Requirement 2

Appropriate allocation of resources

Asahi Kasei's initiatives

Leveraging our solid financial foundation, we are actively investing in growth and providing stable shareholder returns while maintaining a strong commitment to financial discipline.

We will further strengthen balance sheet management to sustainably generate returns commensurate with the cost of capital.



Homes sector

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Unique business portfolio management to achieve growth and efficiency

Optimal resource allocation is essential to sustainably enhance the corporate value of Asahi Kasei, with its unique business portfolio. I will fully describe my views on capital allocation and balance sheet management, two topics that have attracted considerable interest from investors.



Toshiyasu Horie

Representative Director,
Primary Executive Officer

Review of fiscal 2025

Q How do you perceive the increase in your share price over the past year?

We believe that the improvement in our share price observed since around the middle of fiscal 2025 reflects the capital market's gradually growing recognition of the results of our business portfolio transformation, which we have pursued through both structural transformation and growth investments. Nevertheless, we do not yet feel that we have achieved our target level of corporate value. To sustainably achieve capital efficiency exceeding the cost of capital, we must further enhance the composition of our balance sheet and transform our business portfolio into one capable of generating sufficient returns on invested capital.

Share price since fiscal 2025



* TOPIX rebased to Asahi Kasei's share price as of April 1, 2025

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Vision for 2030

How do you want Asahi Kasei to be perceived toward 2030?

Since its founding, Asahi Kasei has expanded its businesses by sincerely addressing the world's challenges and providing the value needed by the world in each era. We currently operate in the three sectors of Healthcare, Homes, and Material, but we do not necessarily need to remain confined to this framework. We must identify what the world needs and what value Asahi Kasei can provide, and then grow businesses befitting of capital investment. This is the fundamental premise underlying our business portfolio transformation toward 2030.

We aim to be a company that continues to achieve sustainable growth while creating new value for the world. To achieve this, we must continually transform our business portfolio in response to the world's changes and allocate capital in a balanced manner to businesses with high growth potential and capital efficiency. Through the steady transformation of our business portfolio driven by the combination of growth investments and structural transformation since the previous MTP, our business and earnings composition has changed significantly from its former petrochemicals-centered structure. We would like investors to view Asahi Kasei not as a diversified chemical manufacturer as in the past, but as a company that contributes to the world in growth areas through a diverse range of businesses. We are determined to steadily demonstrate the results of our business portfolio transformation and improvements in capital efficiency so that we earn such recognition.

What level of corporate value do you aim for by 2030?

The first step toward reaching our target level of corporate value is to eliminate the conglomerate discount. Based on a comprehensive assessment of various simulations, we believe that our current corporate value, namely our market capitalization, may be discounted by approximately 30% to 50% relative to the aggregate value of our businesses. We surmise that this is because companies with multiple businesses tend to be less favored by investors due in part to the difficulty of understanding them, and because the capital markets undervalue each of our businesses themselves.

For the capital markets to appropriately recognize the value of our business portfolio, each business must first achieve growth and deliver results that exceed the benchmarks for its respective industry. In addition, particularly with regard to the Healthcare sector, as many of the analysts who cover Asahi Kasei focus on the chemicals sector, we need to provide more detailed explanations of the value of the Pharmaceuticals, Life Science, and Critical Care businesses, each of which has different growth and profitability characteristics. By demonstrating a track record of growth and enhancing communication, we will do our utmost to ensure that capital markets appropriately recognize the value of our entire business portfolio.

