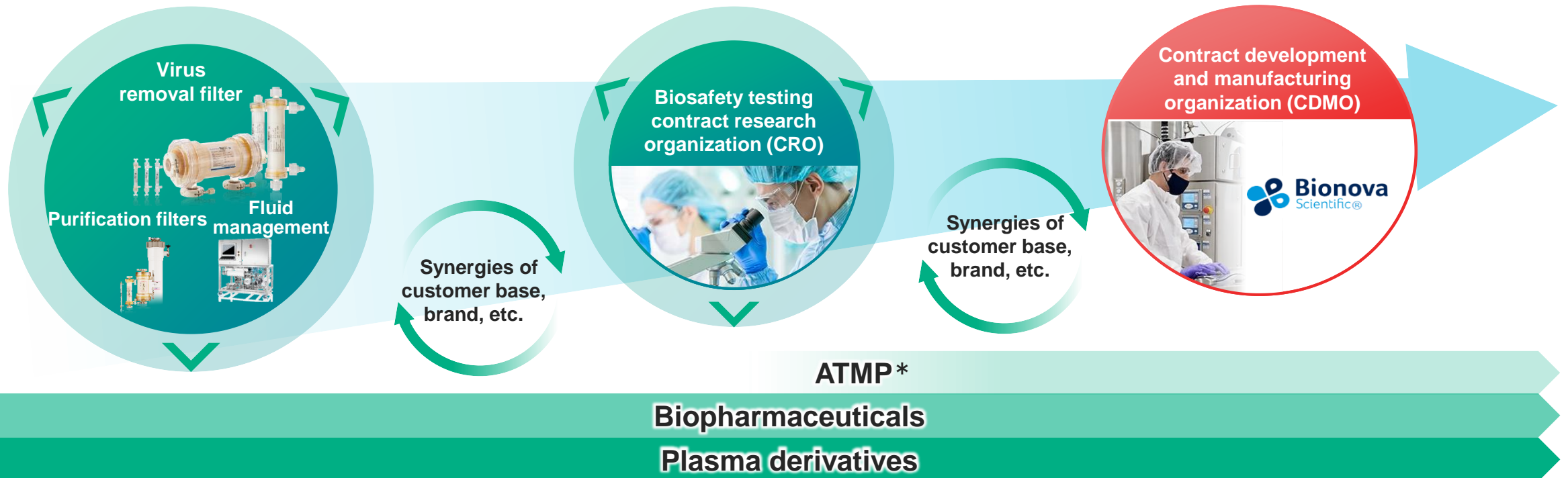
Sales growth concept of pharmaceutical business



Growth strategies 3) Bioprocess**Evolving into a premium partner for pharmaceutical companies,
contributing to biologics safety and manufacturing efficiency****Entered the biologics contract development and manufacturing organization (CDMO) business**

Apr. 2022 Acquired Bionova, a provider of contract manufacturing process development and contract antibody GMP manufacturing services to biologics companies

Feb. 2023 Decided to expand process development and GMP manufacturing capacity to meet strong customer demand



* Advanced therapy medical products (gene therapy, cell therapy, regenerative medicine, next-gen vaccine, etc.)

Growth strategies 4) Digital Solutions

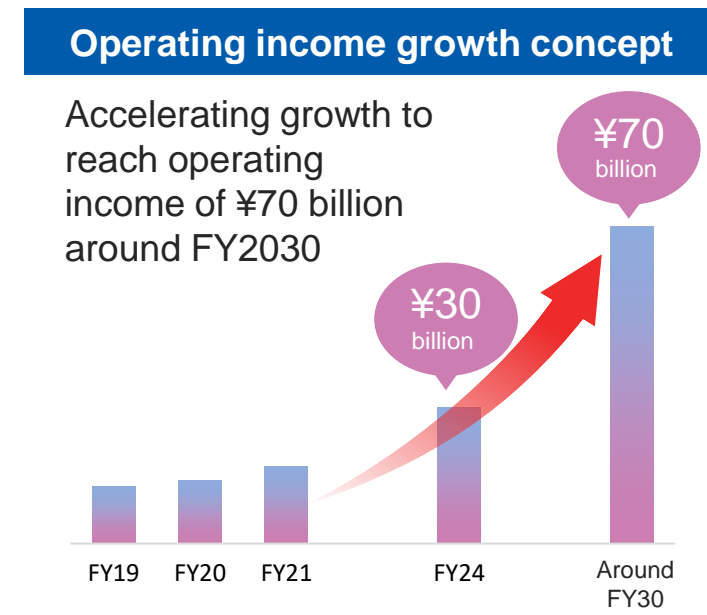
xEV		Environment and saving energy		Telecommunications	
Electrification/charging infrastructure	Autonomous driving	Cabin comfort	IoT/healthcare	5G/6G	Wired and optical networks
<ul style="list-style-type: none"> Downsized electric powertrains Increased demand for next-generation power devices 	<ul style="list-style-type: none"> Advanced sensing technology Increased demand for telecommunications semiconductors 	<ul style="list-style-type: none"> Adding value to cabin space (sound, air quality) 	<ul style="list-style-type: none"> Diversification of sensing needs Edge computing 	<ul style="list-style-type: none"> Higher speed, lower power consumption Increased demand for high-performance semiconductor devices 	<ul style="list-style-type: none"> Expanding demand for data centers/infrastructure High-speed, high-capacity communication

Providing high value-added solutions through advanced, proprietary core technologies

Electronic Components	Electronic Materials
<p>Creating innovative products leveraging competitive sensing technology in markets for xEV, energy saving, and comfort</p> <ul style="list-style-type: none"> Sensing (magnetic, electric current, infrared, millimeter wave) Analog signal processing Software algorithms 	<p>Providing materials and solutions with a competitive advantage for cutting-edge semiconductor and packaging process innovations</p> <ul style="list-style-type: none"> High-density wiring (photosensitive dry film, photosensitive buffer coat) Low transmission loss (low-dielectric glass fabric, plastic optical fiber) High-precision adhesion (latent epoxy hardener)

- Growth actions**
- Promoting current sensing devices optimized for next-generation power device applications
 - Promoting high-precision alcohol sensor utilizing proprietary module technology for automotive applications
 - Creating new business leveraging aluminum nitride substrate technology

- Increasing Pimel capacity in line with growing production of advanced semiconductors
- Using materials informatics to accelerate the speed of product development and improvement
- Promoting joint R&D to grow in the semiconductor process materials market

