

Asahi**KASEI**

Asahi Kasei Report 2023

**Be a Trailblazer**



## The Asahi Kasei Group Contributes to Life and Living for People around the World

Guided by the universal purpose set forth in its Group Mission, the Asahi Kasei Group creates new businesses in response to social issues that change with the times. Meanwhile, we also achieve growth by repeatedly transforming our business portfolio in accordance with the conditions of each era, including through business downsizing and withdrawal.

The essence of the heritage nurtured by our predecessors in that process is “**A-Spirit.**” Representing the Asahi Kasei spirit, this term epitomizes the mettle of a pioneer and our ambition to create things that did not previously exist. A-Spirit is unique to the corporate culture of the Asahi Kasei Group, and integral to the way we create new value unbound by precedent.

We will continue striving toward our Group Vision of enabling “living in health and comfort” and “harmony with the natural environment” by addressing changing social issues through two mutually reinforcing aspects of sustainability: “contributing to sustainable society” and “the sustainable growth of corporate value.”

## *Creating for Tomorrow*

Group Slogan

### Group Mission

We, the Asahi Kasei Group, contribute to life and living for people around the world.

### Group Vision

Providing new value to society by enabling “living in health and comfort” and “harmony with the natural environment.”

### Group Values

Sincerity: Being sincere with everyone.

Challenge: Boldly taking challenges, continuously seeking change.

Creativity: Creating new value through unity and synergy.

## On the Publication of the Asahi Kasei Report 2023

The Asahi Kasei Report aims to enhance understanding among our stakeholders regarding the narrative of how the Asahi Kasei Group creates value through two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value. It is also intended as a tool for constructive dialogue with our stakeholders. This report consists of descriptions of the Asahi Kasei Group’s business model, management strategy, governance, and other content, with emphasis on the details and progress of our medium-term management plan (MTP) for fiscal 2024, focused on the theme “Be a Trailblazer.” It is compiled by a project team comprising related departments under the supervision of the Executive Officer for Corporate Planning, Accounting & Finance, and IR.

The Asahi Kasei Report 2023 describes progress of activities and future management policies at the conclusion of the first year of the MTP, along with messages from management and input from our employees.

The Message from the President in Asahi Kasei Report 2022, published in fiscal 2022, featured a straightforward explanation from President Koshiro Kudo on his thoughts and determination upon assuming the role of President, as well as how the Asahi Kasei Group will create value by executing its MTP. In his message in fiscal 2023, looking back on the year since he assumed the role, Mr. Kudo also acknowledges new challenges that lie ahead for improving the Asahi Kasei Group’s corporate value, as well as his thoughts and determination regarding transformation of the

business portfolio. Chief Financial Officer Toshiyasu Horie also touches on efforts to further improve capital efficiency and the Asahi Kasei Group’s mindset regarding capital allocation in his Message from the CFO, while Outside Director Tsuyoshi Okamoto describes the status and challenges of the Asahi Kasei Group’s efforts to improve corporate value, as well as measures to strengthen governance. The Message from the President and these opening pages present the key points that we particularly want to convey to our stakeholders. This report also includes features newly added since fiscal 2022, such as a new presentation of our value creation model and progress on implementing business strategies for our “10 Growth Gears” (GG10) businesses to drive future growth, as well as the status of efforts to create value from the perspective of GDP (Green, Digital, People) and the maximum use of intangible assets.

Over the more than 100 years since its founding, the Asahi Kasei Group has grown by continually transforming its business portfolio. We have done so by capturing the ever-changing needs of the times to create new businesses, and downsizing or withdrawing from businesses whose value-creation became problematic. We hope that, through this report, our stakeholders will recognize the potential of the Asahi Kasei Group as it continues to transform into the future, and we welcome your unreserved feedback.



### Regarding photos used on the cover and at the beginning of each section

A number of photos used in this report are winning entries from our “2nd Sustainability Photo Contest” held in fiscal 2022 among all Asahi Kasei Group employees and executives. More than 1,000 photos were submitted by 622 applicants from 22 countries around the world, a great many of which convey our commitment to “Care for People, Care for Earth.”

#### Photographer

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##### On the Publication of the Asahi Kasei Report 2023

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#### Period under review

The period under review is fiscal 2022 (April 2022 to March 2023). The report also contains some information on activities from April 2023.

#### Organizational scope

The scope of the report is Asahi Kasei Corporation and its consolidated subsidiaries (in other cases, noted in the text). The titles and positions of corporate officers and other personnel as shown in this report are current as of September 2023.

#### Disclaimer

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

## Message from the President

Creating unique Asahi Kasei value through  
maximum use of diverse intangible assets  
to transform our business portfolio  
without delay

Koshiro Kudo

President



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## No Growth Without Transformation

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We adopted the key concept of “Be a Trailblazer” in our medium-term management plan (MTP) launched in April 2022. The heritage passed on since our founding is the “A-Spirit,” which the plan aims to spur among all employees. “A-Spirit” comprises ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement, and represents the source of the transformative power that has brought about the Asahi Kasei Group’s growth. Our history of growth is a sequence of tackling challenges to create new value. I became concerned, however, that stable management over many years and increased recognition of the Asahi Kasei Group in society has fostered a corporate culture that accepts the status quo. Celebrating our centenary, I harbored a sense of foreboding as I looked over our history from founding to present day.

Why do I place such an emphasis on tackling challenges? Because just as we have thrived through the transformation of our business portfolio, we would cease to grow if we stop transforming. We must never forget this. Our growth will stagnate and eventually decline if we maintain the status quo instead of taking on new challenges. To continue to grow without falling into such circumstances, we must continuously push ourselves, never letting up on our transformation. With this in mind, upon unveiling the MTP in fiscal 2022, we set forth the key concept of “Be a Trailblazer” to awaken the “A-Spirit” among all employees.

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## Continuing to Grow with People by Contributing to Life and Living through Innovation

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If I were asked to describe Asahi Kasei, I would first share our Group Mission of contributing to life and living for people around the world. Our customers and society at large expect us to create new value while spurring innovation with our original technologies, to improve the quality of life and living for people around the world with such value, and to continuously contribute to society through value creation. Our business activities are based on the belief that our growth is maintained by facilitating the development of society through the consistent pursuit of value that contributes to realizing the Group Vision of living in health and comfort and harmony with the natural environment. The two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value—embodying our ideal for the future, refer exactly to this state. Transforming our business portfolio through repeated trial and error

on the basis of this belief led to a three-sector management configuration—Material, Homes, and Health Care—which enables us to seek steady growth into the future. Based on our experience of transformation, I am convinced such a configuration represents the most suitable form of management for Asahi Kasei today.

With that said, managing a large number of businesses can lead to abstract aims among each of those businesses, so we must avoid losing sight of our goals. Meanwhile, accelerating the pace of innovation requires continuous investment and R&D, and ensuring and expanding a stable earnings base to fund such activities is indispensable. In the MTP, we have clarified the roles of the three sectors and established targets and measures to address these two challenges. The roles for each of the sectors are defined and built on their distinctive characteristics while focusing on

technological development and innovation based in the aforementioned belief. We will continue to improve the corporate value of the Asahi Kasei

Group by steadfastly promoting growth strategies through the respective roles of the three sectors.

### Material

The Material sector pursues the creation of new business models to improve profitability and capital efficiency through R&D and innovation of materials technology that contributes to a sustainable society.

### Homes

The Homes sector raises cash-generating capabilities by accelerating growth in Japan, North America, and Australia through continuous efforts to underpin people's safe and comfortable daily lives.

### Health Care

The Health Care sector drives the Asahi Kasei Group's profit growth through the provision of innovative pharmaceuticals and medical devices that satisfy unmet needs, in pursuit of its mission to improve and save patients' lives.

## Progress on the Medium-Term Management Plan

### Fiscal 2022: a year in which we further firmly solidified our commitment to transformation

Fiscal 2022 was the first year of the new MTP, and we vigorously implemented and worked on specific measures. From the perspective of business portfolio transformation, publicly announced measures in fiscal 2022 included the transfer of our photomask pellicles business and the establishment of a joint venture for our spunbond nonwoven business. We also recorded an impairment loss on Polypore International, LP, following a change of strategy in our lithium-ion battery (LIB) separator business. Although our photomask pellicles business held a strong industry position and enjoyed sufficiently high profitability, we decided to transfer it to a company capable of further leveraging the potential of the business from a best-owner perspective. While the impairment loss on Polypore entailed a painful outcome, we set forth a strategy for the future of the separator business by establishing a clear strategic position of focusing resources on Hipore™ wet-process LIB separators, which have the potential for significant growth in the automotive market going forward. As I will expand on shortly, we also established an internal team to advance full-fledged discussions on the

direction of future structural transformation of petrochemical chain-related businesses. At the same time, we proactively implemented M&A and investment focused on the “10 Growth Gears” (GG10) businesses that are to drive our future growth. To give an example, we obtained a new growth driver in the bioprocess business through the acquisition of Bionova Scientific, LLC, a contract development and manufacturing organization (CDMO) for next-generation antibody drugs, which are expected to enjoy significant growth into the future. We also began increasing production capacity for Pimel™ photosensitive polyimide to address growing demand of cutting-edge semiconductor applications in the Digital Solutions business, which comprises the electronic components and electronic materials businesses. Furthermore, in our North American housing business, we were able to expand our business model—which is currently beginning to bear fruit centered on Arizona—by acquiring Focus Companies, a construction work supplier in Nevada.

Meanwhile, we focused efforts on strengthening our business platform, including intangible assets, such as human resources, core technologies, and know-how. Having put forth the maximum use of intangible assets as a

key area for transformation in the MTP, I am glad to see that awareness for leveraging intangible assets has spread considerably within Asahi Kasei. For example, by using IP landscaping when deciding whether to establish a joint venture for our spunbond nonwoven business, we found that a combination of the businesses would yield competitive advantages. Many cases of use for our intangible assets have emerged, such as the construction of a new, data-driven business model for smart electrolyzers in the ion-exchange membrane chlor-alkali electrolysis process, which employs digital technology. In particular, we are seeing concrete results in relation to digital transformation (DX). These include the selection of Asahi Kasei as DX Stock for the third consecutive year by the Ministry of Economy, Trade and Industry (METI), and a profit contribution of ¥2.8 billion from projects manifested in fiscal 2022 alone.

Despite such progress in steadily implementing medium-term measures, operating income in fiscal 2022 came to ¥128.4 billion, significantly lower than the forecast of ¥210.5 billion announced along with fiscal 2021 results in May 2022. The impact of the deteriorating operating environment, including in petrochemical-related Basic Materials and the separator business was extremely significant, while our inability to adequately anticipate accelerating changes in the operating environment is a shortcoming that we must address. With that said, I believe we were right to have a sense of urgency from the outset over the need to transform our business portfolio without delay, centered on the Material sector, a stance we have maintained since the unveiling of the MTP. Fiscal 2022 renewed my strong conviction that we must take the lead in transforming of our own accord, rather than following others, to address irreversible changes occurring throughout the world.

### **Raising productivity: our foremost challenge**

If I may digress slightly, raising productivity has been identified as the greatest challenge facing Japan today, where human capital is in short supply due to serious population decline. Japan cannot expect to address this social issue unless companies work proactively to raise their own productivity. Although discussions on raising productivity tend to focus on improving

the operational efficiency of each employee, the key is to efficiently allocate finite management resources to achieve maximum results. In this light, raising productivity is a quintessential management issue. Low productivity signifies that management resources, including already scarce human resources, are not being properly allocated to high value-creating fields or future growth fields. I believe that organizational leaders must continuously ask themselves if they are allocating management resources optimally from a medium- to long-term perspective.

This issue also applies directly to the Asahi Kasei Group. Return on invested capital (ROIC) indicates the level of productivity relative to capital invested by shareholders and creditors. With profit growth stagnating against an increase in invested capital in recent years, our ROIC in fiscal 2022 was 4.0%, lower than our cost of capital. Fundamentally strengthening our profit structure is an urgent necessity. As a first step toward achieving this goal, we established the Build-up to Trailblaze (BT) Project in fiscal 2023. In addition to streamlining measures that have an immediate effect, the project aims to reduce SG&A expenses by ¥20 billion per year by adopting measures designed to raise productivity, including rethinking our workstyles and organization. We must also advance business portfolio transformation from the perspective of productivity—whether we are allocating management resources properly to businesses with future growth potential—if we are to manage management resources efficiently over the medium to long term.

### **Transforming our business portfolio without delay**

Asahi Kasei promotes the transformation of its business portfolio from a two-pronged approach: increasing the profits of GG10 and advancing structural transformation focused on petrochemical chain-related businesses.

Looking first at our growth strategy, we established GG10 along with the MTP in fiscal 2022. However, I believe that lumping together 10 businesses with different time frames, scales, and growth directions has made GG10 difficult for both internal and external stakeholders to understand. Reflecting on this, we have classified GG10 businesses into three major categories

beginning in fiscal 2023, clearly defining our vision for allocating resources according to business direction.

We have positioned four businesses—critical care, global specialty pharma, and bioprocess in the Health Care sector, and Digital Solutions in the Material sector—as first priority areas. With a focus on globally competitive businesses, we will prioritize the investment of management resources in various businesses in the Health Care sector with the aim of achieving growth over the medium term. At the same time, we intend to reap steady results from the sleep apnea diagnosis and treatment device businesses, bio-CDMO businesses, and other businesses that we have already acquired through M&A and designated as growth drivers. We will also invest proactively, including in pursuit of inorganic growth, in Digital Solutions. In three businesses in the Material sector—hydrogen-related, CO<sub>2</sub> chemistry, and energy storage including separators, which are growth potential areas—we will make upfront investments aimed at future growth. We have also designated another three businesses—car interior material in the Material sector, and environmental homes and construction materials and North American and Australian homes in the Homes sector—as earnings base expansion areas for boosting our cash-generating capabilities. We will make investments based on careful assessment of the ability to maintain steady earnings generation and to expand the scale of earnings. In particular, we are leveraging the know-how and expertise developed in the homes business in Japan to establish new business models in the North American and Australian homes business in accordance with the attributes of each region, and will bolster the earnings base of this business by expanding areas of operation. For GG10, we are making investments of ¥600 billion in total over the three years from fiscal 2022 to fiscal 2024, as initially planned. Through these investments, we aim to enable GG10 to generate operating income totaling ¥150 billion in fiscal 2024, accounting for more than 50% of the profits from our businesses. Although not all of the capital expenditure and M&A focused on GG10 in recent years will necessarily produce results by fiscal 2024, I am confident that these efforts will be a major driver of growth over the medium to long term from fiscal 2025 onward.

GG10 businesses designated as growth potential areas, such as the hydrogen-related, CO<sub>2</sub> chemistry, and separator businesses, must be managed under strategies that are fundamentally different from those adopted in the past. By focusing on niche domains, we have raised earnings by leveraging our strong technological capabilities. In short, our niche strategy has been successful, resulting in our growth to date. However, I believe that these businesses must shift to a strategy of scaling up operations through continuous investment over the long term in cooperation with a wide range of partners. Businesses classified as growth potential areas are already attracting attention around the world, with technologies and products essential to addressing environmental issues. While these businesses can be expected to continuously spur innovation and achieve growth, our independent operation is insufficient; we need to work in concert with a variety of other companies. Given that heavy capital expenditure will be required, I believe we must consider all funding options, including subsidies, the use of capital of other companies, and joint ventures. Such endeavors represent a new challenge for us, since we have traditionally operated in niche domains, but we aim to steadily increase the profitability of businesses classified as growth potential areas and developing them to contribute to the world.

In addition to growth strategies, we are steadily implementing and integrating the reform of strategic restructuring businesses and fundamental business structure transformation as a business portfolio transformation measure. Beginning with businesses in the Exit category—including the aforementioned business transfer—we are advancing structural transformation with the aim of implementation by fiscal 2024 for businesses that had net sales totaling over ¥100 billion or more in fiscal 2021. The biggest issue we face in advancing fundamental business structure transformation is how to reorganize petrochemical chain-related businesses, which have net sales of approximately ¥600 billion. Looking back, we closed our naphtha cracker in the Mizushima area of Okayama Prefecture in fiscal 2016 and switched to joint operation of a cracker with another company considering the future supply and demand balance in Japan. In addition to

optimizing the balance between supply and demand, petrochemical chain-related businesses are facing the challenge of achieving carbon neutrality. For this reason, we are examining the direction of such businesses to determine whether making investments required to achieve carbon neutrality and bearing costs such as carbon taxes will allow them to make sufficient profits.

There are three major directions for structural transformation. The first is to explore and promote the potential for developing and adding value to technologies in relation to carbon neutrality. In addition to building an appropriate balance between the supply and demand of petrochemical products, we must confront environmental issues head-on. With a focus on our technologies to mitigate environmental impact, such as technology to produce basic feedstocks from bioethanol, we need to explore all possible solutions. To this end, we will proactively conduct verification trials aimed at commercializing such technologies to establish them as the key to reorganization of the petrochemical industry in Japan. In addition to possibility, we are considering operating businesses jointly with other companies or exiting from businesses as our second and third options. I would like to emphasize here that simply detaching petrochemical chain-related businesses from the Asahi Kasei Group would not solve this issue. I believe that companies involved in the petrochemical industry must advance verification trials of outstanding technologies that contribute to achieving carbon neutrality while establishing cooperative relationships that allow them to bring such technologies to capitalize on each other's strengths, to optimize the balance between supply and demand, and to achieve carbon neutrality. We will finalize the direction of each business and steadily implement actions in sequence by the end of fiscal 2024 as we continue to work toward structural transformation.

### **Strengthening our business platform to accelerate business portfolio transformation**

In addition to pursuing growth by capturing business opportunities that have already come to light, to sustainably advance the transformation of our

business portfolio we also need to turn ideas into new businesses by leveraging our sophisticated and diverse technologies for potential business opportunities. When we announced our MTP, I said that we would accelerate such transformation with an emphasis on the three elements of speed, asset-light, and high value-added. This is based on my belief that quickly commercializing technologies and business ideas is indispensable to accelerating transformation.

The way we use our intangible assets is key to commercializing technologies and ideas and offering them to society. It also shapes Asahi Kasei's unique identity. Despite having such an abundance of sophisticated intangible assets, though, we struggle to bring them to commercialization. To me, this indicates that we have not made full use of our intangible assets at the business development and business building stages. Based on this analysis, we have begun developing businesses in fiscal 2023 centered on technology to leverage the Asahi Kasei Group's intangible assets with an emphasis on the elements of speed and asset-light. This approach will make maximum use of core technologies that have yet to be commercialized but can contribute to society. They can also contribute to earnings through a business model whereby Asahi Kasei provides core technologies and receives license fees and royalties from clients that develop them into products. Making extensive use of digital technology, we will also build and promote the use of several frameworks to visualize and integrate our intangible assets.

Since I worked in the textile industry for many years, I will use a weaving analogy. If the business operations of a company are the warp, intangible assets would be the weft. Interweaving the two creates new fabric, in other words new value. For the Asahi Kasei Group, which manages a diverse array of businesses, nurturing an organizational culture that allows us to move freely while strengthening vertical and horizontal coordination is integral to spurring innovation and bringing about transformation. Using terms such as integrate and connect, we have long promoted horizontal practices to achieve close communication and cooperation between sectors as well as internally and externally. Today, the results of such efforts are emerging,

strengthening the Asahi Kasei Group laterally. However, I feel that issues remain to be addressed vertically, in terms of sharing information within organizations. Only by nurturing an organizational culture that allows all employees to think, speak, and act uninhibitedly, without being hampered by superior-subordinate relationships, are we able to unlock their spirit of taking on challenges. While I believe that the Asahi Kasei Group's organization is open, as typified by the culture of referring to one another by name as opposed to by title, I wonder if we have really nurtured an environment in which all employees can speak openly with each other. In fiscal 2023, we will again reform the environment and vision for our organization and work on improvement measures.

### **Strengthening governance to enhance effectiveness**

I believe that we made great progress in strengthening governance and risk management in fiscal 2022 by focusing efforts on enhancing their effectiveness. Holding in-depth discussions and drawing conclusions based on discussions is of the utmost importance to ensure proper, working governance. Although fiscal 2022 saw many changes in Management Council membership, its meetings facilitated free and open discussions taking into account overall optimization, which contributed to in-depth discussions at meetings of the Board of Directors. In addition, Rick Packer, Executive Officer for the Health Care Business Sector, became the first non-Japanese member of the Management Council in 2023. His

participation in meetings has enabled more multi-faceted discussions. Moreover, following the General Meeting of Shareholders in fiscal 2023, the composition of the Board of Directors changed. Inside Directors are now centered on Executive Officers responsible for corporate functions, and a higher proportion of Outside Directors is expected to further enhance the effectiveness of the Board of Directors.

In fiscal 2022, we revised risk management as a whole from two perspectives: clarification of the risk management framework and roles of involved parties, and enhancement of the risk management PDCA cycle. In my view, thoroughly pursuing and confirming the effectiveness of established rules through an ongoing process of trial and error strengthens and refines risk management. Although confusion may result regardless of how well the infrastructure has been developed for addressing risk, we pursue enhanced risk management by making modifications each time an issue occurs. There is risk of a delay when everyone thinks that someone else will respond, so we are striving to raise awareness to ensure that all involved parties take ownership of risk response to improve its effectiveness. In view of fires, accidents, and other incidents in recent years, we endeavor in particular to deepen mutual understanding through dialogue between members of management, including myself, and employees on matters that are fundamental to what we do, such as workplace safety, quality assurance, and employee well-being.

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## **Making Steady Progress Toward Increasing Corporate Value**

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At present, and since May 2022, Asahi Kasei's price-to-book (P/B) ratio—the ratio of our market capitalization to our net assets—remains less than one. I deeply regret not being able to receive a more appropriate evaluation in the stock market. In addition to improving our business results, we will do everything in our power to raise the expectations of shareholders and

investors to increase corporate value. Since we are advancing business portfolio transformation without delay and accelerating initiatives designed to raise productivity, I am convinced of our ability to improve profitability and capital efficiency. We are considering all possible shareholder return options, including dividend increases and share buybacks. Going beyond mere

temporary improvement in return on equity (ROE), we aim to realize operating income of ¥200 billion, ROIC of 6%, and ROE of 9% or higher in fiscal 2024 by continuously increasing our earnings power.

I believe that we are underrated because many of our growth initiatives are still in progress, and have yet to be fully reflected in business results. Another factor is that the stock market fails to appreciate the Asahi Kasei Group's potential. As I have stated, we are determined to tackle the



challenge of transformation to accelerate growth. In terms of future outlook, in addition to the globally competitive critical care, global specialty pharma, and bioprocess businesses in the Health Care sector, we are investing proactively in the growth of Digital Solutions and car interior material as niche and high value-added businesses, and businesses making a major social contribution, such as the energy storage (separator business) business and hydrogen-related business in the Material sector. I strongly believe that we have exceptionally high potential to increase our corporate value going forward. Meanwhile, our inability to fully and precisely emphasize our growth prospects and future outlook to capital markets is something I consider to be a major challenge confronting me as President.

We will implement our growth strategies with a greater sense of urgency to quickly achieve results that specifically demonstrate the Asahi Kasei Group's growth prospects and potential. I believe that initiatives currently underway can demonstrate our future growth. By clearly defining points to emphasize, such as the way in which we will develop technologies and businesses that contribute to future growth, though they have yet to be reflected in business results, I will continue to provide straightforward explanations to shareholders and investors as we strive to earn proper evaluation of the Group.

A handwritten signature in black ink, appearing to read 'Koshiro Kudo', written in a cursive style.

Koshiro Kudo  
President

## Message from the CFO

Aiming for ongoing growth in corporate value  
through efficient capital allocation and dialogue  
with capital markets



Toshiyasu Horie, CFO

Representative Director,  
Senior Executive Officer

### Review of Earnings Performance in Fiscal 2022

In fiscal 2022, the Asahi Kasei Group saw solid performance in the Homes sector, but it was a challenging year for the Material and Health Care sectors, which were impacted by a worsening business environment. In Material, business was significantly impacted by decline in demand due to economic slowdown in Asia, especially China, while in Health Care, the critical care business, which had seen steady growth until now, was impacted by supply chain disruption, which hindered parts and materials procurement.

Consequently, we were unable to generate profits in a well-balanced manner in these three sectors, and as a result, operating income fell by 36.7% year on year, and ROIC decreased from 6.6% to 4.0%.

A major lesson learned from these results is that we did not act quickly enough to improve productivity and inventory control in the face of a rapidly deteriorating business environment, and we hope to make significant improvement in that regard in fiscal 2023.