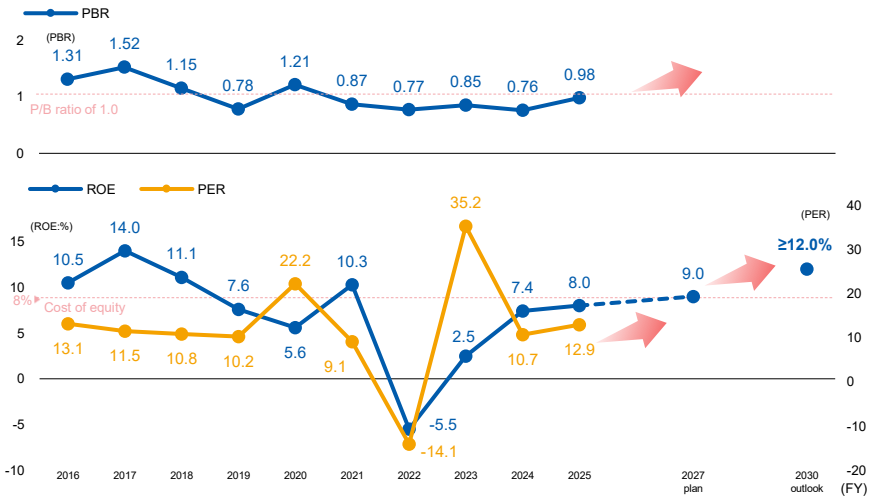
What kind of balance sheet are you aiming for by 2030?

Transforming the balance sheet is the essence of business portfolio transformation. Which businesses should we allocate capital to, which assets should drive growth, and where should we generate stable cash flow? The answers to such questions are reflected in the content of our balance sheet.

To realize our vision of being a company that continues to grow sustainably while creating new value for the world, we need a balance sheet comprising assets that drive group-wide income growth, assets representing upfront investments to develop businesses that will contribute to future growth, and assets that continuously generate cash to support a solid financial foundation. Under our current business classifications, these correspond respectively to the First Priority, Growth Potential, and Earnings Base Expansion businesses.

However, our current balance sheet still includes assets that require invested capital but do not generate sufficient returns commensurate with the cost of capital. It is important to reduce the burden of such assets on the balance sheet by advancing structural transformation in the businesses that hold them. As of fiscal 2025, approximately 10% of our total balance sheet is attributable to businesses requiring structural transformation. I believe that the growth rate of the company as a whole will change significantly if we can reduce this proportion as much as possible and reallocate the corresponding resources to First Priority and other businesses. Looking toward 2030, the First Priority and Growth Potential businesses will play a more central role, supported by the Earnings Base Expansion businesses. This is the balance sheet structure we aim to achieve.

PBR, ROE, and PER*



* PBR and PER are based on fiscal year-end closing prices

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Balance sheet management (investment management)

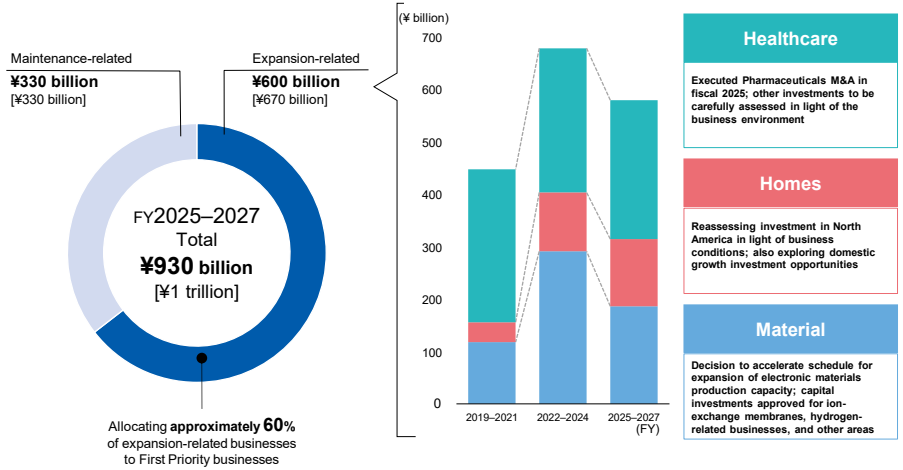
Q What is the background to your investment plan under the current MTP, and what do you emphasize in investment management?

