

What Asahi Kasei Aims For

What are Asahi Kasei's strengths? And how will the company contribute to sustainability and achieve sustainable growth of corporate value?
Our aims are described in the Message from the CEO and How We Create Value.

Asahi Kasei Report 2026

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“I bet Asahi Kasei can solve this challenge.” We want to continue being a company that people will say this about in 10 or 20 years.



Koshiro Kudo
President, Asahi Kasei Corp.

CEO MESSAGE

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What I hope the Asahi Kasei Report will convey: The potential of having a diverse portfolio of businesses

What I most want to convey to investors through this report is that Asahi Kasei is not a company that is difficult to understand because of its diversity, but rather a company that can forge a path to success in response to changing times precisely because of its diversity.

Our diverse businesses spanning Healthcare, Homes, and Material operate in different market environments and may appear to have little in common. Investors may thus find Asahi Kasei difficult to analyze and understand. My dialogue with investors has made this clear to me. And yet, serving diverse markets is what allows us to capture a wide range of growth opportunities. When faced with difficult times, we can stand firm, learn, and flexibly apply the lessons to our next phase of growth. I believe that this is one of Asahi Kasei's characteristic strengths. You may suspect that, as President, I am not an objective observer of my own company. But it is only because I know Asahi Kasei so well that I feel frustrated when the company's true potential is not fully appreciated by investors.

That said, I recognize that our ROE, an important metric, remains inadequate considering the expectations of shareholders and investors. But having achieved record-high operating income for the second consecutive year in fiscal 2025, I also sense that stakeholders are gradually beginning to recognize Asahi Kasei's fundamental strengths and underlying value. Given this growing recognition, I would like to use this year's Asahi Kasei Report to convey as clearly as possible the potential of Asahi Kasei's diverse portfolio of businesses.

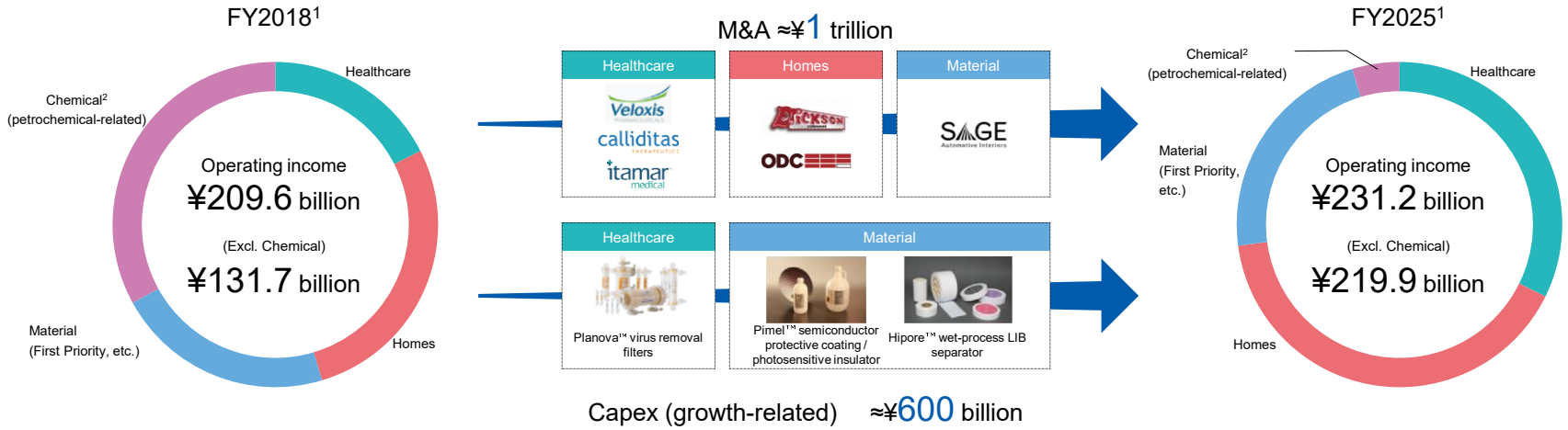
Who is Asahi Kasei?

As President, I have many opportunities to engage in dialogue with overseas investors who take a long-term perspective. In these discussions, I believe the most important question for me to answer is, "Who is Asahi Kasei?"

Asahi Kasei is not simply a company with a diverse portfolio of businesses. Throughout our history spanning more than a century, we have continually transformed our business portfolio while overcoming numerous changes in the operating environment, including a World War, energy crises, financial crises, and a pandemic. What we have built through this process is far more than our assets of over ¥4 trillion. The customer perspective cultivated in our Homes sector, expertise in M&A and global management attained in our Healthcare sector, the technological foundation refined in our Material sector, and our people who excel across sectors and businesses—these diverse intangible assets, though invisible, are the very source of Asahi Kasei's value creation. We share our financial foundation and diverse intangible assets across sectors and businesses, drawing flexibly on these resources. We liken this to a natural ecosystem and call it "Asahi Kasei's ecosystem."

In other words, the answer to "Who is Asahi Kasei?" is: "A company that continually transforms its business portfolio in response to changing times and continues to provide value to society by leveraging the strength of *Asahi Kasei's ecosystem*."

Transforming the business portfolio through proactive growth investments



1 The graph above shows the percentage breakdown for the Group as a whole, excluding the Others category and corporate expenses and eliminations
2 Total profit from the businesses currently included in Performance Chemicals and Essential Chemicals

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Asahi Kasei is strongest in times of change

When unimaginable things seem to occur every year, it feels like the management's adaptability and resilience are being tested more than ever. But no matter what challenges may arise, I am prepared to face them with confidence. There are two reasons for this.