Additionally, in fiscal 2022, we recorded an impairment loss of ¥186.4 billion on the goodwill and other intangible assets related to

### Primary Financial Metrics

	FY2018	FY2019	FY2020	FY2021	FY2022	
Profitability	Net sales (¥ billion)	2,170.4	2,151.6	2,106.1	2,461.3	2,726.5
	Operating income (¥ billion)	209.6	177.3	171.8	202.6	128.4
	Operating margin	9.7%	8.2%	8.2%	8.2%	4.7%
	EBITDA (¥ billion)	313.6	295.6	305.1	350.8	305.0
	EBITDA margin	14.5%	13.7%	14.5%	14.3%	11.2%
	Net income (loss) (¥ billion)	147.5	103.9	79.8	161.9	(91.3)
	EPS	¥106	¥75	¥57	¥117	¥(66)
Capital efficiency	ROIC	8.8%	6.6%	4.9%	6.6%	4.0%
	ROE	11.1%	7.6%	5.6%	10.3%	(5.5)%
Financial health	D/E ratio	0.31	0.52	0.45	0.45	0.57
	Net D/E ratio	0.17	0.36	0.30	0.31	0.41
	Capital ratio	53.6%	48.2%	50.3%	50.4%	48.1%

Polypore International, LP, in the U.S. While apologizing to our stakeholders for recording this large impairment, I would like to explain the causes behind it.

In the lithium-ion battery (LIB) separator business, to prepare for future expansion of the automotive market and to respond to trends and technical issues in the environment-friendly vehicle market, we acquired Polypore in 2015, thus obtaining the Celgard™ dry-process LIB separator business and the Daramic™ lead-acid battery separator business. We integrated these with our Hipore™ wet-process LIB separator business, but changes in the automotive market unexpectedly accelerated, causing earnings to fall far short of the original plan. However, the Hipore™ separator business holds good prospects for growing business opportunities in the automotive market, and we have therefore decided to dissolve the Hipore-Polypore asset grouping and concentrate resources on the Hipore™ separator business. By doing so, we will pour our efforts into further improving the future growth and profitability of the separator business and quickly recovering corporate value.

### ■ Progress of the Medium-Term Management Plan Initiatives for business portfolio transformation

As part of the MTP launched in fiscal 2022 focused on the theme “Be a Trailblazer,” we consider business portfolio transformation our top priority, and will proceed with the restructuring of petrochemical chain-related businesses. Not only our business divisions, but also corporate divisions, including Corporate Strategy, which I am responsible for, are actively involved. Having worked for many years in the petrochemical business that now faces major challenges, I feel a sense of responsibility to see this restructuring through to completion. Petrochemical chain-related businesses have a diverse range of stakeholders, including raw material suppliers, customers, business partners, and employees. While building consensus through careful discussions with these various stakeholders, we will also take into account the outlook for profitability and capital efficiency based on the costs and investments required to achieve carbon neutrality, and solidify our plans by fiscal 2024 year-end.

Meanwhile, in terms of growth strategies, we will focus investments on the GG10 businesses to drive our future growth, and thereby achieve sustained growth. Our traditional pattern of success consists of a business model that generates high profits by leveraging technologies honed in niche fields and making appropriate investments. GG10 include some fields in which that pattern remains viable, and some in which it does not. In particular, the businesses with growth potential such as LIB separators and hydrogen-related are expected to see substantial market expansion in the future, and we believe that maintaining and enhancing competitiveness will require a much higher level of investment than has been conventional for us. We are therefore considering various options, including financing from other companies.

### ■ Working to improve capital efficiency and productivity

Starting in fiscal 2021, we have been evaluating our business portfolio, including the ROIC of each individual business, and reviewing the business strategies based on these evaluations. The most important and difficult point in promoting ROIC management is to fully instill an ROIC mindset among on-site personnel involved in the business. Through the company intranet, internal magazine, etc., we share perspectives on management considerations using ROIC as an indicator with business unit members, and management and business unit members regularly discuss the ROIC status of each business and measures for improvement. As a result of these discussions, business unit members' awareness of ROIC is also changing. In fiscal 2023, in addition to proceeding with the transformation of our business portfolio, we will work closely with business unit members and on-site personnel to speed up management decisions and improve capital efficiency.

In addition, in response to our fiscal 2022 results, starting in fiscal 2023 we are implementing the BT Project, which aims to improve productivity group-wide in order to quickly improve profitability. This is a company-wide project with the President as the project owner and me as the management team leader. We are moving forward on two trajectories: in the short term we will review indirect costs within our group and reduce duplication to cut costs,

and in the medium term we will efficiently increase productivity by reviewing workstyles and organizations. In fiscal 2023, we will focus on cost reduction and have commenced some initiatives to improve productivity over the medium term, aiming for an annual cost reduction effect of ¥20 billion in fiscal 2024.

We believe that the current P/B ratio of less than one is a message from our shareholders and investors that their confidence in our capital efficiency and profitability is waning, and that they have misgivings about our future. In order to regain trust, we will not only improve our business performance in the short term, but also accelerate the transformation of our business portfolio over the medium to long term and increase our ability to generate cash by efficiently investing capital in growth areas.

### ■ Capital Allocation Policy

When it comes to business portfolio transformation going forward, the importance of capital allocation cannot be overemphasized. Due to diminished earnings, operating cash flow is expected to be ¥600 billion to ¥700 billion over the three years of our MTP. On the other hand, cash flow from investing activities is expected to be ¥800 billion to ¥900 billion, equal to the level anticipated when we formulated the MTP, as it includes cash outflows from projects already decided. When making investment decisions, we of course carefully examine profitability and maintain a rigorous policy of focusing on diligently selected projects. Specifically, we set and then strictly apply a hurdle rate based on the cost of capital and add a risk premium based on circumstances such as the region in which we operate and business characteristics. Furthermore, after making an investment, we continue to conduct monitoring to deliver substantial improvements in investment efficiency, including avenues to recovery when the business environment takes a downturn.

Financing for investments consists primarily of interest-bearing debt, and is expected to increase by ¥250 billion to ¥500 billion. At the same time, in concentrating investment on GG10, for businesses with growth potential we will consider non-traditional funding options, such as utilizing capital from other companies. We anticipate a D/E ratio of around 0.7 and a net D/E ratio of

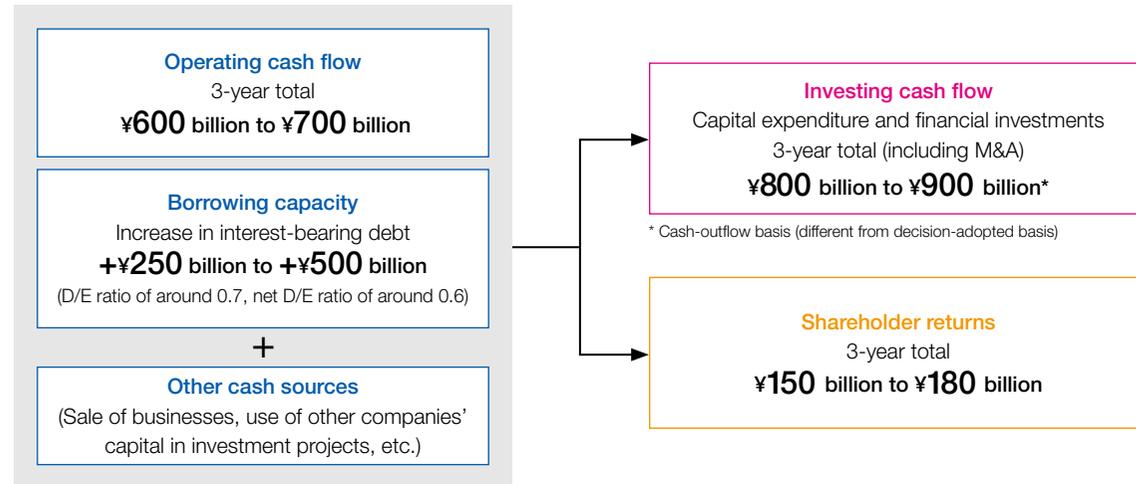
around 0.6, and we believe that we will continue to maintain sufficient financial soundness.

Regarding shareholder returns as well, we maintain the same assumptions that were made at the formulation of the MTP, and target total returns of ¥150 billion to ¥180 billion over the three-year period. We emphasize a policy of achieving stable shareholder returns through dividends, and for fiscal 2022 we paid a dividend of ¥36 per share, an increase of ¥2 per share from fiscal 2021. We will maintain this policy in fiscal 2023 and also study the repurchase of shares based on comprehensive consideration of investment projects and share price levels in addition to capital structure optimization.

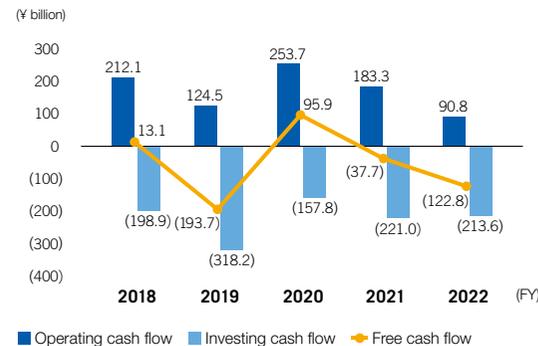
### Working Toward Mutual Understanding with Shareholders and Investors

I have gained a renewed sense of how important it is for us to consider our strategies and their execution from the perspective of shareholders and investors, and to act promptly when areas for improvement are identified. We will actively engage in dialogue in order to reflect evaluations from such perspective in our business management. Through recent dialogue with shareholders and investors, it has been brought to our attention that our capital allocation may be skewed, particularly toward capital expenditure and M&A. Our ultimate objective is of course to steadily increase return on investment, but whereas the primary interest of shareholders and investors may be how to efficiently convert funds into cash, we on the company side are concerned with building businesses for future growth and fortifying our management foundation, and the two perspectives can differ in terms of the timeframes involved. To bridge that gap, the Asahi Kasei Group will continue to make every effort to gain the understanding of our shareholders and investors as we improve information disclosure to carefully explain our thinking, and our vision for the future.

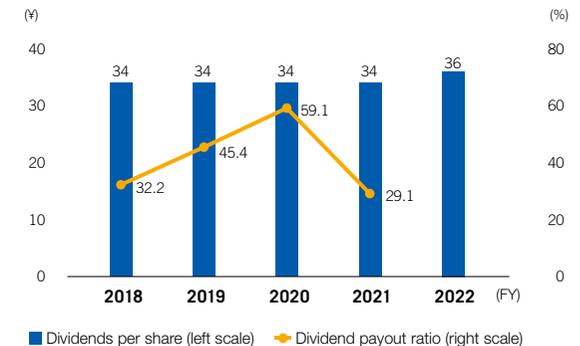
### Framework for Capital Allocation (three-year period FY2022–2024)



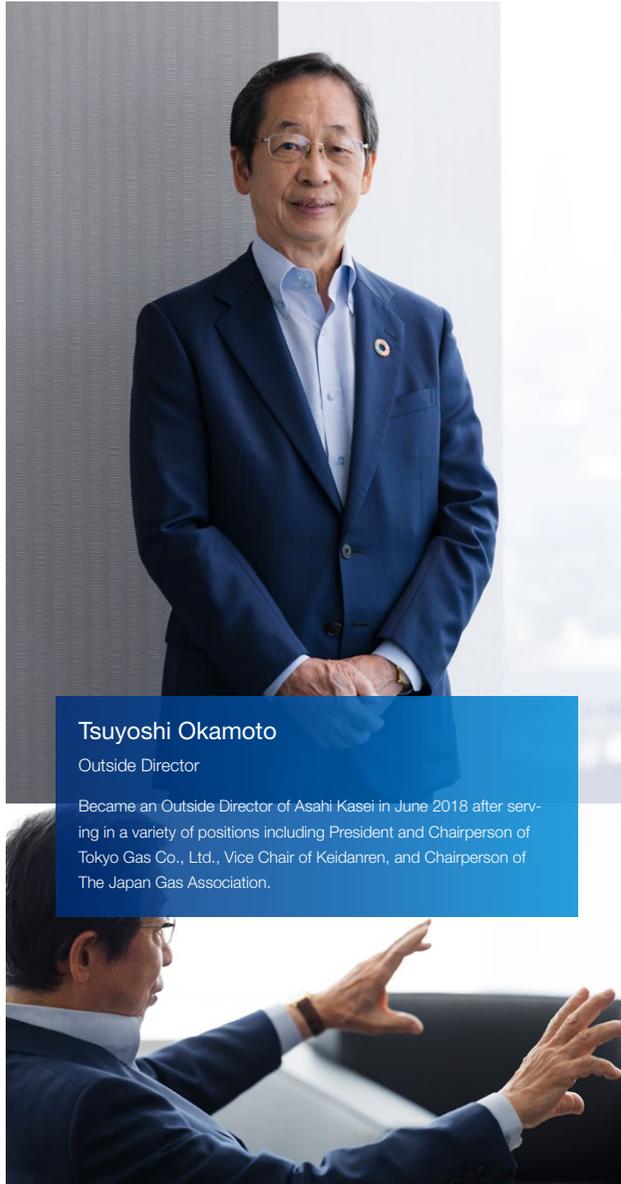
### Cash flows



### Dividends per share and dividend payout ratio



## Message from an Outside Director



**Tsuyoshi Okamoto**

Outside Director

Became an Outside Director of Asahi Kasei in June 2018 after serving in a variety of positions including President and Chairperson of Tokyo Gas Co., Ltd., Vice Chair of Keidanren, and Chairperson of The Japan Gas Association.



### Bolder and faster transformation needed for Asahi Kasei to reach its full potential

#### Asahi Kasei's Growth Potential

In the five years since becoming an Outside Director of Asahi Kasei in 2018, I have engaged in the supervision and advising of management. I have also served as Chair of the Remuneration Advisory Committee since fiscal 2018 and of the Nomination Advisory Committee since fiscal 2020. In my position as an Outside Director, I am acutely aware of the need to monitor whether risk management is sufficiently implemented as the company works to achieve global sustainable growth. The MTP unveiled by Asahi Kasei in April 2022 aims to realize the growth of businesses that contribute to global development. I believe that the role of Outside Directors is to offer useful advice on promoting the plan from a risk management perspective.

The technologies accumulated by Asahi Kasei since its founding are world class. No matter how much the business environment changes going forward, I am certain that the company can survive by refining its technological capabilities. It must also have the ability to adapt to change while transforming its operations with a focus on technology when navigating an era of volatility. Asahi Kasei, which has grown by transforming its business portfolio, undoubtedly has that ability. If it can leverage this strength, the company can turn the global issue of addressing carbon neutrality to its advantage. I am convinced that Asahi Kasei is richly endowed with the capabilities that companies need to navigate the coming era and achieve growth.

#### Energizing Human Resources and the Organization as the Key to Growth

I believe that people are a vital key to Asahi Kasei's growth. No matter how outstanding its technological capabilities, a company cannot fully utilize its strengths without the abilities and motivation of the people who use that technology. It is no exaggeration to say that a company's

strength is shaped by the collective motivation of its employees. In the MTP, Asahi Kasei set forth its policy of focusing investment in GG10-related businesses. However, senior management must also pay careful attention to employees working in roles that underpin businesses other than GG10, maintaining and enhancing their motivation through proper appraisal.

Meanwhile, the company must of course incorporate diversity to secure talented human resources. We have now entered an era in which Asahi Kasei would not be viable as a global company without ingraining diversity in its organization, to the extent that the company constitutes a harmonious whole in terms of everything from gender and nationality to age, career background, and workstyle. I understand that Asahi Kasei is more advanced than other companies, in that it proactively recruits mid-career hires and adopts a variety of systems designed to increase diversity, such as the Group Masters program. Nevertheless, without greater momentum for further diversity promotion, securing human resources to maintain and grow businesses will likely become more difficult.

#### Adopting a Bolder and Faster Approach to Business Portfolio Transformation

Measures implemented to evolve Asahi Kasei's business portfolio are gradually beginning to bear fruit. In particular, transformation of the Material sector's business portfolio is advancing steadily, including the transfer of the photomask pellicles business and the establishment of a joint venture for the spunbond nonwoven products business. A recent move by senior management for transforming the business portfolio that I rate highly is their decision regarding expansion of the separator business. The plan to expand the separator business in North America has been the subject of lively discussions since 2022, which resulted in the company scrutinizing

risk factors and pausing the plan to reexamine it. Deciding to apply the brakes to a project once it has gotten underway is easier said than done. Senior management's decision will set an excellent precedent for Asahi Kasei in examining investments going forward. The same can be said of the decision—made at the same time—to record an impairment loss on the goodwill and other intangible assets of Polypore. The fact that senior management agreed to a decision that entailed posting a consolidated loss demonstrates how serious they are about the separator business. I also applaud President Kudo's prudent judgment in personally addressing and explaining these decisions to the public.

In light of unparalleled changes in the external environment in recent years, Asahi Kasei must adopt a bolder and faster approach to business portfolio transformation. By fiscal 2024, the company will discuss further acceleration of reforms to implement structural transformation of businesses with net sales of more than ¥100 billion based on fiscal 2021, and finalize a policy for structural transformation of the approximately ¥600 billion petrochemical-related business with a view to carbon neutrality.

### ■ Capitalizing on the Unique Advantages of Three-Sector Management

Asahi Kasei has grown by adapting to change and transforming its operations with a focus on technology. However, I feel that aspects of its diversification are perceived negatively by the capital markets. The company currently has three sectors: Material, Homes, and Health Care. The essence of the matter is whether their respective corporate values are maximized under collective management or when operated as individual businesses. I have supervised management as an Outside Director of Asahi Kasei for five years. In that time, I have never felt that the three sectors should be managed individually or that it would be better to separate one and leave its management to another company. Asahi Kasei is more than capable of managing the three sectors, and in-depth discussions to that end also take place at meetings of the Board of Directors. The company pays careful attention to the operation of each sector, maintaining a firm grip on

management. If anything, the earning capabilities of each sector allow the Asahi Kasei Group to achieve stable earnings by diversifying risks. In addition, managing the three sectors has the benefit of enabling group-wide management of their intangible assets, including human resources. Owing to three-sector management, Asahi Kasei has the fundamental strength to drive forward structural transformation of its businesses. For example, one might say that it enabled the company to maintain a sound financial standing even after the recording of the aforementioned impairment loss on Polypore.

Meanwhile, I am convinced that Asahi Kasei's extensive technologies and intellectual property will be increasingly utilized across sectors group-wide, holding the key to the creation of synergies among businesses. Currently, Asahi Kasei is promoting initiatives for bolstering the areas of green (G), digital (D), and people (P) to strengthen its business platform and for maximizing the use of its strengthened intangible assets. Active discussions are taking place at meetings of the Board of Directors on what Asahi Kasei needs to do to make efficient use of its abundant intangible assets.

With the company enhancing management rationality and quality in these ways, I believe it is vital for Asahi Kasei to communicate its future growth potential to the capital markets, as well as steadily improve its business performance, in order to continuously enhance its corporate value going forward. The most effective form of communication with capital markets is messaging from senior management. I believe that Asahi Kasei's share price would be valued properly if the President took the lead in engaging with the capital markets to emphasize Asahi Kasei's strengths.

### ■ Improved Monitoring Functions for Corporate Governance

As initiatives aimed at strengthening Asahi Kasei's corporate governance make steady progress, I feel that its governance configuration has improved. In fiscal 2023, the company revised the composition of the Board of Directors, rearranging it to comprise the Chairman, President, and four Executive Officers responsible for corporate functions as Inside Directors and adding another Outside Director. With this revision, of the 10 Directors, the number of Executive

Officers and non-Executive Officers came to five each and the number of Inside Directors and Outside Directors came to six and four, respectively, including two female Outside Directors. The Board of Directors is currently transitioning from a management system, whereby it passes a resolution on each agenda item relating to business execution, to a monitoring system that monitors key subjects for Asahi Kasei on a company-wide basis. The latest revision to the membership of the Board of Directors strongly reflects the determination to transition to this system. My own view is that the Board of Directors should aim for a monitoring system, so I rate the revised composition highly.

Asahi Kasei has established the corporate governance configuration of a company with an Audit & Supervisory Board. In such a configuration, the Nomination Advisory Committee and the Remuneration Advisory Committee play important roles. Although fundamentally advisory—they have no authority under the Companies Act—the fact that these committees are voluntary enables flexible operation with open and meaningful discussions. For example, it has given the Remuneration Advisory Committee the authority to decide on performance-linked remuneration. I believe it is appropriate to maintain the current configuration for the time being while continuing to study the company's future governance structure.



# 02

## Value Creation

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Name                      Gibran Sinoé Hernández Rocha  
Company                 Sage Automotive Interiors Juárez Plant  
Country/region        Mexico

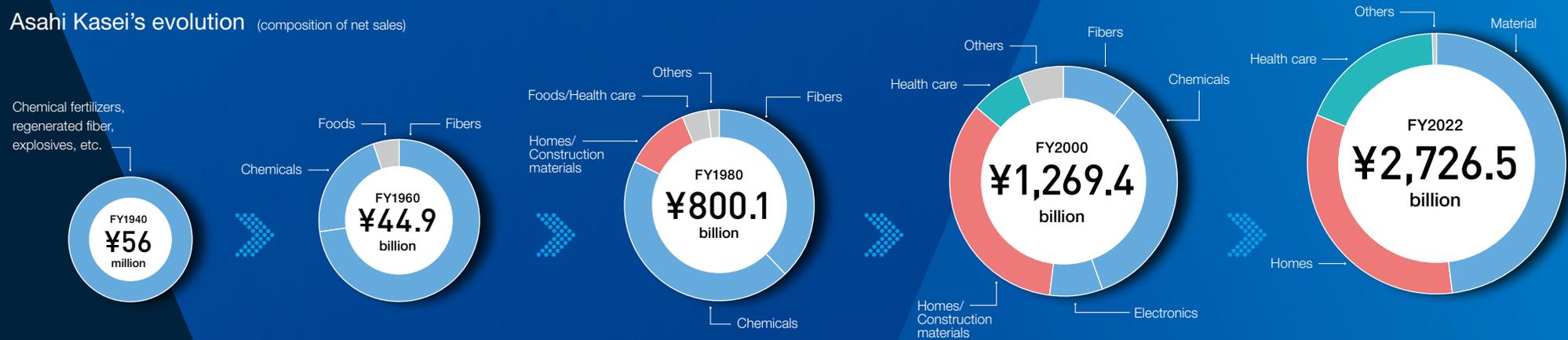
## Addressing Social Issues and Transforming Our Business Portfolio

In every era, the Asahi Kasei Group has addressed social issues by dynamically transforming its business portfolio and supplying products and services that meet the changing needs of the times. We will continue to contribute to life and living for people around the world by Creating for Tomorrow.

## History of Business Portfolio Transformation and Growth



### Asahi Kasei's evolution (composition of net sales)



### Business portfolio transformation

➔ New business entry, M&A

⬅️ Withdrawal, downsizing, divestment

- ➔ Ammonia
- ➔ Regenerated fiber (cupro, viscose rayon)
- ➔ Chemical fertilizer
- ➔ Foods (monosodium glutamate)

- ➔ Polystyrene
- ➔ Synthetic fiber (acrylic fiber)

- ➔ Saran Wrap™
- ➔ Acrylonitrile
- ➔ Synthetic rubber
- ➔ Ethylene (construction of naphtha cracker)
- ➔ Autoclaved aerated concrete
- ➔ Hebel Haus™ unit homes
- ➔ Artificial kidneys
- ➔ Pharmaceuticals

- ➔ Hall elements
- ➔ LSIs
- ➔ Lithium-ion battery separators
- ➔ Hebel Maison™ apartment buildings
- ➔ Insulation panels
- ➔ Acquisition of Toyo Jozo Co., Ltd. (pharmaceuticals and liquors)
- ➔ Virus removal filters
- ⬅️ Foods

- ➔ Electronic compasses
- ➔ UVC LEDs
- ➔ Hydrogen production system (process verification)
- ➔ New businesses for homes (seniors, medium-rise, overseas)
- ➔ Critical care
- ⬅️ Viscose rayon, acrylic fiber, polyester
- ⬅️ Restructuring of petrochemical business
- ⬅️ Liquors

# History of Offering New Value that Addresses Social Issues

## Social needs and times

## Asahi Kasei's evolution

### 1922-

Growing as a modern nation, Japan required technologies to develop its agricultural and industrial chemical sectors.

### Helping bring stability to people's lives from our roots in businesses supporting food and clothing

- Successfully produced synthetic ammonia for fertilizer to raise agricultural productivity
- Began production of Bemberg™ artificial fiber as a substitute for silk



### 1940s-

Sufficient supply of daily necessities was crucial to Japan's transition from post-war recovery to high economic growth.

### Promoting new businesses for better quality of life

- Expanded into various new businesses, including synthetic resins and Cashmilon™ synthetic fiber



### 1960s-

In an era of high economic growth, developing public infrastructure—improving homes and expanding medical technology—became necessary.

### Offering convenient and comfortable lifestyles as a diversified manufacturer of products for food, clothing, and shelter

- Launched of homes business to meet homeownership demand
- Entered petrochemical business with operation of large-scale petrochemical complex
- Expanded into resins business following launch of sales of Saran Wrap™ cling film
- Launched medical devices business with artificial kidneys, etc.



### 1980s-

Cell phones, personal computers, audiovisual equipment, and other technologies gained popularity with the advent of the information age.

### Supplying key components for information devices integral to modern living

- Leveraged chemical industry expertise to enter the field of electronics, including large-scale integrated circuits (LSIs)
- Began sales of lithium-ion battery separators



### 2000s-

Global environmental issues such as global warming and the challenge of aging populations in developed countries come to the fore.