Under the current MTP, we are transforming our business portfolio through both structural transformation and growth investments. This is also a transitional phase toward achieving our vision for 2030. The investments planned under the current MTP are necessary to shift the balance sheet toward an asset composition that enables more stable growth. Even so, such investments will not lead to enhanced corporate value unless we maintain rigorous investment discipline and generate returns commensurate with invested capital.

Under the current MTP, we changed the metric for shareholder returns from the conventional dividend payout ratio to DOE (dividends on equity). This reflects our commitment to providing stable and sustainable returns on the capital entrusted to us by our shareholders, rather than focusing solely on the level of profit in individual fiscal years. We have a responsibility to utilize equity efficiently to enhance corporate value without eroding the capital that supports future shareholder returns. While maintaining the necessary level of financial soundness and avoiding excessive capital accumulation, we will seek to sustainably improve ROE by enhancing profitability and optimizing our capital structure.

When making investment decisions, we set hurdle rates based on the cost of capital (WACC), taking into account the characteristics and risks of each business, and rigorously assess investment returns. In particular, we conduct more careful examinations of large-scale M&A proposals and businesses requiring substantial invested capital, considering the extent of their potential impact on corporate value and the magnitude of the associated risks. Even businesses with high profit margins have a responsibility to achieve an adequate level of capital efficiency if they require substantial invested capital. In addition to rigorous screening when making investment decisions, we continuously monitor investments after execution to determine whether they are generating the initially anticipated returns, thereby increasing the certainty of generating returns from investments while mitigating the risk of capital erosion.

Total value of investments based on decisions during the current MTP



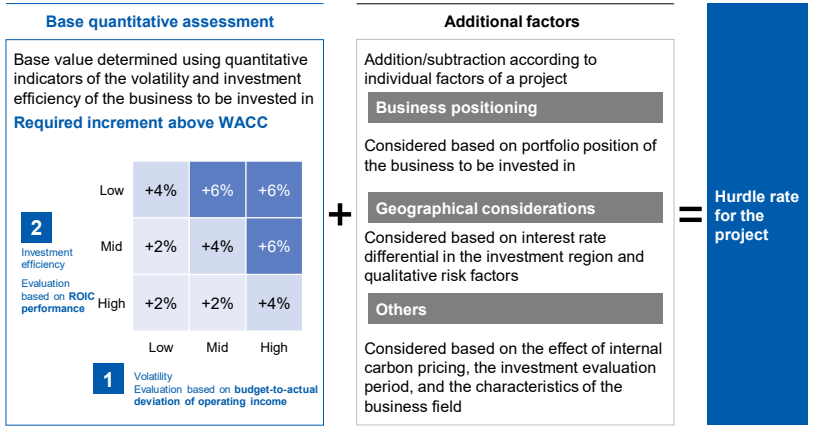
Note: Figures in brackets indicate the initial plan under the current MTP

Application of hurdle rates to support investment discipline

When pursuing growth investments, we thoroughly examine whether they are aligned with our business strategies and whether they can generate sufficient returns to warrant the investment. One of the criteria used in this assessment is the application of hurdle rates. One example is the acquisition of Aicuris in the Pharmaceuticals business, announced in February 2026. We set a hurdle rate in advance that would satisfy our investment return requirements and proceeded with our assessment after clearly establishing the maximum acceptable investment amount. We approached the transaction on the premise that we would forgo the investment if it exceeded this limit, regardless of its strategic significance. As a result, we were able to execute the acquisition while maintaining investment discipline.

Hurdle rates are applied not only to large-scale investments such as M&A but also as common criteria for comprehensively assessing strategic fit, growth potential, risk, and capital efficiency from the initial stages of investment consideration in each business sector. Projects that are not expected to generate sufficient returns may be reconsidered before reaching the formal investment proposal stage. Going forward, we will continue to steadily execute growth investments while pursuing both greater investment discipline and improved capital efficiency through our investment management framework, including hurdle rates.

