

# AsahiKASEI

## ***Ishin-05 Initiative*** **progress report and strategic outlook**

March 9, 2005  
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Asahi Kasei Corporation

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

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# 1. Achieving *Ishin-05* goals

# Selective diversification

## ***Ishin-2000***

FY 1999–2001 (+2002)

**Selectivity and focus**

**Disposal of  
negative legacies**

### **Action on underperforming businesses**

Viscose rayon, acrylic fiber, liquors, ...

### **Selective investment**

Chemicals, LSIs, medical, ...

### **Elimination of unfunded liabilities**

Retirement benefits accounting

## ***Ishin-05***

FY 2003–2005

**Selective  
diversification**

**Creation of cash flow**

### **New management framework**

- Enhanced corporate governance
- Management speed and autonomy

### **Building on strengths**

- Expansion of high-earnings businesses
- Development of customer-value creating businesses
- Advancement of restructuring

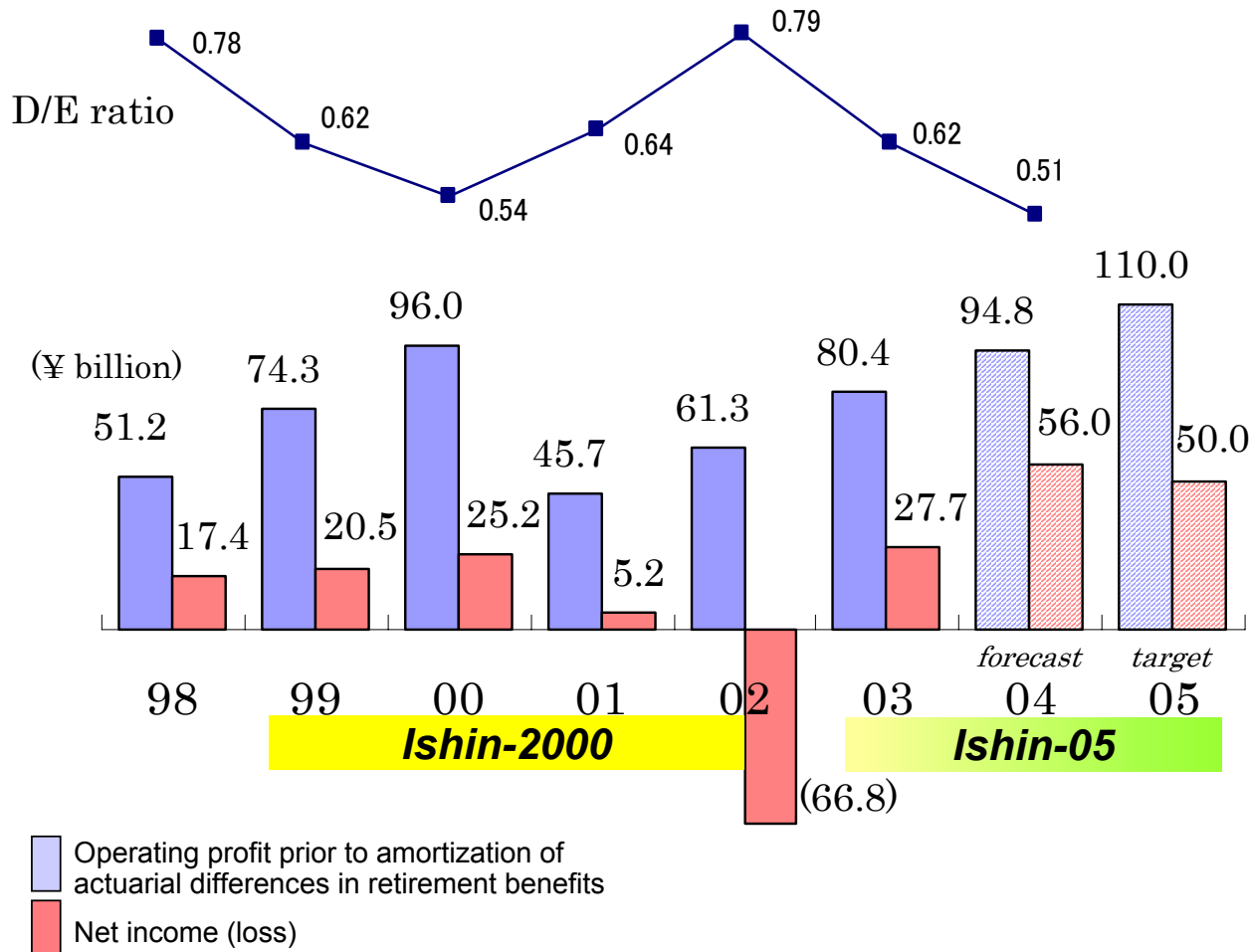
## ***The next phase***

FY 2006–2010

**Shifting to growth**

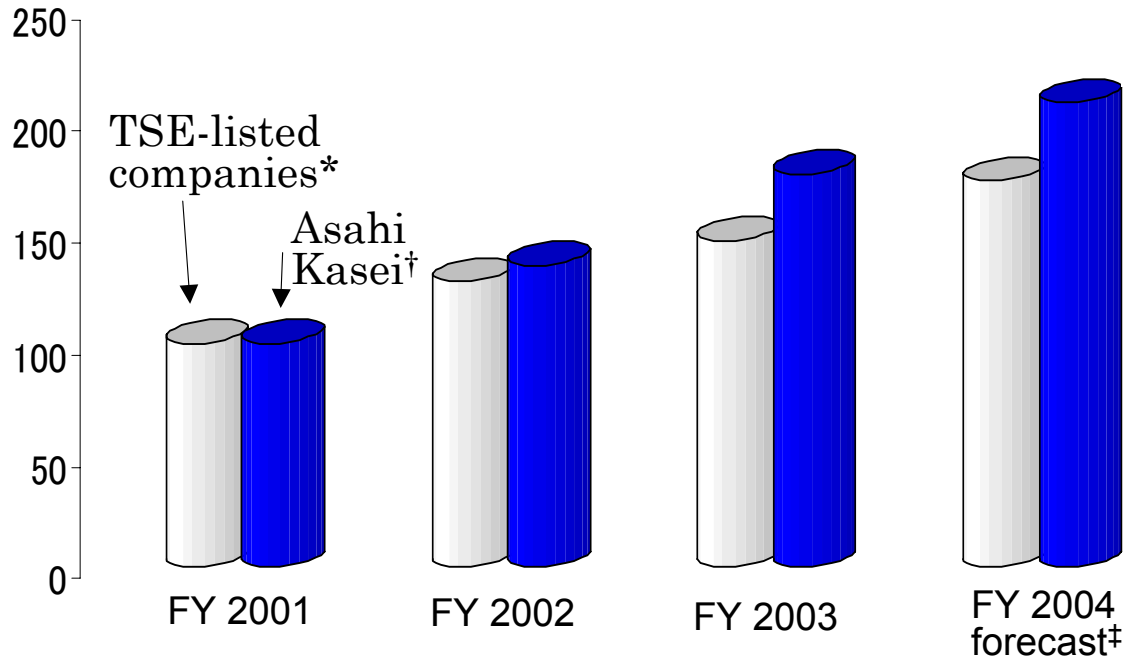
**Strategic investment  
for expansion**

# Improved earnings and financial strength



# Relative operating performance

Operating profit trend (FY 2001=100)



**Steady advancement of strategy for heightened corporate value**

\* Data obtained from Tokyo Stock Exchange, Inc.

† Operating profit prior to amortization of actuarial differences in retirement benefits.

‡ For TSE-listed companies, ordinary profit data obtained from Nihon Keizai Shimbun, Inc.