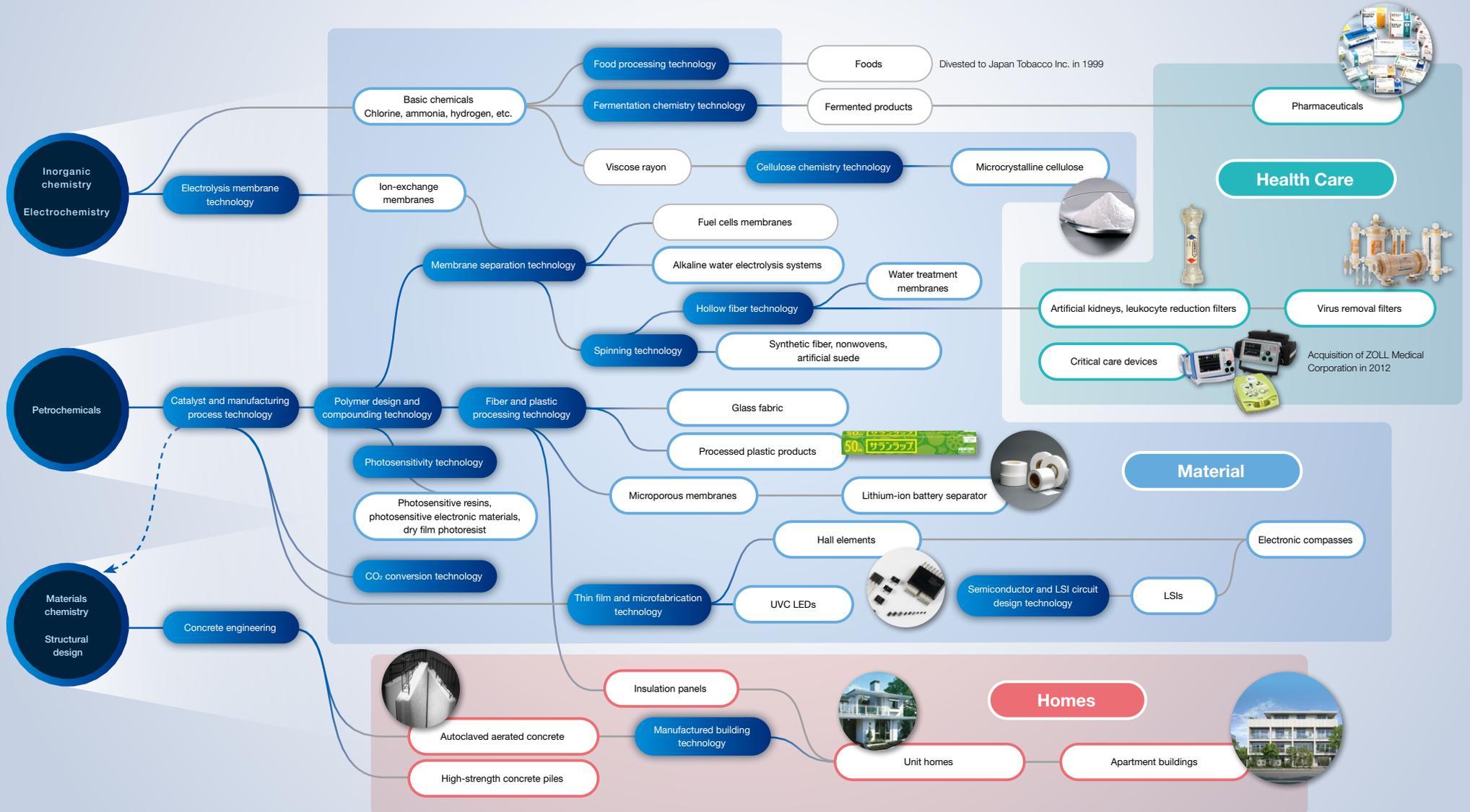
### Contributing to life and living for people around the world

- Promoted sustainability through technological developments to achieve carbon neutrality and initiatives to reduce CO<sub>2</sub> emissions
- Strengthened Health Care sector, including expansion into critical care business through M&A
- Leveraged expertise with unit homes in Japan to enter homes business in North America and Australia
- Global expansion of pharmaceutical business with acquisition of U.S. pharmaceutical company



# Asahi Kasei's Technological Heritage and Path to Three Sectors

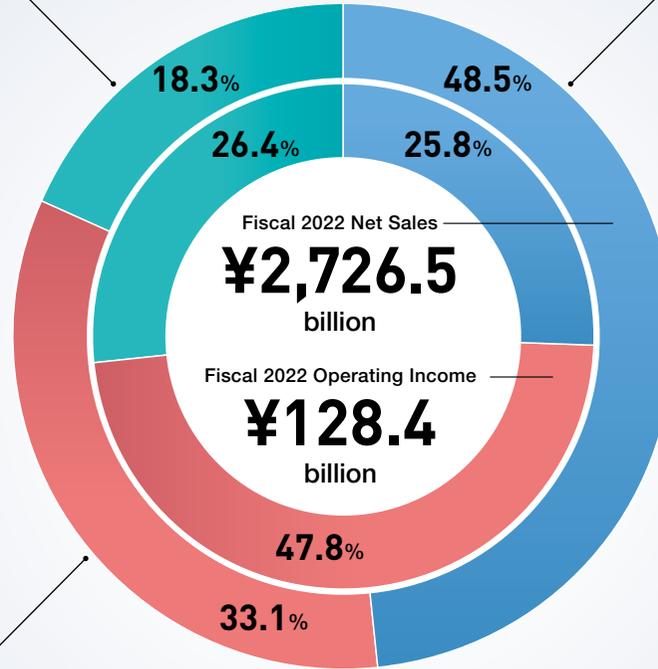
Based on the chemical technology from the time of our founding with viscose rayon, Bemberg™, and ammonia synthesis, we have developed diversified businesses while transforming our portfolio with the technologies developed becoming the source of additional new technologies, resulting in the current three-sector configuration.



Note: Photos of discontinued products included

## The Asahi Kasei Group's Businesses and Leading Products

Note: Percentages exclusive of "Others" category and "corporate expenses and eliminations"



Fiscal 2022 Net Sales  
**¥2,726.5 billion**

Fiscal 2022 Operating Income  
**¥128.4 billion**

### Health Care

We contribute to progress in medical therapy by advancing specialized leading-edge technology in new combinations and addressing unmet medical needs, enabling patients to enjoy a better quality of life.

#### Health Care



Teribone™ autoinjector osteoporosis drug



ZOLL AED 3™ automated external defibrillator



Planova™ virus removal filters



LifeVest™ wearable defibrillator

### Homes

We enable secure and enriched living through the provision of high-quality, highly durable homes and construction materials, and various related services.

#### Home & Living



Hebel Haus™ unit homes  
Hebel Maison™ apartment buildings



Atlas™ condominiums



North American and Australian homes

### Material

Leveraging leading-edge technology, we provide high value-added materials and products worldwide to open new possibilities for the future.

#### Environment & Energy



Hipore™ and Celgard™ lithium-ion battery separators



Ion-exchange membrane chlor-alkali electrolysis process

#### Mobility



Engineering plastics



Dinamica™ artificial suede

#### Life Material



Pimel™ photosensitive polyimide



Household products

## At a Glance

### Notable Facts (as of March 31, 2023)

Employees  
 **48,897** More than 40% overseas

Global bases  
 More than **20** countries and regions

Consolidated subsidiaries  
 **285**

Overseas sales ratio  
 **50.6%**

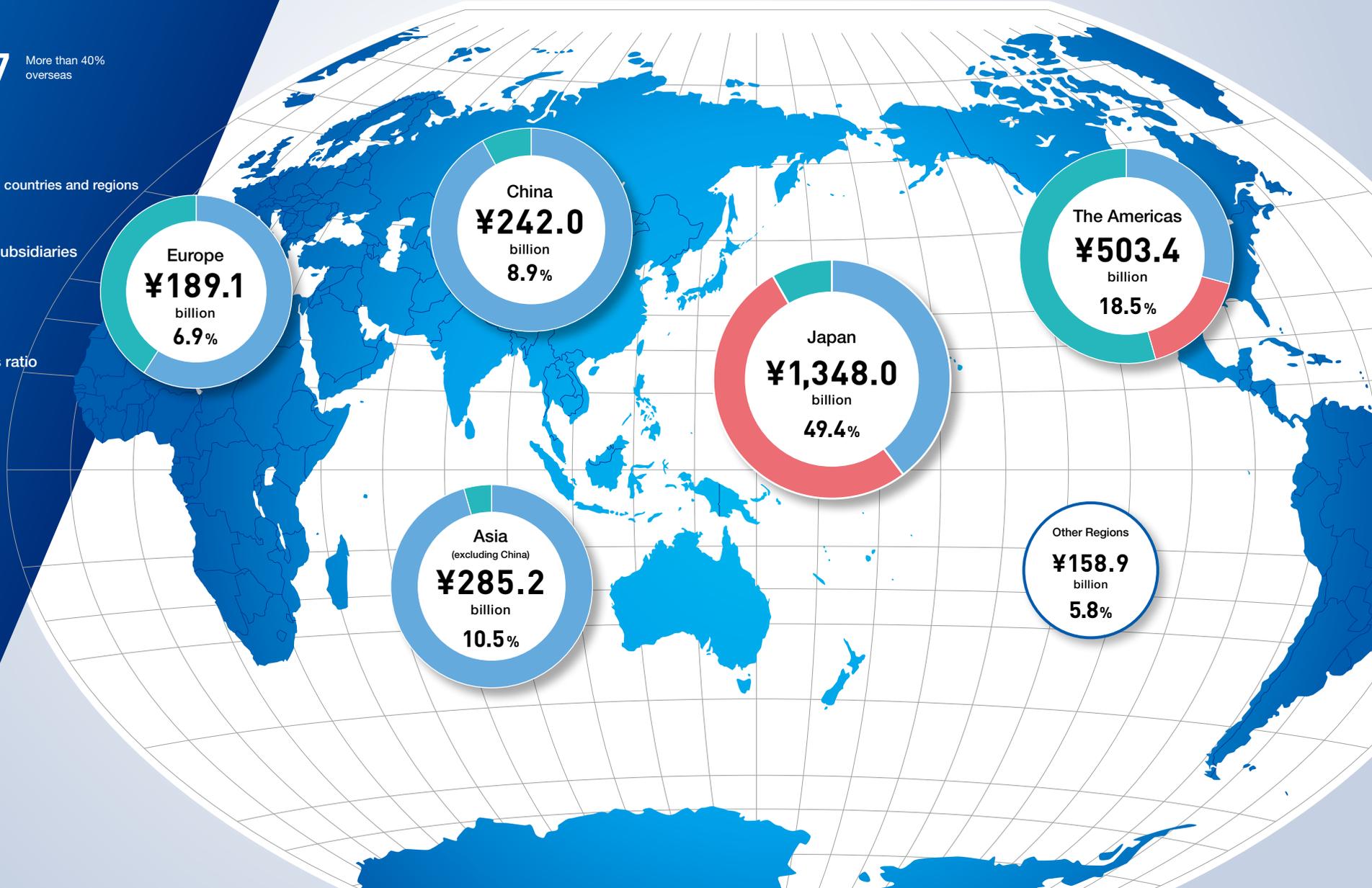
Credit rating  
 **AA**  
 Japan Credit Rating Agency (JCR)

### Net Sales by Region

Note: Percentages of total consolidated net sales

● Material ● Homes ● Health Care

Note: Graphs by sector exclusive of "Others" category and "corporate expenses and eliminations"



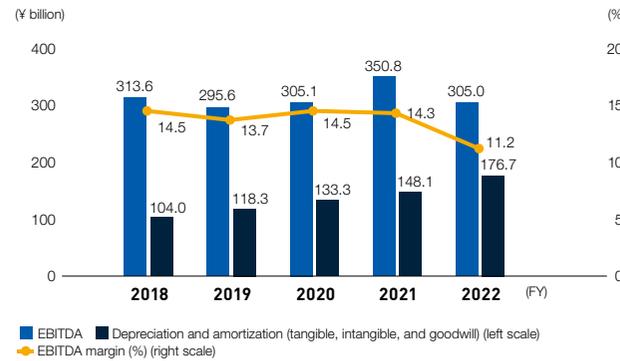
## Financial Highlights

### Net sales (domestic & overseas), operating income, operating margin



Net sales increased significantly in fiscal 2022 due to expansion of existing businesses, the weakening yen, increased prices for petrochemical products, and the effect of acquisitions. Operating income decreased with deteriorating performance of the Material and Health Care sectors, mainly due to a worsened operating environment and temporary factors. Overseas sales increased to over half of total net sales in fiscal 2022 due to expansion of overseas businesses, including by M&A, and the weakening yen.

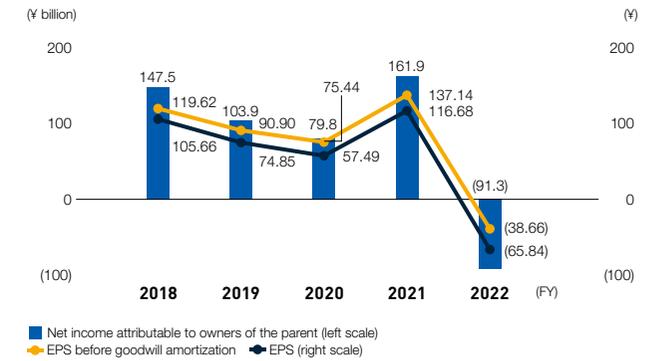
### EBITDA<sup>1</sup>, depreciation and amortization, EBITDA margin



<sup>1</sup> Operating income, depreciation, and amortization

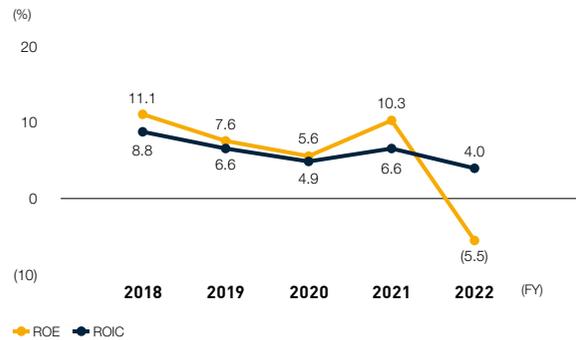
Given the upward trend in depreciation and amortization due to proactive capital expenditure and M&A, the Asahi Kasei Group positions EBITDA as a major KPI signifying its ability to generate cash. Depreciation and amortization increased significantly in fiscal 2022 with acquisitions in the Health Care sector and capital expenditures in the Material sector.

### Net income attributable to owners of the parent, EPS, EPS before goodwill amortization



Asahi Kasei incurred a net loss in fiscal 2022 due to the recording of an impairment loss of ¥186.4 billion related to Polypore. As goodwill is amortized in accordance with Japanese accounting standards, EPS before amortization of goodwill is shown for reference.

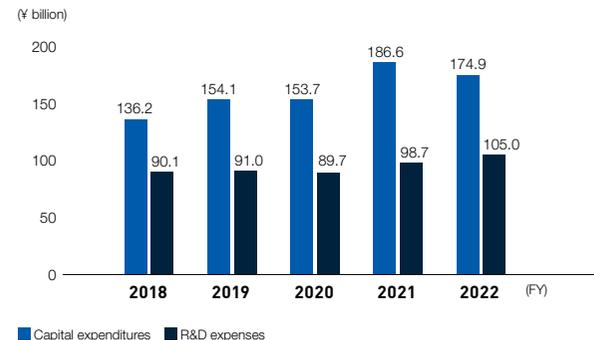
### ROE<sup>2</sup>, ROIC<sup>3</sup>



<sup>2</sup> Net income per shareholders' equity  
<sup>3</sup> (Operating income - income taxes) / average annual invested capital

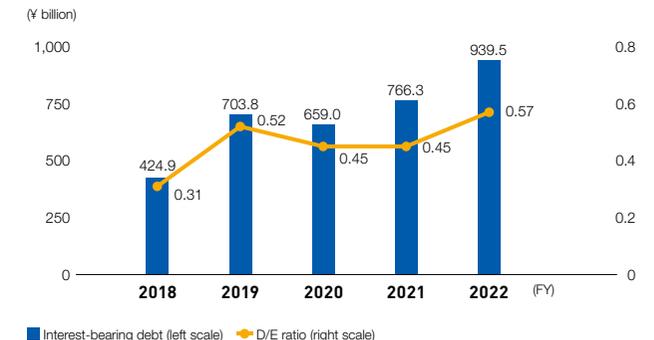
Asahi Kasei positions ROE and ROIC as major KPIs to indicate its efficiency in generating profits. In fiscal 2022, ROE was negative as a result of recording a net loss, and ROIC declined due to the decrease in operating income.

### Capital expenditures, R&D expenses



Asahi Kasei proactively carries out capital expenditures geared toward achieving growth over the medium to long term—including for expansion of growth businesses, and in relation to decarbonization, digital transformation, and other areas to fortify its foundation—and R&D focused on the Health Care and Material sectors. Capital expenditures declined in fiscal 2022 due to strict selection of investments considering deterioration in the operating environment.

### Interest-bearing debt<sup>4</sup>, D/E ratio

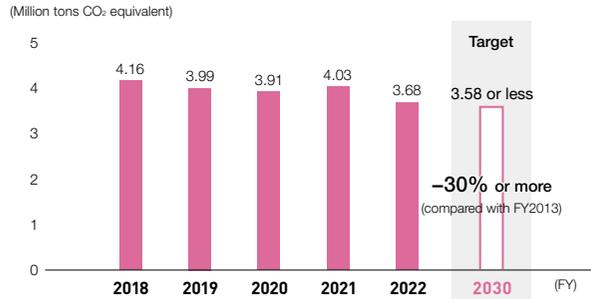


<sup>4</sup> Amounts stated from fiscal 2019 exclude lease obligations.

Interest-bearing debt increased in fiscal 2022 as working capital such as accounts receivable and inventories increased with higher market prices, and demand for funds increased in conjunction with M&A centered on the Homes and Health Care sectors. As a result, the D/E ratio also increased.

# Non-Financial Highlights

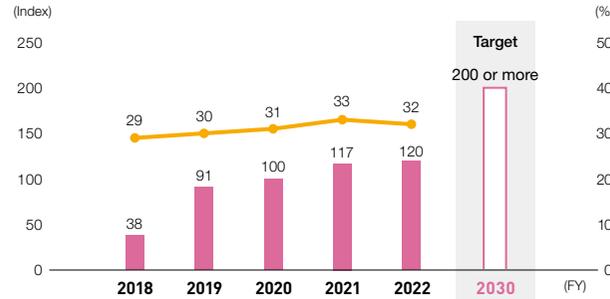
## Greenhouse gas (GHG) emissions (Scopes 1 and 2)



Applicable range: Production sites of consolidated companies  
 Note: Fiscal 2022 figures are preliminary and may change after undergoing third-party verification.

The Asahi Kasei Group is targeting a GHG emission reduction of 30% or more by fiscal 2030 compared with fiscal 2013 to clarify its path toward carbon neutrality. Ongoing endeavors to reduce emissions are advancing in order to achieve this target.

## GHG emission reduction contributions through environmental contribution products



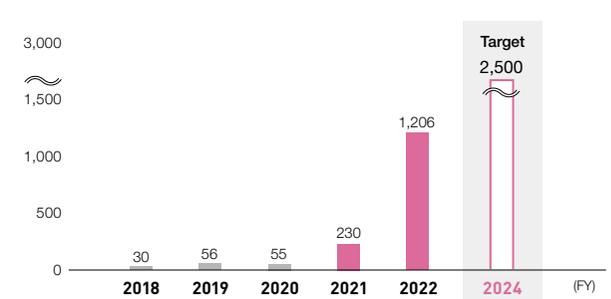
■ Volume of GHG emission reduction contributions of environmental contribution products<sup>1</sup> (left scale)  
 ● Portion of sales of environmental contribution products<sup>2</sup> (right scale)

Note: Internal calculation of the volume of GHG emission reduction contributions from a life cycle assessment perspective based on the views of outside experts.

<sup>1</sup> Using fiscal 2020 as the baseline year (100)  
<sup>2</sup> Portion of total net sales excluding the Health Care sector

Products and services of the Asahi Kasei Group that contribute to improving the environment across their entire life cycle are designated as environmental contribution products. We will work to develop environmental contribution products with the goal of reducing society's overall GHG emissions.

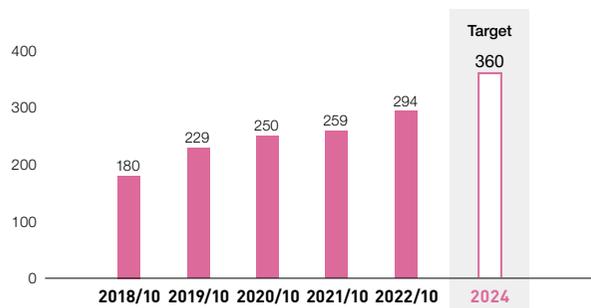
## Number of digital professional human resources



Note: Total figures up to fiscal 2020 include only human resources specializing in data analysis.  
 Applicable range: Total employees worldwide

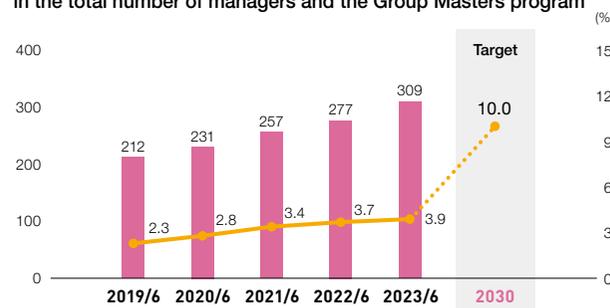
The Asahi Kasei Group promotes bottom-up human resource development to enable all employees to engage in their work duties with a mindset conducive to utilizing digital technology. In particular, we proactively promote the development and recruitment of digital professionals who use advanced digital technology and data to resolve business issues and create business models. These efforts have led to the emergence of such professionals in a wide range of fields, including through the Asahi Kasei DX Open Badge Program.

## Number of Group Masters



The Asahi Kasei Group appoints, nurtures, and rewards as Group Masters human resources with the potential to proactively engage in and contribute to the creation of new businesses and the enhancement of established businesses. Our corporate value is enhanced by the development and recruitment of specialists in various fields. For effective utilization, fields of technology and specialization for the appointment of human resources as Group Masters are reviewed annually in accordance with business strategy.

## Number of women working as managers and percentage of women in the total number of managers and the Group Masters program

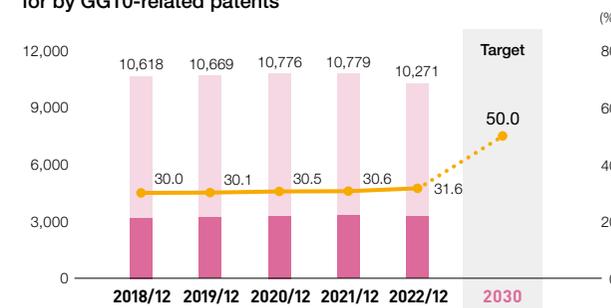


■ Number of women working as managers (left scale)  
 ● Percentage of women in the total number of managers and the Group Masters program (right scale)

Applicable range: Results for personnel employed by Asahi Kasei Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd.

Amid rapid change in the operating environment, the Asahi Kasei Group must utilize the capabilities of its diverse human resources to boost co-creativity if it is to create value continuously. With the promotion of women as a KPI, we will realize conditions that enable diverse human resources, including women, to thrive in a variety of settings within the organization through the creation of an environment and requirements for achieving the KPI.