Approach to setting hurdle rates



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How do you utilize ROIC in management?

There are two main ways in which we utilize ROIC. The first is to translate it into improvement initiatives at the business site level. How each employee contributes to improving ROIC varies according to their role. Initiatives such as reducing inventories, improving yields, increasing productivity, and raising capacity utilization all contribute to greater capital efficiency, albeit in different ways. I believe that operational improvements undertaken with an awareness of ROIC are becoming firmly instilled throughout the company.

The second is utilization at the management level. To strengthen the balance sheet and promote the transformation of the business portfolio, we need to reallocate capital from businesses with limited scope for improving capital efficiency to those with high capital efficiency or promising future growth prospects. We use ROIC as a criterion in making such decisions. That said, we do not assess all businesses using the same yardstick. Businesses in the growing Healthcare sector, for example, are not be evaluated solely on the basis of short-term ROIC. The priority is to enhance their profitability and growth potential. Improvement of profitability indicators such as the EBITDA margin will lead to higher ROIC in the future. Meanwhile, for businesses that are mature but whose ROIC remains below the cost of capital, we must consider measures from a range of perspectives. Depending on the circumstances, we will consider such measures as forming alliances, divestiture, or closure.

The key to ROIC management is not simply pursuing numerical targets. By proceeding with both operational improvements and reviewing capital allocation at the management level, we will raise group-wide ROIC toward 2030.

Financial targets and outlook for improving ROIC in each business category

		Business field	Strategic positioning	Operating income (¥ billion)			ROIC		Approach to the FY2027 ROIC target
				FY2025	FY2027 revised plan	Difference	FY2025	FY2027 revised plan	
Healthcare	Pharmaceuticals	• Pharmaceuticals (autoimmune disease, severe infection, transplantation, kidney disease, etc.)	First Priority	47.3	50.0	+2.7	6%	6%	• ROIC is currently on par with the cost of capital due to the execution of growth investments, primarily M&A in Pharmaceuticals; as the business is in a growth phase, we place priority on profit growth rather than short-term ROIC • We thoroughly pursue profitability improvements by expanding sales of core products and realizing the benefits of investments
	Life Science	• Virus removal filters for pharmaceutical manufacturing processes • Biologics CDMO	Growth Potential						
	Critical Care	• Wearable defibrillators • Professional defibrillators, AEDs • Sleep apnea-related devices	First Priority	36.1	55.0	+18.9	7%	13%	• We will improve ROIC through the steady growth of new defibrillator products and LifeVest™ • Profit growth from sleep apnea diagnostic and therapeutic devices and other products will also contribute
Homes	Domestic Homes	• Order-built homes (unit homes, apartment buildings) • Real estate development (condominiums) • Remodeling • Rental management and real estate brokerage • Construction materials (autoclaved aerated concrete [AAC] panels and thermal insulation)	Real estate development Growth Potential Order-built, remodeling, etc. Earnings Base Expansion	92.4	87.0	-5.4	40%	27%	• Although ROIC will decline due to investments in real estate development as a driver of future growth, it will remain at a high level, supported by highly profitable, asset-light businesses centered on order-built homes
	Overseas Homes	• North American Homes • Australian Homes	First Priority	7.4	28.0	+20.6	3%	9%	• We aim for ROIC above the cost of capital by steadily restoring the North American business to growth as demand recovers and improving the profitability of the Australian business
Material	Electronics	• Electronic materials • Electronic components	First Priority	28.2	33.0	+4.8	18%	17%	• We continue to maintain a high level of ROIC by expanding production capacity to meet robust demand related to AI and leading-edge semiconductors while achieving profit growth
	Car Interior	• Car interior materials (artificial suede and synthetic leather)	Earnings Base Expansion	9.1	12.0	+2.9	4%	5%	• We are improving ROIC, which is currently slightly below the cost of capital, through steady profit growth and enhanced profitability
	Energy & Infrastructure	• Lithium-ion battery (LIB) separators • Ion-exchange membrane process for chlor-alkali electrolysis • Hydrogen production system	Growth Potential	0.5	1.0	+0.5	0%	0%	• As performance remains weak due to changes in the separator business environment, we will pursue profit maximization through strategic review • As upfront investments are being made to generate profit contributions from 2030 onward, we will steadily execute business strategies to achieve growth while carefully assessing market trends
	Comfort Life	• Fibers • Consumables • Pharmaceuticals and food additives	Earnings Base Expansion	17.2	21.0	+3.8	6%	6%	• Although ROIC is currently on par with the cost of capital, we will promote initiatives to improve ROIC by leveraging the distinctive strengths of each niche business
	Chemical	• Performance chemical (resin-related) • Essential chemical (petrochemical-related)	Profitability improvement & business model change	11.3	18.0	+6.7	2%	4%	• Although ROIC remains below the cost of capital, we will steadily promote structural transformation toward 2030 with the aim of establishing a business structure with high profitability and capital efficiency