## Higher capital efficiency, increased dividends, D/E ratio below target

(¥ billion unless indicated)

	FY 2002	FY 2003	FY 2004 forecast (revised Feb. 05)	FY 2005 target
Net sales	1,193.6	1,253.5	1,380.0	1,300.0
Operating profit	61.6	60.9 [80.4]*	115.0 [94.8]*	110.0*
Net income	(66.8)	27.7	56.0	50.0
Dividends	¥6	¥6	¥8	≥¥8
EPS	(¥47.6)	¥19.6 [¥27.9]*	¥40.0 [¥31.2]*	¥35.7*
ROE	—	6.4%	11.1%	≥10%
D/E ratio	0.79	0.62	0.51	≤0.7

\* Prior to amortization of actuarial differences in retirement benefits; bracketed figures shown for comparison purposes.



Resources available for strategic investment and growth

## FY 2005 targets

Net sales	On par with or better than FY 2004
Operating profit	≈¥110 billion
Large special loss	None
Net income	≥¥50 billion

## 2. Strategic advances in FY 2004

# Chemical-based operations

(Chemicals, Fibers, Life & Living segments)

## Obtaining stable earnings in volume segments

- Expansion of competitively superior businesses
  - Acrylonitrile, styrene monomer
- More self-reliant, diverse feedstock supply
  - Utilization of Omega Process olefin conversion
  - Development of propane process for AN
- Global technology licensing
  - Polycarbonate (Russia), synthetic rubber (China)
- Divestiture and closure of underperforming businesses
  - BOPS sheet JV, nitrocellulose closure, Indonesia fiber subsidiary closure

## Shifting to higher added value

- Expansion and growth of competitively superior businesses
  - Roica™ spandex, Hipore™ Li-ion battery separator

## Advancement toward development of new businesses

- Marketing center for packaging/display materials
- Water treatment systems
- Polyketone fiber

# Housing, Construction Materials segments

## Advancement of Long Life Home strategy

- Greater product appeal
  - Market launch of Shindaichi™, Kazenoto™, Kugo™
  - Seismic damping system, geothermal heating/cooling system
- Strengthening housing-related businesses
  - Transformation of business model for remodeling subsidiary
  - Establishment of Asahi Kasei Mortgage
- Reform of logistics system for housing

## Restructuring for greater efficiency

- Discontinuation of production of pre-formed piles (transition to OEM supply)
- Discontinuation of Grande™ large-scale ALC panel line

## Advancement of growth products

- Neoma™ foam insulation panels

# Pharma segment

## Pharmaceuticals

- Market launch of Elcitonin™ disposable pre-filled syringe
- Increased sales of Flivas™ and Toledomin™
- Outsourcing of pharmaceutical logistics

## Devices

- Expansion of artificial kidney operations
  - Additional hollow fiber plant in Japan under construction
  - New assembly plant in China under construction
  - Establishment of marketing center in US
- Growth of Cellsorba™ leukocytapheresis column
- Growth of Planova™ virus removal filter

# Electronics Materials & Devices Segment

## **Extension of business model for electronic devices**

- Advancement into new application fields
- Hybrid devices combining ICs and sensors
  - Three-axis direction sensor, ...
- Preparation for expansion of LSI operations
  - Enhanced clean room, lower line-width process

## **Global expansion**

- Increased DFR capacity in China
- Enhanced LSI marketing in China
- Establishment of pellicle sales company in Korea

## **New business development through product innovation**

- Establishment of marketing center for packaging/display materials

## Other businesses/corporate measures

- Establishment of medical service support center
- Renewed focus for Fuji Region
  - R&D cluster, base for developing new businesses
- Functional/structural reorganization of holding company
- Integration/reorganization of engineering functions
- Partial divestiture of information systems subsidiary
- Divestiture of interest in affiliates not aligned with present business portfolio
  - Chori Co., Ltd.
  - Fuji Titanium Industry Co., Ltd.