## Number of valid patents and percentage of which accounted for by GG10-related patents



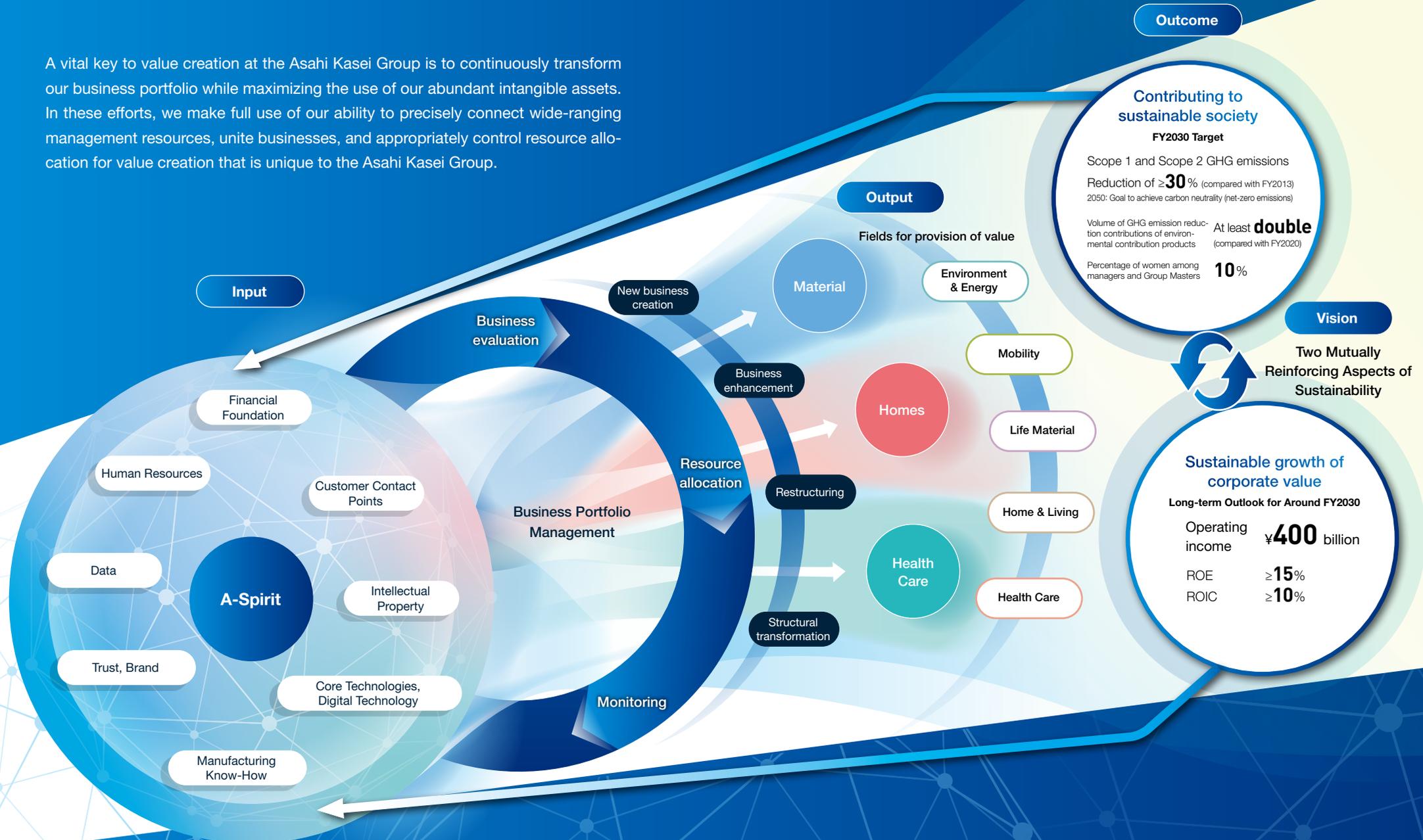
■ Total number of valid patents (of which, ■ are GG10-related patents) (left scale)  
 ● Percentage of valid patents accounted for by GG10-related patents (right scale)

Note: Valid patents are those for which the patent right or patent application has not expired. The number of patents in the graph represents the number of patent families (number of inventions).

The Asahi Kasei Group focuses efforts on maximizing intellectual property value in order to establish a patent portfolio that contributes to its businesses. We will aim to further enhance our competitiveness by increasing the percentage of valid patents accounted for by 10 of our businesses (GG10) that will drive our growth going forward.

## Value Creation Model

A vital key to value creation at the Asahi Kasei Group is to continuously transform our business portfolio while maximizing the use of our abundant intangible assets. In these efforts, we make full use of our ability to precisely connect wide-ranging management resources, unite businesses, and appropriately control resource allocation for value creation that is unique to the Asahi Kasei Group.



## Value Creation Mechanism

### Diverse intangible assets are the source of the Asahi Kasei Group's growth

The source of the Asahi Kasei Group's growth is our abundant intangible assets, such as human resources, core technologies, intellectual property, expertise, data, and other such assets that we have accumulated in the process of growing through the creation of diverse businesses. At the core of these intangible assets lies our A-Spirit, which epitomizes our heritage. This is the origin of our ability to transform by leveraging intangible assets in the creation of diverse businesses, and it comprises ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement. We achieve growth by utilizing these abundant intangible assets along with our ability to transform in business operations.

The ability to adapt to changes in the operating environment is crucial amid a business landscape characterized by dramatic change and an unpredictable future. By accumulating and maximizing diverse intangible assets, the Asahi Kasei Group is able to seize business opportunities that arise from changes in the operating environment and create new value. We treat all of the intangible assets we accumulate as assets to be shared throughout the entire Asahi Kasei Group, and we leverage them to their maximum potential by deploying and linking them across different sectors. Our accumulation and maximum utilization of intangible assets are firmly bolstered by the transfer of human resources across different sectors, the provision of opportunities for human resources within the Asahi Kasei Group to connect, and the fostering of a free and open organizational culture that accepts diverse ideas and takes on new challenges.

### Maximizing the Value of Intangible Assets through DX and Intellectual Property Strategies

Barriers between industries have become lower and activities transcending industry frameworks are accelerating. In order to create new value, naturally we must expand our accumulated intangible assets to other fields and explore and utilize unprecedented combinations, but amid an unpredictable operating environment, it is also vital to enhance the precision of strategy planning and decision-making by utilizing intangible assets in an integrated manner. Accordingly, the Asahi Kasei Group is promoting DX and intellectual property strategies. We have established Digital Value Co-Creation to spread DX throughout the Asahi

Kasei Group as a whole, and the Intellectual Property Intelligence Department to utilize intellectual property in our management. In addition, to methodically track, manage, and analyze our accumulated intangible assets, we have accelerated the development of mechanisms such as a group-wide data management infrastructure, a "seeds and needs" matching system that links our core technologies with so-called emerging technologies, and employee (expert) recommendation system.

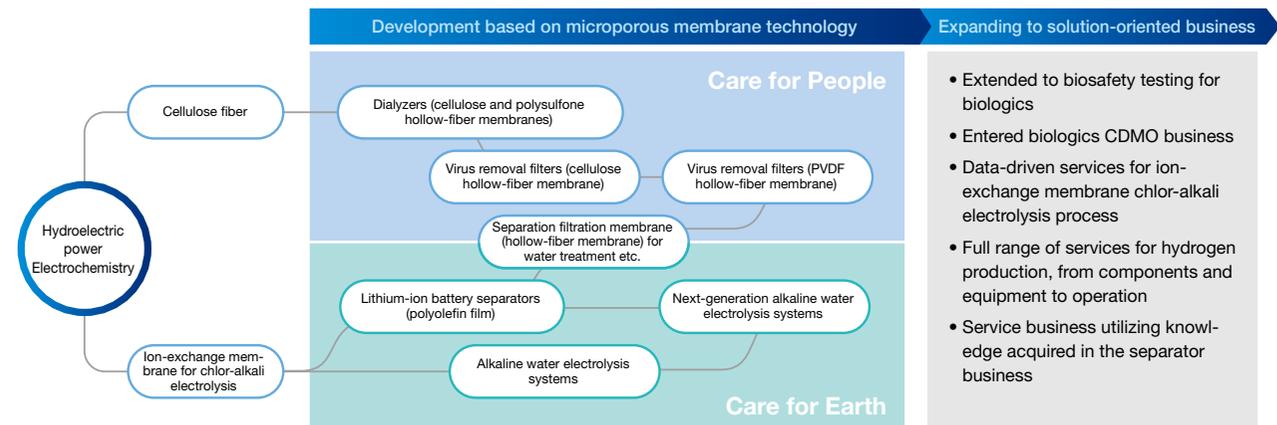
### Leveraging Core Technologies to Extend Business

Based on chemical technology, we have created several core technologies through unique developments and combinations of technologies. The production of synthetic ammonia using hydroelectric power in Nobeoka, Miyazaki Prefecture, Japan, was one of our earliest businesses. Following this, microporous membrane technology was continually developed resulting in cellulose fibers and ion-exchange membranes for chlor-alkali electrolysis. Technologies for these have then been applied in several other businesses. Cellulose fiber technology is used as part of the Health Care sector, in dialyzers for blood purification and in virus removal filters. From virus removal filters we continued to create new products for the manufacture of next-generation pharmaceuticals. From ion-exchange membrane technology we developed businesses



that are currently central to our growth strategy, such as lithium-ion battery separators, water treatment filtration membranes, and membranes for alkaline water electrolysis systems. The accumulation of the Asahi Kasei Group's unbroken succession of expertise and technology creates products that will provide solutions to future social issues.

Going forward, we are also looking to leverage our core technologies in solution-oriented businesses. For example, in relation to virus removal filters, we have expanded into the business of contract biosafety testing services for pharmaceutical companies, and entered the biopharmaceutical contract development and manufacturing organization (CDMO) business. In addition, we are studying the creation of service-oriented businesses that utilize the knowledge and business foundations that we have cultivated in the separator business.



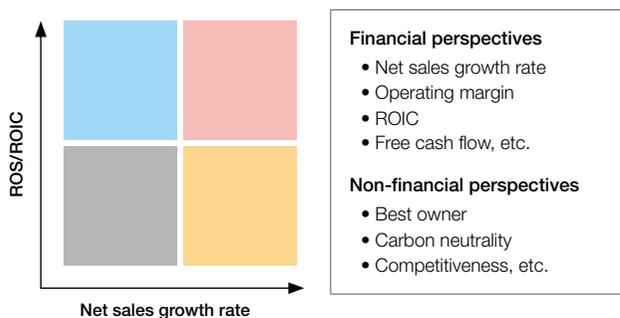
## Business Portfolio Management

The Asahi Kasei Group has transformed its business portfolio and grown by capturing the changing needs of society in every era and providing products and services that bring new value to society. Business Portfolio Management is an important management cycle for efficiently allocating the Asahi Kasei Group's cash and diverse intangible assets among its businesses, and leveraging business growth to achieve two mutually reinforcing aspects of sustainability: "contributing to a sustainable society" and "sustainable growth of corporate value."

### Business Evaluation

Efficient allocation of resources depends on the results of proper business evaluations. The Asahi Kasei Group conducts annual evaluations of dozens of businesses from both financial and non-financial perspectives. From the financial perspective, we evaluate net sales, operating margin, ROIC, sales growth rate, and free cash flow within a given time span. On the non-financial side, we conduct evaluations from the perspectives of competitiveness, achievement of carbon neutrality targets such as GHG emission reduction, relationships with other businesses in the value chain, and whether or not we are the best owner. Rather than simply

#### Business Evaluation Framework



evaluating mechanically, we perform comprehensive evaluation of whether a business contributes to corporate value enhancement by discussing the formulation and revision of the MTP based on such quantitative data and qualitative information.

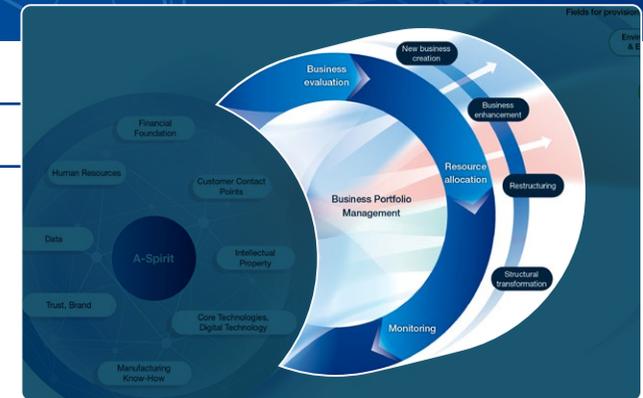
### Resource Allocation

We perform efficient investment of resources based on the results of business evaluations. Ongoing investment for growth is realized by allocating stable cash flow generated by businesses with high cash-generating ability, such as the Homes sector, to businesses with future growth potential, such as the Health Care and Material sectors.

We also allocate necessary resources as circumstances require. New business creation is pursued by commercializing seeds of technology gained through R&D and corporate venture capital (CVC) investment, and by obtaining businesses through M&A. Business enhancement is performed by expanding production capacity and developing new products in established businesses. When a business experiences a temporary decline in performance, strategic restructuring is conducted. When it becomes challenging for the Asahi Kasei Group to create value in a business on our own, we study structural transformation including the use of other companies' capital, downsizing, or withdrawal to control resources, in order to achieve efficient resource management across the entire business portfolio. Based on these criteria, under our MTP we have designated 10 businesses as "10 Growth Gears" (GG10) with the potential for further investment-driven earnings growth, and prioritize them for resource allocation. For more information on GG10, please see [page 34](#).

### Monitoring

For businesses categorized for strategic restructuring as a result of business evaluation, we conduct frequent monitoring and follow up on the evaluation and progress of possible strategic options in a timely manner. For GG10, we monitor whether the market is growing as expected and



whether returns on investment are forthcoming. For M&A and large-scale capital investments that require resolutions by the Management Council and the Board of Directors, management and corporate departments conduct annual monitoring of each business for a certain period of time following those resolutions. We have assembled a framework that allows us to study necessary countermeasures in a timely manner by conducting post-resolution regular monitoring of such businesses for changes in the business environment, the status of profitability, the status of risk manifestation, and other factors, and sharing status reports with management and members of those businesses. Knowledge gained from the results of such monitoring is also used when considering points to check when considering future M&A and large-scale capital investments.

In addition, for major businesses, including those that do not fall into the above categories, on a quarterly basis, the President and the responsible Executive Officers have direct discussions with members of those businesses on the status of earnings performance and KPIs, as well as on emerging challenges and countermeasures.

# Materiality

## Asahi Kasei's Vision

The Asahi Kasei Group carries out business activities to provide new value to society by enabling “living in health and comfort” and “harmony with the natural environment,” as set forth in its Group Vision. We aim to achieve two mutually reinforcing aspects of sustainability by contributing to the creation of a sustainable society while leading to improved corporate value. We believe that providing value that contributes to ensuring the sustainability of society will bring about sustainable improvements in our corporate value along with a high level of profitability, which will in turn enable us to take on further challenges. Guided by this belief, we endeavor to provide products and services that correspond to changes in the social climate. We will continue to offer such products and services, contributing to a sustainable society through the pursuit of innovation while taking into account the lifestyles of people around the world.

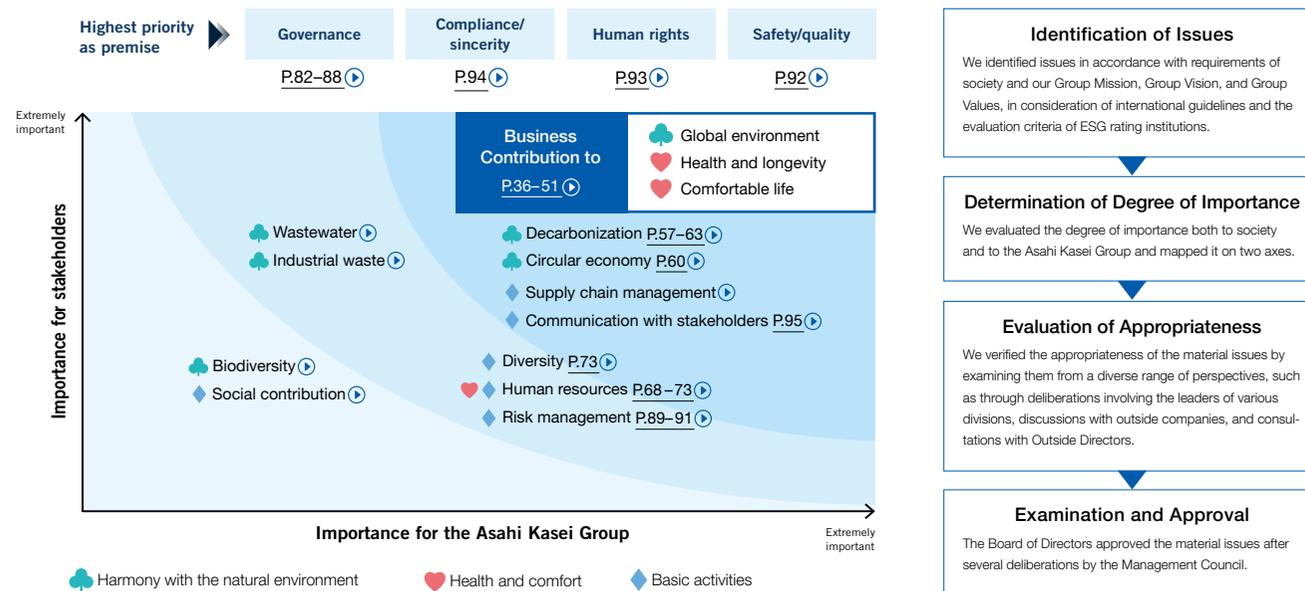
In 2021, we established our Sustainability Policy to clarify the Asahi Kasei Group's stance on sustainability and to heighten a mutual internal understanding for accelerated action toward creating a sustainable society. The policy sets forth specific and essential elements to approach matters of sustainability in addition to basic concepts.

### Key Points of the Asahi Kasei Group Sustainability Policy

- Realize the two mutually reinforcing aspects of sustainability of “contributing to sustainable society” and “the sustainable growth of corporate value”
- Pursue the optimal form of governance for realizing Asahi Kasei's sustainability vision
- Create value by contributing to sustainable society
- Carry out responsible business activities
- Facilitate the empowerment of personnel

## Process for Identifying Materiality

In fiscal 2017, the Asahi Kasei Group identified important issues and subjects that it should prioritize as materiality through the process outlined below. We review these subjects and issues in accordance with changes in the operating environment.



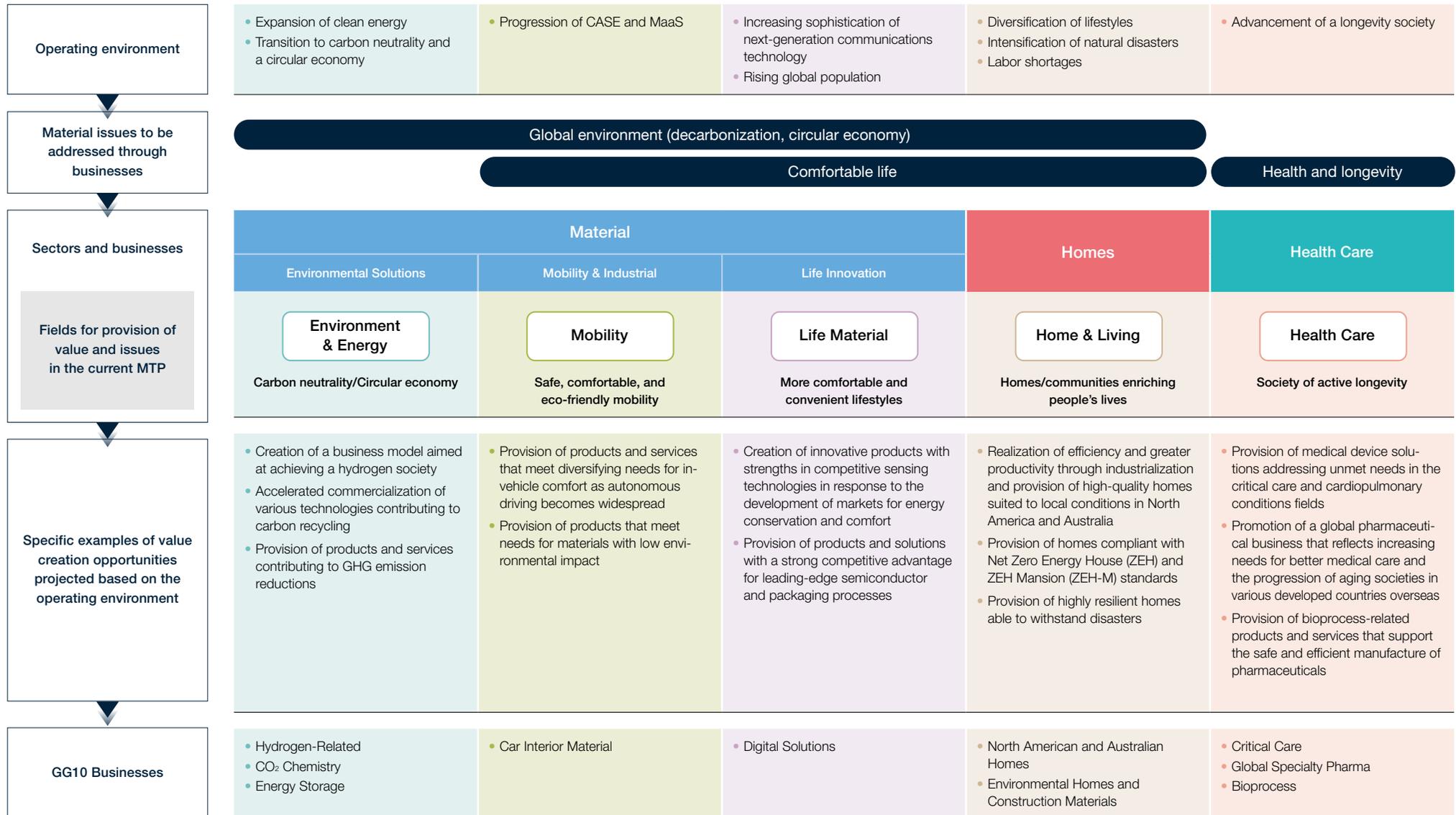
## Integration into Management Strategies

Material issues are meaningful only when they are integrated into management strategies to realize our vision. In the MTP we have therefore established non-financial key performance indicators (KPIs) pertaining to materiality and identified issues to be addressed in the five fields for provision of value that will contribute to Asahi Kasei's value creation over the long term.

Materiality	Non-Financial KPIs(Benchmarks)	Vision (Targets)
🌿❤️💠 <b>Contribution through businesses</b>	Contributions to GHG emission reduction	At least double by fiscal 2030 (compared with fiscal 2020)
🌿 <b>Decarbonization</b>	GG10-related patents	Account for over 50% of total patents by fiscal 2030
🌿 <b>Decarbonization</b>	GHG emissions	Reduction of 30% or more by fiscal 2030 (compared with fiscal 2013)
❤️💠 <b>Human resources</b>	Number of digital professional human resources	Tenfold increase by fiscal 2030 (compared with fiscal 2021)
❤️💠 <b>Human resources</b>	Number of Group Masters	360 by fiscal 2024
💠 <b>Diversity</b>	Percentage of women in the total number of managers and the Group Masters program	10% by fiscal 2030

For more information regarding KPIs and initiatives on material issues, please access the links in the materiality diagram. The following page clarifies the process leading up to identifying opportunities and creating value in each of the fields for provision of value.

**Process Leading Up to Value Creation in Each Field for Provision of Value**



# 03

## Growth Strategy

**31** Progress on Medium-Term Management Plan 2024—Be a Trailblazer

**36** Strategies by Sector

**36** Material

**43** Homes

**47** Health Care



Name	Katerina Kasalova
Company	Sage Automotive Interiors, Strakonice Fabrics
Country/region	Czech Republic

## Progress on Medium-Term Management Plan 2024—Be a Trailblazer

The Asahi Kasei Group is working to achieve the targets of its medium-term management plan (MTP) for fiscal 2024 focused on the theme “Be a Trailblazer” by promoting business portfolio management and strengthening its business platform in accordance with the basic policy. We continuously take on challenges and pursue transformation to realize our vision.

### Basic Policy

#### Business Portfolio Management

##### Challenging investment for growth

Focusing resources on 10 Growth Gears (GG10) that will drive future growth and aiming to have them provide more than 70% of operating income around fiscal 2030

Implement both with an emphasis on speed, asset-light, and high value-added

##### Cash generation from structural transformation and strengthening existing businesses

Integrated approach to structural transformation comprising reform of strategic restructuring businesses and fundamental business structure transformation

#### Strengthening Business Platform

- Transformation in the key areas of green (G), digital (D), and people (P)
- Maximum use of intangible assets

### Fiscal 2022 Results

#### Financial KPIs

Operating income **¥128.4** billion  
ROE **-5.5%** ROIC **4.0%**

#### Non-Financial KPIs

Scope 1 and Scope 2 GHG emissions  
**3.68** million t-CO<sub>2</sub>e<sup>1</sup>

Volume of GHG emission reduction contributions of environmental contribution products  
**120** (index)<sup>2</sup>

Percentage of women among managers and Group Masters  
**3.8%**

Number of digital professional human resources  
**1,206**

Digital data usage  
**2.6** times (compared with FY2021)

Number of Group Masters  
**294**

FY2022

FY2024

April 2022

### Contributing to sustainable society

#### Non-Financial KPIs

Scope 1 and Scope 2 GHG emissions  
Reduction of **≥30%** (compared with FY2013)

Volume of GHG emission reduction contributions of environmental contribution products

Percentage of women among managers and Group Masters

At least **double**  
(compared with FY2020)

**10%**

### Vision

Two Mutually Reinforcing Aspects of Sustainability

### Sustainable growth of corporate value

#### Financial KPIs

Operating income **¥400** billion  
ROE **≥15%**  
ROIC **≥10%**

### Long-Term Outlook for Around FY2030

### Fiscal 2024 Targets

#### Financial KPIs

Operating income **¥200** billion  
ROE **≥9%** ROIC **≥6%**

#### Non-Financial KPIs

Number of digital professional human resources  
**2,500**

Volume of digital data usage Number of Group Masters  
**10** times (compared with FY2021) **360**

<sup>1</sup> Preliminary figure; may be revised due to third-party evaluation

<sup>2</sup> Indexed to FY2020 baseline as 100

## Review of Fiscal 2022

In fiscal 2022, Asahi Kasei achieved record-high net sales of ¥2,726.5 billion, increasing sales across all business segments with expansion of existing businesses, continued weakening of the yen, and rising prices for petrochemical products. Meanwhile, operating income decreased to ¥128.4 billion, due in part to prolonged shortages of semiconductors, stagnant demand stemming from the impact of lockdowns in China, and surging feedstock and fuel prices. In addition, we incurred a net loss as a result of recording an impairment loss of ¥186.4 billion in March 2023 on Polypore International, LP, our U.S. subsidiary

which produces battery separators. In light of these setbacks, we expect to achieve the initial fiscal 2024 target of ¥270 billion for operating income two or three years behind schedule. We will continue to seek growth from a medium- to long-term perspective, targeting ¥200 billion in operating income as well as return on equity (ROE) of 9% or more and return on invested capital (ROIC) of 6% or more for capital efficiency in fiscal 2024. We are determined to return to a trajectory of growth through steady implementation of our strategy set forth in the initial plan.