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Balance sheet management (debt and capital structure)

What is the rationale for a D/E ratio benchmark of 0.7?

Taking into account both equity and debt perspectives, we believe that a D/E ratio of approximately 0.7 is currently appropriate for Asahi Kasei as we move forward with the transformation of our business portfolio toward 2030.

Asahi Kasei aims to build a business portfolio that is resilient to market fluctuations and capable of stable growth. Achieving this requires us to maintain a certain level of financial stability while simultaneously promoting structural transformation and growth investments. Furthermore, to achieve sustainable growth toward 2030 and beyond, we must maintain sufficient capacity to investment so we can respond flexibly to future growth opportunities.

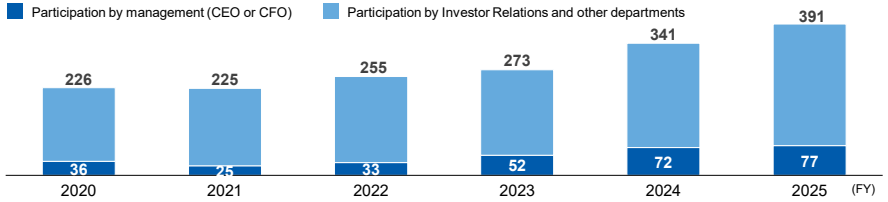
Asahi Kasei is currently progressing toward its vision for 2030. We are advancing structural transformation with an eye toward 2030, including the restructuring of certain derivatives operations at the Mizushima Works announced in May 2026. However, the content of our balance sheet will not be completely transformed during the period of the current MTP. As such, rather than excessively increasing leverage at this stage, it is important to maintain our credit ratings and preserve our ability to raise funds when necessary. We will continue to enhance the quality of our balance sheet and thereby increase corporate value.

How are you working to reduce the cost of capital?

There are three perspectives I consider important in reducing the cost of capital: responding to costs arising from societal demands, engaging in dialogue with capital markets, and strengthening governance.

Our businesses are closely linked to our materiality. We operate businesses that help address issues in the world, including through Environmental Contribution Products, and our strategic direction is aligned with the world's needs. By linking our response to the world's issues with business growth, we will reduce the cost of capital by both expanding medium- to long-term earnings opportunities and mitigating risks.

Number of meetings with investors and securities analysts



It is also important to clearly disclose the progress of our business portfolio transformation and the future we aspire to achieve, while continually enhancing dialogue with shareholders and investors. We will apply the perspectives gained through such dialogue to improve management and disclosure, enhancing the trust of capital markets. For example, we drew on feedback received through dialogue with investors about how to present the impact of the situation in the Middle East on our business performance, and disclosed guidance that clearly described our risk assumptions despite the uncertainty. Having disclosed our position, we were subsequently able to engage in more substantive dialogue with investors.