## 3. Vision for FY 2010

# Shifting to growth

## *Ishin-2000*

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## *Ishin-05*

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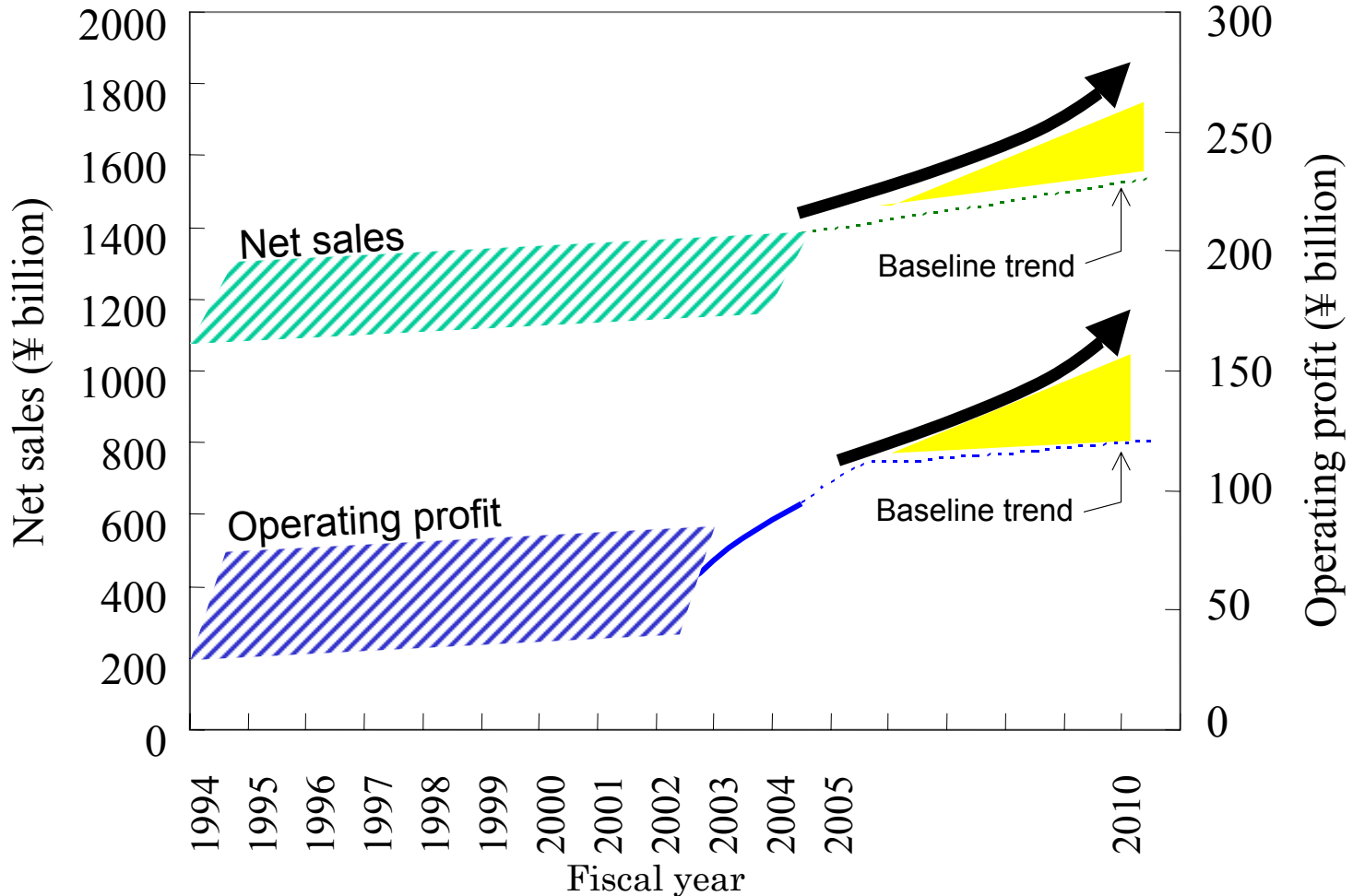
## *The next phase*