The first is the financial foundation that Asahi Kasei has built through the management of its diverse portfolio of businesses. The Healthcare, Homes, and Material sectors have different business cycles, enabling us to generate stable cash flow group-wide. This allows us to seize growth opportunities in a timely manner and make bold growth investments.

The other reason is the corporate culture that Asahi Kasei has cultivated. During my many years in the fibers business, I experienced difficult circumstances, including the closure of operating sites. This helped me recognize how strong Asahi Kasei is when confronted with a crisis. The culture is shared throughout the Asahi Kasei Group. Although different people are engaged in different businesses, we all share the same fundamental values and sense of mission, and we have overcome many crises together. We take on new business challenges with a bold, independent spirit, continuing to learn from failure rather than assigning blame. I believe this culture of teamwork has been the driving force behind our continuous transformation of the business portfolio for more than a century. I also believe that we have been able to sustain our growth because our employees have a firm understanding of this history, and continually strive to transform themselves as well.

Paths to success distinct from those of specialist manufacturers

Asahi Kasei's strength is not simply having a diverse range of businesses. Rather, it lies in our ability to identify our advantages amid a changing environment, discover distinctive paths to success, and continue developing our businesses. Even without the solid backing of one of the major commercial groupings, we took on new business challenges throughout our history of more than a century and continued to grow despite numerous obstacles. Through this process, we have developed the ability to thoroughly examine customer challenges and create distinctive solutions within certain constraints, rather than competing based on scale or financial resources.

Take the Homes business, for example. When the business was first launched, we could not match specialized homebuilders in terms of either funding or business experience. It was because of these constraints that we focused exclusively on order-built homes, where we could leverage the strengths of our human resources, rather than developing homes for sale that required us to own land. By refining our distinctive value proposition in areas such as two-generation homes and three-story homes in urban areas, we built the powerful Hebel Haus™ brand in Japan. The same applies to the Pharmaceuticals business. Rather than competing head-on with major pharmaceutical companies, we have chosen a distinctive path as a global specialty pharmaceutical company focused on specific disease areas.

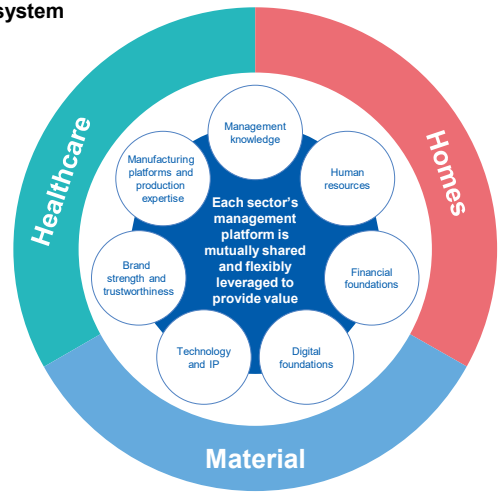
In this way, Asahi Kasei has grown its businesses not by seeking the largest scale, but by creating distinctive value rooted in our distinctive strengths.

Supporting this path to success is Asahi Kasei's ecosystem, which harnesses expertise and human resources across the boundaries between sectors and businesses. At Asahi Kasei, technologies, expertise, and human resources developed in one business often contribute to the growth of another. For example, the establishment of our Homes business was made possible by the capabilities of talented personnel brought together from other businesses. Similarly, the creation of the Planova™ virus-removal filter business in the Healthcare sector would not have been possible without the membrane technology developed in the Material sector.

I believe that further advancing this ecosystem will be essential to Asahi Kasei's future growth. The Material sector is currently in the midst of transformation and is preparing to take on its next challenge by incorporating the B2C marketing and business management expertise of the Homes sector, as well as the global management and M&A expertise of the Healthcare sector.

The most important driving force behind this ecosystem is our human resources. Asahi Kasei has a wealth of human resources with diverse expertise in areas including B2B and B2C businesses, marketing, and research and development. I personally gained considerable experience in sales in the fibers business, which has an exceptionally long value chain, and this experience now informs how I assess other businesses. The Material sector has human resources who have refined advanced technologies that are competitive on the global stage. The Homes sector has human resources with extensive knowledge of recurring-revenue businesses and downstream businesses close to the final consumers. The Healthcare sector, meanwhile, has human resources capable of creating value through their deep expertise and global perspectives. This depth of human resources is Asahi Kasei's greatest strength. Going forward, I intend to expand opportunities for our people to excel across different sectors and enhance our ability to reproduce business growth.

Asahi Kasei's ecosystem



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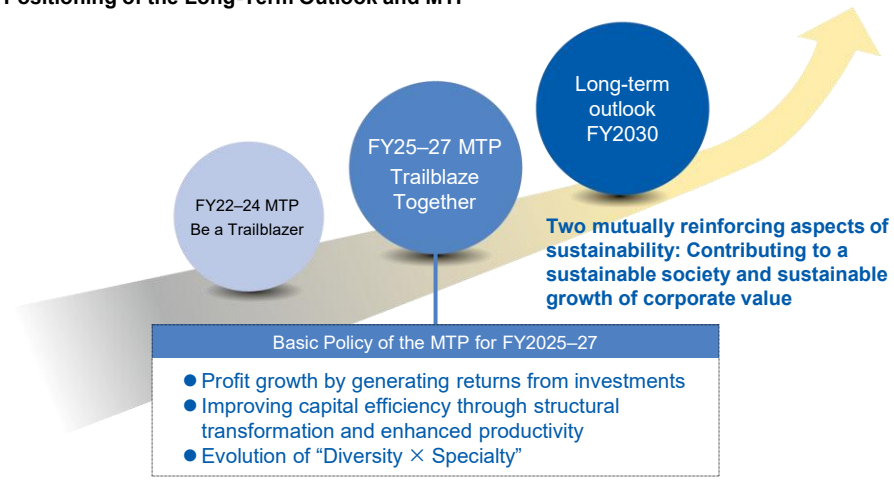
Self-assessment of progress on MTP for FY2025–27: 80 out of 100