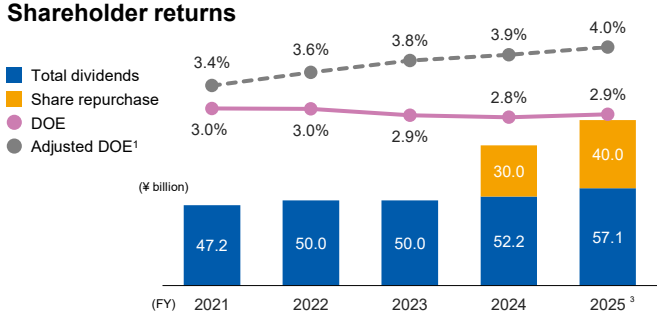
At the same time, as we operate globally, enhancing governance is also an important priority. In particular, as we pursue our growth strategy centered on the United States, we need consistent group-wide governance, taking into account differences between Japan and the United States with regard to systems, cultures, and approaches to management.

Reducing the cost of capital in the true sense requires not only improving financial indicators, but also deepening relationships of trust with capital markets and establishing a framework that enables stable business operations while mitigating unforeseen risks.

What is the concept of your shareholder returns policy?

Under the current MTP, we have adopted DOE as an indicator for shareholder returns. As noted earlier, this is based on our emphasis on accountability for the capital entrusted to us by our shareholders. To achieve stable and sustainable shareholder returns, we must efficiently utilize the underlying capital to generate earnings without eroding it. Based on this approach, we seek to enhance our profitability and sustainably improve ROE.

Shareholder returns



Dividends per share (¥)	34	36	36	**38**	**42**
Dividend payout ratio	29.1%	-	113.9%	**38.8%**	**35.9%**
Net worth	1,687.4	1,660.3	1,813.4	**1,859.4**	**2,088.5**
Shareholders' equity[2]	1,459.4	1,317.5	1,311.9	**1,366.8**	**1,468.3**

[1] Adjusted DOE (dividends on equity) = total dividends ÷ shareholders' equity
[2] Shareholders' equity = net worth − accumulated other comprehensive income
[3] Share repurchase of ¥40.0 billion is the maximum amount decided on November 5, 2025, not the actual amount repurchased

Shareholder returns policy

1 Determining level of shareholder returns based on medium-term outlook for free cash flow

2 Aiming for medium- to long-term progressive dividends with DOE of 3% as a benchmark

3 Share repurchase is decided by comprehensively considering optimal capital structure, investment projects, cash flow, and share price conditions

Annual TSR
(total shareholder returns)

FY2023	FY2024	**FY2025**
124%	97%	**148%**

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As our DOE is currently slightly below the benchmark of 3%, we are enhancing shareholder returns through progressive dividends in order to reach that level as soon as we can. We will also flexibly repurchase shares depending on the circumstances.

Share repurchases are one effective means of improving ROE. However, this alone will not be sufficient to raise ROE to an adequate level. We still have assets requiring structural transformation on the balance sheet, which weighs on profitability. For improved ROE, in addition to shareholder returns, we are accelerating the review of our business portfolio based on ROIC in order to replace existing assets with more capital-efficient assets.

Capital allocation

What do you emphasize in capital allocation?

