

Message from the President



In this time of uncertainty, we will pave the way for the next 100 years by taking the initiative in realizing a virtuous cycle between “contributing to a sustainable society” and “sustainable growth of corporate value” while leveraging our “**diversity**” and “**capability to change.**”

Hideki Kobori
President

Working to thoroughly reinstitute safety and to restore trust

The Asahi Kasei Group implements Responsible Care, a chemical industry initiative promoting dialogue with society with the goal of preserving the environment and ensuring safety, health, and quality by thoroughly practicing the three fundamental “actuals,” which focus on the actual place, actual thing, and actual fact throughout the life cycle of all of the products and services that we provide. Despite these efforts, two serious

accidents occurred at Asahi Kasei plants in fiscal 2020. A worker died in an explosion at our Moriama Works in Shiga Prefecture, while the outbreak of a fire at our semiconductor plant in Nobeoka in Miyazaki Prefecture also affected our business partners. I once again offer my sincere apologies to everyone concerned. We are investigating the causes of each accident and thoroughly implementing measures to prevent any

recurrence. Furthermore, we are raising the level of safety awareness of the organization as a whole and of each and every employee by communicating the preventative measures throughout the Asahi Kasei Group. Respect for human life and safety are core values of our business. We will strive to regain trust by earnestly working to ensure the safety of communities and our employees.

Dramatic change in our business environment triggered by the COVID-19 pandemic and the positioning of “Cs+ for Tomorrow 2021”

The global spread of COVID-19 continues to bring about discontinuous and uncertain change. As the pandemic brought new social and environmental issues into focus, people’s awareness of life, health, and hygiene as well as their values in relation to work and lifestyles have changed dramatically. I believe that increasing emphasis will be placed on the fulfillment of individuals in their lives and careers due to these changes.

Meanwhile, global warming—the primary cause of climate change—has become a pressing issue for mankind. Amid these circumstances, public- and private-sector initiatives aimed at realizing carbon neutrality by 2050 are proceeding at a rapid pace that would have been unimaginable a year ago. We also need to urgently respond to changes in international affairs resulting from the decoupling of the United States and China, and to all aspects of the entire supply chain, including human

rights issues such as forced labor. In this fast-changing world, we must maintain an awareness of all manner of opportunities and risks and boldly take on challenges as a company at the forefront of change.

In 2019, the Asahi Kasei Group launched the “Cs+ for Tomorrow 2021” medium-term management initiative. While we promoted various measures for the two mutually reinforcing aspects of sustainability of “contributing to the sustainability of society” and “the sustainable growth of corporate value,” our basic approach remains unchanged. In regard to “contributing to the sustainability of society,” we set forth “Care for People, Care for Earth” to clarify our stance of continuing to contribute to the sustainable development of people and the earth. We also identified Environment & Energy, Mobility, Life Material, Home & Living, and Health Care as priority fields where we can provide

value that will be highly regarded by society going forward, and we are continually focusing the allocation of management resources to these five priority fields.

Wherever there is change, there are business opportunities. In this era of great uncertainty, we will take a proactive approach by leveraging our strengths, which are the “diversity” of our human resources, technologies, and businesses and the “capability to change” created by the ingenuity of our individual employees, organizations, and the company as a whole.

Progress on “Cs+ for Tomorrow 2021”

In fiscal 2020, the second year of “Cs+ for Tomorrow 2021,” we proceeded steadily with initiatives in our priority fields for provision of value amid a business environment that continues to change unpredictably.

In Environment & Energy, we are incrementally increasing our production capacity for lithium-ion battery separators in line with the growth of the market for eco-friendly electric drive vehicles. In Mobility, we are expanding the business of Sage Automotive Interiors, Inc., a manufacturer of automobile interior fabric, while generating synergies with Lamous™, an environment-friendly artificial suede. In Life Material, we decided to build a second plant for Ceolus™ microcrystalline cellulose, which is scheduled for completion in spring 2023, in order to expand our output of high-performance products for pharmaceuticals.

In Home & Living, we are working to contribute to the achievement of a carbon neutral society and to enhance resilience to disasters with the aim of building sustainable urban environments. Meanwhile, to make the expansion of the overseas business in the United States and Australia a pillar of growth, we are developing business models adapted to the specific characteristics of each of these countries.