If I were to assess our current progress under the medium-term management plan (MTP) “Trailblaze Together,” I would give it a score of 80 out of 100. In fiscal 2025, as in the previous fiscal year, we achieved record-high operating income. Steady progress in transforming our business portfolio, together with significant growth in operating income driven primarily by our First Priority businesses in the Healthcare, Homes, and Material sectors, is transforming Asahi Kasei well beyond its traditional identity as a diversified chemical manufacturer.

Even so, we still have a long way to go in transforming our business portfolio. This is because, despite achieving record-high profit, we have yet to fully reap the benefits of our growth investments to date, and there is still room to leverage our ecosystem that brings together diverse expertise and human resources. I believe that the gap between our target ROE and the current level ultimately comes down to this. I take it as my personal responsibility to see this transformation through. I will ensure that the results of our growth investments translate into tangible income growth and improved capital efficiency, and will continue to face even difficult decisions head-on, without shying away from them.

I would also like to emphasize that we are managing the company with our sights set beyond the ROE target of 9% for fiscal 2027. Through dialogue with investors, I understand that they expect us to achieve a double-digit ROE. With a view to the long-term outlook of 12% in fiscal 2030, we are managing the company with strong determination and are beginning to feel progress toward achieving this target.

Positioning of the Long-Term Outlook and MTP



Management indicators

	(¥ billion)	FY2025	FY2026 forecast[3]	FY2027 revised plan[4]	FY2027 initial plan[5]	FY24–27 revised annual growth rate	FY2030 target
	Net sales	3,074.5	3,254.0	3,470.0	3,180.0		
Profitability	**Operating income**	**231.2**	**248.0**	**270.0**	270.0	8.4%	**380.0**
	Operating margin (%)	7.5%	7.6%	7.8%	8.5%		
	Operating income before amortization of goodwill	**264.9**	**286.0**	**306.0**	306.0		
	EBITDA[1]	427.5	466.0	483.0	496.0		
	EBITDA margin (%)	13.9%	14.3%	13.9%	15.6%		
	Net income (loss) attributable to owners of the parent	158.8	160.0	174.0	174.0		
	EPS (yen)	117.0	119.7	129.6	127.4		
Capital efficiency	**ROIC[2]**	**5.9%**	**5.7%**	**6.0%**	6.0%		**≥8.0%**
	ROE	**8.0%**	**7.7%**	**9.0%**	9.0%		**≥12.0%**
Financial health	D/E ratio	0.46	-	≈0.7	≈0.7		
	Interest-bearing debt/EBITDA	2.3	-	≈3.0	≈3.0		
	Capital ratio	50.5%	-				
	Exchange rate (yen/$)	151	150	140	140		

[1] EBITDA = operating income + depreciation and amortization (tangible, intangible, and goodwill) [2] ROIC = (operating income − income taxes) ÷ average annual invested capital [3] Announced in May 2026 [4] Announced in April 2026 [5] Announced in April 2025

Main non-financial KPIs

Our own GHG emissions reduction compared to FY2013 (Scope 1 & 2)	GHG emission reduction contributions by Environmental Contribution Products compared to FY2020
FY2030: **≥30%** FY2035: **≥40%**	FY2030: **2 times or more** FY2035: **2.5 times or more**
Favorable respondents in employee engagement survey vitality index	**Number of new license agreements[6]**
FY2027: **60%**	FY2025–2027: **10 or more**

[6] Outcomes from projects centered on Technology-value Business Creation (TBC)

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I keenly sense progress as the management of each sector has become increasingly sophisticated, which underpins our fiscal 2025 performance.

The Healthcare sector has entered a new phase of growth. We encountered numerous challenges, including a temporary plateau in the growth of the Critical Care business and greater-than-expected difficulties in establishing our new biologics CDMO business. What makes this achievement particularly significant is that we overcame these challenges and firmly seized business opportunities, including the growth of the acquired pharmaceutical company Calliditas and a recovery in demand for Planova™ virus removal filters.

The Homes sector demonstrated its solid competitive strength. Despite an extremely challenging business environment, the domestic order-built homes business achieved record-high operating income. I believe this is the culmination of the strong Hebel Haus™ brand and customer base we have built over the years, together with a deeply rooted culture of firm commitment to achieving targets. In our overseas operations, a key area for future growth, the business environment remains challenging in North America due to a sluggish recovery in demand. Nevertheless, I am confident that the business will become a powerful growth engine when the market turns around.

The Material sector also made steady progress in its structural transformation. While the Electronics business achieved substantial growth by capturing opportunities related to AI and semiconductors, we also made major structural transformation decisions, including the restructuring of certain derivatives operations at the Mizushima Works in the Chemical business and the divestiture of the lead-acid battery separator business. Changes of this magnitude bring uncertainty for our employees. I believe that the future growth of the Material sector depends on each leader, myself included, carefully explaining the significance of this structural transformation and ensuring that all stakeholders can move forward with a shared conviction.