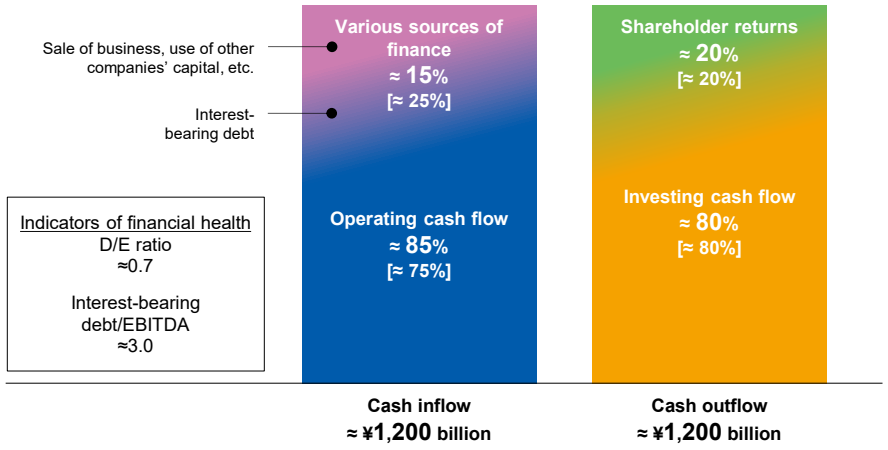
In capital allocation, we emphasize the balance between investments for growth and shareholder returns. While we are maintaining total cash outflows of approximately ¥1.2 trillion as initially planned under the current MTP, operating cash flow is exceeding the initial forecast due to strong profit growth, and our reliance on interest-bearing debt is expected to be lower than initially projected. We are also steadily pursuing business divestitures, utilizing other companies' capital, and leveraging various financial incentives to support both structural transformation and growth investments.

Our approach to investment and shareholder returns is to first allocate funds to growth investments, maintenance investments, and dividend payments guided by DOE, and then to flexibly repurchase shares as appropriate. We are currently in the midst of our transformation toward 2030, and there may be periods when our capital base temporarily expands. Nevertheless, we will continue working to raise ROE with profit growth that outpaces such expansion, primarily in our First Priority businesses. I consider strengthening our earnings capacity by achieving growth to be the most fundamental way to improve ROE.

Also, given that our transformation is still in progress, there will be times when we need to send an appropriate message to the capital markets. Our capital allocation policy thus reserves some capacity for share repurchases, allowing us to perform them flexibly at appropriate times.

We will continue to advance growth investments, structural transformation, and shareholder returns in an integrated manner to enhance corporate value and improve capital efficiency.

Capital allocation policy under the current MTP (FY2025–2027 total)



Note: Figures in brackets indicate the initial plan under the current MTP.

What decision-making criteria are needed for capital allocation across your diverse businesses?

Formerly, we sometimes considered capital allocation separately for each of the sectors of Healthcare, Homes, and Material. Now, rather than taking a sector-by-sector approach, we take a group-wide perspective focused on optimizing the company as a whole and determining the best way to enhance corporate value.

For me, the starting point when considering capital allocation is whether a business enables us to leverage the strengths that are unique to Asahi Kasei. I assess whether we forge a path to success for the business by maximizing the use of intangible assets, including technology, and building distinctive business models. For example, amid significant changes in the business environment, ROIC in the petrochemical business deteriorated substantially due to factors including declining profitability caused by worsening market conditions and the heavy burden of maintenance investment. This was once a competitive business and a pillar of the Asahi Kasei Group's earnings, and it is also a business to which I feel a strong personal attachment, having been involved in it for many years. However, we cannot continue investing capital in a business where it has become difficult to generate returns exceeding the cost of capital. Based on this judgment, we are now accelerating structural transformation.

On that basis, we will adjust the level of capital invested according to each business's position. We intend to allocate more capital to businesses positioned as First Priority or Growth Potential as they will contribute to future growth and enhanced corporate value. Investment in the Material sector may appear relatively restrained, but these decisions are not made on a sector basis. Rather, this reflects the priorities we have determined for the company as a whole, taking into account the business environment, growth potential, profitability, and capital efficiency.

My mission is to continue allocating capital to optimize the company as a whole, rather than optimizing individual sectors or businesses. We will steadily evolve our business portfolio toward one comprising businesses with greater growth potential and higher capital efficiency.

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Toward further enhancing corporate value

What's next to further enhance corporate value?