Fields for Provision of Value / Sectors and Businesses	Fiscal 2022 Achievements and Issues	Direction for Fiscal 2030
<p style="text-align: center;"><b>Environment &amp; Energy</b></p> <p><b>Material sector</b> <b>Environmental Solutions</b></p>	<p>In Environmental Solutions, we focused resources on three approaches—expediting green solutions, cultivating energy storage businesses, and promoting actions to achieve carbon neutrality—with the aim of realizing green transformation.</p> <p>Operating income deteriorated significantly to an operating loss of ¥2.3 billion in contrast with the original forecast of ¥42.3 million. This outcome was attributable to the sluggish performance of the basic materials and separator businesses.</p> <p>We recognize that revising the strategy of the separator business and further accelerating the structural transformation of petrochemical chain-related businesses are pressing issues.</p>	<p>We will continue to make forward-looking investments in the separator business and in hydrogen-related businesses. For the separator business, we will improve the earnings base of existing businesses and revise our strategy to accelerate expansion considering the use of outside capital and alliances. Although it will take time for hydrogen-related businesses to contribute to profits, we will advance development in preparation for future expansion of demand.</p> <p>To accelerate structural transformation, we will consider drastic measures with regard to commodity products centering on petrochemical chain-related businesses.</p>
<p style="text-align: center;"><b>Mobility</b></p> <p><b>Material sector</b> <b>Mobility &amp; Industrial</b></p>	<p>In Mobility &amp; Industrial, we enhanced our lineup of products in car interior material and next-generation mobility. In particular, we advanced concept proposals combining a diverse range of technologies and expertise in products for electric vehicles.</p> <p>Operating income of ¥10.8 billion was well below the original forecast of ¥23.8 billion, reflecting the impact of sluggish growth in the automobile industry as a result of semiconductor shortages and other factors.</p> <p>We recognize the need to carefully monitor automobile industry trends and to make progress toward restoration of earnings.</p>	<p>We are committed to accelerating the provision of innovative materials and solutions through the establishment of close partnerships with key automobile manufacturers to clearly ascertain signs of recovery in the automobile industry and restore earnings. We will strengthen the business structure by focusing on improving cost competitiveness and revising the product portfolio.</p>
<p style="text-align: center;"><b>Life Material</b></p> <p><b>Material sector</b> <b>Life Innovation</b></p>	<p>In Digital Solutions, we integrated the electronic components and electronic materials businesses and proactively explored new business opportunities to address the needs of a digital society.</p> <p>While operating of ¥27.8 billion was lower than the original forecast of ¥37.4 billion due to factors including delays in the recovery of market conditions for certain products and the impact of a plant fire in Comfort Life, Digital Solutions achieved adequate earnings.</p> <p>We recognize that we must increase the production capacity of the electronic materials business to expand Digital Solutions.</p>	<p>We expect Digital Solutions to deliver strong growth and maintain high ROIC. In addition to expansion of existing products, we will implement aggressive expansion measures for cutting-edge semiconductors and packaging processes by exploring co-creation opportunities to provide new value.</p> <p>For Comfort Life, we will focus on rebuilding the earnings base.</p>

Fields for Provision of Value / Sectors and Businesses	Fiscal 2022 Achievements and Issues	Direction for Fiscal 2030
<p style="text-align: center;"><b>Home &amp; Living</b></p> <p><b>Homes sector</b></p>	<p>We pursued customer satisfaction by strengthening cooperation among business units amid challenging business conditions in the domestic business, while proactively expanding operations in the overseas business. Despite a difficult operating environment in the order-built homes business, including rising construction material costs, we increased net sales and operating income with higher average sales prices due to larger and higher value-added homes, as well as reduction efforts. In the overseas business, we advanced forward-looking business portfolio transformation by expanding the regions of operations through new acquisitions in North America and Australia. As a result, we recorded operating income of ¥76.0 billion, slightly exceeding the forecast at the beginning of the fiscal year. We recognize that the Homes sector faces challenges in terms of raising the productivity and profitability of various businesses to ensure their continued and consistent cash generation.</p>	<p>In the order-built homes business, we will instill marketing strategies, including those for high-end customers. In addition, we will promote high value-added strategies by raising our proportion of homes compliant with Net Zero Energy House (ZEH) and ZEH Mansion (ZEH-M) standards and work to realize a sustainable society in various ways, such as achieving the goal of the RE100 initiative. In the overseas business, we will build a business platform resilient to material costs and fluctuations in demand with the aim of improving efficiency through industrialization and providing high-quality homes by raising productivity.</p>
<p style="text-align: center;"><b>Health Care</b></p> <p><b>Health Care sector</b></p>	<p>In Health Care, we are advancing toward becoming a global health care company by capturing a broad range of opportunities in global markets in both the pharmaceutical and medical device businesses to drive overall income growth.</p> <p>Despite strong sales growth for mainstay products in the pharmaceutical and medical businesses, operating income was ¥41.9 billion compared to the original forecast of ¥58.0 billion. This was largely attributable to the difficulty of procuring components due to semiconductor shortages, and a slowdown in orders stemming from U.S. economic downturn, resulting in a pause in growth in the critical care business.</p> <p>We entered the biopharmaceutical CDMO business through an acquisition in the medical business to achieve growth over the medium term.</p> <p>Although results were below the original forecast in fiscal 2022, we expect the sector to grow over the medium to long term. This will require steady implementation of the growth strategy set forth in the MTP.</p>	<p>Identifying the critical care, global specialty pharma, and bioprocess businesses as growth areas, we will seek to expand existing businesses and reap the benefits of proactive investments thus far. In addition, we will continuously capture growth opportunities in the global market by leveraging business development measures including M&amp;A and in-licensing to pursue further expansion of sales and profit.</p>

## Challenging Investment for Growth

In fiscal 2022, we focused resources on the GG10 businesses to drive future growth. We aim for GG10 to account for over 70% of our overall operating income by around fiscal 2030. We are actively exploring M&A opportunities and making bold investments to achieve this. While our approach of focusing

resources on GG10 will continue in fiscal 2023, we will further clarify the priority of resource allocation among GG10 as we make investment decisions.

Positioning of Investments	GG10	Investment Scale and Direction (FY2022–2024, decision-adopted basis)	Profit <sup>1</sup> Growth Target (increase in FY2024 compared with FY2021)
<b>First Priority</b> Maintain proactive investments for growth over the medium term, increase focus on gaining income from past investments	<b>Health Care</b>		
	Critical Care	Up to ¥200 billion in investments is planned, including the acquisition of Bionova Scientific, LLC (Bionova), a U.S. biopharmaceutical CDMO, in May 2022. We will continue to proactively explore investment opportunities to achieve growth in Health Care.  Regarding previous M&A investments, sales at Veloxis Pharmaceuticals, Inc. (Veloxis), declined amid the impact of the COVID-19 pandemic, and progress is delayed by one or two years from the initial plan. Respicardia, Inc., and Itamar Medical Ltd., (Itamar), aim to expand sales by steadily creating synergies with ZOLL Medical Corporation (ZOLL). Bionova has decided to increase its capacity for process development and GMP <sup>2</sup> manufacturing of next-generation antibody drugs while aiming to increase profits by expanding orders.	<b>Approx. ¥15 billion increase</b> ↑
	Global Specialty Pharma		
	Bioprocess		
	<b>Life Material</b>		
Digital Solutions	We plan to invest up to ¥200 billion, including the fiscal 2022 decision to increase production capacity of Pimel™ photosensitive polyimide. We will continue to seek growth through proactive investments, including inorganic growth.	<b>Approx. ¥10 billion increase</b> ↗	
<b>Growth Potential</b> Make upfront investments while cooperating with other companies to strengthen competitiveness as drivers of future growth	<b>Environment &amp; Energy</b>		
	Energy Storage	We plan to invest over ¥200 billion, primarily in the separator business and hydrogen-related businesses, which have high growth potential over the medium term, as upfront investments in future growth drivers. For the separator business in particular, we are examining the possibility of making large-scale investments, such as to establish manufacturing of Hipore™ LIB separators in the North American market.	— →
	Hydrogen-Related		
CO <sub>2</sub> Chemistry			
<b>Earnings Base Expansion</b> Explore and examine investment opportunities to steadily expand earnings scale, continue to consistently generate earnings	<b>Home &amp; Living</b>		
	North American and Australian Homes	We plan to make investments up to ¥100 billion, including the acquisitions of the Focus Companies of the U.S. in November 2022 and Arden Homes Pty Ltd. of Australia in February 2023.  Regarding previous investments, we expect Synergos Operations LLC, our North American homes business, to see persistently firm demand, reflecting acute shortages of homes in the regions where it operates. NXT Building Group Pty. Ltd., our Australian homes business, will accelerate growth by streamlining construction processes and improving efficiency.	<b>Approx. ¥10 billion increase</b> ↗
	Environmental Homes and Construction Materials		
<b>Mobility</b>			
Car Interior Material	We plan to invest up to ¥100 billion, including the fiscal 2022 investment to expand car interior material in the U.S. We will concentrate on reaping the benefits of previous investments while focusing on investments with a high degree of certainty going forward.  Although the performance of Sage Automotive Interiors, Inc., (Sage) stagnated due to sluggish growth in the automobile market, it will return to a growth trajectory in line with market recovery.	<b>Approx. ¥10 billion increase</b> ↗	

<sup>1</sup> Profit: Operating income + amortization from PPA

<sup>2</sup> Good Manufacturing Practice, a collection of regulations related to manufacturing with which manufacturers of pharmaceuticals are required to comply. The manufacture of pharmaceuticals according to strict GMP regulations is referred to as GMP-compliant manufacturing.

## Cash Generation from Structural Transformation and Strengthening Existing Businesses

We will further accelerate the structural transformation of businesses in response to underperformance compared with the initial targets set forth in the MTP. At the outset of the MTP, we advanced such transformation under the two approaches of reform of strategic restructuring businesses—which saw a deterioration in recent performance due to the impact of the COVID-19 pandemic and other factors—and fundamental business structure transformation, in terms of both performance and compatibility with our medium-term vision. As these efforts involve businesses with interdependent supply and demand relationships, such as for raw materials, we are currently examining ways to achieve structural transformation through the integration of the two approaches. Net sales of businesses to be targeted for structural transformation totaled more than ¥700 billion in fiscal 2021. Of these, we aim to complete the structural transformation of multiple businesses with net sales totaling ¥100 billion or more by fiscal 2024, including those identified as Exit businesses in the reform of strategic restructuring businesses. Meanwhile, we will undertake the structural transformation of petrochemical chain-related businesses, which we have designated as businesses handling commodity chemicals, the earnings volatility of which has once again become prominent. Although there is some overlap with the aforementioned businesses with net sales totaling ¥100 billion or more, net sales of petrochemical chain-related businesses total approximately ¥600 billion.

### Directions of Business Structure Transformation Under Consideration

- Planning to implement structural transformation of businesses with sales of **more than ¥100 billion** during FY22–24 (incl. those designated as Exit in the Strategic Restructuring Business)
- Examining the medium-term direction of the petrochemical chain-related business with sales of **approximately ¥600 billion** with a view to carbon neutrality

Sales of subject businesses  
(FY21 results)

**¥700 billion or more**

Discussions on petrochemical chain-related businesses are proceeding with particular emphasis on whether such businesses can be sufficiently profitable considering the investments required to achieve carbon neutrality and related costs including carbon taxes.

We have established three major options for the direction of business structure transformation: 1) collaborative operation with other companies through joint ventures and other arrangements, 2) exit from the business, and 3) developing carbon-neutral technologies and increasing added value. We are exploring the possibility of the third option while also examining the first and second options. We have already confirmed the direction and taken concrete action for several businesses, such as seeking suitable partners from the best-owner perspective and advancing negotiations, and will finalize the direction and steadily implement the structural transformation of the remainder by fiscal 2024. Although the removal of some businesses from the scope of consolidation due to business withdrawal or the launch of joint ventures with other companies will result in a decline in the operating income of petrochemical chain-related businesses, we will seek to transition to an earnings structure that enables stable earnings growth. In addition, we aim to achieve carbon neutrality throughout our supply chain and to generate profits through a licensing business by developing technology related to bio-based feedstocks.

### Policy of Structural Transformation of Petrochemical Chain-Related Businesses

	Approaches	Example of Initiatives
1) Collaborative operation with other companies through joint ventures, etc.	<ul style="list-style-type: none"> <li>• Raising competitiveness</li> <li>• Sharing required investment and cost burden</li> <li>• Mutual utilization of innovations for carbon neutrality</li> </ul>	Established JV for spunbond nonwovens
2) Exit from the business	<ul style="list-style-type: none"> <li>• Plant downsizing/closure</li> <li>• Sale of the business to the best owner</li> </ul>	Divestiture of photomask pellicles
3) Developing carbon-neutral technology and increasing added value	<ul style="list-style-type: none"> <li>• Using proprietary or licensed technology for carbon neutrality</li> <li>• Transformation of product portfolio with value for customers</li> </ul>	Developing proprietary technology for basic feedstocks from bioethanol

## Strategies by Sector

## Material sector

Message from the  
Head of the  
Material Sector

Koshiro Kudo

Executive Officer

for Material Business Sector

President &amp; Representative Director

Presidential Executive Officer

Asahi Kasei Corp.

## Addressing society's ever-changing needs with diverse technologies and innovation

We operate three businesses in the Material sector: Environmental Solutions, Mobility & Industrial, and Life Innovation. These correspond to the Environment & Energy, Mobility, and Life Material fields for provision of value, addressing society's ever-changing needs with a lineup of high value-added materials and products unique to Asahi Kasei.

In fiscal 2022, the performance of the basic materials business in Environmental Solutions in particular declined sharply, reflecting a generally harsh operating environment. I believe this decline highlighted again the need for structural transformation centered on the petrochemical chain-related businesses. In the separator business, we made clear our policy of focusing resources on growing the Hipore™ business and recorded an impairment loss on Polypore International, LP. Fiscal 2022 was also a year that saw us advance transformation focused on the medium-term direction of the sector, such as transferring the photomask pellicles business and establishing a joint venture for the spunbond nonwoven products business, taking into consideration the best-owner perspective.

In fiscal 2023, despite continuing uncertainty in the operating environment, including a slowdown in demand due to an economic recession centered on China, we will strive to expand growth businesses, such as separators, car interior material, and Digital Solutions. At the same time, we will continue to

advance the business reforms we have been studying, including withdrawal from the general-purpose tire cord business, to increase profitability.

### Promoting Business Portfolio Transformation to Focus Resources on Future Growth Businesses

The Material sector is targeting net sales of ¥1.53 trillion and operating income of ¥110 billion for fiscal 2024, the final year of the MTP. Although achieving the target for operating income will require a significant improvement from the level of fiscal 2022, we will execute a range of measures, such as those for raising productivity and reducing costs, and clarify our resource allocations, including for business portfolio transformation, to expand growth businesses focused on GG10.

Asahi Kasei has established three categories for GG10 according to business direction. We regard Digital Solutions, which we have positioned as a first priority area, as a business with the potential to aim for high growth while maintaining a high return on invested capital (ROIC). Accordingly, in addition to achieving growth in individual products such as Pimel™, whose production capacity we decided to expand for leading-edge semiconductors, Digital Solutions will seek to offer unique value drawing on its combined strengths in electronic components and electronic materials and pursue inorganic growth opportunities.

#### Digital Solutions

- Mixed-signal LSIs, electronic compasses
- Magnetic sensors
- Gas sensors
- Pimel™ photosensitive polyimide/PBO precursor
- Sunfort™ dry film photoresist
- Glass fabric

#### Comfort Life

- Bemberg™ cupro fiber, Roica™ premium stretch fiber
- Saran Wrap™ cling film
- Ceolus™ microcrystalline cellulose pharmaceutical and food additive
- Photopolymers and platemaking systems

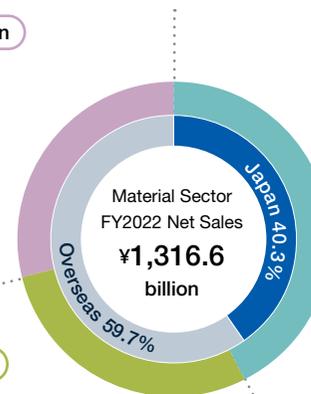
- Car interior fabric
- Dinamica™ artificial suede
- Leona™, Tenac™, and Xyron™ engineering plastics, SunForce™ foamed beads, Asaclean™ purging compound for molding machines

#### Life Innovation

- Leona™ nylon 66 filament
- Duranate™ curing agent for polyurethane coatings

#### Environmental Solutions

- Hipore™ and Celgard™ lithium-ion battery separators, Daramic™ lead-acid battery separators
- Chlor-alkali electrolysis systems, Microza™ hollow-fiber filtration membranes
- Synthetic rubber, elastomers
- Acrylonitrile (AN) and other petrochemical-related products



## Message from the Head of the Material Sector

We have positioned the energy storage business—which includes separators—the hydrogen-related business, and the CO<sub>2</sub> chemistry business as growth potential areas. Given their high potential for growth over the long term, we will make strategic upfront investments in these three businesses, including utilizing the capital of other companies. In the hydrogen-related business, we are conducting verification trials to commercialize an alkaline water electrolysis system and examining potential business models. As we are receiving many inquiries in response to global trends, we are working to accelerate commercialization of the system.

We have positioned the car interior material business as one of our earnings base expansion areas. Although the business has been affected by the downturn in production in the automobile industry in recent years, sales volumes are recovering and a structure for achieving expansion while generating stable earnings, including the results of measures for raising productivity, is once again taking shape. We will aim for further growth by firmly benefiting from market recovery.

Meanwhile, we must examine structural transformation of the petrochemical chain-related businesses with an eye to achieving carbon neutrality. The frame of reference of the examinations will come down to whether meeting the costs required to address environmental issues will allow the businesses to make sufficient profits. We will consider a variety of options, such as promoting the development of technology and the creation of products with high added value in relation to addressing environmental issues, as well as the establishment of joint ventures with other companies and withdrawal from businesses, if required, after carefully examining the profitability and competitiveness of each business.

### Pursuing High Added Value and Earnings Growth by Creating New Business Models

The Material sector operates a diverse range of businesses. Although it faces challenges related to business structure transformation and decarbonization, the sector also has a purpose and the potential to continuously spur innovation, creating new materials and new business models to realize the Group Mission. Under the concept of Product-based Platform as a Service (P-PaaS), which provides a platform that helps increase customer value, the Material sector will expand solution-oriented businesses that do not simply sell products. For example, it will offer data-driven services, such as predictive maintenance and optimal operation proposals, using smart electrolyzers for the ion-exchange membrane electrolysis process.

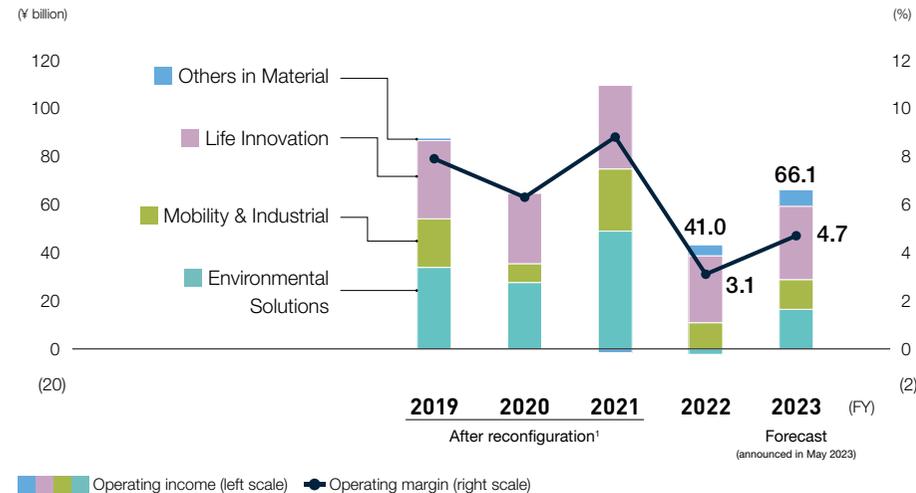
Through these efforts, we will promote business expansion by shifting management resources to future growth fields with the aim of establishing a high value-added profit structure that is resilient to changes in market conditions.

## KPIs

	FY2021 (after reconfiguration <sup>1</sup> )	FY2022	FY2024 target (announced in Apr. 2023)
Net sales (¥ billion)	1,210.0	1,316.6	1,530.0
<b>Operating income (¥ billion)</b>	<b>106.0</b>	<b>41.0</b>	<b>110.0</b>
<b>Operating margin</b>	<b>8.8%</b>	<b>3.1%</b>	<b>7.2%</b>
EBITDA (¥ billion)	183.0	128.5	187.0
EBITDA margin	15.1%	9.8%	12.2%
<b>ROIC<sup>2</sup></b>	<b>6.7%</b>	<b>2.4%</b>	<b>6.0%</b>

Note: Shaded rows are management KPIs in the Material sector

## Operating income, operating margin



<sup>1</sup> Figures have been recalculated to reflect the revision of business categories in FY2022

<sup>2</sup> ROIC = operating income (1 – tax rate) / (fixed assets + working capital, etc.)



## GG10 Hydrogen-Related

Environment & Energy

Helping to reduce greenhouse gas emissions around the world through the supply of low-cost green hydrogen by swiftly commercializing large-scale alkaline water electrolysis systems and becoming a key player in the hydrogen supply chain

### Operating Environment

#### Global progress in hydrogen-related technology development aimed at realizing a decarbonized society

As hydrogen is gaining attention as an essential material for a decarbonized society, projects related to green hydrogen produced using renewable energy are being launched around the world.

There are several methods for producing hydrogen. Among them, Asahi Kasei is developing alkaline water electrolysis technology, which is suited for large-scale systems and is expected to enable low-cost, mass production of hydrogen. As seen not only in highly environmentally conscious Europe, but also with the Inflation Reduction Act that went into effect in 2022 in the U.S. and the 2023 revision of the Basic Hydrogen Strategy in Japan, the movement to adopt green hydrogen production and usage is gaining momentum worldwide, and the market for electrolysis systems for hydrogen production is expected to grow significantly going forward.

### Strengths of the Asahi Kasei Group

#### Steady verification of alkaline water electrolysis systems based on chlor-alkali electrolysis technology

Asahi Kasei's alkaline water electrolysis systems are based on the ion-exchange membrane chlor-alkali electrolysis technology that we commercialized in 1975. In the chlor-alkali electrolysis field, we have the ability to provide membranes, electrolytic cells, electrodes, operating technology, and monitoring systems, and we have a high global market share in ion-exchange membranes. We are leveraging the expertise we have accumulated in this area to develop large-scale alkaline water electrolysis systems that can be used with renewable energy and other intermittent power supplies, and we are participating in multiple verification projects in this regard.

In Japan, trial operation of a 10 MW-class water electrolysis system is underway at the Fukushima Hydrogen Energy Research Field of the New Energy and Industrial Technology Development Organization (NEDO). In addition, our joint verification project with JGC Holdings Corporation was adopted as a NEDO Green Innovation Fund project, specifically for hydrogen production through electrolysis using renewable energy. In this project, we are working to develop large-scale alkaline water electrolysis hydrogen production systems, with the target of creating 100 MW-class systems, as well as systems for integrating and controlling the production of green chemicals using renewable energy. In Europe, Asahi Kasei has accumulated operating expertise and data through participation in the ALIGN-CCUS project and its successor, the TAKE-OFF project. Additionally, in 2023, our "verification research on alkaline water electrolysis systems to expand the supply of green hydrogen (Europe)" was selected as a NEDO research project\*. We will continue to work with partner companies to acquire knowledge for commercialization.

\* NEDO's international verification project on Japanese technology for promoting energy consumption efficiency, which aims to study the technology's satisfaction of verification requirements (pre-verification study and verification research)

### Business Strategies

#### Becoming a leading supplier of alkaline water electrolysis systems through swift commercialization and supply chain development

While performing trials to enhance safety, durability, and performance, and achieve high-reliability alkaline water electrolysis systems, we are working to reduce the costs for practical application with commercialization targeted in 2025. We will start by introducing these systems in regions that are ahead of other markets in this regard, but in the future, we aim to capture a major global market share of electrolysis systems, and are considering involvement in operations and monitoring as well.