The path to growth naturally inevitably entails risks. We are closely monitoring the potential impact of geopolitical uncertainty, particularly the situation in the Middle East, as well as future policy trends of the U.S. administration. We will absorb the impact of such factors through the effect of diversification among three business sectors, which have different economic cycles, as well as our solid financial foundation, while steadily capturing growth opportunities.

My message today for the Asahi Kasei of 10 to 20 years hence

We are not going to be a company that achieves only temporary success or pursues only short-term profits. In every era, we aspire to remain a company that society and our customers look to and rely on, believing that Asahi Kasei can solve even the most difficult challenges.

It is easy to say that we will earnestly address societal issues. However, implementing solutions in society and delivering tangible value is no easy task. In many cases, this is because advanced manufacturing capabilities are essential. As such, manufacturers like us have a vital role to play. I believe that for improvement in society, manufacturers need to rise to the challenge. There is no future if the manufacturing sector loses its vitality. That is why Asahi Kasei will continue to squarely face society's most difficult challenges through its products and services, including achieving carbon neutrality, enabling more comfortable, safe, and secure living, and realizing a society of active longevity in which people can lead fulfilling lives.

Of course Asahi Kasei cannot transform society on its own. But we intend to be a company with that inspires potential business partners to think, "By joining forces with Asahi Kasei, we could change the world."

As I look ahead to 2030 and 2040, my belief is encapsulated in the words, "Tradition is not what we preserve, but what we create." Our company will decline if we cling to the legacy of the past rather than embrace the determination to transform and redefine tradition ourselves. I chose the word "Trailblaze" for both the previous MTP and the current one because I want anyone who may have begun settling into complacency to break free and continue taking on challenges at the forefront. I want each employee to reflect on how our Group Mission of contributing to life and living for people around the world resonates with them and what it means to them today, and then make a wholehearted effort of their own. Doing so will contribute to society, drive Asahi Kasei's growth, and foster their own personal growth. I intend to continue nurturing this virtuous cycle.

In closing, I would like to state with confidence that Asahi Kasei today has become a company that offers hope and holds greater potential for growth than ever before. We are evolving into a company that can forge a path to success in response to changing times precisely because of its diversity. I ask that you continue to take a long-term view of our evolution. I also invite you to join us in blazing a trail toward a new future, to "Trailblaze Together."



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Unique business models transforming diverse management assets into value

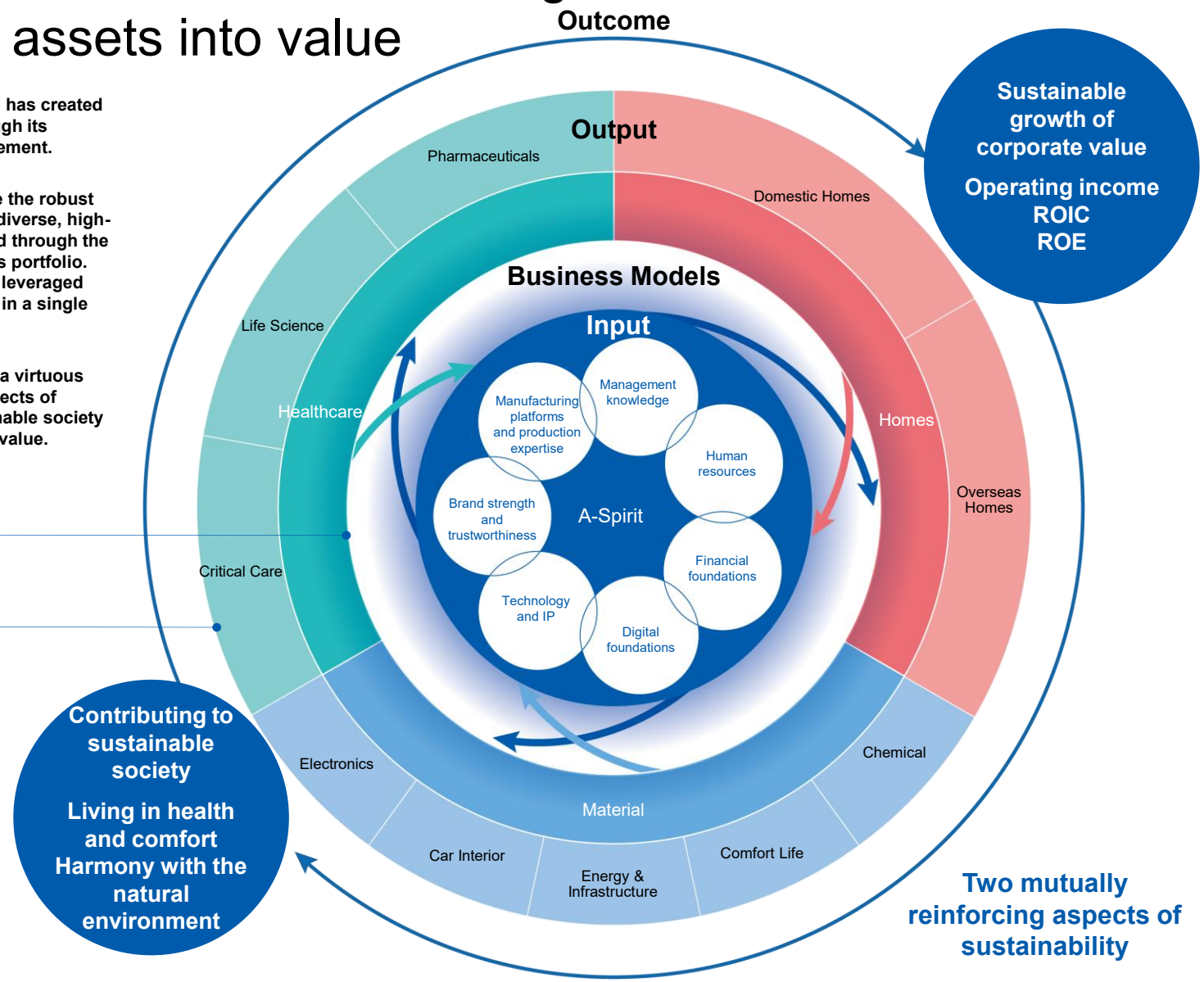
For more than a century, Asahi Kasei has created diverse and unique businesses through its distinctive business portfolio management.

