



Message from the President

**Asahi Kasei is stepping forward
to become a global trailblazer
by reanimating its “A-Spirit”
to boldly advance transformation
without fear of change**

Koshiro Kudo
President

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The fire and accident at Asahi Kasei Group plants

I would like to begin by once again offering my sincere apologies to everyone affected, including neighboring residents, for the considerable concern and inconvenience caused by the fire at our Bemberg Plant in Nobeoka, Miyazaki Prefecture, in April 2022, and the serious accident that occurred at an affiliate in fiscal 2021.

The Asahi Kasei Group will strive to identify the causes of these incidents, and thoroughly implement measures to prevent any recurrence. The foundations underpinning our businesses are the front line efforts for environmental protection, safety, and

quality assurance. My task now is to ascertain the circumstances on the front lines fully and accurately, and to verify whether there is anything lacking that we have overlooked. I am currently visiting our front lines to communicate directly with employees and deepen my understanding of their circumstances, including by seeing the expressions on their faces as they work, and listening to their concerns. I am determined to take decisive actions grounded in the front lines that will be effective in contributing to a fundamental solution.

My ambition for Asahi Kasei

I became President & Representative Director in 2022, a pivotal year as the centennial of Asahi Kasei's founding. I sense a responsibility to preserve the heritage of Asahi Kasei that has been nurtured by our predecessors for a century, and firmly pass it on to subsequent generations. The essence of this heritage is "A-Spirit," an aggressive "animal spirit" and the spirit of Asahi Kasei. A-Spirit epitomizes the mettle of a pioneer and the ambition to create things that did not exist before. In this way, A-Spirit is unique to the corporate culture of the Asahi Kasei Group, and integral to the way we create new value without being bound by precedent.

I see the Asahi Kasei Group as a company that embodies sincerity, one of our Group Values. This is vividly reflected in the earnest manner in which our employees tackle their work, and in the value that our business activities provide to society. At the

same time, however, I have been apprehensive that our appetite to take on challenges and create new things may have dimmed in recent years. I am concerned that, after several years of stable management, we may be on the verge of forgetting the meaning of A-Spirit. To allow A-Spirit to fade would be to squander the legacy that our predecessors worked so hard to build. Our heritage would be lost. Nevertheless, I am confident that A-Spirit—an intrinsic part of our heritage—can be reanimated if we inspire our personnel. My message to employees is: "tradition is what we create, not what we preserve." With this in mind, I intend to invigorate A-Spirit throughout the Asahi Kasei Group in fiscal 2022, building on the momentum of our centenary and the launch of our new medium-term management plan (MTP).

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Asahi Kasei's potential to generate two mutually reinforcing aspects of sustainability

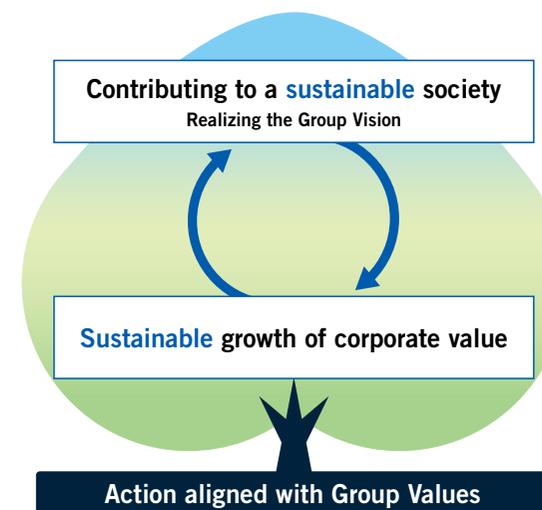
Rather than solely generating profits, I believe that companies must pursue their own purpose in society. In fiscal 2022, coinciding with the centennial of Asahi Kasei's founding, we redesigned the diagram of our corporate philosophy to reaffirm the Group Mission, Group Vision, and Group Values with employees globally. The Asahi Kasei Group Mission states that "we, the Asahi Kasei Group, contribute to life and living for people around the world." I believe that executing this mission sincerely will lead to sustainable growth of our corporate value. Indeed, it is only by contributing to the sustainability of society that we can achieve sustainable growth of corporate value. This is the basis of the two mutually reinforcing aspects of sustainability that we aim for.