We will continue to steadily advance five initiatives: accelerating business portfolio transformation, enhancing profitability, enhancing investment management, optimizing capital policy, and reducing the cost of capital.

The most important challenge is accelerating business portfolio transformation. To achieve our targeted balance sheet structure, we must continue our structural transformation. The structural transformation we are pursuing under the current MTP is not our final destination. We will reassess the significance of businesses that are unable to generate returns commensurate with the cost of capital, and consider a range of options as necessary, while asking ourselves whether we can continue to be their best owner. At the same time, we need to identify businesses with strong growth potential and profitability and concentrate capital in those businesses. Simply continuing to invest in our existing businesses and assets will not naturally lead us to the position we aim to achieve by 2030. It is important to identify the true drivers of growth within each business and cultivate business clusters capable of generating greater added value and capital efficiency.

Enhancing profitability is also essential. In addition to fundamental initiatives such as cost reductions, we will fully leverage the intangible assets we have accumulated since our founding to advance business portfolio transformation, create new businesses, and enhance the agility and profitability of existing businesses, thereby increasing returns on invested capital.

My role as CFO is to work together with President Kudo to address these challenges in order to further enhance our corporate value.

Five initiatives to enhance corporate value

Accelerating business portfolio transformation	Gain solid returns from investments in First Priority businesses while accelerating structural transformation of low capital efficiency businesses in the Material sector with ROIC persistently below WACC
Enhancing profitability	In addition to appropriate price increases, decreased sales of general-purpose products, and cost reductions through procurement process reform, advancing measures to optimize organizational functions
Enhancing investment management	Strengthen the management of hurdle rates and other factors to enhance investment decisions on growth investments; thoroughly monitor and follow-up on investments
Optimizing capital policy	Strengthen shareholder returns from the perspective of appropriate capital levels, and continuously reduce strategic shareholdings (reduced the number of holdings by some 70% and their value by over ¥180 billion during the past five years)
Reducing the cost of capital	Disclosure of strategies for acquisitions, large-scale investments, etc., and initiatives to strengthen management foundations, as well as ongoing enrichment of dialogue with investors

Special incentive program for employee stock ownership

Although not included among the five measures for enhancing corporate value, in fiscal 2026 we introduced a performance-linked special incentive program for the employee stockholding association. We expect this will further increase employees' sense of participation in enhancing corporate value and strengthening their engagement over the medium to long term. Through employee ownership of Asahi Kasei shares, this program is intended to heighten awareness among both management and employees of the importance of enhancing corporate value, while also supporting employees in building their personal assets. Asahi Kasei is a company that continuously transforms its business portfolio in response to changing times. Employees at the front lines contribute to raising profitability and capital efficiency through daily efforts for improvement, while management is responsible for decisions to transform the business portfolio. As such, management has a particularly serious responsibility to enhance corporate value. Steady progress in business portfolio transformation will enhance corporate value, and the resulting gains will in turn lead to employees building their personal assets. The program is intended to foster such a virtuous cycle.

A final word to our shareholders and investors

What I would like to convey to our shareholders and investors is that we are implementing the current MTP with a firm commitment to further accelerating the transformation of our business portfolio toward 2030, and thereby steadily enhancing corporate value. We will also steadily increase shareholder returns in line with the results achieved. We are still in the midst of this transformation and have not yet demonstrated sufficient improvement in capital efficiency. However, by steadily implementing measures in line with the approach outlined in this message, we will enhance capital efficiency as quickly as possible by improving the quality of the balance sheet and enhancing profitability. We will first ensure the achievement of our current MTP target of 9.0% ROE in fiscal 2027, while also aiming to achieve our target of 12.0% ROE in 2030 as far ahead of schedule as possible. Asahi Kasei is now undergoing a major transformation. We will clearly demonstrate the progress and results of this transformation to our shareholders and investors, and we hope you will look forward to our future growth.

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