The sources of our value creation are the robust financial foundations and unrivaled, diverse, high-quality intangible assets accumulated through the process of transforming our business portfolio. These assets are shared and flexibly leveraged across businesses and sectors, as if in a single ecosystem.

Through these initiatives, we pursue a virtuous cycle of two mutually reinforcing aspects of sustainability: contributing to sustainable society and sustainable growth of corporate value.

Asahi Kasei's ecosystem

Business portfolio management



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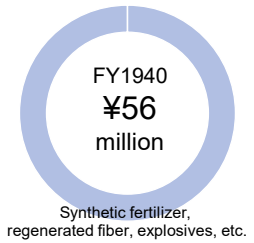
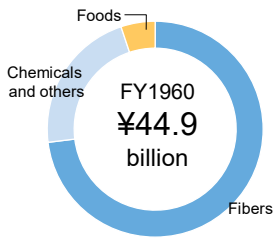
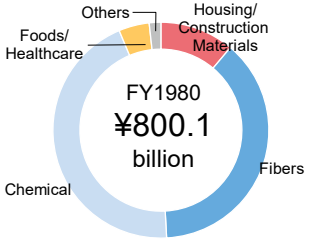
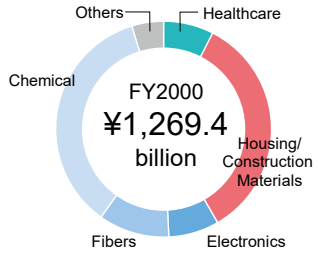
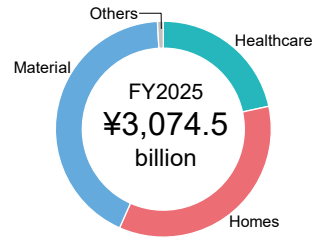
Management assets accumulated through a history of business creation

Since it was founded, Asahi Kasei has continuously created new businesses by responding to the societal challenges and customer needs of each era. Numerous bold initiatives, including entering the housing industry as a materials manufacturer with the aim of innovating residences, and expanding into critical care through our first large-scale acquisition, have led to the accumulation of unique management assets, including human resources, technology, intellectual property, and organizational capabilities.

	1922–	1960–	1980–	2000–	2020–
Social context	Development of the chemical industry and modern agriculture	Development of public infrastructure in an era of high economic growth	Widespread adoption of electronic devices with the advent of the information age	Prominence of environmental issues and aging populations in developed countries	Social transformation toward achieving the SDGs
Business portfolio					
New business entry, M&A / Withdrawal, downsizing, divestment	➡ Ammonia ➡ Regenerated fiber (cupro, viscose rayon) ➡ Synthetic fertilizer ➡ Polystyrene ➡ Synthetic fiber (acrylic fiber) ➡ Food products (monosodium glutamate)	➡ Saran Wrap™ ➡ Acrylonitrile ➡ Synthetic rubber ➡ Ethylene (construction of naphtha cracker) ➡ Autoclaved aerated concrete ➡ Hebel Haus™ unit homes ➡ Artificial kidneys ➡ Pharmaceuticals	➡ Hall elements ➡ Large-scale integrated circuits (LSIs) ➡ Lithium-ion battery (LIB) separators ➡ Hebel Maison™ apartment buildings ➡ Insulation panels ➡ Virus removal filters ➡ Acquisition of Toyo Jozo Co., Ltd. (pharmaceuticals and liquors) ⬅ Foods	➡ Electronic compass ➡ Car interior material ➡ Critical Care ➡ Overseas Homes ⬅ Viscose rayon, acrylic fiber, polyester ⬅ Restructuring of petrochemical business ⬅ Liquors	➡ Hydrogen production system (currently in verification) ➡ Diagnosis and treatment of sleep apnea ➡ CDMO ➡ Overseas pharmaceuticals ⬅ Photomask pellicles ⬅ Blood purification ⬅ Diagnostic reagents ⬅ Lead-acid battery separator
Key management assets	Technology and IP Following the licensing of ammonia and viscose rayon production technologies, we developed technologies into businesses which then led to the next generation of technologies. These successive advances gave rise to the technologies that produce today's high-performance materials.	Financial foundations Launched with the aim of innovating residences, the Homes business has continued to grow for over half a century. It generates stable cash flow and has established a solid financial foundation that supports the creation of new businesses and growth investments group-wide.	Manufacturing platforms and production expertise The manufacturing platforms and production expertise cultivated in the fibers business evolved into membrane and separation technology, which is utilized in core businesses such as the separator business and the virus removal filter business.	Management knowledge In fiscal 2012, we acquired ZOLL in our first major overseas acquisition. This served as a catalyst for us to accumulate management knowledge in areas such as global management and M&A.	Human resources As business globalization advances, we now have some 48,000 diverse personnel around the world. Personnel with a high level of expertise work across different sectors and businesses, aiming to create new businesses.
Composition of net sales					

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Strengthening Management Assets for Value Creation

As we operate a wide variety of businesses, we possess a wealth of unique management assets that are utilized in those businesses as shared assets of the Asahi Kasei Group. By thoroughly utilizing these management assets in each sector and business, we create new value which in turn further expands our management assets in a virtuous cycle.