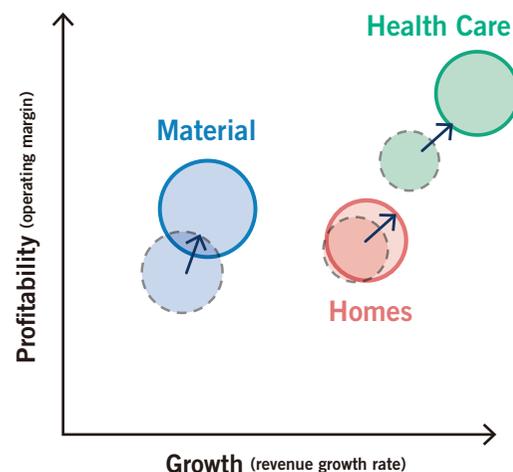
In Health Care, the acute critical care business, which we have positioned as a core driver of growth, entered into the respiratory dysfunction field by acquiring Respicardia, Inc. In addition, we steadily expanded the pharmaceutical business through such measures as working to increase sales of Envarsus XR™, an immunosuppressive drug for kidney transplant patients manufactured by Veloxis Pharmaceuticals, Inc., which we acquired in fiscal 2019.

While the Asahi Kasei Group was steadily promoting such initiatives, lockdowns were implemented in major cities around the world and a state of emergency was declared in Japan in response to the spread of COVID-19. As the shortage of medical products became a serious issue due to the global suspension of production and distribution, we acted quickly to provide a response. Our actions included temporarily ramping up production capacity of ventilators to 10,000 per month, the equivalent of 25 times that of our usual output, increasing the production of material for medical gowns and masks, and supplying virus removal filters required for the development of vaccines and pharmaceuticals. These actions exemplify how we leverage our “diversity” and “capability to change” to quickly identify changes in the business environment and adapt in a flexible manner.

The Health Care sector performed well in fiscal 2020, recording increased net sales and operating income. On the other hand, results in the Material sector fell significantly short of our plan at the time of formulating “Cs+ for Tomorrow 2021” due in part to a deterioration in business stemming from the decoupling of the United States and China and a decline in demand for products for the automotive market and petrochemicals. Meanwhile, in the Homes sector, results lagged one year behind the plan due to a decrease in orders received resulting from restrictions on customers visiting model homes in Japan because of COVID-19. However, we are beginning to see a recovery in the Homes sector as a result of efforts to attract customers in ways other than through model homes.

Our financial condition is sound, reflecting our emphasis on financial discipline, careful selection of capital expenditure and investment projects, and thorough implementation of appropriate control of inventories and expenses taking into consideration the circumstances in each sector. Going forward, we will improve our capital efficiency and cash-generation capabilities by steadily implementing investments in projects that will contribute to growth over the medium to long term and the transformation of our business portfolio, with a focus on the

Performance and Outlook by Sector



Dotted circle: current term
Solid circle: mid-term target
Circle size: operating income amount

Current Situation by Sector*

Material

- Slower growth and lower income due to environmental change
- Recovery under way, but performance below target

	FY2019	FY2020	FY2021
Sales	1,093.1	991.2	1,168.0
Operating income	92.4	66.5	100.0
Operating margin	8.4%	6.7%	8.6%

Homes

- Domestic business recovering from COVID-19 impact but 1 year behind plan
- Consolidation of McDonald Jones Homes

	FY2019	FY2020	FY2021
Sales	704.4	692.6	791.0
Operating income	72.7	63.5	67.0
Operating margin	10.3%	9.2%	8.5%

Health Care

- Increased demand for ventilators and virus removal filters; income growth forecast to achieve target

	FY2019	FY2020	FY2021
Sales	337.8	407.9	400.0
Operating income	43.5	67.6	55.0
Operating margin	12.9%	16.6%	13.8%

* FY2019–FY2020 results, FY2021 forecasts (announced in May 2021); ¥ billion

Outlook

- Prioritization of profitability and capital efficiency over increased scale; acceleration of portfolio transformation
- Thorough financial discipline; strict selection of growth investments

- Domestic growth in homes for seniors and medium-rise homes; overseas expansion in the U.S. and Australia
- Use of IT to raise profitability; continued cash flow contribution

- High earnings growth and profitability through returns on previous investments
- Continued investment for further expansion as growth driver

cost of capital while maintaining our sound financial condition. We plan to deliver returns to our shareholders at the level envisaged when formulating “Cs+ for Tomorrow 2021” by adhering to our policy of aiming for stable dividends and

continuous dividend increases from a medium- to long-term perspective through the sustained generation of cash flow while paying close attention to the balance between investments for growth and our financial position.