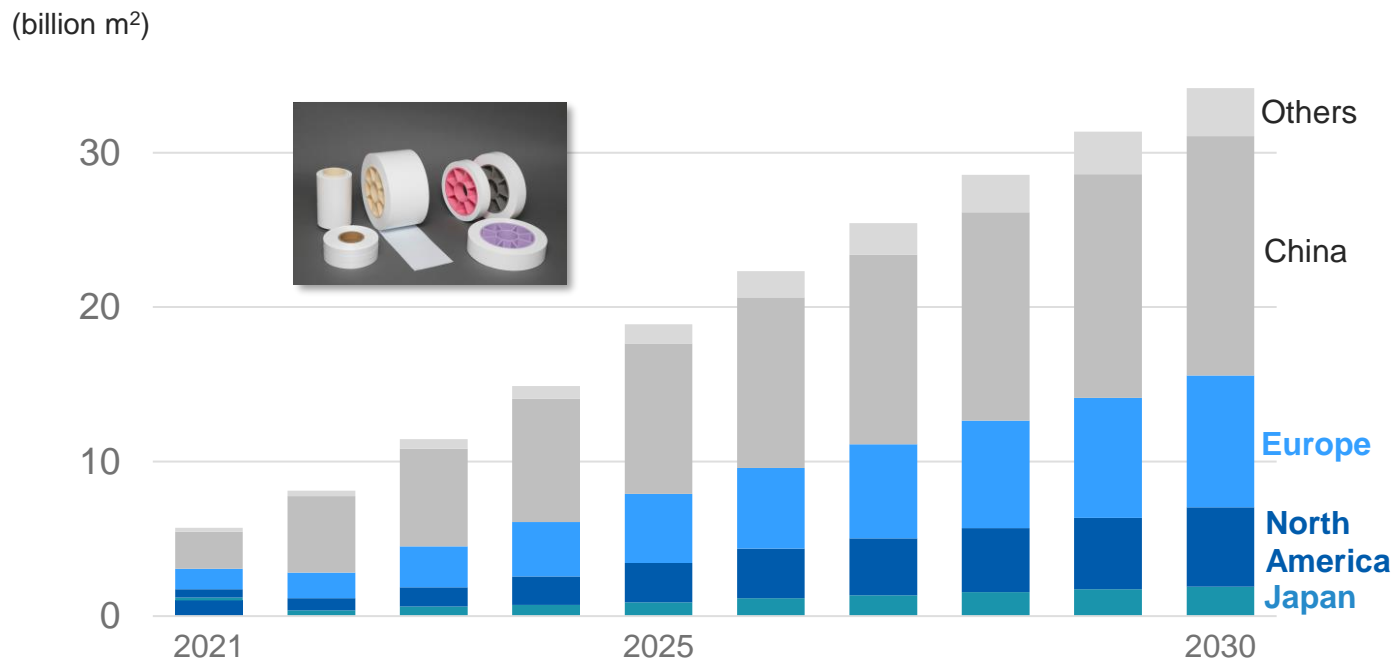


Growth strategies 5) Energy Storage (separator)

Hipore to pursue growth through expansion into North America; Celgard to continue focusing on improving profitability while examining the medium-term direction

Hipore (wet-process LIB separator)	Growth in North American and Japanese automotive markets through concentration of resources
Celgard (dry-process LIB separator)	Raising productivity; capturing demand in ESS and LFP-cathode LIB for hybrid cars

Automotive LIB separator demand forecast*



* Asahi Kasei estimate

Hipore automotive market strategy

- High value-added through product development based on high degree of coordination with customers
- Superiority from perspective of sustainability through top-class environmental protection technology
- Cost superiority through top-class productivity backed by accumulated production technology
- Enhancing supply capability and forming alliance in North America

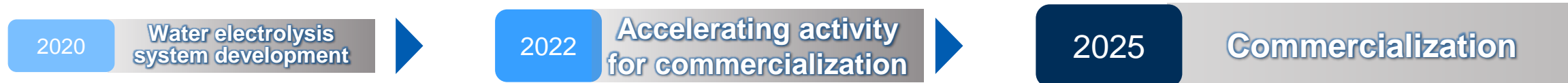


Medium- to long-term perspective

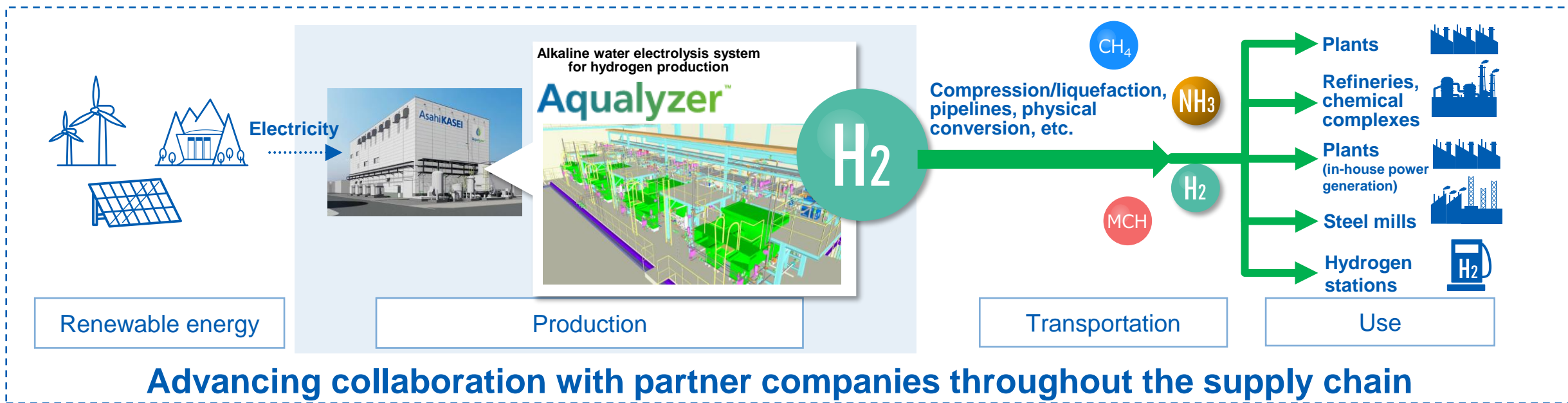
Create solution-oriented business utilizing knowledge acquired in the separator business (regional/market information, manufacturing technology, etc.)

Growth strategies 6) Hydrogen-related business

Accelerating commercialization in concert with industry associations and partner companies