The world faces several serious issues today—the decoupling of the United States and China, the Russia–Ukraine situation and the powerlessness of the United Nations, the deterioration of democracy and the rise of autocracy, and the differing expectations of various countries toward the creation of a carbon-neutral society, in addition to a declining birthrate and aging population and a growing disparity between urban and rural areas in Japan. I firmly believe that in contributing to a sustainable society, there is no place for selfishness, either as an individual or as a company. A sustainable society will only be achieved if a diverse range of stakeholders around the world are willing to cooperate with one another to overcome global issues through mutual compromise. For example, consider the various proposals for international rules to achieve global carbon neutrality. There is an issue of fairness between developed and developing countries. There are still many people in developing countries who are living in poverty and struggling to survive. These people would bear the brunt of such rules unless we fundamentally solve the issue of poverty. Achieving an energy transition for decarbonization will be extremely difficult unless we devise measures that not only take into account the wishes of developed countries but also the conditions of developing

countries. Cooperation and contributions based on a resolve to accept compromise will enable us to overcome such divisions.

Considering the role companies play in contributing value to society, the key is how they create value and whether they are capable of creating significant value. Such potential to create value depends on a company's ability to combine and utilize its intangible assets—including human resources, intellectual property, know-how, and data—and whether the created value meets the needs of society at a given time. I firmly believe that the Asahi Kasei Group is exceptional in its abundance of intangible assets and ability to utilize them flexibly. We also have an exceptionally diverse array of

Two aspects of sustainability for Asahi Kasei



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human resources as well as a broad range of businesses with active communication between them. Our custom, which dates from the time of our founding, of referring to one another by name as opposed to by title, affords a high degree of approachability.

I am certain that our diversity, flexibility, and willingness to change allow us to create value by continuously recombining our resources to fulfill our Group Mission of contributing to life and living for people around the world.

The significance of three-sector management

A century has passed since the founding of the Asahi Kasei Group. Our success in navigating dramatic changes to the operating environment and maintaining firm growth is rooted in the efforts of our predecessors to overcome difficulties and proactively transform our business portfolio. By always remaining conscious of our strengths and core competencies while constantly transforming our wide-ranging business, we could maintain a certain degree of control as we adapted to changes in society for continual growth.

I believe that a big reason for the Asahi Kasei Group's continual portfolio transformation and operation in multiple sectors is an awareness that it must avoid a situation where the survival of the company would be imperiled by any single business being unable to continue. As Asahi Kasei is not affiliated with any large industrial group, we have always had to rely on our own capabilities to survive as a growing company throughout our history. Our business portfolio spanning multiple sectors indicates how we have continually grown by taking on a variety of challenges in accordance with changes in the operating environment.

The Asahi Kasei Group currently operates businesses in three sectors: Material, Homes, and Health Care. I believe that our current configuration of three sectors is optimal for pursuing our Group Mission of contributing to life and living for people around the world. We will achieve growth in all sectors over the medium to long term

by continuing to refine our three-sector management to better clarify each sector's role. Specifically, the Material sector will aim to improve profitability and investment efficiency by helping resolve environmental issues through technological development and innovation in materials. The Homes sector will achieve growth in Japan, North America, and Australia, and raise its cash-generating capabilities by continuing to underpin people's safe and comfortable daily lives. The Health Care sector will drive overall profit growth by pursuing its mission of improving and saving patients' lives. In this way, we will advance the execution of growth strategies and the reorganization of our portfolio reflecting the respective roles of each sector. Achieving growth in all three sectors will further strengthen our business platform—including intangible assets such as human resources, intellectual property, know-how, and data—and the strengthened business platform will in turn create synergies that support the growth of each sector. I will increasingly emphasize to investors how our three-sector configuration enables us to organically utilize our intangible assets, which enhances the potential for increasing corporate value.

Throughout our history, the Asahi Kasei Group has recovered from difficult situations by leveraging the strength of having multiple sectors to overcome challenges cooperatively. We currently face challenges in terms of how to capture opportunities that arise from significant market changes, in order to achieve continuous growth. I am

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convinced that by clarifying the respective role of each sector and strengthening our three-sector management, we will overcome these challenges and ultimately increase

our corporate value. I am also prepared to reform our way of three-sector management as needed to enable us to continue responding to changes in society.

New Medium-Term Management Plan 2024 “Be a Trailblazer”

Commitment embodied in the key concept of “Be a Trailblazer”

To realize its ideals, the Asahi Kasei Group must create new value without fearing change. As I stated at the outset, I believe that we must once again awaken the A-Spirit, including a healthy sense of urgency and a spirit of taking on challenges, to achieve new growth for the next 100 years. Based on this, we emphasized our commitment to reawakening our A-Spirit in formulating the new MTP, including a redesign of our philosophy diagram.