In 2022, with funding from NEDO, we broke ground on a pilot facility at our Kawasaki Works to conduct verification tests to control multiple electrolyzer modules. We also joined the Hydrogen Council, a global initiative involving approximately 150 companies and organizations, as a steering member. In 2023, we joined the Japan Hydrogen Forum, which supports decarbonization in the U.S., and we have been deepening our collaboration with various government agencies, companies, and organizations.

Our hydrogen-related business requires the development of new supply chains through collaboration with various companies, ranging from upstream energy suppliers to downstream hydrogen users. We are already receiving many inquiries regarding our alkaline water electrolysis systems. Accordingly, we will be seeking out ideal partners as we drive the development of the supply chain, and we will accelerate the global expansion of our hydrogen-related business to meet rapidly growing demand.

#### Key Points for Development of the Hydrogen-Related Business

- Completion of technologies for large-scale systems and modularization
- Development of integrated control systems (overall process optimization)
- Cost reduction of alkaline water electrolysis systems
- Development of partnerships in the supply chain
- Securing hydrogen demand based on region and business model

Commercialization in 2025 and growth into new business pillar in 2030

## GG10 CO<sub>2</sub> Chemistry

Environment & Energy

Pursuing carbon neutrality by utilizing cutting-edge, proprietary technologies to separate, recover, and utilize CO<sub>2</sub>

### Operating Environment

#### Development of various CO<sub>2</sub>-related technologies for contributing to decarbonization

For carbon neutrality, technologies for separating, recovering, and utilizing CO<sub>2</sub> are being developed around the world.

Centered on eco-conscious Europe, movements toward carbon neutrality are advancing in various industries. Specific efforts include recovering CO<sub>2</sub> from flue gas at power plants and factories, and separating CO<sub>2</sub> and recovering methane from biogas. Accordingly, related markets are expected to grow rapidly in the future.

There has also been a sharp increase in attention directed toward carbon footprints in the procurement of raw materials. There is thus rising interest in reducing CO<sub>2</sub> emissions from raw material manufacturing processes as well as in using materials produced from CO<sub>2</sub>.

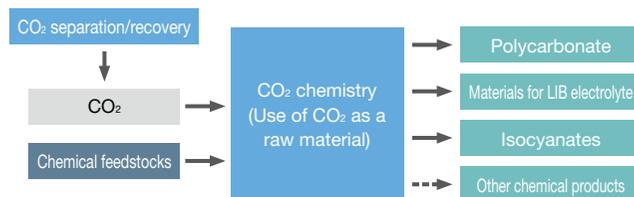
Asahi Kasei is developing CO<sub>2</sub> separation and recovery technology as well as technology for producing chemical products from CO<sub>2</sub> (CO<sub>2</sub> chemistry). We thereby aim to contribute to reduced CO<sub>2</sub> emissions through various efforts spanning from CO<sub>2</sub> recovery to usage.

### Strengths of the Asahi Kasei Group

#### CO<sub>2</sub> adsorption through proprietary zeolite and use of CO<sub>2</sub> as a material via various technologies

Asahi Kasei is developing CO<sub>2</sub> separation and recovery technology that adsorbs CO<sub>2</sub> from mixed gases using a proprietary zeolite. We have a long history of using zeolite as a catalyst, and the associated knowledge and technology are being utilized for the purpose of CO<sub>2</sub> adsorption. The CO<sub>2</sub> adsorption process using our zeolite only requires half of the energy needed for the amine method that is currently mainstream. This process is therefore expected to contribute to lower CO<sub>2</sub> recovery costs.

Moreover, the Asahi Kasei Group has been engaged in the development of CO<sub>2</sub> chemistry, for using CO<sub>2</sub> as a raw material, since the 1980s. In 2002 we began licensing our polycarbonate manufacturing technology which was the first in the world to utilize CO<sub>2</sub> while also not using toxic phosgene, and our technology is used for 16% of global polycarbonate production capacity. Based on this technology and our commercialization expertise, we started licensing a technology that uses CO<sub>2</sub> as a raw material for lithium-ion battery (LIB) electrolyte in 2021. We are also developing various isocyanates for use as materials for producing polyurethane. The Asahi Kasei Group enjoys world-leading R&D capability and a track record of commercialization in these fields.



## Business Strategies

### Verification trials for CO<sub>2</sub> separation and recovery technology, and advancement of business for CO<sub>2</sub> utilization technology

Asahi Kasei is considering verification trials for CO<sub>2</sub> separation and recovery technology using actual gas with the aim of commercializing the technology by fiscal 2027 for processes using biogas or other gases. In Europe, the trend toward encouraging the use of biogas is picking up pace. Reflecting this trend, we are seeing the announcement of a variety of policies, programs, and investment plans, such as the European Commission's REPowerEU plan, which incorporates the use of biogas to replace natural gas from Russia. We are considering verification in Europe where growing demand is forecasted for separating CO<sub>2</sub> from biogas to recover methane. We are also developing systems for power plants, factories, and other facilities.

As for CO<sub>2</sub> chemistry, we are focused on licensing the technology we have commercialized for LIB electrolyte material. At the same time, we are accelerating the development of isocyanate production technology. We are targeting the commercialization of a special isocyanate expected to be used as a next-generation automotive paint material in 2026. The performance of the material has received a strong reception in sample evaluations conducted at paint manufacturers, automobile manufacturers, and other potential customers.

Other new technologies under development include CO<sub>2</sub> conversion using green hydrogen, ethylene production by CO<sub>2</sub> electroreduction, and bio-conversion of CO<sub>2</sub>.

With our world-leading environmental solutions technologies, we will contribute to the increased utilization of CO<sub>2</sub> and to the reduced use of fossil resources.



## GG10 Energy Storage

Environment & Energy

Responding to rising energy storage demand associated with decarbonization, expanding contributions centered on LIB separators; pursuing new business opportunities related to next-generation energy storage devices

### Operating Environment

#### Rising importance of LIBs as energy storage devices widely adopted throughout society

The need for energy storage is accelerating along with the trend toward decarbonization. While various new technologies are being developed, we believe lithium-ion batteries (LIBs) will remain an important device in this field for the foreseeable future, and the market is expected to grow substantially due to the rapidly advancing move toward vehicle electrification. The U.S. Inflation Reduction Act, which went into effect in 2022, is also expected to stimulate the further proliferation of electric vehicles.

Current mainstream LIBs use either ternary or lithium iron phosphate (LFP) cathode materials. LIBs that use ternary cathode materials are characterized by high capacity, and mainly use wet-process separators, while those that use LFP cathode materials mainly use dry-process separators.

In addition, rapidly rising global demand for LIBs is also projected to stimulate increased demand for LIB reuse and recycling solutions, which should give rise to new markets.

### Strengths of the Asahi Kasei Group

#### Addressing diverse needs based on accumulated expertise and industry-leading technological capabilities

The LIB separator business operated by the Asahi Kasei Group is based on technology and knowledge that we have cultivated since the 1970s, and includes LIB research and the development of prototypes that would evolve into the LIBs of today.

Our strengths in this business include the quality, safety and high performance of our separators backed by our technological expertise, and reliable supply capability, plus our experience with both wet-process and dry-process separators. We have earned particular recognition for our ability to make proposals and develop products that leverage these strengths, and we have built strong relationships with customers in areas demanding high levels of performance. Sales volumes for our wet-process Hipore™ separators grew at a compound annual growth rate (CAGR) of 17% from 2000 to 2021. Additionally, our strengths include world-class environment-friendly technology, high productivity powered by accumulated production technologies, and a comprehensive patent portfolio.

In China, where the LIB market is expanding, the dry-process separator joint venture established by our subsidiary Polypore International, LP, and Shanghai Energy New Materials Technology Co., Ltd. (SEMCORP) to tap into the market for energy storage system LIBs, commenced operations in the second half of fiscal 2022.

## Business Strategies

### Pursuing growth in the separator business while exploring new business opportunities

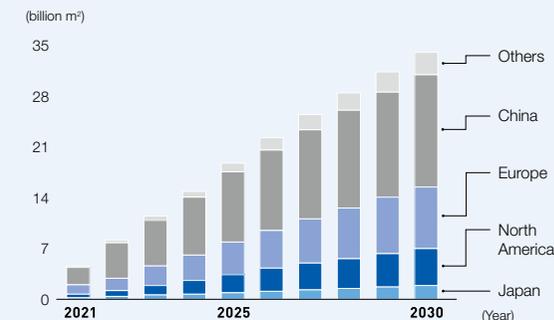
With the growth of the separator business as its focus, the Asahi Kasei Group is pursuing further possibilities in energy storage-related businesses.

We have decided to concentrate resources on the growth potential of Hipore™ in the separator business, and in this pursuit with North America as our main target market going forward, we are considering means such as alliances to strengthen our supply framework. Currently, none of the major separator manufacturers have wet-process production facilities in North America, with each company competing under the same conditions. Therefore, we aim to establish a solid position by leveraging the strengths of Hipore™, namely its high performance, quality, safety, productivity, and environment-friendly technology.

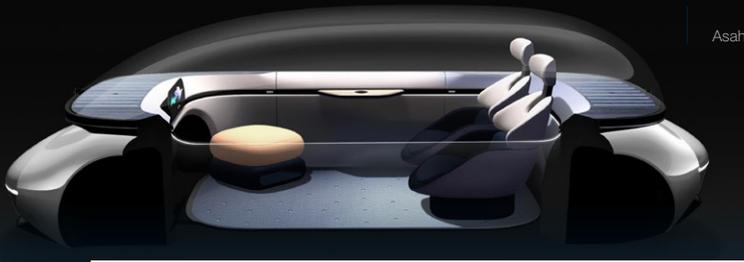
Meanwhile, we are working toward the development of next-generation energy storage devices. In fiscal 2023 we commenced full-fledged licensing activities for innovative lithium-ion capacitors featuring improved energy density and reduced costs. We are also working to commercialize the technology that is currently under development for innovative electrolyte material utilizing high ion-conductivity solvents.

In addition, for longer-term business development, we are leveraging the knowledge we have cultivated in the separator business to create solution-oriented business and develop next-generation innovative batteries to meet the needs of a vast energy storage market.

Outlook for automotive LIB separator demand



Source: Asahi Kasei estimates



## GG10 Car Interior Material

Mobility

Supplying proprietary, differentiated, high value-added solutions to the automotive interior material market, which is growing in conjunction with the diversification of automotive interior needs

### Operating Environment

#### Growth projected in automotive interior material market together with diversification of automotive interior needs

Due to the advancement of CASE and MaaS trends in the automotive industry and the growing awareness of sustainability, needs regarding automotive interiors are becoming more diverse. These trends are creating needs for functions and characteristics in materials and components that differ from conventional expectations.

As a result, the automotive interior material market is projected to grow at a faster rate than vehicle production volumes. The broadening range of automotive interior needs presents a substantial business opportunity for us, with our diverse lineup of products and technologies.

#### Changes to Automotive Interiors Driven by CASE

	Connected	Autonomous	Shared	Electric
Changes in automotive interiors	<ul style="list-style-type: none"> <li>Monitoring of in-vehicle environment</li> <li>Recognition and monitoring of passengers</li> </ul>	<ul style="list-style-type: none"> <li>Use as in-vehicle living room or office</li> <li>Diversification of seat design and layout</li> </ul>	<ul style="list-style-type: none"> <li>Public use</li> <li>Availability for various purposes</li> </ul>	<ul style="list-style-type: none"> <li>Noise reduction</li> <li>Thermal management</li> <li>Weight reduction</li> </ul>
New needs for interior parts/components	<ul style="list-style-type: none"> <li>Monitoring technologies</li> <li>Smart textiles</li> </ul>	<ul style="list-style-type: none"> <li>Greater comfort</li> <li>Innovative designs</li> </ul>	<ul style="list-style-type: none"> <li>Easy cleaning, antifouling properties</li> <li>Odor resistance, antibacterial properties</li> <li>Enhancement and diversification of performance</li> </ul>	<ul style="list-style-type: none"> <li>Soundproofing, vibration proofing, thermal insulation</li> <li>Transition to new materials</li> </ul>

### Strengths of the Asahi Kasei Group

#### Meeting customer needs with high-quality sustainable materials and strong design proposal capabilities

Sage Automotive Interiors, Inc., which joined the Asahi Kasei Group in 2018, enjoys strengths in its design and customer proposal capabilities. By using these strengths to deploy regional and material strategies on a global scale, we have secured a position as a leading global supplier in the seat fabric\* market. In 2023, we rebranded our artificial suede material by integrating Lamous™ with Sage's Dinamica™, and we are focusing on integrated promotion from raw fabric to finished products.

Our artificial suede has been well received as a high-quality sustainable material that uses no organic solvents during the production process. Combining this with Sage's design capabilities has enabled us to create distinctive high value-added products that have been increasingly adopted around the world. To respond to the resulting robust demand, in fiscal 2022 we added production capacity in Nobeoka City, Miyazaki Prefecture, Japan.

Our diverse lineup of products and technologies includes various offerings for increasing the quality of automotive interiors, and combining these offerings to make unique proposals creates significant opportunities for Asahi Kasei. At the same time, we will take advantage of our digital transformation, intellectual property (IP), and other foundations to provide proposals that leverage IP landscaping for automobile manufacturers.

\* Knitted, woven, and nonwoven car seat fabric (excluding natural and synthetic leather)

### Business Strategies

#### Becoming an automotive interior solutions provider by offering value that meets new needs

In our car interior material business, we are targeting net sales exceeding ¥100 billion in 2024. In addition to artificial suede, demand is growing for PVC synthetic leather as an alternative to natural leather, and to expand the product lineup to meet customer needs, we have begun producing this material in China, with expansion to other regions planned in the future. We continue to raise production capacity for Dinamica™ products while reinforcing sustainability initiatives. Additionally, in parallel with business expansion, we will strengthen our production through means including factory closure and consolidation, and develop frameworks for regional supply in accordance with regional demand. By so doing, we will further solidify our position as a leading supplier.

Our growth strategies for meeting diversifying automotive interior needs include the further differentiation of our solutions. We will acquire foundations for direct involvement in and contribution to the development activities of automobile manufacturers in specific automotive interior fields, and develop vegan leather and other plant-derived materials, highly recyclable monomaterials, and materials featuring greater comfort. In addition, effective key account management practices will be adopted to gain a better understanding of automobile production processes so that we can provide unique, comprehensive solutions through development proposals matched to current trends and needs.

By honing superiority for solutions in terms of design, sustainability, and comfort, we aim to become a distinctive automotive interior solutions provider by developing materials and components, and by offering services, with a focus on user experience.



## GG10 Digital Solutions

Life Material

Leveraging a unique position of having both electronic components and electronic materials; addressing the needs of the digital society with distinctive components, materials, and solutions

### Operating Environment

#### Accelerated evolution of digital technologies and solutions in response to diversification of needs stimulated by social change

Digital technologies and solutions are constantly evolving along with the accelerated digitalization of society, including the progress of AI technology, leading to continued market growth. As needs become more diverse in a variety of fields, digital technologies and solutions have become imperative to providing new value in response to changes in the operating environment.

The market is expected to continue to undergo substantial growth as a result of the advancement of digital technologies and solutions. It is expected that continuous significant market expansion will be especially driven by rapid market change toward electric vehicles amid rising environmental awareness; digitalization as seen in the spread of 5G, 6G, and other high-speed communications systems; and the rising desire for more comfortable lifestyles as people live healthier and longer.

### Strengths of the Asahi Kasei Group

#### Deployment of high value-added products that lead the markets for electronic components and electronic materials

Business promotion reflecting market trends for both electronic components and materials is a major strength of the Asahi Kasei Group.

In our electronic components business, we draw on our years of experience in analog signal processing technology to propose optimal solutions for markets related to energy conservation and healthy and comfortable lifestyles—including electric vehicle applications—centered on sound quality control, and magnetic, electric current, infrared, and other sensing devices. Leading the industry in terms of mixed-signal large-scale integrated circuit design technology for bridging the gap between analog and digital information, Asahi Kasei offers a number of products with world-leading market shares, building strong, trust-based relationships with customers as an innovative and distinctive electronic components manufacturer.

In addition to its sophisticated development capabilities, manufacturing technology, and quality control, our electronic materials business builds on its strength in accommodating customer requests to underpin the growth of the cutting-edge semiconductor market by maintaining a lineup of high-performance and highly competitive products. World-leading market shares have been maintained along with high evaluation globally for products including Pimel™ photo-sensitive polyimide precursor, a semiconductor buffer coating; dry film photoresist used in etching circuits on printed wiring boards; and ultra-thin glass fabric for printed wiring boards.

Electronic components	Electronic materials
<p>Creating innovative products with competitive sensing technology in the xEV, energy conservation, and comfort markets</p> <ul style="list-style-type: none"> <li>• Sensing (magnetic, current, infrared, and millimeter wave)</li> <li>• Analog signal processing</li> <li>• Software algorithms</li> </ul>	<p>Providing highly competitive materials and solutions for cutting-edge semiconductor and packaging process innovations</p> <ul style="list-style-type: none"> <li>• High-density wiring (photosensitive dry film and photosensitive buffer coat)</li> <li>• Low transmission loss (low-dielectric glass fabric and plastic optical fiber)</li> <li>• High-precision adhesion (latent epoxy hardener)</li> </ul>

### Business Strategies

#### Provision of unique solutions matched to new market needs through the integration and unified management of the electronic components and materials businesses

The unified management of the electronic components and materials businesses will allow Asahi Kasei to accurately identify market trends and create solutions using its various acquired technologies, thereby accelerating growth through distinctive products and services. We will aim to achieve operating income of ¥70 billion for Digital Solutions by around 2030.

In electronic components, we established a project to expand our business for electric current sensing devices with high-speed response and high sensitivity, ideal for next-generation power device applications that are seeing an expansion in demand related to electric vehicles. With a focus on China, we also set up garage-style laboratories at several global bases, where customers can experience noise cancellation technology, high-precision CO<sub>2</sub> sensors, and other solutions that enhance the sound and air quality of spaces, such as living rooms and car interiors, to accelerate sales expansion. In addition, we will pursue further business opportunities for Hall elements that contribute to the environment and to energy conservation and explore opportunities to offer solutions based on environmental sensing.

In electronic materials, we are seeking to expand our provision of highly competitive electronic materials and solutions, to spur technological innovation in 5G, 6G, and other communication systems that support the development of digital society and in cutting-edge semi-conductors and packaging processes used in data servers and other equipment. To this end, we have decided to increase production capacity for Pimel™.

Meanwhile, we are promoting the acceleration of product development utilizing digital transformation and activities to spur innovation to achieve future growth. In addition to autonomous growth, we will advance value creation, including through the adoption of outside technologies and through M&A, to strengthen and expand our business domain.

## Strategies by Sector

## Homes sector

## Message from the Head of the Homes Sector

### Fumitoshi Kawabata

Executive Officer

for Homes Business Sector

Vice-Presidential Executive Officer,  
Asahi Kasei Corp.

President & Representative Director,  
Asahi Kasei Homes

Director,

Asahi Kasei Construction Materials



## “ Celebrating half a century of the homes business, striving forward as an essential company of true value for all stakeholders

### “Long Life” Concept Focused on the Future

In fiscal 2022, we celebrated the 50th anniversary of Asahi Kasei's homes business. I would like to express my sincere appreciation to all of our stakeholders, including customers, employees, shareholders, and investors, for helping us achieve record-high net sales and operating income in such a major milestone year.

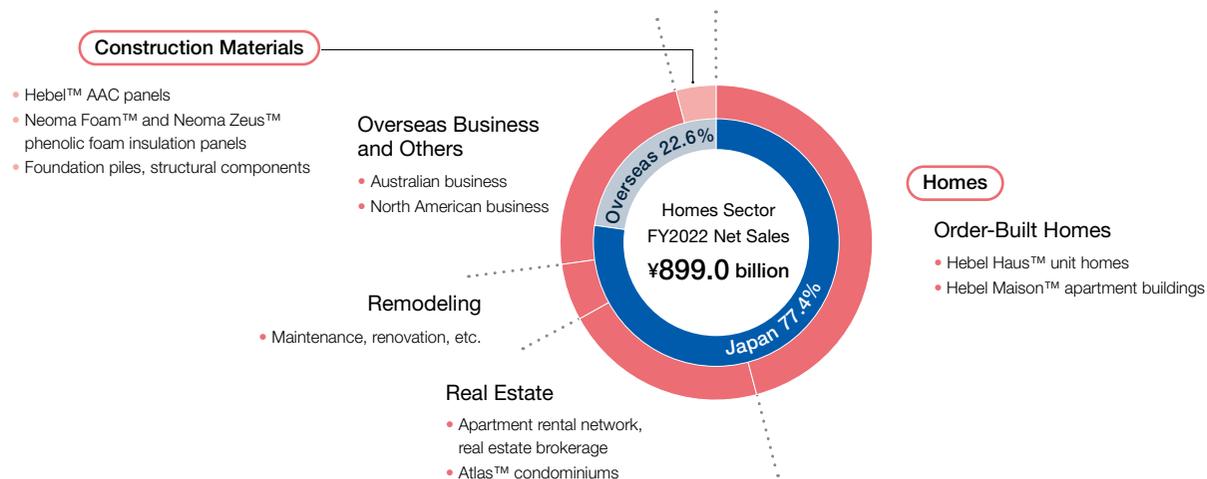
With the support of such customers, Hebel Haus™ has established a solid position in Japan's urban housing. In addition, the business has grown steadily in step with changes in society, including remodeling, leasing, brokerage, and condominium businesses, and promoted overseas homes businesses in recent years. The construction materials business has also played a role in realizing high value-added homes by making full use of the technological capabilities of Asahi Kasei's materials.

The homes business seeks to offer long-lasting homes where people can continue to live with peace of mind. Passed on since our founding, this aspiration precisely aligns with the concept of sustainable homes for the future. I am confident that we will see increasing demand in the coming era for the “Long Life” products and services that we provide to support life, well-being, and living for customers.

### Profit Growth by Strengthening Domestic Businesses and Expanding Overseas Businesses

The growth of the Homes sector has contributed to society and raised the cash-generating capability of the Asahi Kasei Group. The current MTP targets net sales of ¥1 trillion and operating income of ¥95 billion for the Homes sector in fiscal 2024. While domestic businesses are securing earnings despite a challenging operating environment, including a declining population, our challenge is to firmly grow the overseas businesses, which are projected to see an increase in demand, in order to achieve these targets.

In recent years, we have made higher value-added proposals in the order-built homes business, such as homes for seniors and homes that protect the environment. We also promoted new marketing strategies for high-end products and conducted organizational reforms to fully leverage the strengths of Asahi Kasei Homes. As a result, despite greater-than-anticipated change in our operating environment—including higher construction material costs as an effect of global affairs—we were able to increase operating income from the previous fiscal year.



## Message from the Head of the Homes Sector

In the overseas business in recent years we have made acquisitions in North America and Australia, where we aim to enhance the quality of homes and raise productivity using the know-how in industrialized housing development which we cultivated in Japan. In fiscal 2022, satisfaction with our progress in establishing new business models in both countries—where demand for homes is steady—led us to expand our North American business with the acquisition of the Focus Companies, a construction work supplier in Nevada, and our Australian business with the acquisition of Arden Homes Pty Ltd., a housebuilder in Victoria.

### A Leader in Environmental Protection, Promoting Sustainability Together With Customers

In fiscal 2019, Asahi Kasei Homes joined RE100, an initiative for companies committed to sourcing 100% of the electricity used in their operations from renewable energy, in order to achieve decarbonization. Using a system whereby we purchase electricity generated primarily through solar power from customers, we expect to achieve our goal significantly earlier than initially anticipated. This achievement is based on the trust and expectations that customers place in the Asahi Kasei Group, and I feel that promoting sustainability together with them is highly meaningful. In addition, in fiscal 2023 our GHG emission reduction targets were approved by the Science Based Targets initiative (SBTi), a global body promoting GHG emission reductions, as consistent with the 1.5°C target, and we expressed our support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). As one of the few companies to address all three of the TCFD, SBTi, and RE100, we are committed to faithfully fulfilling our role in society.

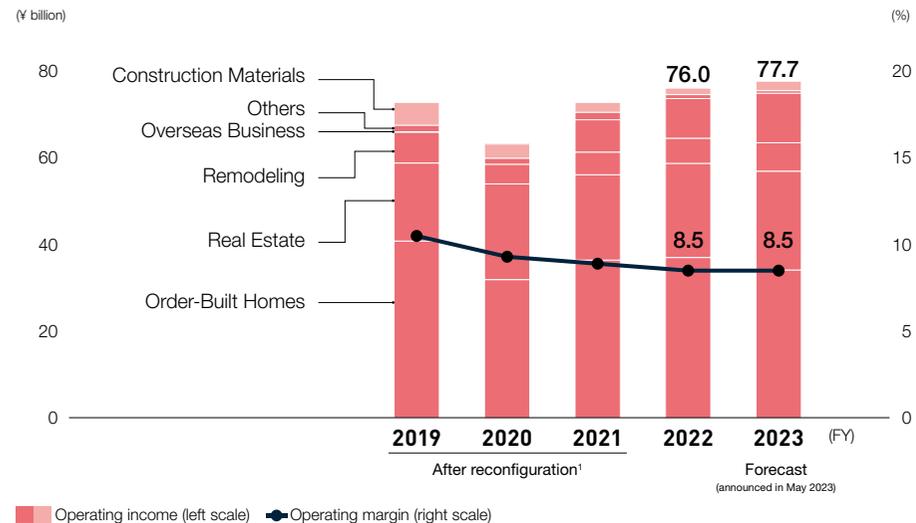
The vision of the homes business is to be an essential company of true value for customers, society, and employees as we embark on a new chapter following our 50th anniversary. People remain the source of value creation for the homes business in any era. We will therefore unstintingly invest in the growth of our employees to build an organization where all can feel proud and happy to work. We also aim to remain a company that is loved and depended on by all our stakeholders.