Proactively reformulating our business strategy to accelerate the transformation of our business portfolio

In fiscal 2020, we advanced the allocation of management resources to our priority fields for provision of value and proactively reformulated our business strategy to accelerate the transformation of our business portfolio. In a business environment subject to discontinuous and uncertain change, it is becoming increasingly necessary to grow earnings sustainably using limited capital in order to continuously meet the expectations of various stakeholders.

Given such circumstances, we strengthened evaluations of our business portfolio from the perspective of capital efficiency while integrating evaluations of the sustainability of our businesses from the perspective of social issues and global environmental problems. Specifically, building on evaluations using profitability (operating margin) and growth (revenue growth rate), we implemented business evaluations that added capital efficiency (ROIC) and cost of capital perspectives, sustainability perspectives (making use of quantitative indicators such as GHG emissions), and the perspectives of profit amount, profit volatility, and business stage.

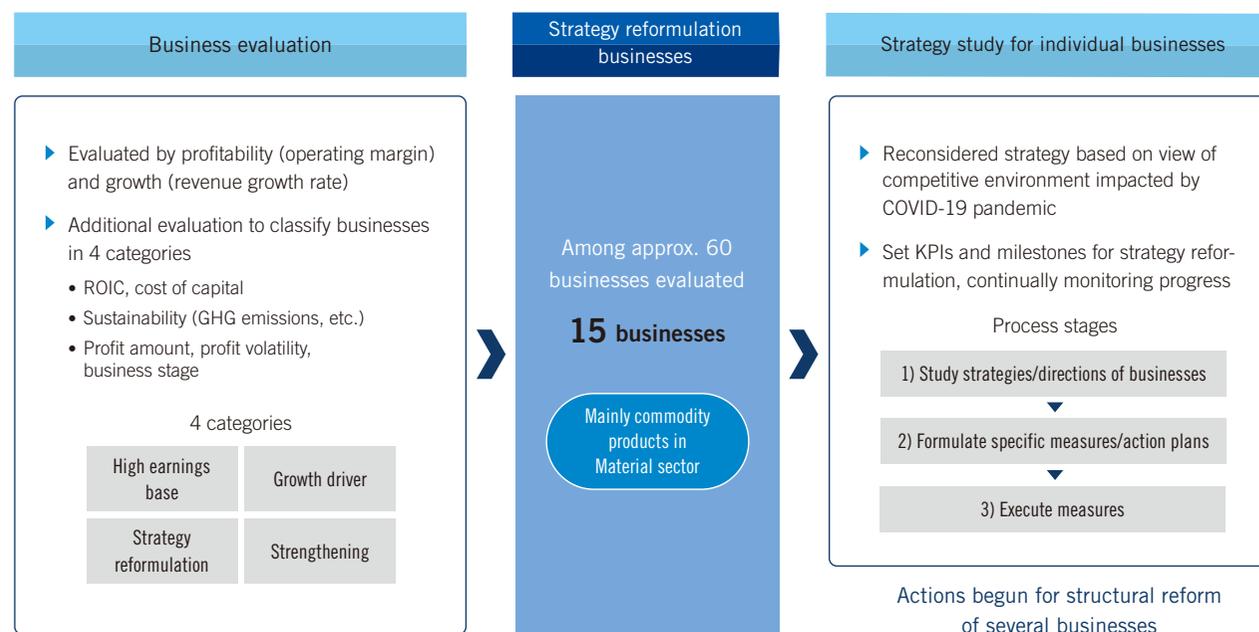
Based on the results of the business evaluations, we identified 15 businesses as strategy reformulation businesses from among approximately 60 businesses evaluated, centered on businesses handling commodity products in the Material sector in particular. Senior management, including myself, and the leaders of each business carried out strategy reexaminations taking into consideration the discontinuous and uncertain competitive environment in the future. After setting key performance indicators (KPIs) and milestones, we have continuously

monitored conditions in these 15 businesses and have already begun taking action with a view to implementing structural reform in several of them.