While we were studying specific details of the new MTP, we had teams of mid-level employees expected to be next-generation leaders from the United States, Europe, China, and Japan discuss their vision of the Asahi Kasei Group for 2030. I decided to make “Be a Trailblazer” the key concept of the new MTP based on a phrase that came up during the discussions that struck a particular chord with me. I think that the key concept of “Be a Trailblazer” fits in perfectly with my commitment to reawaken our A-Spirit to take on challenges and create new things.

The new MTP is positioned as the first step toward realizing the Asahi Kasei Group's vision for 2030. Going forward, we will aim to reach our vision for 2030 in stages.

Process for achieving financial targets

Our financial targets in the new MTP are operating income of ¥270.0 billion, return on equity (ROE) of 11% or more, and return on invested capital (ROIC) of 8% or more by fiscal 2024. While achieving continuous profit growth by reaping the benefits of our previous growth investments, we will seek to improve our capital efficiency. Personally, I believe that boldness and a focus on our front lines will be the keys to increasing ROIC. In terms of boldness, transformation of our portfolio with a focus on the Material sector is an urgent task. To achieve our targets, we must make bold management decisions to push ahead with transformation. Meanwhile, I believe by focusing on our front lines we provide opportunities for business managers to exert their abilities. ROIC must be managed by each of our businesses based on their respective business characteristics and business stage. ROIC serves as a target for front-line employees in each business to align their direction, while taking the initiative in analyzing figures and the circumstances behind them to identify ways to raise efficiency. Consider the analogy of climbing a mountain. In the same way that working together to find the best route to the summit and supporting one another along the way would raise the spirits of a group of climbers, ROIC acts as a target for strengthening the bonds of our front-line employees toward achieving their targets in operating businesses. Corporate

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management will implement bold transformation of our portfolio, while the front lines promote efficient business operations using ROIC as an indicator. These two essential elements advance in tandem.

Capital policy will also be important for improving ROE. We had previously aimed for a debt-to-equity (D/E) ratio of around 0.5 times. In the new MTP, we changed this to a range between 0.4 times and 0.7 times, considering possible changes in the balance of our capital structure. I look forward to proactively communicating how our capital policy supports the business model of generating stable earnings in three sectors, to build further trust with shareholders, investors, and other stakeholders.

Working to evolve our business portfolio

Challenging investment for growth together with cash generation through the strengthening of existing businesses and structural transformation are the essential combination for further evolution of our business portfolio. While striking a balance between them, the new MTP strongly emphasizes the three elements of speed, asset-light, and high value-added.

As a manufacturer, there is a conventional process of performing in-house research and development (R&D), building plants, developing markets, and earning profits. While I am confident that the Asahi Kasei Group's R&D has many highly promising technology seeds, I also recognize that increasing the speed of commercialization and appropriately seizing business opportunities is an issue. To quickly commercialize projects at an early stage, it may be better not to keep the entire process in-house. As digital technology advances and society's needs rapidly evolve, trying to do everything by ourselves would only slow us down. We need to consider accelerating commercialization through out-licensing or forming alliances from a best-owner perspective in order to quickly get our outstanding technology into practical use. This is why I see

speed and asset-light as two sides of the same coin. By pursuing the optimal operating framework with swift commercialization, we will greatly expand the potential for adding higher value.

We designated 10 businesses as "10 Growth Gears" (GG10) that will drive our future growth, and set a clear policy of making bold investments while proactively examining M&A opportunities. We aim to increase the percentage of overall operating income accounted for by GG10 from the current level of approximately 35% to 50% by fiscal 2024 and to 70% by around fiscal 2030. To do so, approximately ¥600 billion of the ¥1 trillion we have allocated for investments over the three years of the MTP will be in GG10-related investments. Examples of GG10 include, in the Material sector, the business for lithium-ion battery separators, which has driven growth in recent years, and a hydrogen-related business using alkaline water electrolysis that we are currently commercializing. In the Homes sector, GG10 include businesses in North America and Australia that we acquired and are growing with new business models. In the Health Care sector, they include the critical care business, which is seeing expansion in the area of serious cardiopulmonary conditions, and the bioprocess business including both Planova™ virus removal filters and Bionova Scientific, LLC, a CDMO (contract development and manufacturing organization) for next-generation antibody drugs, which we acquired in May 2022. These and the other GG10 businesses will drive our growth going forward. We will promote policies tailored to the characteristics and stage of each business while emphasizing the aspects of speed, asset-light, and high value-added.