## KPIs

	FY2021 (after reconfiguration <sup>1</sup> )	FY2022	FY2024 target (announced in Apr. 2023)
Net sales (¥ billion)	822.4	899.0	1,000.0
<b>Operating income (¥ billion)</b>	<b>72.9</b>	<b>76.0</b>	<b>95.0</b>
<b>Operating margin</b>	<b>8.9%</b>	<b>8.5%</b>	<b>9.5%</b>
EBITDA (¥ billion)	87.3	93.4	115.0
EBITDA margin	10.6%	10.4%	11.5%
<b>Free cash flow ratio</b>	<b>4.5%</b>	<b>1.3%</b>	<b>4.0%</b>
<b>ROIC<sup>2</sup></b>	<b>33.2%</b>	<b>27.2%</b>	<b>24.0%</b>

Note: Shaded rows are management KPIs in the Homes sector

## Operating income, operating margin



<sup>1</sup> Figures have been recalculated to reflect the revision of business categories in FY2022

<sup>2</sup> ROIC = operating income (1 – tax rate) / (fixed assets + working capital, etc.)



## GG10 Environmental Homes and Construction Materials

Home & Living

Together with our customers, contributing to sustainability through homes

### Operating Environment

#### Rapidly rising requirements for improved energy efficiency and decarbonization

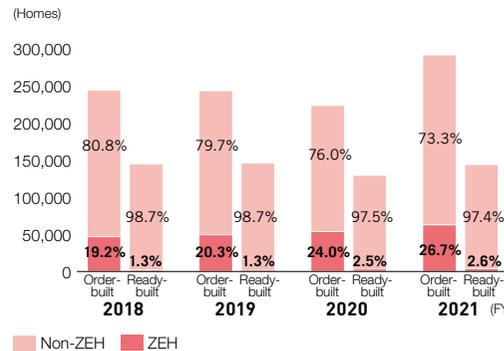
Although Japan has a sufficient quantity of housing units relative to the number of households, only a small percentage of homes fully meet energy efficiency performance standards. Updating to comfortable homes that can be passed on to the next generation has therefore become an urgent priority. Meanwhile, the Japanese government has declared its aim to achieve carbon neutrality by 2050 and to reduce GHG emissions by 46% by fiscal 2030 (compared with fiscal 2013). Against this backdrop, changes to relevant laws and revisions of programs are proceeding rapidly to further improve energy efficiency performance in homes and expand the introduction of renewable energy.

#### Government vision for homes in 2030

- New housing to have ZEH-level energy efficiency performance
- 60% of newly ordered unit homes to be equipped with solar power generation systems

At the same time, ZEH-compliant homes account for less than 30% of order-built unit homes and only a small percentage of ready-built unit homes. As a result, the role of home manufacturers with an already high proportion of ZEH compliance is becoming ever-more significant. In addition, installations of solar power generation systems and insulation materials are projected to expand in both the remodeling and new housing markets, and demand in the insulation materials market is expected to increase.

#### Spread of ZEH-compliant newly ordered unit homes



Source: Survey presentation materials from Sustainable open Innovation Initiative

### Strengths of the Asahi Kasei Group

#### Housing units and customer relationships built through our "Long Life Home" concept

In addition to high levels of seismic and fire resistance, Hebel Haus™ homes have outstanding energy efficiency and power generation performance. In recent years, we have rapidly increased the number of ZEH-compliant Hebel Haus™ homes through our own unique value-added proposals, such as utilizing our Neoma Foam™ next-generation insulation, which maintains its superior insulation performance over the long term, and improving disaster resilience by encouraging the installation of solar power generation systems and storage batteries.

Another of our strengths is that many of the buildings we have constructed in the half-century since our founding remain standing thanks to the durability of our buildings and maintenance support with a periodic inspection service for 60 years free of charge. Leveraging synergies among businesses beginning from the order-built homes business, such as remodeling proposals tailored to the life stages of customers, support for moving and selling, and insurance and infrastructure proposals for approximately 290,000 housing units, we aim to pursue lifetime customer satisfaction.

### Business Strategies

#### Aiming to promote the spread of ZEH- and ZEH-M-compliant homes and achieve RE100 as a leading company in environmental protection

The order-built homes business promotes unique initiatives, such as Eco ResiGrid, to increase the proportion of ZEH-M-compliant apartment buildings. For this product, Asahi Kasei Homes leases the roofs of Hebel Maison™ buildings to install, own, maintain, and operate solar power generation systems and storage batteries. In addition, the remodeling business seeks to promote the spread of solar power generation systems and storage batteries, and the apartment rental network aims for apartment buildings to provide greater value by promoting the use of clean electricity by tenants, as well as by owners and ourselves.

While promoting the spread of homes that protect the environment through these cross-business efforts, through our Hebel Electric Power business we purchase surplus electricity from customers who have installed solar power generation systems, allotting the purchased electricity for use in the business operations of the Asahi Kasei Group. Asahi Kasei Homes expects to achieve its RE100 goal of sourcing 100% of the electricity used in its operations from renewable energy during fiscal 2023.





## GG10 North American and Australian Homes

Home & Living

Providing high-quality homes suited to each region; improving efficiency and productivity through industrialization

### Operating Environment

**Steady demand for homes owing to population increases and substantial opportunities created by labor shortages, long construction periods, and sluggish adoption of industrialized housing development**

Given the sizes of their economies and population growth rates, we have promoted the overseas expansion of our homes business with a focus on North America and Australia. While housing demand has grown in recent years, the need to rationalize construction processes and reduce costs is becoming more acute amid chronic labor shortages and rising costs associated with increasing material prices.

#### U.S. Market

- The millennial generation represents a large portion of the population and has reached house-buying age. As such, residential housing demand is expected to remain firm over the medium to long term. Arizona and Nevada, our main operating regions, are states where an increasing number of businesses are located and where the population inflow from other states is particularly high.
- Although we began to see a slowdown in the market as a whole due to sharply rising inflation and mortgage rates in the second of fiscal 2022, newly built homes are on a recovery track in fiscal 2023, helped in part by a shortage of previously owned homes.

#### Australian Market

- Through a combination of natural growth and immigration, the population is projected to continue to increase by at least one million over the next three years. Accordingly, Australia is expected to enjoy steady growth in the housing industry over the medium to long term.
- Unprecedented construction demand stemming from subsidy measures triggered by the COVID-19 pandemic has led to a sharp rise in material and labor costs. Although the housing industry as a whole experienced financial difficulty in fiscal 2022, with construction delays due to adverse weather and other factors, resumed immigration is expected to alleviate labor shortages from fiscal 2023.

### Strengths of the Asahi Kasei Group

**Industrialized housing development, design, and construction expertise fostered through Hebel Haus™**

With quality controlled through the use of standardized components and materials and of prefabricated modules, Japan's industrialized housing is established as an exceptional form of industry compared with other countries. Above all, Asahi Kasei has developed frameworks for the efficient supply of high-quality homes, including developing Japan's first systematic three-story homes. As the development, design, and construction expertise fostered through these efforts spurs innovation in construction industries overseas, where construction periods can be nearly twice as long as those in Japan, it helps streamline construction processes and improve the quality of house building.



## Business Strategies

Asahi Kasei improves and increases the efficiency of construction processes and enhances quality by working together with local companies with a strong understanding of the market, rather than simply introducing Hebel Haus™ in its Japanese format. In fiscal 2022, the overseas business achieved its fiscal 2025 target of net sales of ¥200 billion ahead of schedule. Going forward, we aim to achieve an operating margin on par with the level of 10% or more in our domestic business.

Net sales and operating income of overseas business



### North America Establishing a supplier model to streamline a wide range of processes in manufacturing and on construction sites

In North America, we have acquired several companies in the homebuilding industry, most notably Erickson Framing Operations LLC, a building component supplier that manufactures and installs walls and roofs for wooden houses. We also acquired companies that perform electrical, concrete, and HVAC work, as well as plumbing work. With these acquisitions, we are working to make construction processes more efficient and enhance quality.

In fiscal 2022, we expanded our operating regions to include Las Vegas, Nevada, by acquiring the Focus Companies, a construction work supplier. In addition to a promising outlook for continuously steady demand for homes due to a chronic housing shortage in Nevada, we expect to create synergies with our existing business in Arizona.

### Australia Establishing a highly competitive business model in Australia that builders or suppliers could not achieve alone

We are steadily growing our market share with a focus on NXT Building Group Pty. Ltd., a major unit homes company, by expanding our business regions to include New South Wales, where it was founded, and to other states through such methods as new acquisitions of builders.

In fiscal 2022, we advanced into Victoria for the first time with the acquisition of Arden Homes, a housebuilder in that state. Accounting for approximately 30% of the unit homes market—the largest share—Victoria is expected to enjoy a continuous demand for homes thanks to population increases, an abundant supply of building sites, and other factors.

## Strategies by Sector

### Health Care sector

## Message from the Head of the Health Care Sector

Richard A. Packer

Executive Officer  
for Health Care Business Sector  
Primary Executive Officer,  
Asahi Kasei Corp.  
Chairman & Board Director,  
ZOLL Medical Corporation  
Board Director,  
Veloxis Pharmaceuticals, Inc.

## “ Toward a global healthcare company with diverse growth drivers

The Health Care sector is diversified, operating in fields ranging from critical care to pharmaceuticals and bioprocess. Four core operating companies, ZOLL Medical, Asahi Kasei Pharma, Veloxis Pharmaceuticals, and Asahi Kasei Medical, each aims to grow while pursuing the mission of “Improve and save patients’ lives.” The leaders of the core operating companies and I work closely together through the Healthcare Business Unit Meetings, where we discuss management issues, strategies, and prioritizing resource allocation from the perspective of the entire sector, in order to achieve medium- to long-term expansion as the growth driver of the Asahi Kasei Group.

Fiscal 2022 presented us with various challenges. There were macro factors such as raw material supply constraints and a slowdown in the U.S. biotech industry, along with challenges in managing our sales force and responding to fluctuating customer demands. As a result, net sales and operating income fell short of our targets.

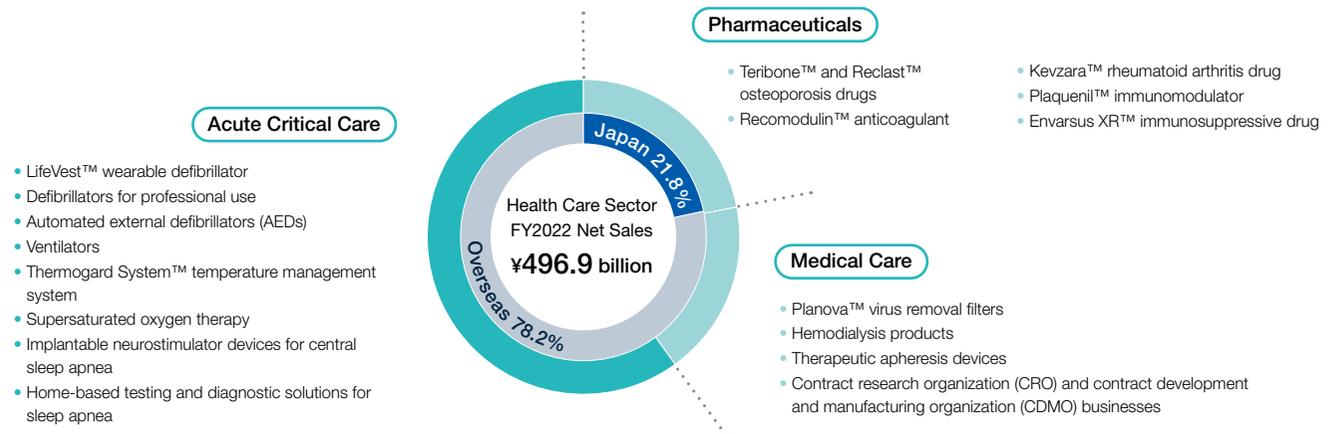
In fiscal 2023, we have the opportunity to take a big step forward, overcoming the challenges of the previous year, particularly in critical care, and achieving a significant recovery in the Health Care sector as a whole. We are all focused on doing the work necessary, and making the hard decisions needed, in order to realize further growth.

### Pursue High Growth and Improved Profitability by Leveraging Strengths of Each Business

Our MTP goal is ¥590 billion in revenue and ¥60 billion in operating income for fiscal 2024, and in the long term, we aim to ensure an operating margin over 20%. This is an ambitious target which sets our agenda of expansion and growth while improving profitability, and we will develop strategies in each of our businesses to move us toward this goal.

By leveraging ZOLL's recent acquisitions of Respicardia and Itamar Medical, we will create new growth engines in critical care. We will maximize our opportunities by generating synergies between these companies and LifeVest™ in providing diagnostic and therapeutic solutions for sleep-disordered breathing related to cardiology. In addition, with TherOx™, which provides supersaturated oxygen therapy for acute myocardial infarction, we are working to create new markets with new solutions. We are accumulating data through clinical trials, promoting the therapeutic effects, and raising awareness among clinicians.

In pharmaceuticals, we aim to build a global specialty pharmaceutical business utilizing the foundations of Asahi Kasei Pharma and Veloxis. Combining the best knowledge of each organization in business development and clinical development, we will maximize our growth potential in core disease areas such as immunology and transplantation, and further expand our



## Message from the Head of the Health Care Sector

business scale. We will build globally while maintaining our strength in local geographies.

Another critical aspect of our medium-term strategy is to establish a bio-process business that offers a unique value proposition to the biopharmaceutical industry. By combining our products and services including CRO and CDMO, we can make significant contributions especially in terms of improving the safety and efficiency of pharmaceutical manufacturing. As we anticipate the recovery of the U.S. biotech industry, we will position ourselves intelligently to ensure product and service supply capability that enables us to move swiftly ahead when the market rebounds. We will continue to pursue growth in areas where we have strengths.

In implementing these strategies, we must prioritize investments and concentrate our resources on the businesses that will lead to growth which is sustainable over the long-term. With regard to DX, Asahi Kasei Pharma's digital marketing has received high acclaim, winning the Grand Prize in the Nikkei BtoB Marketing Awards, for example. The embrace of DX across all of our businesses will allow us to increase productivity while improving our ability to anticipate changing markets.

### New Structure to Realize Further Innovation

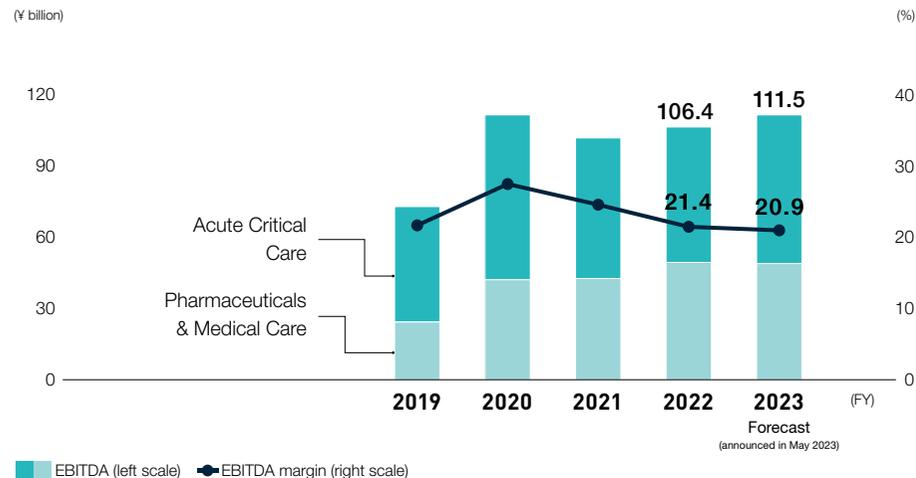
Looking beyond the immediate horizon, our vision extends to becoming a truly global healthcare company. As a step in this direction, in 2023 we established our headquarters for the sector in the U.S. By locating the headquarters in the world's largest healthcare market and the forefront of innovation, we can accelerate our growth through swift business development in anticipation of industry trends. Furthermore, from fiscal 2023, the Health Care sector is being led by a non-Japanese executive based in the U.S. This is a unique structure within Asahi Kasei and speaks to our commitment to change and grow as a Group. We continue to actively seek opportunities to address global issues in the healthcare industry and contribute to making a difference in the lives of patients worldwide, helping them in their pursuit of a healthier and more fulfilling life.

### KPIs

	FY2021	FY2022	FY2024 target (announced in Apr. 2023)
Net sales (¥ billion)	415.9	496.9	590.0
Operating income (¥ billion)	52.2	41.9	60.0
Operating margin	12.5%	8.4%	10.2%
<b>EBITDA (¥ billion)</b>	<b>101.7</b>	<b>106.4</b>	<b>126.0</b>
<b>EBITDA margin</b>	<b>24.5%</b>	<b>21.4%</b>	<b>21.4%</b>
<b>ROIC*</b>	<b>6.2%</b>	<b>4.2%</b>	<b>6.0%</b>

Note: Shaded rows are management KPIs in the Health Care sector

### EBITDA, EBITDA margin



\* ROIC = operating income (1 - tax rate) / (fixed assets + working capital, etc.)

## GG10 Critical Care

Health Care

Contributing to health by pursuing further growth in the field of serious cardiopulmonary diseases and saving as many lives as possible

### Operating Environment

#### Substantial market potential in the field of cardiopulmonary disease

Heart disease is the leading cause of death in the U.S. and many other developed countries. There are increasing needs for critical care devices such as defibrillators to treat sudden cardiac arrest, as well as equipment for diagnosing and treating cardiopulmonary disease. Defibrillators include those implanted in the body and those that are used externally. External defibrillators include those used by healthcare institutions, automated external defibrillators (AEDs) placed in public facilities, and wearable defibrillators that are worn at all times by individuals at elevated risk of sudden cardiac arrest. When a person is in cardiac arrest, the chance of survival decreases by the minute. As such, it is important to further spread the availability of medical devices and systems for swiftly saving lives.

Additionally, in the field of cardiopulmonary diseases, as society ages and medical technology becomes more sophisticated, there is a growing potential market for products and services that respond to unmet medical needs in clinical settings.

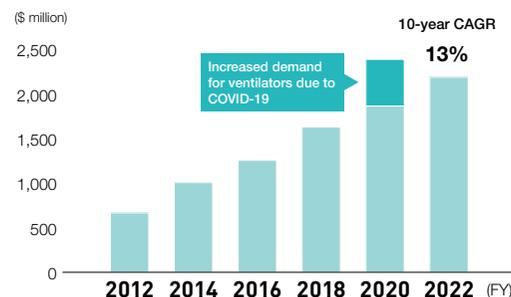
### Strengths of the Asahi Kasei Group

#### A unique product lineup and strong network with medical institutions

Our subsidiary ZOLL Medical Corporation is a global medical device manufacturer specializing in medical devices and solutions for critical care, including cardiopulmonary resuscitation, and cardiopulmonary diseases. Since joining the Asahi Kasei Group, ZOLL has continued to grow its existing operations while acquiring new technologies and businesses through M&A, and its sales have risen approximately four-fold with a CAGR of 13% from 2012 to 2022.

One of ZOLL's strengths is its unique product lineup, which includes the LifeVest™ wearable defibrillator. The potential market for wearable defibrillators is estimated at \$3 billion in the U.S. alone, and a solid position has been built for LifeVest™ as a bellwether for developing new markets. LifeVest™ has been worn by more than 1 million people around the world and has saved thousands of lives. Another strength is a strong network with hospitals with a rich lineup of products for medical professionals, including defibrillators for medical institutions.

ZOLL's growth trajectory (sales)



## Business Strategies

### Business development and product portfolio expansion in cardiopulmonary diseases and related acute care fields

#### Patient services

While we aim to continue increasing market penetration of LifeVest™ and establishing it as a standard treatment, ZOLL has also expanded into new fields. In fiscal 2021, through the acquisitions of Respicardia and Itamar Medical, it acquired groundbreaking devices for the diagnosis and treatment of sleep apnea, which often occurs in patients with heart disease. Each has a potential market worth billions of dollars, and we will aim to achieve solid results by realizing synergies with existing businesses and accelerating entry into the sleep apnea market while developing and expanding these two companies.

#### Healthcare infrastructure

As a market leader in critical care products such as defibrillators for healthcare professionals and AEDs for public facilities, we will continue to invest in technological innovation and product and service development. In addition to diversifying our product portfolio, we aim to expand by steadily capturing global market growth outside the U.S.

#### Patient services business

- Global potential market of over \$10 billion
- Current market penetration of less than 10%
- Business growth rate in mid-teens
- 70–80% gross profit margin

LifeVest™ wearable defibrillator  
Arrhythmia management system  
Heart failure management system  
At-home testing solution for sleep apnea  
Implantable neurostimulator device for central sleep apnea



#### Healthcare infrastructure business

- Global market potential of over \$5 billion
- Leading positions in multiple product categories
- Business growth in high single digit range
- 50–60% gross profit margin

Ventilators  
Defibrillators for professional use  
Automated external defibrillators (AEDs)  
Automated CPR device  
Acute myocardial infarction treatment system  
Thermogard System™ temperature management system  
Software solutions





# GG10 Global Specialty Pharma

Health Care

Accelerating our transformation into a Global Specialty Pharma business focused on immunology, transplantation, and related disease areas

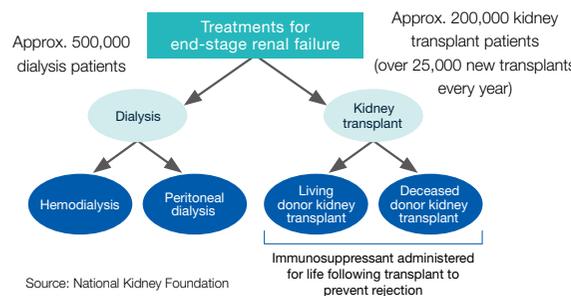
### Operating Environment

### Paramount importance of the U.S. pharmaceutical market, the largest in the world, to growing the pharmaceuticals business

The global pharmaceutical market is expected to grow to the scale of \$1.6 trillion by 2025, with a compound annual growth rate (CAGR) of between 3% and 6% over the period from 2021 to 2025. During this period, the U.S. pharmaceutical market will continue to be the world's largest with a projected scale of between \$605 billion and \$635 billion in 2025.<sup>1</sup> This market features an ecosystem through which innovation is created as pharmaceutical companies, other companies, government agencies, academic institutions, drug discovery startups, and investors coordinate with other parties. Accordingly, our acquisition of a business platform in the U.S. market is expected to facilitate the further growth of our pharmaceuticals business.

Asahi Kasei focuses on markets related to kidney failure and kidney transplantation. In the U.S., one in seven adults or approximately 37 million people suffer from chronic kidney disease, and some 780,000 of them have end-stage renal failure. Compared with dialysis, kidney transplantation is a treatment that provides better quality of life for patients and is more economical from a healthcare standpoint. Around 25,000 kidney transplants are performed each year, and this number is projected to increase.

U.S. Kidney Failure and Kidney Transplant Market



<sup>1</sup> Source: Global Medicine Spending and Usage Trends Outlook to 2025, IQVIA Holdings, Inc.

### Strengths of the Asahi Kasei Group

### Veloxis immunosuppressant Envarsus XR™ steadily expanding market share

We supply Envarsus XR™, an immunosuppressive drug for kidney transplant patients, through our subsidiary Veloxis Pharmaceuticals, Inc. Envarsus XR™ employs a proprietary sustained-release tacrolimus formulation that limits the rise in maximum concentration of the drug in the bloodstream and maintains an effective concentration for a longer period of time, which allows the drug to be effective with a single daily dose. Another advantage is that our small group of highly skilled medical representatives (MRs) has acquired sales channels with specialists at major U.S. hospitals in the fields of immunology and transplantation. Envarsus XR™ has already been designated as a vital drug for kidney transplant patients by numerous leading-edge healthcare institutions in the U.S., and we are achieving smooth growth for this product with a fiscal 2022 share of more than 15% of tacrolimus applications and at least 30% of new kidney transplant patients. Sales volume growth slowed temporarily due to restrictions on MR activities during the COVID-19 pandemic, but has been steadily rising since fiscal 2022.