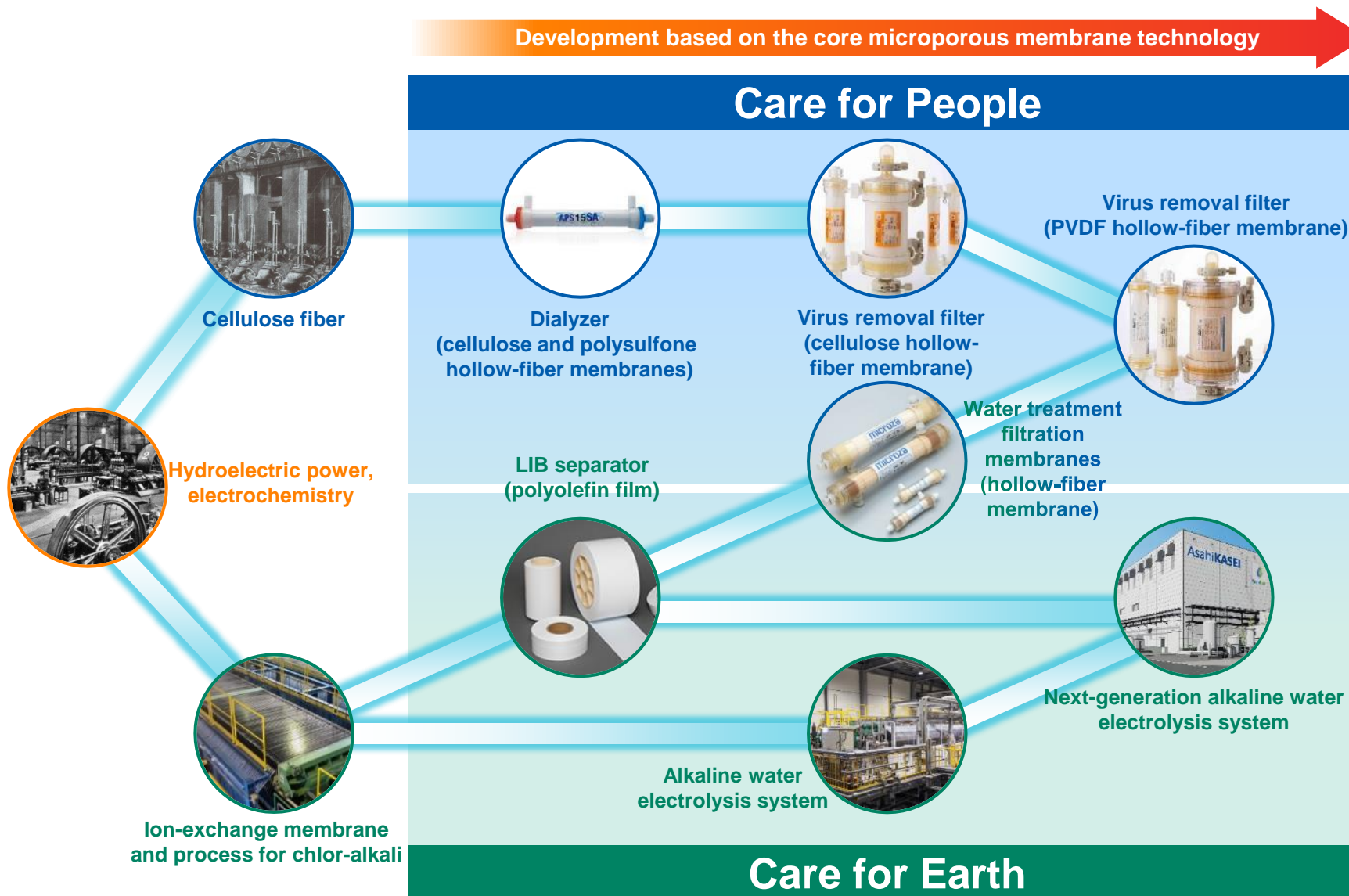
Utilization of Green Innovation Fund (2021–2030): Development of large-scale alkaline water electrolysis hydrogen production system and demonstration of green chemical plant



Industry associations	<p>Hydrogen Council</p> <p>Hydrogen Council: Steering Member Founded in 2017 as a global initiative to promote hydrogen utilization. Includes close to 150 companies and organizations across the entire hydrogen value chain.</p>
	<p>JAPAN HYDROGEN ASSOCIATION</p> <p>Japan Hydrogen Association (JH2A): Executive Board Member Founded in 2020 for deliberation and activity among industry, academia, and government for practical application of hydrogen in society. Includes 23 Executive Board Members and 207 Ordinary Members, etc.</p>

Growth strategies — Leveraging core technology to extend business

Development based on the core microporous membrane technology



Expanding to solution-oriented business

- Extending biosafety to biologics
- Entered biologics CDMO business
- Data-driven services for ion-exchange membrane chlor-alkali process
- Full range of services for hydrogen production, from components and equipment to operation
- Service business utilizing knowledge acquired in the separator business

Outline

1. Progress of the medium-term management plan (overall)
2. Progress of the medium-term management plan (by business)
 - 2-1 Priority growth businesses
 - 2-2 Highlights by sector
3. Strengthening business platform
 - 3-1 G/D/P + intangible assets
 - 3-2 Risk management/governance

Health Care sector highlights

Pharmaceuticals

Asahi Kasei Pharma

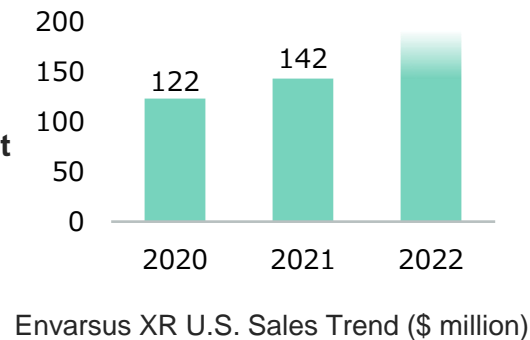
- Sales growth of Teribone autoinjector and Kevzara
- Approval to manufacture and market Cresemba in Japan
- Actively leveraging open innovation and in-licensing
 - Exclusive license agreement for selective Endothelin A receptor antagonist
 - Exclusive distribution agreement for pegcetacoplan and avatrombopag



Teribone autoinjector

Veloxis Pharmaceuticals

- Envarsus XR sales growth
- Advancing clinical development of global pipeline (VEL-101, ART-123)



Medical (bioprocess/virus removal filters)

Development

- Product development that contributes to improved operational efficiency and viral safety in pharmaceutical manufacture

Oct. 2022

Launched Planova S20N featuring higher flux and throughput, robust virus removal capability, and simplified post-use integrity testing



Planova S20N

Manufacture

- Responding to increased demand with expansion of biologics market and strengthening supply capability

Feb. 2022

Decided to build a new assembly plant in Nobeoka, Miyazaki, Japan; significantly improved quality and production efficiency through automation and digital transformation (DX)



Illustration of new assembly plant (scheduled for completion in FY2023)

Homes sector highlights

North American and Australian homes business

Objective

Providing high-quality housing suited to each area by raising efficiency and productivity through industrialization

North America

synergos



- Erickson (Nov. 2018)
- Austin (Sep. 2020)
- Brewer (Nov. 2021)
- **Focus (Oct. 2022)**

Established supplier model providing efficient solutions for wide variety of process at manufacturing and construction sites

Operating in three states: Arizona, Nevada, and California

Australia

NXT Building Group

- McDonald Jones Homes (Jul. 2017, Jun. 2021)
- Steel Building Systems Australia (Jan. 2020)
- **Arden (Feb. 2023)**

Established competitive business model in Australia which cannot be achieved by builders or suppliers alone

Australia's 2nd largest home builder for 2021/22 (HIA-COLORBOND® steel Housing 100 Report)

Sustainability initiatives

1) Decarbonization and resilience

Promoting net-zero energy homes



On track to reach 100% renewable energy use in FY24



Applied for SBT certification



2) Realization of a circular economy

Extended service life with free 60-year inspection



Provision of high-quality used homes



3) Coexistence with nature promoted with stakeholders

SEGES Excellent Stage 3 certification



Participation in "30 by 30" alliance for biodiversity



Material sector highlights

Transitioning to a solution-oriented business leveraging advanced materials and products, rather than simply selling things

P-PaaS (Product-based Platform as a Service) Providing platforms that enhance customer value based on advantages of Asahi Kasei's materials and products