	Characteristics of Asahi Kasei	Specific examples of management assets (as of the end of FY2025)	Main initiatives addressing challenges under the current MTP	Related pages
Management knowledge	Business portfolio management for diverse businesses, M&A, expertise of diverse business models, etc.	● More than a 100-year history of business portfolio transformation ● Multiple cases of M&A (cases subject to consolidation since 2000): **>30**	● Reclassification of each business into four categories to enable more appropriate resource allocation	Business Portfolio Transformation pp. 23–26 ▶
			● In Pharmaceuticals, accelerating profit growth at Calliditas and strengthening the pipeline through the acquisition of Aicuris	M&A Management pp. 27–31 ▶
Human resources	Human resources with “A-Spirit” who are active globally in a variety of business fields	● Employees: **47,895** (Healthcare: 10,388, Homes: 13,093, Material: 20,377, Corporate and others: 4,037)	● Revising the HR system to strengthen a culture of taking on challenges ● Strengthening the development of management human resources globally	HR Strategy pp. 42–46 ▶
Financial foundations	Strong financial foundations based on stable earnings from diverse businesses in Healthcare, Homes, and Material	● Cash-generating capacity **≈¥1,200 billion** (3-year total for FY2025–2027) ● D/E ratio: **0.46** ● Credit rating: **AA** (JCR and R&I)	● Investment management through strengthened application of hurdle rates ● Progressive dividends with DOE of 3% as a benchmark and flexible share repurchases	Message from the CFO pp. 33–39 ▶
Digital foundations	Digital personnel and infrastructure to achieve site-focused DX promotion	● Abundant digital professional personnel ● Customer, manufacturing, and R&D data accumulated in each business	● Establishment of Smart Text Hub, Asahi Kasei’s proprietary AI platform, to create synergies across sectors and businesses	Digital and AI Strategy pp. 57–59 ▶
Technology and IP	Broad range of core technologies derived from electrochemistry, IP strategy using IP landscaping (IPL)	● R&D expenses: **¥110.5 billion** ● Number of patents held: **Domestic 6,567** **Overseas 7,110**	● Enhancement of R&D leveraging AI to increase the speed of development and commercialization ● Strengthening business models to generate value from intangible assets, and gain revenue by licensing	R&D and IP Strategy pp. 47–54 ▶
Brand strength and trustworthiness	Relationships of trust and connections across a wide range of industries through diverse businesses (medical institutions, semiconductors, automotive, energy, apparel, chemicals, general consumers, etc.)	● Diverse business groups in three sectors ● Strong brands such as **Hebel Haus™, Saran Wrap™, and Bemberg™**	● Raising the market share of products in Electronics in AI-related markets and in Pharmaceuticals in the renal disease field, to enhance our presence in specific markets	Sector Strategies pp. 60–72 ▶
Manufacturing platforms and production expertise	Safety platform, quality assurance platform, and advanced production technology cultivated primarily in the Material sector Manufacturing sites worldwide	● Global manufacturing sites: **>130** Lost-time frequency rate[1]: **0.27** (average of manufacturing industries in Japan is 1.30) ● Total participation in quality training: **7,198** (38 sessions)	● To further strengthen competitiveness, adopting smart laboratories to accelerate R&D and applying physical AI in manufacturing processes	Production Technology Strategy pp. 55–56 ▶ Quality Assurance p.106 ▶

[1] Lost-time injures per million hours worked.

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Business Models

Asahi Kasei's Unique Path to Success

Asahi Kasei's business models are characterized by two key features: optimal allocation of resources by ascertaining which businesses can maximize value through business portfolio management, and also continuously creating unique, high-value-added businesses in a sustainable manner through an ecosystem in which intangible assets cultivated across our diverse businesses, including human resources, technologies, and intellectual property, as well as our robust financial foundation, are leveraged across business boundaries.

(1) Business portfolio management

Focused investment in specific markets

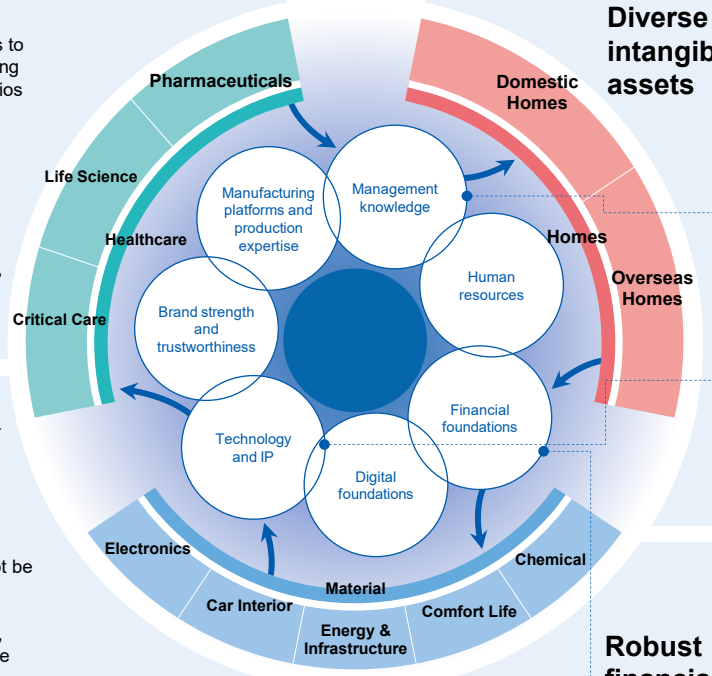
Many of Asahi Kasei's businesses focus not on general-purpose or mass-market products, but on specific markets where they can deliver greater value. Our diverse portfolio of businesses enables us to hone our ability to identify promising markets, thoroughly refine scenarios for achieving success over the medium to long term, and concentrate resources while maintaining financial discipline. In this way, we continuously create unique, high-value-added businesses.