In terms of generating cash through the strengthening of existing businesses and structural transformation, we will first aim to complete the reform of the strategic restructuring businesses that we have been advancing since the period of the previous MTP. After identifying the strategic restructuring businesses by fiscal 2021,

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we classified them into the three categories of Recovery, Follow, and Exit based on reexamination of their strategies. Those classified as Recovery businesses are seeing their profit levels rise following progress in profit improvement measures. Going forward, we will continue to assess Follow businesses, which are currently executing reformulated strategies. Exit businesses will be downsized, divested, etc., as quickly as possible. We will continually assess our business portfolio from a medium-term perspective and take prompt action on the strategic restructuring businesses.

Fundamental transformation of our business structure will entail withdrawal not only from businesses with deteriorating performance but also from those that are incompatible with our vision. By distributing the resources gained through such withdrawals to GG10, we will further accelerate the evolution of our business portfolio. We will comprehensively evaluate compatibility with our vision from the five perspectives of best owner, carbon neutrality, competitiveness, growth potential, and profitability and capital efficiency, in addition to recent performance. The divestiture of the photomask pellicles business, announced in May 2022, is one example. The business has a high market share and consistently earns profits. Nevertheless, viewed from the best-owner perspective, we concluded that transferring it to another company would be optimal for the business itself.

I spent most of my career in Asahi Kasei's fibers and textiles business. Between 2001 and 2009, we closed down our viscose rayon, acrylic fiber, and polyester fiber businesses. These closures were very tough for our suppliers and other stakeholders, including employees who were reassigned. Based on this experience, I keenly realize that business closure is the last resort. It would surely be better to consider a business's future prospects while it's still profitable, and take measures before it's too late. On the other hand, if we determine that it would be best to keep a business or

technology in house, then we should aim to further strengthen it by business development such as M&A.

Strengthening our business platform

The Asahi Kasei Group has businesses in a wide range of sectors, and human resources with a variety of experience. In light of this, we actively promote measures that strengthen our business platform by organically linking diverse human resources, intellectual property, know-how, and data, to utilize them as shared intangible assets. Nevertheless, there is still potential to further leverage our diversity. In addition to the viewpoints of green transformation (G), digital transformation (D), and human resource transformation (P), we have identified the maximum use of intangible assets as a key focus of the new MTP. We are steadily advancing measures in each area. I believe our A-Spirit will be indispensable, as well as effective, for enabling us to link the latent potential of such intangible assets to value creation and growth.

While advancing such activities will necessitate greater intensity than before, the first one or two steps in particular will require the most effort. If we can boldly clear those initial steps, I believe there is great potential for us to take the lead in society. Although our initiatives in relation to strengthening our business platform are currently receiving a strong reception externally, other companies will catch up or overtake us if we simply proceed at the same pace. I am therefore determined to reawaken our A-Spirit in the strengthening of our business platform, and continuously take on bold challenges in order to build a leading position among the global competition.

If we look at corporate governance solely in terms of companies meeting society's expectations, there is a risk of confusing ends with means. If you only try to follow, you will always be behind. The Corporate Governance Code may serve as a barometer,

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but ultimately it's up to us to consider on our own accord how to strengthen the Asahi Kasei Group's business platform. We must not fall into the trap of passively satisfying the items in the code. We should explain our rationale rather than mindlessly comply. At the same time, I recognize that we must confirm our corporate governance policy

through dialogue with shareholders, investors, and other stakeholders, and revise it as appropriate. I look forward to opportunities for proactive dialogue where participants can have a frank exchange of views.

Toward the next 100 years

I have never been interested in doing something just because other people are doing it. I chose "Be a Trailblazer" as the key concept of the new MTP because of my commitment to deploying our A-Spirit to the fullest extent. This is the ethos of the Asahi Kasei Group, which has continuously taken on challenges by constantly anticipating the future. Fiscal 2022 is a pivotal year for us in a variety of senses, including the centennial of Asahi Kasei's founding. The time is ripe for us to boldly take risks and embrace challenges looking ahead to the next generation. To emphatically take our

first step toward the next 100 years, we will awaken our A-Spirit to boldly carve out new paths without fearing change.

A handwritten signature in blue ink, which appears to read "Koshiro Kudo". The signature is fluid and cursive, with a long horizontal stroke at the end.

Koshiro Kudo
President