Fresh Logi cloud-based fresh produce logistics solution

Utilizing sealed boxes that can maintain chilled temperature for 48 hours without refrigeration equipment, the freshness of produce to be transported can be predicted and food loss can be reduced

Smart electrolyzers

Data-driven service for ion-exchange membrane electrolysis process (solution-provision model contributing to Scope 2 emissions reduction of client companies)

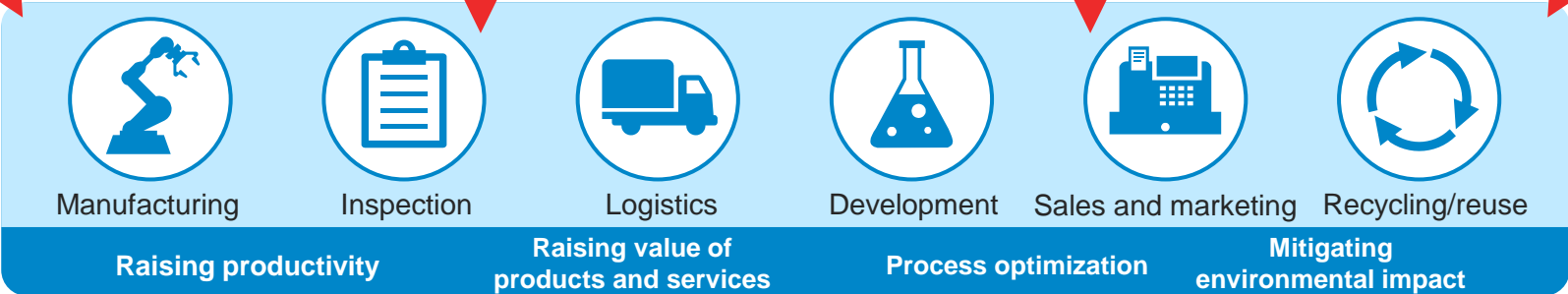
Akliteia anti-counterfeiting digital platform

New solution to prevent counterfeiting with anti-counterfeit labels and scanning devices using leading-edge technology

Others

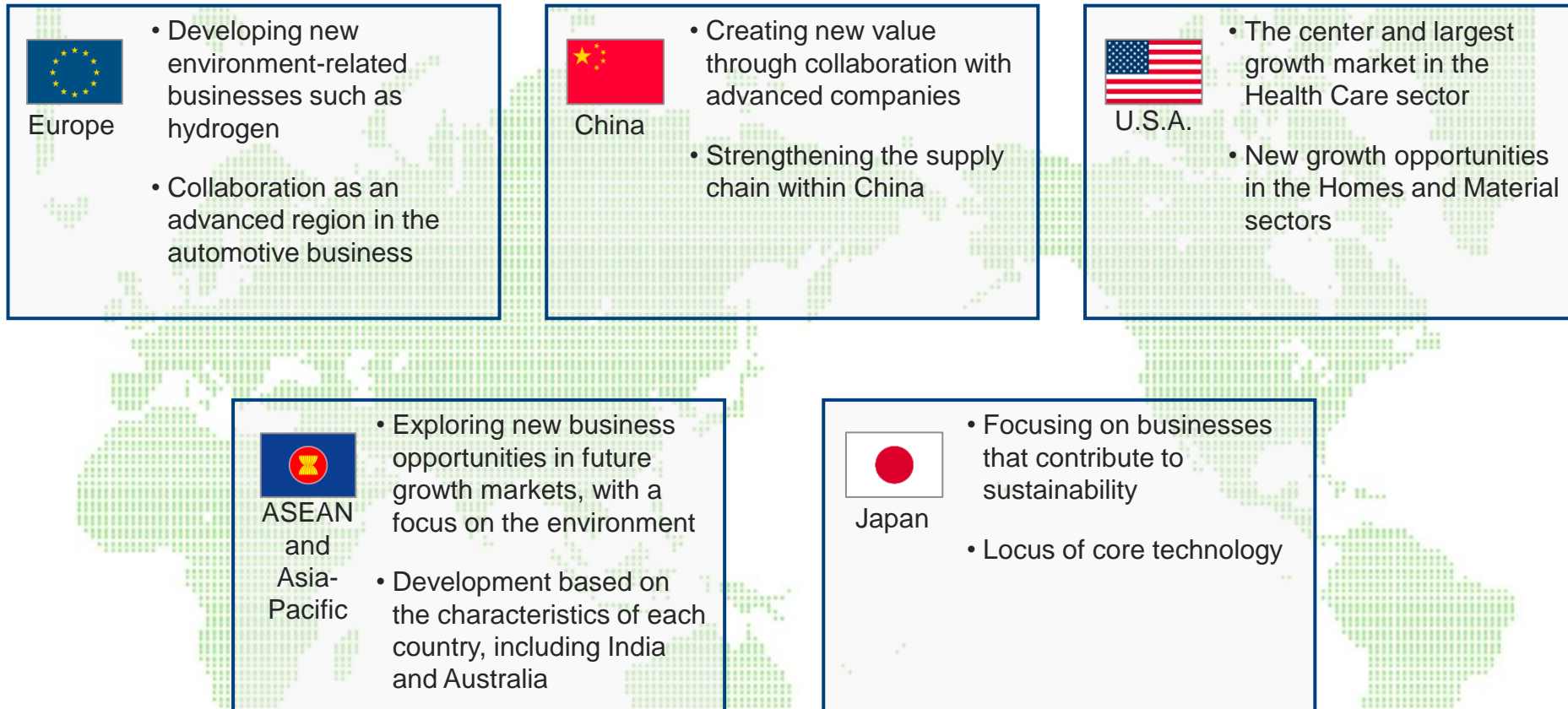
- Hydrogen production related
- Solutions utilizing separator knowledge
- Alcohol detection sensors for automobiles
- Digital platform for resource recycling
- CAE to support design and development of plastic products

Providing solutions to customers' business processes



Positioning of each region

We position and develop operations in each region considering global changes such as economic decoupling and geopolitical risks, in addition to the business environment of each region



Management KPI trend*

		(¥ billion)	FY2021	FY2022 forecast (announced in Mar. 2023)	FY2024 revised target	FY2024 plan (announced in Apr. 2022)
Health Care	Net sales (a)		415.9	497.0	590.0	530.0
	Operating income (b)		52.2	41.2	60.0	80.0
	Operating margin (b/a)		12.5%	8.3%	10.2%	15.1%
	EBITDA (c)		101.7	105.2	12.6	140.0
	EBITDA margin (c/a)		24.5%	21.2%	21.4%	26.4%
	ROIC		6.2%	4.3%	6.0%	8.8%
Homes	Net sales (a)		822.4	893.0	1,000.0	930.0
	Operating income (b)		72.9	74.0	95.0	95.0
	Operating margin (b/a)		8.9%	8.3%	9.5%	10.2%
	EBITDA (c)		87.3	91.8	115.0	112.0
	EBITDA margin (c/a)		10.6%	10.3%	11.5%	12.0%
	Free cash flow ratio		4.5%	0.9%	4.0%	5.6%
	ROIC		33.2%	25.6%	24.0%	32.7%
Material	Net sales (a)		1,210.0	1,333.0	1,530.0	1,230.0
	Operating income (b)		106.0	41.2	110.0	130.0
	Operating margin (b/a)		8.8%	3.1%	7.2%	10.6%
	EBITDA (c)		183.0	129.6	187.0	237.0
	EBITDA margin (c/a)		15.1%	9.7%	12.2%	19.3%
	ROIC		6.7%	2.3%	6.0%	8.0%