FY 2006–2010

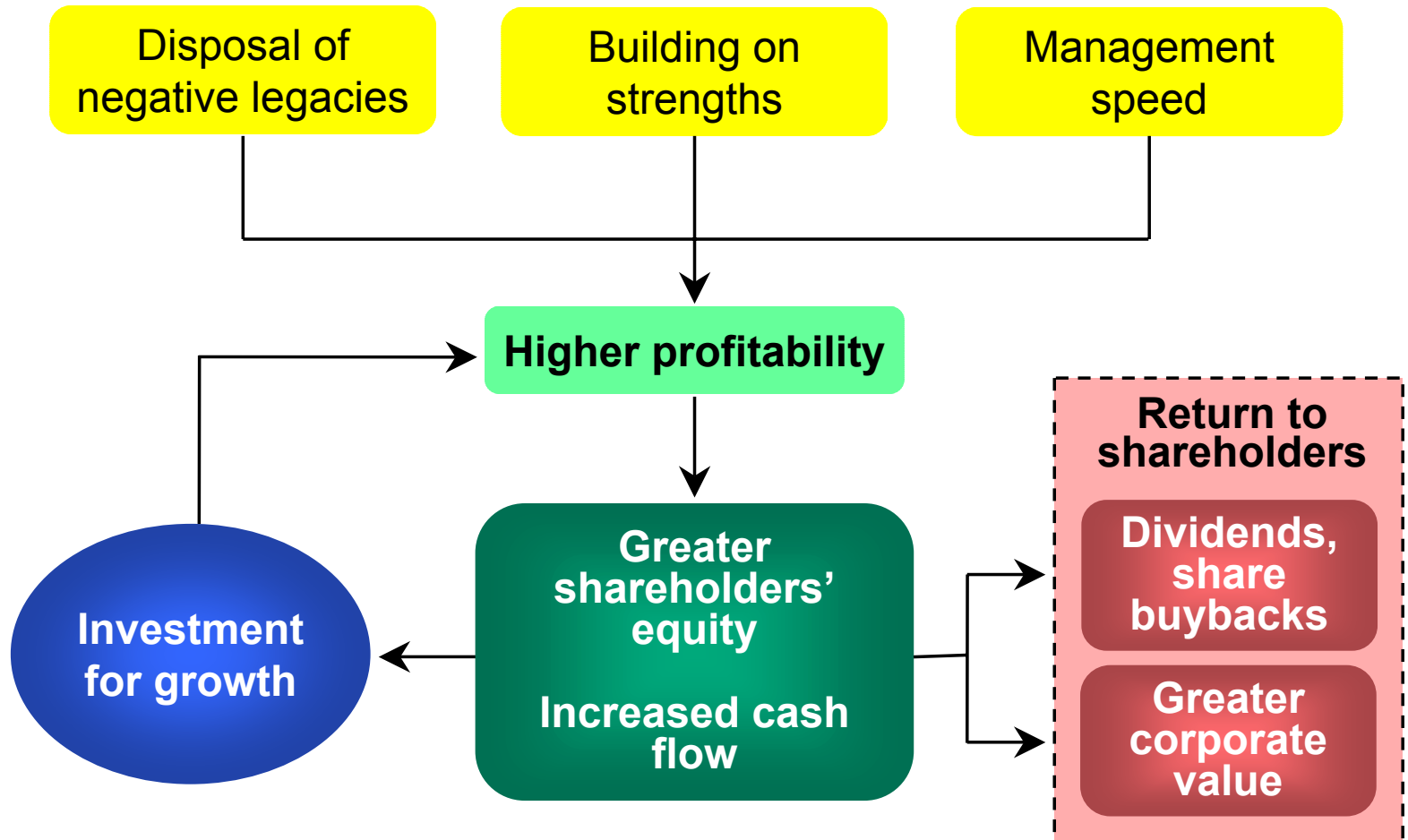
**Shifting to growth**

**Strategic investment  
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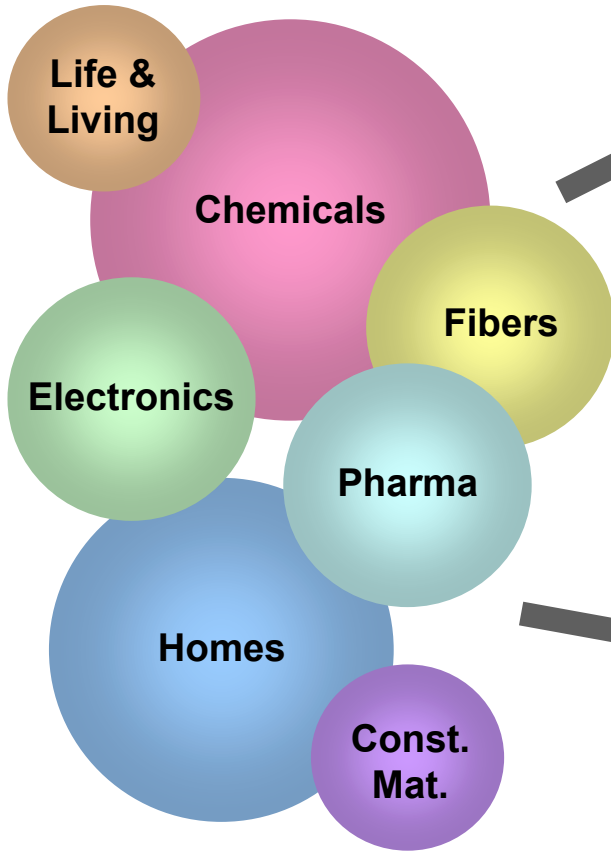
# Growth through strategic investment



# Greater shareholder return through investment for growth



# The path for growth



**Domestic-demand businesses**  
– premised on market saturation

**Higher brand value**  
(Hebel Haus™, Saran Wrap™)

**Shift to services**  
(medical support)

**Leadership in consolidation**  
(volume plastics, construction materials)

**Global businesses**  
– expansion in growth areas

**Global expansion**  
(Roica™, electronic materials, LSIs)

**Regional expansion**  
(AN, SM)

## Groundwork for growth – development of new businesses

- Development of new operations combining diverse business fields
- Advancement of market-oriented R&D



- Unification of R&D function and new business development function
- Establishment of dedicated FS team for new business; prospects evaluated through FY 2015
- Increased hiring of new researchers

# Groundwork for growth – strategic investment (incl. M&A)

## Areas of focus

**Electronics**

- Expansion of LSI business
  - new technology, applications, regions
- Development of hybrid sensors business
- Expansion of electronic materials business