Going forward, we will further emphasize the perspective of market position to evaluate businesses. In fact, even in a business environment in which it is challenging to develop face-to-face relationships with new customers due to the ongoing

COVID-19 pandemic, our businesses that hold the leading or second-leading market share have maintained and strengthened relationships with customers and business partners. Moreover, these businesses have also succeeded in obtaining and leveraging a range of market information. We will further solidify businesses with strong market positions with the aim of achieving a more profitable portfolio of value-added businesses.

Business Portfolio Transformation



Pursuing sustainability aimed at achieving carbon neutrality and a circular economy

We pursue “Care for People, Care for Earth” under “Cs+ for Tomorrow 2021.” By “Care for People” we aim to contribute to the achievement of a society in which people can lead active lives in the new normal, while “Care for Earth” indicates our contribution to the creation of a sustainable world through the achievement of carbon neutrality and a circular economy.

The Asahi Kasei Group has been implementing various initiatives contributing to the achievement of carbon neutrality and a circular economy. Amid these efforts, in May 2021 we announced our goal of achieving carbon neutrality (net-zero carbon emissions) by 2050* to create a sustainable world. We have also set a target to reduce our GHG emissions by 30% or more by 2030 compared with fiscal 2013.

In the process leading up to our announcement on carbon neutrality, senior management, including myself, and the leaders of each business carefully carried out repeated discussions to verify the impact of carbon neutrality on all of our stakeholders. Ultimately, based on our Group Mission of contributing to life and living for people around the world, we concluded that we could achieve carbon neutrality by 2050 if we drew upon

the collective knowledge of the Asahi Kasei Group.

The goal of realizing carbon neutrality by 2050 represents a major challenge that transcends generations. I believe our generation must begin to do what we can now as a party with a stake in realizing carbon neutrality and pass on the results of our efforts to the next generation, rather than leave tackling this major challenge to those who come after us. We will formulate a road map and accelerate initiatives to achieve our targets of energy consumption reduction, energy decarbonization, manufacturing process innovation, and the transformation of our business portfolio to low-carbon businesses centered on the Material sector.

In April 2021, we established the Green Solution Project, which is under my direct authority as president, with the aim of strengthening business creation to achieve carbon neutrality. Based on an overarching view of markets related to decarbonization, this project will create new businesses leveraging our superior technologies to accelerate commercialization while promoting partnerships with other companies, the public sector, and academia. We will endeavor to develop businesses

efficiently by consolidating projects for environmental contribution technologies and products, such as those for green hydrogen using alkaline water electrolysis technology, CO₂ separation and recovery systems, and next-generation CO₂ chemistry technology, while unifying contact points with external organizations.

We also recognize that the material industry has a major part to play in the creation of a circular economy. With this in mind, several of our organizations are examining fields where we can make a contribution. As one example, we have built a platform in partnership with IBM Japan, Ltd., that visualizes and manages the supply chain utilizing blockchain technology for the recycling of used plastic. During fiscal 2021, we will conduct demonstration trials and carry out verification to ensure traceability.

* Direct GHG emissions from business activities as indicated by Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions from use of electricity, heat, and steam supplied by other companies)

Implementing digital transformation and strengthening our human resource foundations for creating new value

The Asahi Kasei Group proactively promotes digital transformation (DX) as a pillar of our growth strategy to transform business models and create value. In April 2021, we established Digital Value Co-Creation. By transferring digital-related organizations that had been divided among multiple units under the oversight of the new unit and consolidating human resources and knowledge therein, we will entrench DX initiatives group-wide, which will enable us to transform our business models and create new businesses. In May 2021, we formulated our DX Vision 2030 to clarify our aspiration for DX.

In January 2021, prior to establishing Digital Value Co-Creation, we opened CoCo-CAFE, a digital co-creation laboratory. With the opening of this laboratory, we aim to fortify our DX foundations and create value by gathering together digital human resources from various functions, such as marketing, research and development, and production technology, to connect knowledge held inside and outside the company.