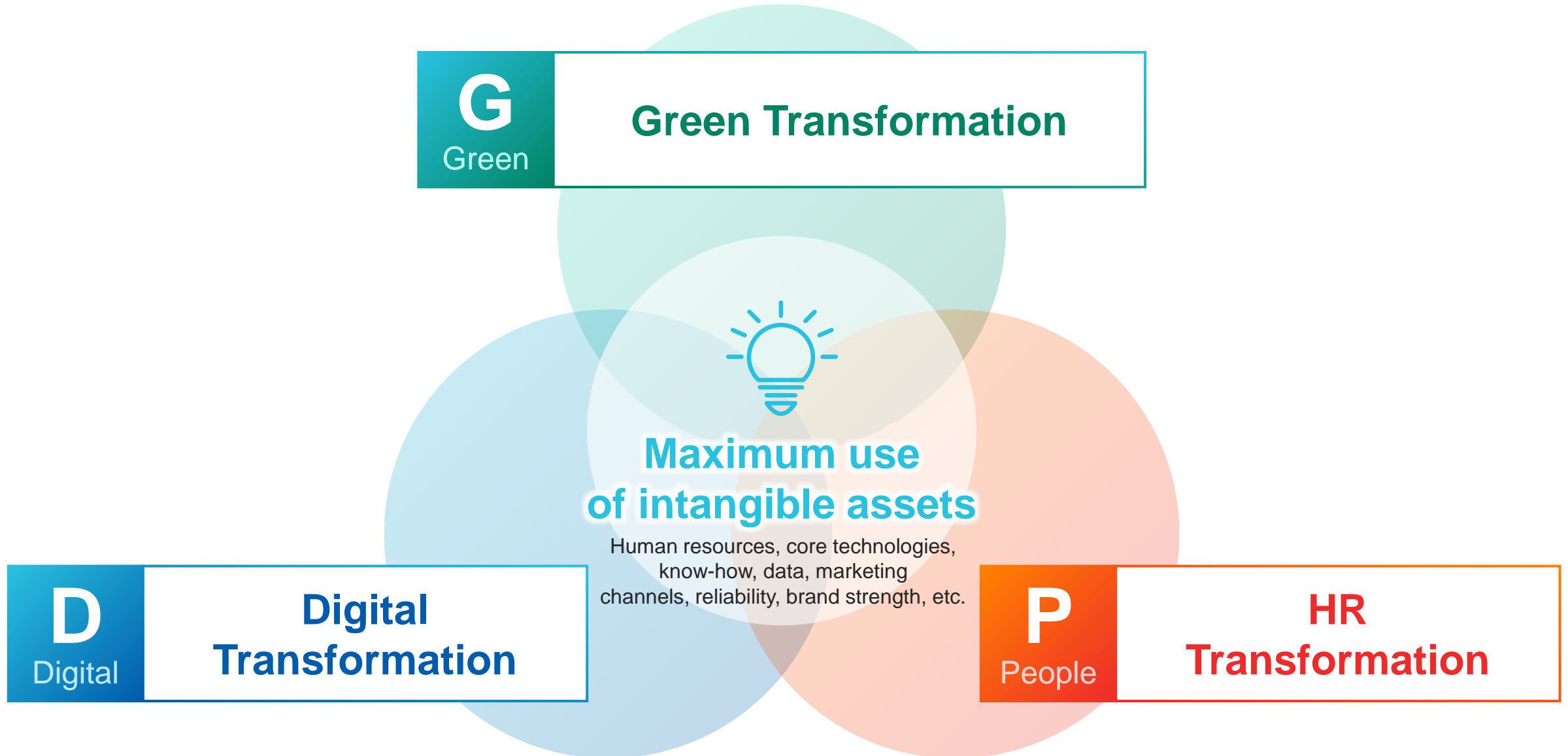
* Management KPIs of each sector are highlighted

Note: Sums of figures shown on this page do not equal the consolidated figures shown on previous pages.

Outline

1. Progress of the medium-term management plan (overall)
2. Progress of the medium-term management plan (by business)
 - 2-1 Priority growth businesses
 - 2-2 Highlights by sector
- 3. Strengthening business platform**
 - 3-1 G/D/P + intangible assets**
 - 3-2 Risk management/governance**

4 key areas for transformation

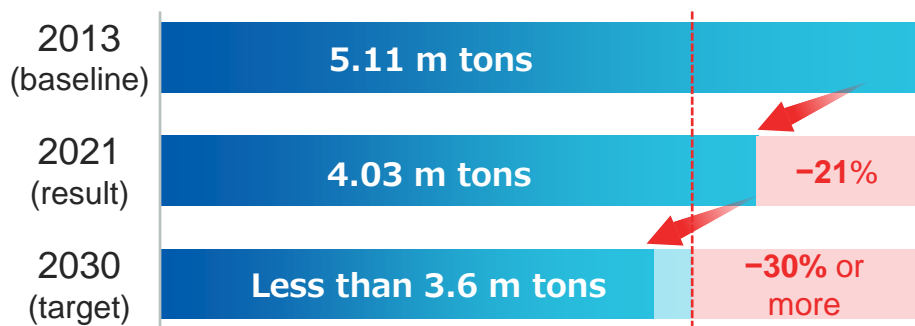


Green Transformation

Steadily implementing measures to reduce our own GHG emissions and those throughout society; aiming to be the "decarbonization partner" for various industries

Reducing our GHG emissions (Scopes 1 and 2)

Performed GHG reduction scenario studies (including economic feasibility) in FY2022



Specific actions for 2030

1) Low-carbon energy

- Full use of existing hydroelectric power plants
- Low-carbon fuel for thermal power generation (phasing out coal-fired plants)
- Investing in solar power
- Switching purchased electricity to renewable energy, etc.

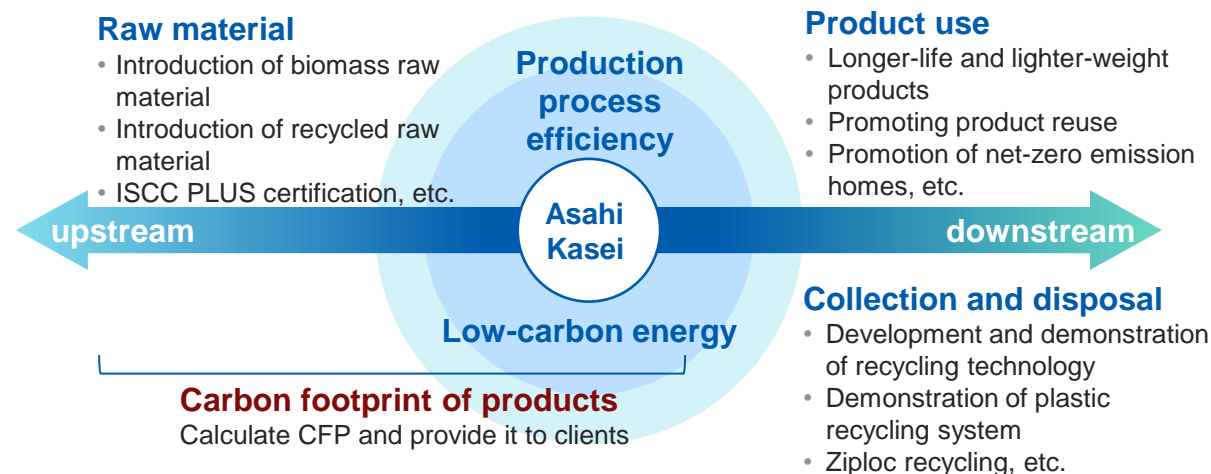
2) Production process efficiency improvement

- Development of innovative processes
- Energy saving, yield improvement, etc.