For details, see Sector Strategies, pp. 60–72

Structural transformation from a best owner perspective

For businesses that can no longer realize their potential financial and social value under Asahi Kasei's ownership, we carefully examine whether their strategies can be adequately reformulated. If, as a result, it is found that we would not be the best owner of a business, we promptly pursue structural transformation through divestiture, withdrawal, or other measures. We make these decisions from a medium- to long-term perspective, regardless of whether the business is currently profitable.

For details, see Business Portfolio Transformation, pp. 23–26



(2) Leveraging Asahi Kasei's ecosystem

Diverse intangible assets

By sharing diverse intangible assets across sectors and businesses and flexibly leveraging them group-wide, we create new value that distinguishes us from specialized companies. These wide-ranging intangible assets include diverse human resources, technology and IP, management knowledge in areas such as business portfolio management and M&A, our brand, and digital foundations, and they continue to accumulate through our day-to-day business activities.

For details, see Use of Intangible Assets, pp. 41–59

Example **Deployment of M&A expertise**

Beginning with the acquisition of ZOLL in 2012, we have built a strong track record and accumulated sophisticated expertise on M&A. This expertise has also been applied in the Homes sector, which had primarily focused on the Japanese market, and is now being leveraged in our North American and Australian businesses.

For details, see M&A Management, pp. 27–31

Example **Creating technological synergies**

Starting with the regenerated fibers business, we applied our membrane and separation technologies in areas including the LIB separator business. We also established the virus removal filter business.

For details, see R&D and IP Strategy, p. 48

Robust financial foundations

We maintain robust financial foundations supported by stable earnings from a diverse portfolio of businesses with different industry cycles. In particular, the Homes sector, which has strong brand recognition in Japan with asset-light operation, generates consistently high cash flow that underpins the Asahi Kasei Group's financial foundations.

For details, see Value Creation Model, p. 20

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Outcome

Two mutually reinforcing aspects of sustainability (1)

Asahi Kasei pursues two mutually reinforcing aspects of sustainability: sustainable growth of corporate value and contributing to a sustainable society. As a result of advancing business portfolio transformation toward this goal, the foundation for enhancing corporate value is steadily changing. Asahi Kasei has changed from a company whose earnings were driven primarily by the Material sector, including fibers and chemicals, to one with a well-balanced earnings composition, supported first by growth in the Homes sector and, more recently, by expansion in the Healthcare sector. As a result, the earnings structure is shifting to one in which capital efficiency, as measured by ROE and ROIC, is less susceptible to fluctuations in petrochemical market conditions and capable of achieving more stable and sustainable improvements in capital efficiency.

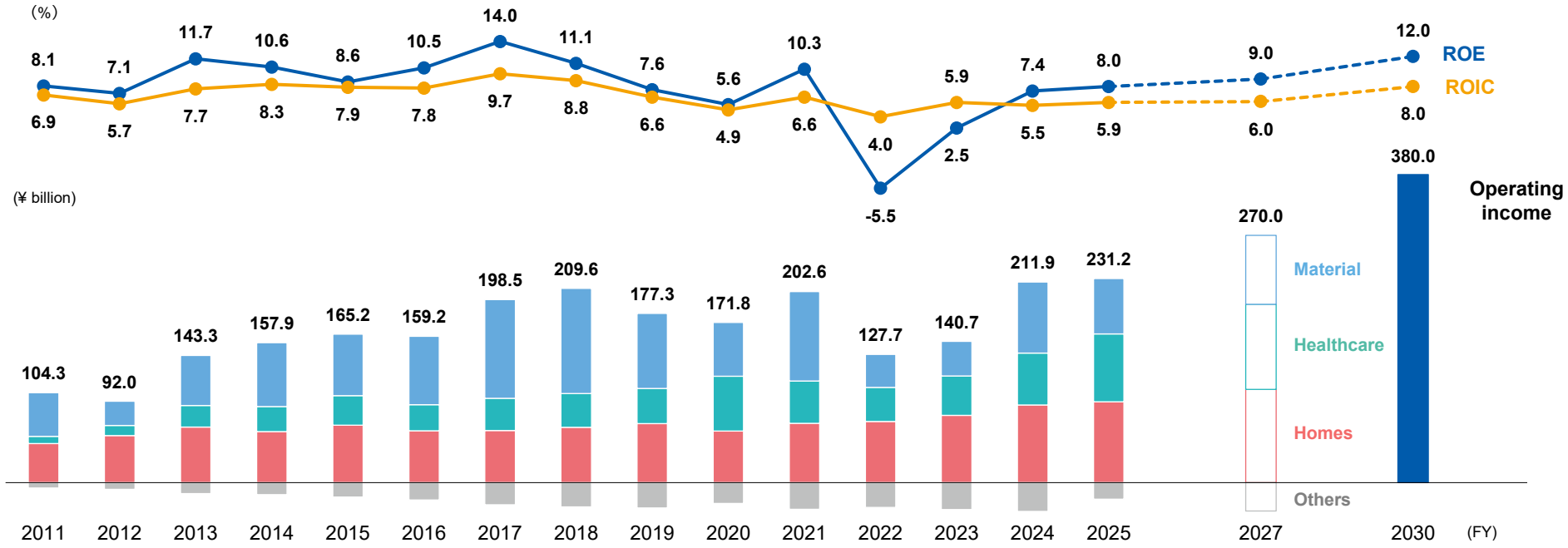
Operating income and capital efficiency

FY2011–FY2025 average ROE: 7.8% ROIC: 6.8%

Achieved high levels of capital efficiency through the Material sector steadily capturing growth in demand amid global economic expansion and the Healthcare sector achieving growth driven by factors including the acquisition of ZOLL