Besides these efforts, we are also proactively developing and

acquiring digital human resources. We are strengthening DX training for employees to promote measures for cultivating all employees to digital human resources, under which we aim for all employees to work with a mindset for utilizing digital technology, including through the Open Badge system. At the same time, we will increase the number of digital professional personnel to 230 by the end of fiscal 2021 via the implementation of development programs and new recruitment.

From the perspective of strengthening our human resource foundations, we are encouraging “lifetime growth” in which diverse individuals enhance their expertise and grow continuously even in times of dramatic change. We are once again reviewing workstyles and mechanisms for developing human resources while creating foundations that support the autonomous growth of employees and enable diverse individuals to thrive, guided by the basic principle that “people are our core assets; everything starts with people.” Examples of our endeavors include recommending diverse workstyles such as

telecommuting, bolstering the development of professional human resources by enhancing the Group Masters program, implementing measures aimed at revitalizing our organizations and spurring the growth of our human resources based on the results of a new engagement survey, and nurturing the next generation of leaders. In these ways, we are providing support for the growth of employees of all ages and positions in accordance with the career plans of their choice.

We are also proactively advancing measures in relation to health and productivity management. I believe that maintaining and improving the physical and mental health of employees and their families is the foundation for employee vitality and growth. To create opportunities for employees to play active roles and achieve growth, we will focus on reducing the rate of absence due to ill health, enhancing motivation for work, and fostering a strong organizational culture of ambition, which will in turn help raise productivity.

Strengthening corporate governance and risk management to improve corporate value

Corporate governance and risk management are vital elements for steadily implementing our management strategies and the business activities and initiatives to strengthen our foundations based on them, as well as for enhancing our operations.

With our corporate governance structure, we have in place a system to gain appropriate oversight and advice, paying attention to the proportion of Independent Outside Directors and

Audit & Supervisory Board Members and their various backgrounds as we make the most of our “diversity” and “capability to change.” In a fast-evolving business environment, we will continue to review corporate governance as a mechanism for making optimal decisions transparently, fairly, promptly, and boldly. At Board of Directors’ meetings in fiscal 2020, we carried out free and open discussions on our policy for the improvement

of corporate value while incorporating the perspectives of a wide range of stakeholders in a timely manner. These discussions included the sharing of a broad range of information on the substance of communications with investors and shareholders and on the promotion of sustainability as well as deliberations concerning the transformation of our business portfolio.

In respect to risks, we have placed particular priority on export control regulations due to the decoupling of the United States and China, human rights issues encompassing the entire supply chain, cyber security including the dissemination of information centered on social networking services, and

consideration for the environment, safety, health, and quality. In order to heighten the risk awareness of each and every employee, as well as the Asahi Kasei Group as a whole, and deal decisively with risks, managers responsible for risk management and compliance identify, assess, and analyze risks in each

business and draft contingency plans in response to important risks. In addition, the Risk Management & Compliance Committee, which I chair, thoroughly confirms and follows up on the progress of group-wide risk countermeasures.

Our Commitment toward the Next 100 Years

Fiscal 2022 will see the launch of the Asahi Kasei Group's next medium-term management initiative and mark the centennial of Asahi Kasei's founding. Shitagau Noguchi, our founder, stated that "As industrialists, we must always remember that our ultimate mission is to improve people's standard of living by supplying an abundance of the highest-quality daily necessities at the lowest prices." By continuing to adhere to this vision, the Asahi

Kasei Group will take on the challenge of achieving a new transformation to ensure that our commitment to "Care for People, Care for Earth" endures for another century thanks to the "diversity" of our human resources, technologies, and businesses and the "capability to change" that springs from the ingenuity of our employees, organizations, and the company, cultivated over the past century.



Hideki Kobori
President

Management Direction for the Next 100 Years

1. Realize the two aspects of sustainability for Asahi Kasei

- Providing solutions for a sustainable society through innovative technologies and advanced initiatives
- Providing value expected by society to realize sustainable growth of corporate value

2. Strengthen corporate governance and management of operations in the three business sectors

- Pursuing both high profitability and capital efficiency and sustainable profit growth
- Pursuing synergies between businesses and dynamic portfolio transformation

3. Further enhance business platform, the fundamental strength of Asahi Kasei

- Providing a venue where diverse individuals can thrive with high motivation
- Maximizing use of intangible assets such as diverse core technologies and accumulated know-how
- Upgrading and streamlining operations and reforming business models through DX