3) Product and business portfolio transformation

Reducing society's GHG emissions

Promoting GHG reduction throughout the value chain, including product use by customers and disposal after use



Future direction

- Accelerate transition to products and businesses that contribute to carbon neutrality and reform business models
- Next-generation innovative technology development and access to new technologies (e.g., establishing a CVC investment framework for carbon neutrality)
- Co-creation with other companies and participation in rule formulation

KPI progress	Our GHG emissions reduction	2030 target: -30% or more (vs. FY2013) 2050 goal: Carbon neutrality FY2021 result: -21% (vs. FY2013)	Reducing society's GHG emissions (expansion of Environmental Contribution Products)	2030 target: More than double GHG reduction (vs. FY2020) Increase sales* of Environmental Contribution Products Progress: 20 products certified (FY2022) 1.2 times more GHG reduction, 33% of total sales* (FY2021)

*excluding Health Care sector

In the Digital Creation Period from FY2022, DX is promoted from the perspectives of 1) Reinforcing Digital Foundations, 2) Enhancing Management, and 3) Business Transformation

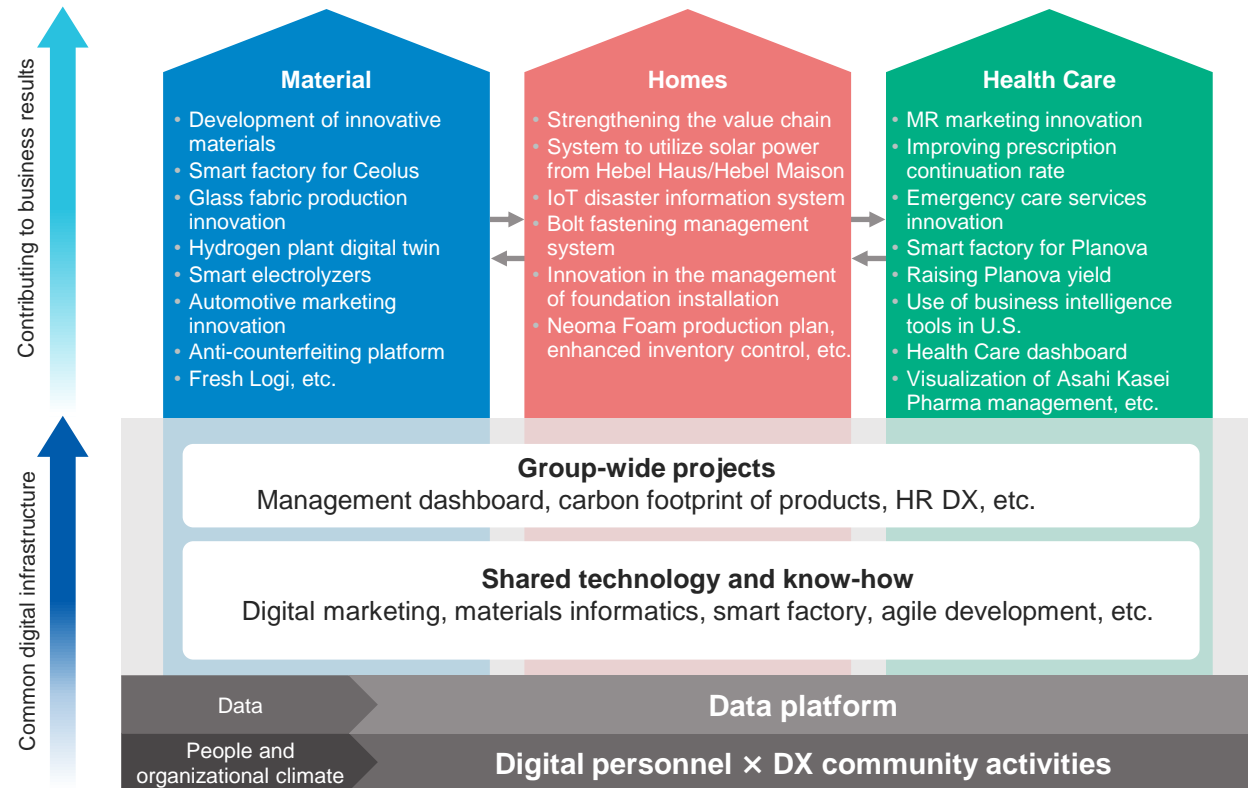
Progress in strengthening the group-wide digital infrastructure

People	Develop digital skills of all employees DX Open Badge Level 3 course taken by 16,000 employees	Develop and acquire digital professional personnel 230 (at end of FY2021) ⇒ 1,070 (at end of FY2022)
	Launch of DEEP* data management platform Platform to search, link, and utilize data assets of the entire group	Data utilization with R&D digital platform Data integrity and use as an asset, immediately usable for MI or high-level analysis
Data		
Organizational climate	Permeating Asahi Kasei Garage within the group Creating new value and services with design thinking and agile development	Promote internal DX community activities Internal access to employee digital learning venue quadrupled in half a year

External awards

- Nikkei B2B Marketing Awards (Digital Marketing)
- HRX of the Year 2022 Award for Excellence in Human Resource Development
- JDMC 2023 Award for Human Resource Development
- Forbes CIO Award 2022 Management Contribution Awards (DX in General)
- SAP Japan Customer Award 2022 (Sustainability)

Entering phase of realizing results from enhancing management and business transformation



KPIs FY2024 targets: DX-Challenge 10-10-10	Digital professionals 10 times more (vs. FY2021) FY2024 target: 2,500 employees FY2022 result: 1,070 employees (Jan. 31, 2023)	Digital data usage 10 times more (vs. Apr. 2022) FY2024 target: 10 times more FY2022 result: 2.5 times more (forecast)	Profit contribution from main projects ¥10 billion FY2024 target: ¥10 billion (3-year total to FY2024) FY2022 result: ¥3.1 billion (forecast)
---	---	---	--

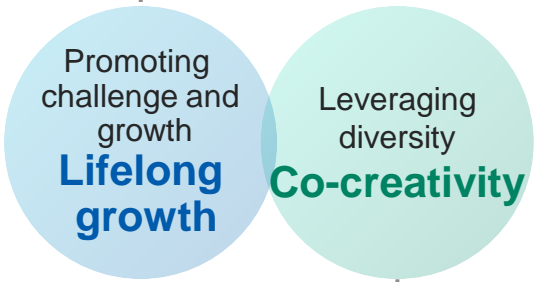
Note: Total DX-related investment of ≈¥30 billion planned over 3-year period (IT investments and cloud usage fees for digital transformation)