**Medical**

- Development of businesses ancillary to circulatory therapeutic devices

**Energy &  
ecology**

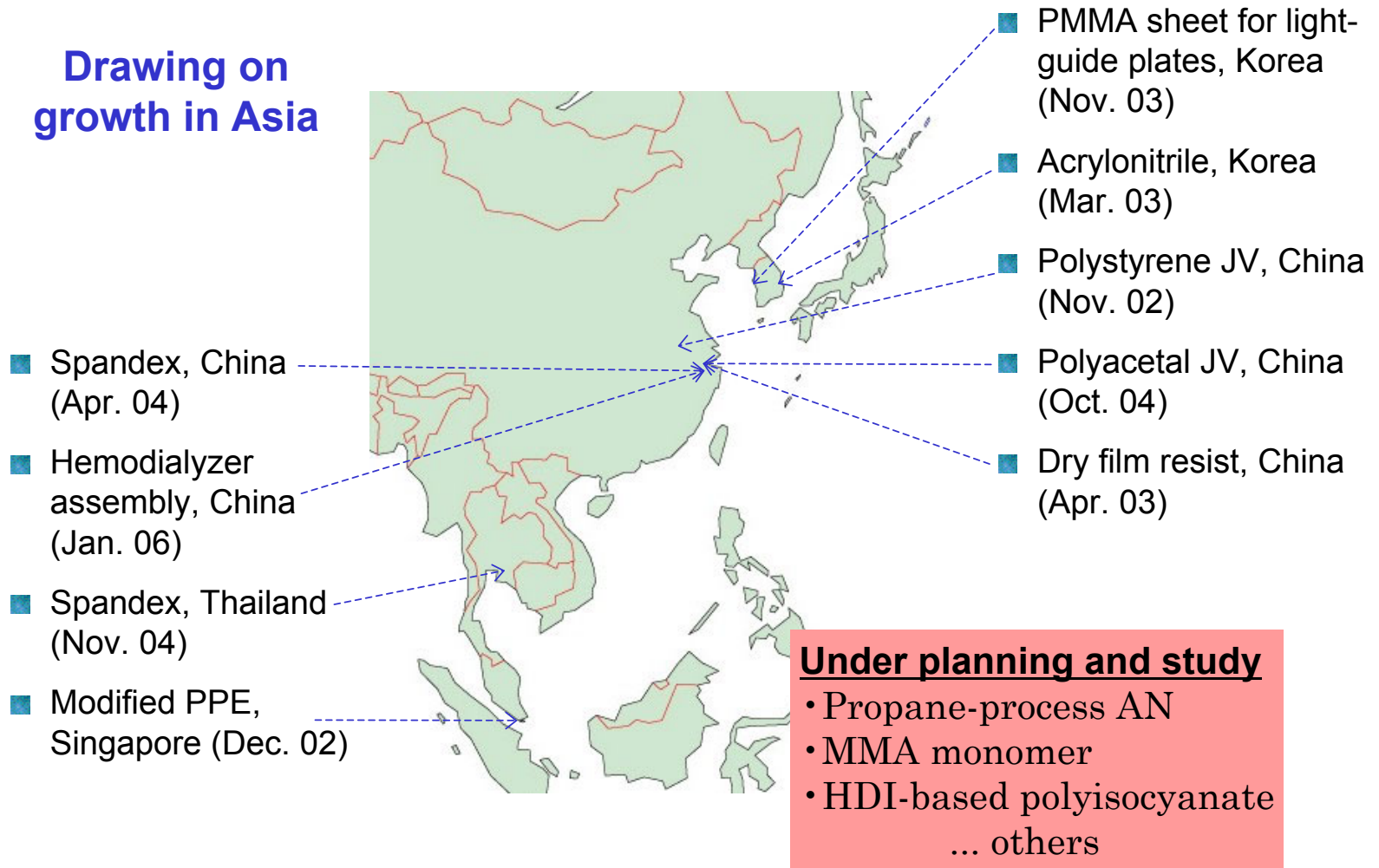
- Development of energy-related business
  - transfer of fuel-cell business to Chemicals
- Global development of monomers business
  - business based on Alpha Process, Omega Process tech.

**Chemicals**

- Construction of propane-process AN plant overseas
- Global development of performance chemicals business

# Development of global operations

## Drawing on growth in Asia



## Challenges faced after *Ishin-05*

- ❑ Broad expansion of operations in growth fields
- ❑ Acceleration of global development
- ❑ Passing on technical know-how of production personnel nearing retirement
- ❑ Review of financial strategy
- ❑ Systematization of CSR elements
- ❑ Reignition of ambitious corporate culture

*Through constant innovation and advances based in science and the human intellect, contributing to human life and human livelihood.*

**AsahiKASEI**