Capital efficiency remained low due to a deterioration in the business environment for the Material sector amid factors including U.S.-China decoupling

Capital efficiency improved through the growth of First Priority businesses in the Healthcare and Material sectors



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Outcome

Two mutually reinforcing aspects of sustainability (2)

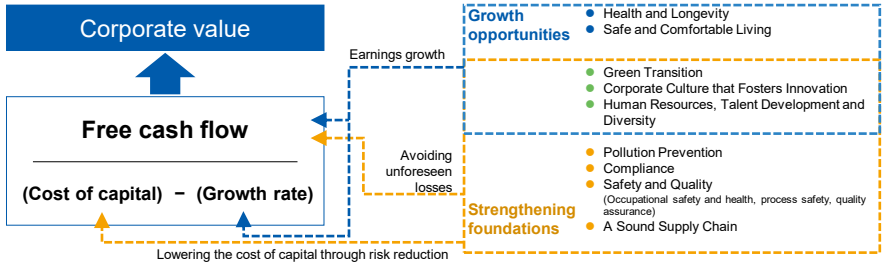
Materiality, or priority issues for sustainability, represents the key matters to be addressed in realizing two mutually reinforcing aspects of sustainability. In fiscal 2025, Asahi Kasei reviewed its materiality in light of changes in the business environment and its business portfolio, as well as rising societal expectations regarding sustainability. The new materiality issues, the approach to them, and the process used to identify them, are introduced below.

(For the indicators, targets, progress, and other details for each materiality, please refer to p. 75.)

	Materiality (Priority issues for sustainability)	Classification of significance: Financial effects	Classification of significance: Impact on society	Related SDGs
Living in health and comfort	**Health and Longevity**	Opportunities	Positive impact	3
Living in health and comfort	**Safe and Comfortable Living**	Opportunities	Positive impact	9, 11
Harmony with the natural environment	**Green Transition**	Opportunities Risks	Positive impact Negative impact	6, 7, 12, 13, 14, 15, 17
Harmony with the natural environment	**Pollution Prevention**	Risks	Negative impact	
Fundamental initiatives	**Corporate Culture that Fosters Innovation**	Opportunities	Positive impact	9
Fundamental initiatives	**Human Resources, Talent Development and Diversity**	Opportunities	Positive impact	5, 8
Fundamental initiatives	**Compliance**	Risks	Negative impact	16
Fundamental initiatives	**Safety and Quality** (Occupational safety and health, process safety, quality assurance)	Risks	Negative impact	12
Fundamental initiatives	**A Sound Supply Chain**	—[1]	Negative impact	12

Enhancing corporate value through materiality initiatives

The new materiality framework comprises items related to business growth opportunities that contribute to generating free cash flow over the medium to long term and increasing business growth rates, as well as items related to strengthening the business foundation that contribute to reducing the cost of capital and avoiding unforeseen losses. We will enhance corporate value by advancing materiality initiatives under appropriate governance.



Materiality identification process

1 Identification of potential sustainability issues
Based on Asahi Kasei's corporate philosophy, medium-term management plan, and the status of each business, the secretariat (Sustainability Strategy Planning Department and Corporate Strategy) referred to international standards such as ESRS[2] and SASB[3] Standards to identify 179 items consisting of sustainability-related opportunities and risks that could affect the company's corporate value (financial impact), as well as potential impacts of the company's businesses on the environment and society (Impacts, Risks, and Opportunities: IROs).

2 Assessment of significance
Criteria were established for assessing the significance of IROs from the perspectives of the degree of impact on the company's businesses and society, likelihood of occurrence, and other factors. Based on the established assessment criteria, 48 highly significant IROs were identified, taking into account the characteristics and value chains of each business.

3 Evaluation of appropriateness and organization of items
The 48 identified IROs were evaluated by cross-checking them against the SASB Standards' industry topics and disclosure metrics, as well as the company's existing materiality items. The validity of the assessment results was evaluated based on advice from external experts and discussions with relevant internal departments. Similar items were then consolidated and organized into nine materiality items (34 IROs).

4 Discussion and approval by the Management Council, Board of Directors, and other bodies
The nine material issues and related matters were discussed at Management Council and Board of Directors meetings (three times each in fiscal 2025) and by the Sustainability Committee, and were finalized by the Board of Directors in March 2026. Indicators and targets continue to be reviewed.

[1] Items for which opportunities, risks, and impacts on society were considered in the materiality assessment, but which did not exceed the materiality threshold established in the assessment criteria. [2] European Sustainability Reporting Standards. [3] Sustainability Accounting Standards Board. Based on our business portfolio, we selected six industries under the SASB Standards as relevant for reference: Biotechnology & Pharmaceuticals, Medical Equipment & Supplies, Chemicals, Home Builders, Construction Materials, and Real Estate Services. These industries account for 90% of the operating income projected under the MTP.

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