* Data Exploration and Exchange Pipeline



Examples of major initiatives

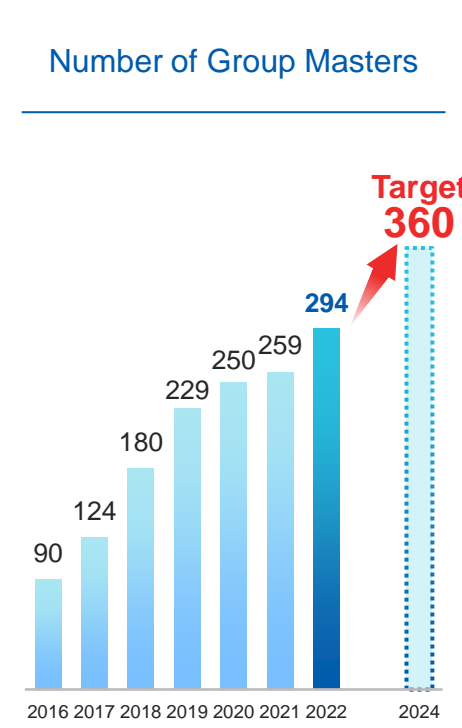
- **Supporting challenge, learning, and growth**
CLAP (Asahi Kasei's proprietary learning platform)
CaMP (career design platform)
- **Engagement of senior employees**
(including extension of retirement age)
- **Highly specialized positions, expansion of open position system**



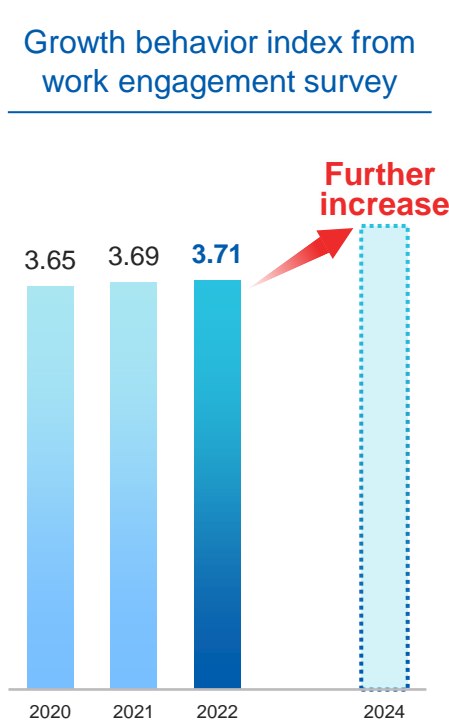
- **Creating venues to connect people and knowledge**
One AK Top Awards, Group Masters Symposium, R&D Symposium, in-house community activities using digital technology, etc.
- **Active recruitment of personnel**
- **Executive compensation linked to HR KPIs**

KPIs for HR

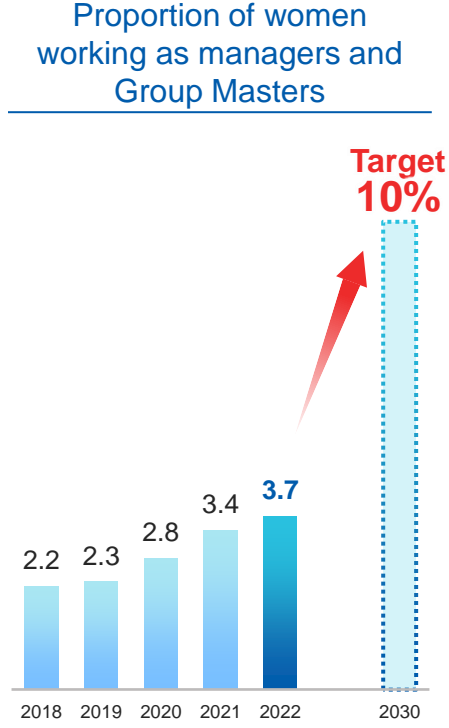
Developing and acquiring highly specialized professionals



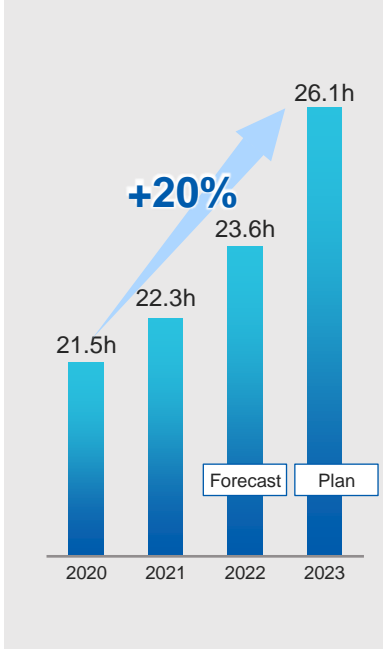
Enhancing employee engagement



Promotion of DE&I

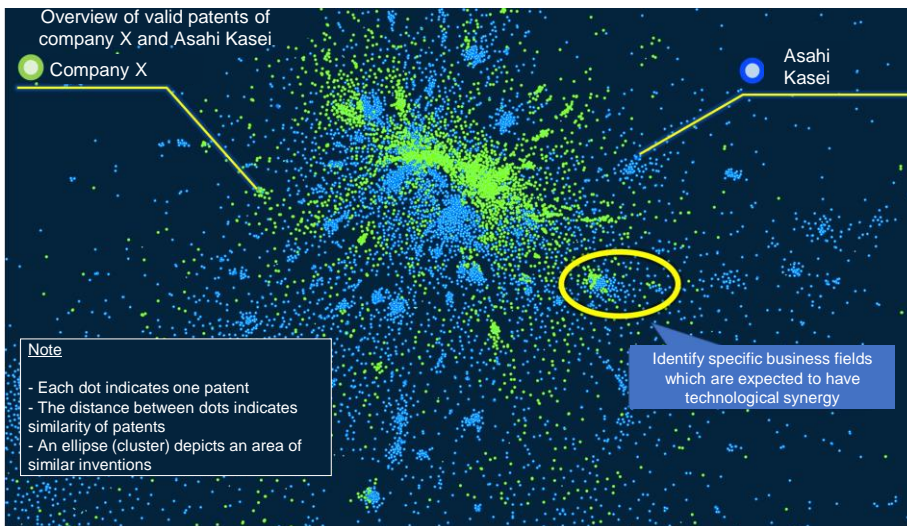


Time invested in training per employee (per year)



Use for structural reform and growth acceleration

Separation of a certain business to a joint venture with another company



Synergy analysis

Visualization of synergies between the two companies premised on integration

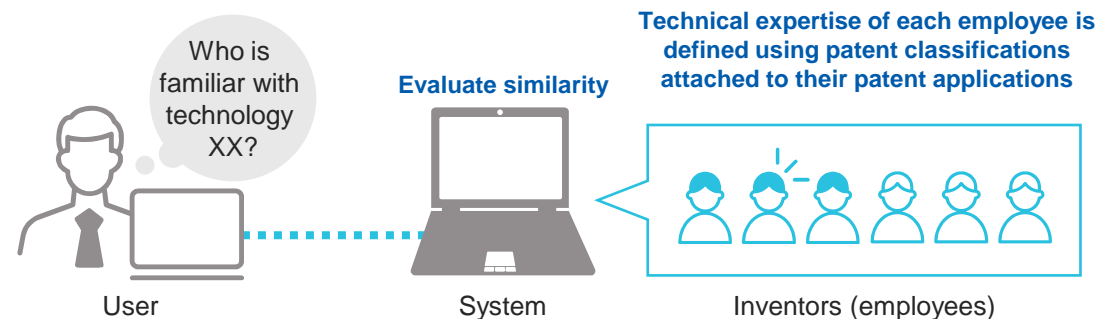
Competitive advantage

Simulating the competitive advantages of integration, a path to success was found

Building platform for creating innovation

Connect and leverage personnel, core technologies, data, and know-how

Expert employee recommendation system



System to match core technologies with emerging technologies

Launched a new business incubation platform that matches our core technologies with emerging technologies through affinity analysis using intellectual property information

Business development using intangible assets

Starting technology-based business development from FY2023 using Technical BDEs*

* Business Development Executives; employees who are skilled in technology, able to approach the management level of partner companies, offer intangibles, and obtain contracts for alliances and joint research

Outline

1. Progress of the medium-term management plan (overall)
2. Progress of the medium-term management plan (by business)
 - 2-1 Priority growth businesses
 - 2-2 Highlights by sector
3. **Strengthening business platform**
 - 3-1 G/D/P + intangible assets
 - 3-2 Risk management/governance



Dramatic changes in the operating environment

- Changed values due to the Covid-19 pandemic
- Higher tension in international relations, etc.



Reinforcement of risk management

Autonomous risk management in each organization



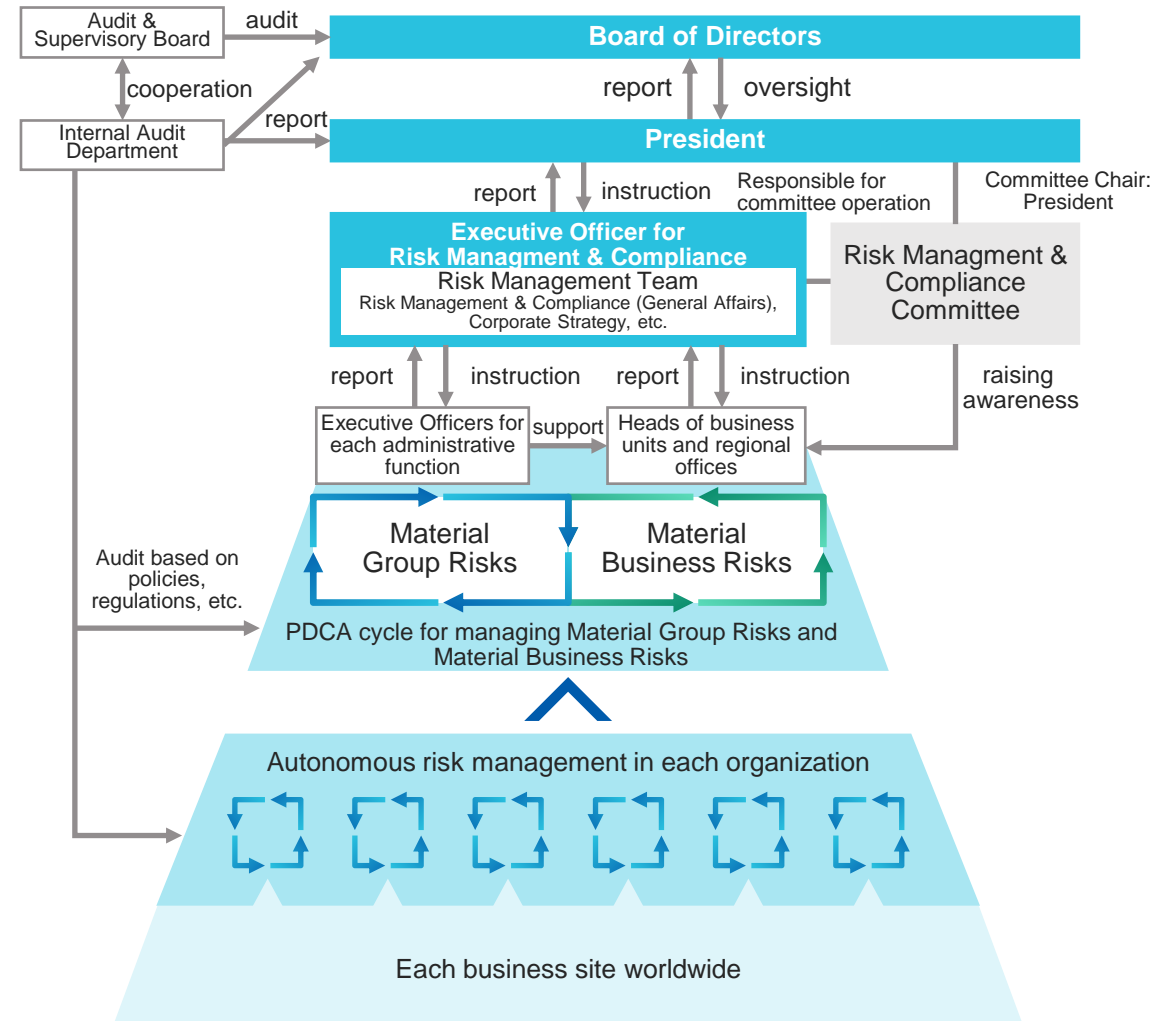
Reinforcement 1

Clarification of **risk management framework** and **roles of involved parties**

Reinforcement 2

Enhancement of **PDCA cycle** for risk management

Risk management framework and roles of constituents



Main financial/non-financial KPIs

Financial KPIs

Profit growth

Operating income
FY24 \geq **¥200** billion
around
FY30 **¥400** billion

Capital efficiency

ROE ROIC
FY24 \geq **9%** \geq **6%**
around
FY30 \geq **15%** \geq **10%**

Business portfolio transformation

Operating income from GG10
FY24 \geq **50%**
around
FY30 \geq **70%**

Proportion of patents in force for GG10

FY30 \geq **50%**
(FY21: \geq 30%)

Digital professionals

FY24 **10** times
(vs. FY21)

Number of Group Masters

FY24 **360**
(FY21: 259)

Non-Financial KPIs

Our own GHG emissions reduction

FY30 \geq **30%**
(vs. FY13)

GHG reduction by Environmental Contribution Products

FY30 **2X** or more
(vs. FY20)

Open up a new path

»» Be a Trailblazer

Asahi Kasei
Spirit

Ambitious
motivation

Healthy sense
of urgency

Quick
decisions

Spirit of
advancement

Sluggish
profit

Insufficient results
from aggressive
investments



Overcoming difficult situations



Obsession with growth



AsahiKASEI

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.”

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.