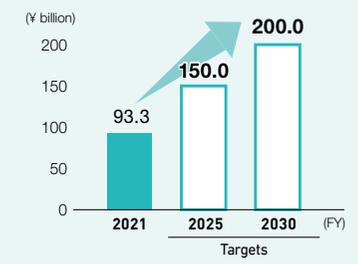
### Business Strategies

### Aiming for sales of ¥200 billion in the pharmaceuticals business, specializing in diseases related to immunology and transplantation

We will continue to pursue higher sales of Envarsus XR™, positioning this drug as a growth driver for the pharmaceuticals business on a global scale. We also aim to grow as a Global Specialty Pharma business by focusing on pharmaceuticals for large hospitals, with priority areas of immunology and transplantation, and related disease areas such as infectious diseases, renal diseases, and specialty areas. In addition, by deepening the collaboration between Asahi Kasei Pharma and Veloxis, we will further strengthen clinical development and business development functions such as M&A, in-licensing, and open innovation. At the same time, we will look to develop, launch, and expand sales of new drugs. This objective will be accomplished by strengthening our clinical and business development functions in the U.S., the world's largest pharmaceutical market and the forefront of pharmaceutical innovation.

At the same time, in the Japanese market, we plan to grow sales of existing pharmaceuticals while actively expanding our pipeline through in-licensing. For the pharmaceuticals business as a whole, we are targeting sales of ¥150 billion in 2025 and ¥200 billion in 2030.

Pharmaceuticals sales growth targets



Region	Core Treatment Areas	Products	Global Specialty Pharma Targets
Asahi Kasei Pharma			<b>1</b> Disease areas adjacent to immunology/transplantation, specialty focused Infection, Immunology/transplantation, Renal diseases
Japan	Orthopedics	• Teribone™ • Reclast™	
	Critical care/hospital based	• Recomedulin™	<b>2</b> Hospital based (large number of beds)
	Immunology	• Kevzara™ • Bredinin™ • Plaquenil™	
Veloxis Pharmaceuticals			
U.S.	Transplantation	• Envarsus XR™ • VEL-101 (former FR104)	

## GG10 Bioprocess

Health Care

Evolving into a premium partner that contributes to biologics safety and manufacturing efficiency for pharmaceutical companies

### Operating Environment

#### Expansion of bioprocess-related markets with rapid growth of biopharmaceutical market

The emergence of more diverse and sophisticated drug discovery technologies is driving biopharmaceutical market growth in areas such as genetic recombination and cell culture drug development, and the market is expected to see a CAGR of 8% from 2022 to 2030. Furthermore, there is a shift to next-generation treatments such as cell therapy, gene therapy, and medium molecular weight drugs, and the bioprocess-related market continues to expand.

In these areas, the market for virus removal filters, which are used to reduce the risk of virus contamination during the pharmaceutical manufacturing process, a high rate of growth is expected to continue. For biopharmaceuticals, it is important to develop production processes that ideally match the characteristics of each formulation, and there is also a need to select the appropriate filter based on the requirements of the given process. For pharmaceutical companies, the presence of filter manufacturers that offer a broad product lineup and high product quality will become even more important going forward.

### Strengths of the Asahi Kasei Group

#### Firm position staked out by our Planova™ virus removal filter

In 1989, Asahi Kasei released Planova™, a cellulose hollow-fiber membrane that was the world's first\* virus removal filter to be developed for use during the manufacture of biotherapeutics. We have since gained a major global market share for this product. Our technology, which separates viruses with a high level of precision based on the size of membrane pores, has earned a strong reputation in the manufacturing process of biopharmaceuticals and plasma derivatives, and has expanded its market share. Moreover, we are able to offer technical support backed by scientific insight, the ability to make product proposals that accommodate customer needs, and the ability to provide stable product supply. This has enabled us to gain the trust of, and build a strong network among, pharmaceutical companies and key opinion leaders in the industry.

\* According to research by Asahi Kasei



## Business Strategies

### Continuing to expand business by leveraging the customer base and brand

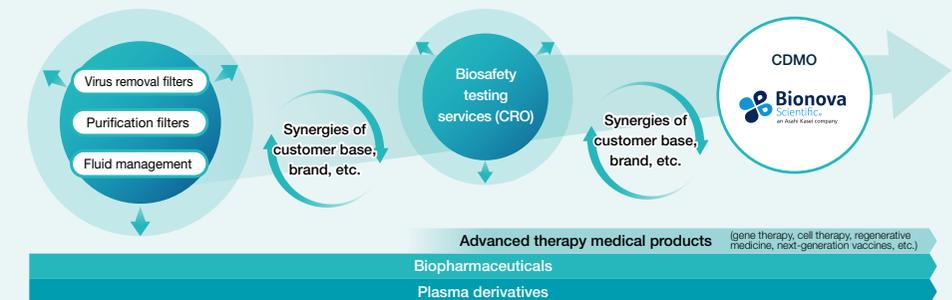
#### Investing in development and capacity expansion for Planova™

In fiscal 2022, we launched Planova™ S20N, a new product that aims to improve the operational efficiency of pharmaceutical processes in addition to its excellent filtration flow rate and superior virus removal properties.

Additionally, to meet growing demand, we are currently constructing a new Planova™ assembly plant in Nobeoka City, Miyazaki Prefecture, scheduled for completion in fiscal 2023. The new plant will be a "smart factory" that fully utilizes automation and digital technology to significantly improve quality and production efficiency.

#### Expanding into the CRO and CDMO businesses

Bionova Scientific LLC, a U.S. company acquired in May 2022, is a biopharmaceutical CDMO (contract development and manufacturing organization) that provides contract manufacturing process development and contract manufacturing services to pharmaceutical companies. Its strength lies in its extensive track record with complex next-generation antibody drugs, which are particularly difficult to manufacture. Bionova continually receives more inquiries from drug discovery startups located in its home state of California and other parts of the West Coast. Such inquiries tend to begin with small-scale R&D projects which major CDMO companies are unsuited to handle. To meet forecasted demand growth, we have decided to quadruple Bionova's pharmaceutical manufacturing capacity.



## 04

# Strengthening Our Foundation for Growth

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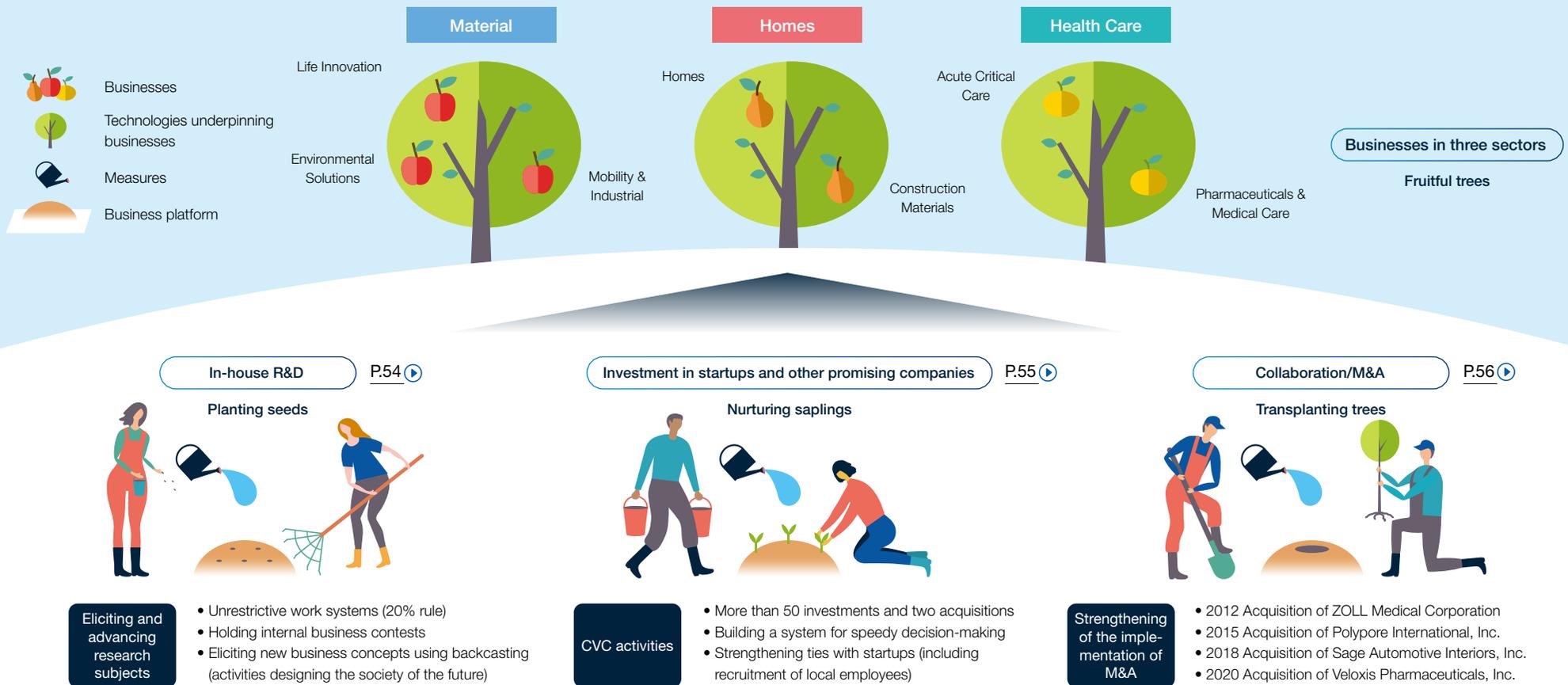
Name Dong Xiaolin  
Company Asahi Kasei (China)  
Country/region China

# New Business Creation

## New Business Creation Overview

The Asahi Kasei Group primarily adopts three approaches—in-house R&D, investment in startups and other promising companies, and collaboration/M&A—to the creation of new businesses. We take steps including eliciting and advancing research subjects, corporate venture capital (CVC) activities, and strengthening the implementation of M&A in order to promote and accelerate each of these approaches.

To strengthen the business platform underpinning these approaches to new business creation, we are focusing on green (G), digital (D), and people (P)—GDP—transformation and the full utilization of intangible assets.





## In-House R&D

### Corporate R&D Mission

Based on the degree of novelty of the field of business and the market growth potential, R&D at the Asahi Kasei Group, is divided into group-wide corporate R&D on medium- to long-term subjects and R&D focused on specific subjects for the enhancement of each existing businesses. The mission of Corporate Research and Development is to continually generate new value that leads to new business creation at the technological frontier of the Asahi Kasei Group, fulfilling the following three roles.

#### Mission of Corporate Research and Development

Evolution and acquisition of core technologies	Evolving core technologies, acquiring and cultivating external technologies to develop highly differentiated and superior products and services
New value creation	Creating new value with a future-oriented perspective that captures potential customer and social needs
Deepening and evolution of platform technology functions	Deepening and evolving platform technology functions that support the Asahi Kasei Group

### Areas of Strategic Priority

In three strategic areas—carbon neutrality (decarbonization and use of hydrogen, energy storage and conservation), the circular economy (resource recycling), and health care—and we are prioritizing resource allocation on R&D subjects that contribute to the realization of a sustainable society. The main sustainability-related subjects are green hydrogen production, CO<sub>2</sub> separation and recovery, CO<sub>2</sub> chemistry, polyamide 66 using biomass-derived intermediate, and the development of polyamide recycling technology.

### Strengthening Platform Technology Functions (Active Use of DX and Open Innovation)

In advancing R&D, we actively utilize digital technology and open innovation, aiming both to accelerate R&D and raise added value. Specifically, with regard to DX, we utilize materials informatics, IP landscaping, and digital platforms to raise the efficiency of R&D, while actively formulating technology strategies and anticipating market trends.

In open innovation, we aim to deepen our core technologies and acquire new technologies through future-oriented backcasting. To that end, we are engaged in multifaceted activities such as joint research with leading universities and research institutes both in Japan and overseas, collaboration with startups, and co-creation with new partners using external platforms.

### Initiatives to Accelerate Commercialization

We use a stage-gate system for R&D project management and appropriate resource allocation. We refine business models, business strategies, and patent strategies by clarifying requirements at each stage of exploration, research, development, business development, and preparation for commercialization, while specifying the stage-based positioning of each project. In addition, as part of our R&D and commercialization efforts aimed at the three elements of speed, asset-light, and high value-added, we pursue business development with technology value in order to quickly and effectively maximize the value the intangible assets (intellectual intangible assets such as technology, know-how, and processes) of the Asahi Kasei Group and leverage them for business contribution. This initiative is a new co-creation strategy approach that aims to build a profit model different from the traditional product sales business and monetize projects at the development stage.

### Aiming for World-Changing Innovations

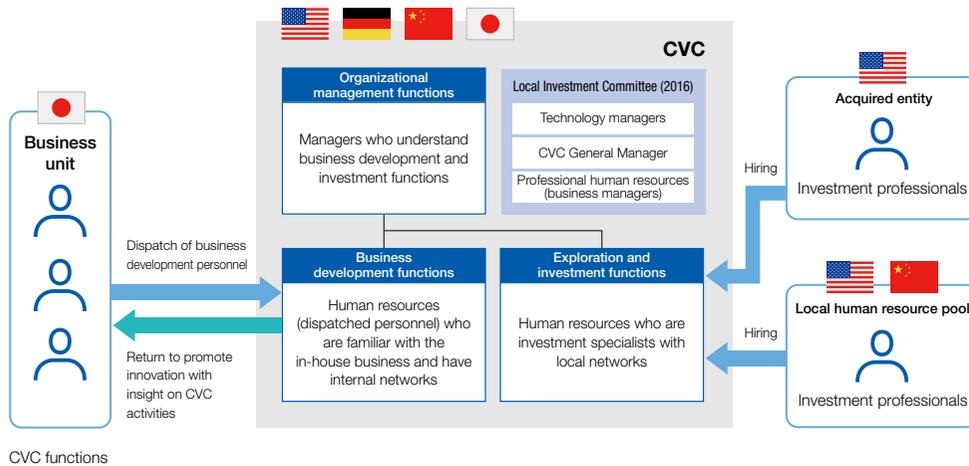
Guided by its slogan “Let’s create innovations that change the world,” Corporate Research & Development is working to build mechanisms and foster a corporate culture that encourages the spontaneous growth of highly specialized human resources. Specifically, we are implementing a variety of bottom-up measures, such as a system by which up to 20% of work assignments are decided at the individual’s discretion (20% rule), a poster presentation event aimed at providing opportunities for free and lively communication to create new businesses and core technologies (idea fest), and a registration system for those wishing to experience work at a startup or work on secondment outside the company for a limited time (cross-border learning). By effectively combining these with top-down measures, we aim to foster a culture that encourages growth and constantly taking on challenges, both as an organization and as individuals.



## Investment in Startups and Other Promising Companies

### Corporate Venture Capital (CVC) Activities

The Asahi Kasei Group established a CVC Office in 2008 to pursue new business creation. Since 2011, from bases in the U.S., we have taken measures to evolve our business portfolio by acquiring cutting-edge technologies and businesses through investment and collaboration with startup companies. Currently, in addition to Silicon Valley and Boston in the U.S., we have expanded the scope of our global activities by adding bases in Germany in 2019, China in 2020, and Japan in 2023. At each base, dispatched personnel and local employees select investment targets according to the regional characteristics of each startup, with further dedicated personnel in Japan to enhance internal collaboration.



CVC functions

In the U.S., where the “outside-in” approach of incorporating other companies’ technology and business is widespread among major corporations, different players handle the three stages of research, development, and business. At the research stage, research institutions such as universities develop technologies, and at the development stage, startup companies develop products from those technologies and verify business models. At the business stage, major corporations acquire promising targets from among a large number of startups and deploy their businesses. In addition to undertaking all three stages ourselves through in-house development and conducting the final business stage through M&A, we are

also pursuing CVC activities as an option to be involved from the development stage. Collaborating with startup companies at the development stage allows us to deepen our understanding of new markets and technologies, and to gain corporate knowledge on the appropriate timing of decisions to proceed to the next step. Additionally, investing in startup companies enables us to secure future potential acquisition candidates and build up a pipeline for new business creation.

To advance these activities, Corporate Venture Capital seeks out startup companies that are compatible with the Asahi Kasei Group, disseminates information to related departments, conducts investment-related operations, and supports investee companies to promote commercialization. We operate a system that enables speedy decision-making and investment-related procedures suited to local business customs. We have allocated \$90 million for investment over the three years through fiscal 2024, and the investment committee is given discretion to make decisions regarding investments up to \$5 million per company. To date, we have invested in more than 50 startup companies in the U.S., Europe, China, Japan, and other countries in various fields among the Asahi Kasei Group’s three business sectors. We have played a role in creating new innovations, including the acquisition of two companies, Crystal IS, Inc., and Senseair AB.

In April 2023, we established a “Care for Earth” investment framework as a new initiative to achieve carbon neutrality. Over the five-year period through fiscal 2027, we have allocated \$100 million globally to invest in startup companies working to solve environmental issues in areas such as hydrogen, batteries, carbon management, and biochemicals. In addition to direct investment, we will also engage in indirect

Original CVC investment framework Care for People	Parallel Effort	Newly CVC investment framework Care for Earth
<p><b>Scope</b> DX, Health Care sector, Homes sector</p> <p><b>Objectives</b> Aiming to create new businesses, partnerships, and acquisitions based on corporate and division strategies</p> <p><b>Time frame</b> Aiming for commercialization within 5 years</p>		<p><b>Scope</b> Areas related to decarbonization centered on hydrogen, carbon management, biochemicals, and batteries</p> <p><b>Objectives</b> (1) Reduction of GHG emissions for Asahi Kasei and society (2) Creation of new businesses related to decarbonization (3) Participation in sustainable ecosystem</p> <p><b>Time frame</b> Aiming for commercialization within 5–10 years</p>

CVC investment categories

investment through venture capital (VC) firms, which specialize in the management of funds collected from investors. By utilizing a portion of our investment budget to include external professionals and expand access to deal sources (sources of information on investment projects), we can also obtain information regarding regulations. Aiming toward carbon neutrality in 2050, the “Care for Earth” framework has different time frames and different decision criteria compared to conventional investments. By allocating an

investment framework dedicated to this area, we aim not only to create new businesses but also to reduce our own GHG emissions and the GHG emissions of society. Additionally, through participation in the ecosystem of carbon neutrality, this investment framework also serves as a starting point for portfolio transformation in the Material sector.

## Collaboration/M&A



### ■ M&A Target Fields

Since acquiring ZOLL Medical Corporation in 2012, the Asahi Kasei Group has actively pursued business expansion through full-fledged M&A. In our current MTP, we are promoting M&A to accelerate growth and achieve results, mainly in the growth fields of GG10. In the Health Care sector, we have positioned M&A as a means of strategic growth in the critical care and bioprocess fields, and are expanding existing businesses and entering new fields. In the Homes sector, we have positioned the overseas housing business as a new pillar of earnings and are conducting M&A in the U.S. and Australia. Regarding our future M&A trajectory, we will continue to use it as a means of strategic growth in the Health Care sector, while in the Material sector, we will position it as an important means of expanding our business in future mainstay fields such as Digital Solutions.

### ■ M&A Selection Criteria

Criteria we emphasize when selecting candidates for M&A include compatibility with our growth strategies. With limited management resources in terms of both finances and human resources, we are concentrating on M&A in GG10 and other growth areas. Based on our experience with several successful cases of M&A, we have positioned the following four points as keys to success, and conduct thorough checks when selecting companies to invest in, and this has given us a solid track record.

- Strong business foundation and clear business strategy
- Management that runs operations with full command over the business
- Management that understands and accepts Asahi Kasei Group philosophy, management policies, and business operations
- Trust cultivated through business activities prior to acquisition

### ■ Post-Merger Integration

From the initial M&A consideration stage, we conduct due diligence in anticipation of the following three points with a view to post-merger integration (PMI).

- Post-acquisition governance (management structure, approval authority at acquired company)
- Post-acquisition operational framework (method for providing services to customers)
- Acquisition scenario to accomplish envisioned operations

By incorporating the results into a concrete PMI plan, we are able to implement PMI that maximizes post-M&A synergistic effects.

In addition, to maximize synergistic effects, we appoint a suitable person responsible for PMI implementation, and thoroughly monitor the status of synergy creation both quantitatively and qualitatively.

### ■ Approach to Future M&A

We regularly review previous M&A cases and accumulate knowledge in the form of an M&A Management Book, including cases of failure, which is used to educate personnel involved in M&A projects. In addition, by reporting reviews of M&A to the Board of Directors, the Management Council, and business unit leaders, we receive diverse opinions and take steps to increase the probability of successful M&A, thereby contributing to inorganic growth going forward.

# Green Transformation (GX)

## Overview of GX for Realizing Two Mutually Reinforcing Aspects of Sustainability

Guided by its Group Mission and Group Vision, the Asahi Kasei Group seeks to improve corporate value through optimal business portfolio management. Specifically, this entails achieving sustainable growth of corporate value by contributing to a sustainable society from the perspective of life and living for people around the world, having these two aspects of sustainability be mutually reinforcing rather than advancing independently. To this end, we are promoting GX as a priority theme under our MTP focused on the theme "Be a Trailblazer."

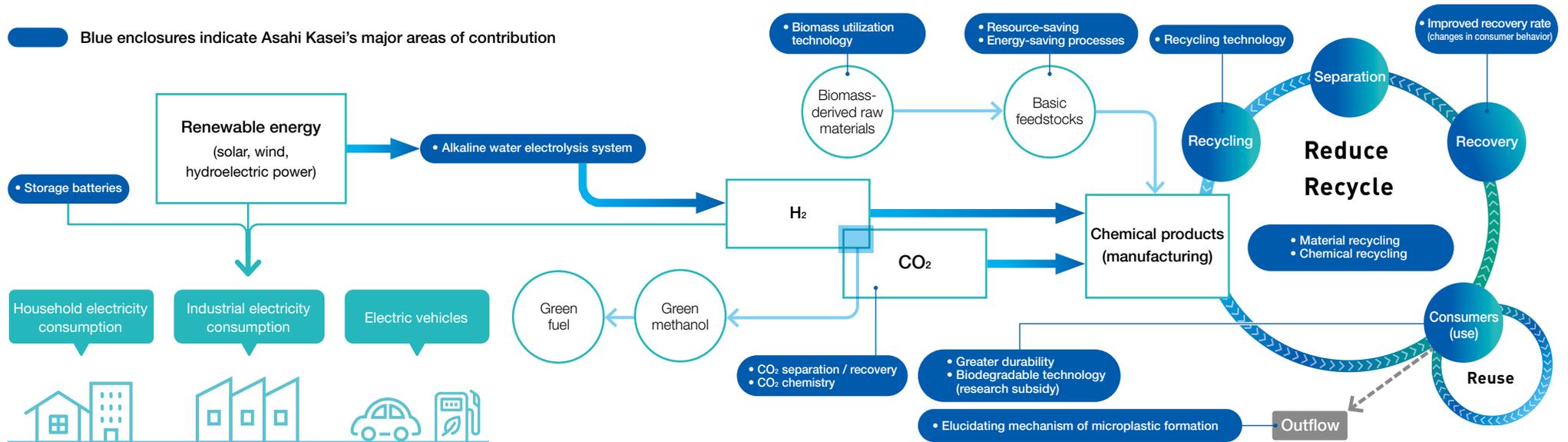
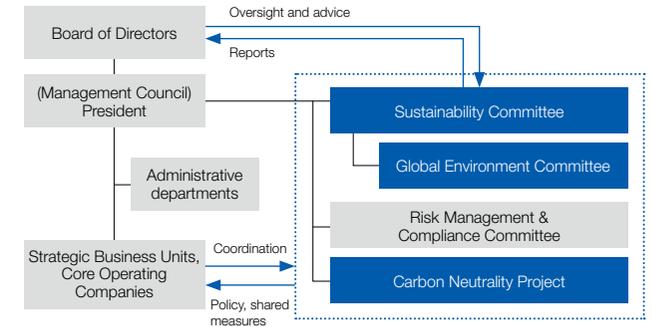
Asahi Kasei understands that issues in relation to climate change have a particularly significant impact on entire social systems. We are therefore promoting initiatives aimed at creating a carbon-neutral society by 2050 while transforming our business portfolio and improving productivity. At the same time, we are steadily reducing our GHG emissions (Scope 1 and Scope 2) and proactively working to reduce GHG emissions throughout our supply chain, including Scope 3.

The Board of Directors deliberates and decides on matters of the highest priority, such as sustainability policy and targets for reducing GHG emissions, and the Management Council does so on individual measures and other efforts.

The Sustainability Committee, chaired by the President, communicates these decisions to the heads of sectors and other bodies to ensure promotion on a group-wide basis. In addition, the Global Environment Committee, a subcommittee of the Sustainability Committee, facilitates promotion at the

business level through discussions focused on the environment by the heads of businesses. The Sustainability Committee reports the results of its discussions to the Board of Directors, receiving advice from it as appropriate.

We are also working on a specific scenario for achieving our GHG emission reduction targets through the Carbon Neutrality Project and creating new businesses focused on realizing carbon neutrality in strategic business units and core operating companies to accelerate our contribution to reducing society's GHG emissions.



## Reducing GHG Emissions from Business Activities

Asahi Kasei is reducing GHG emissions in its business activities to address climate risks. Under the MTP, we are working on reductions primarily through our established technologies, positioning the period up to 2030 as a first step in the road map to achieve carbon neutrality by 2050. In fiscal 2023, we are working on reducing GHG emissions using two approaches: group-wide activities to achieve carbon neutrality, and activities by individual product, such as calculating the carbon footprint of products (CFP).

### Progress Toward Achieving Our Targets

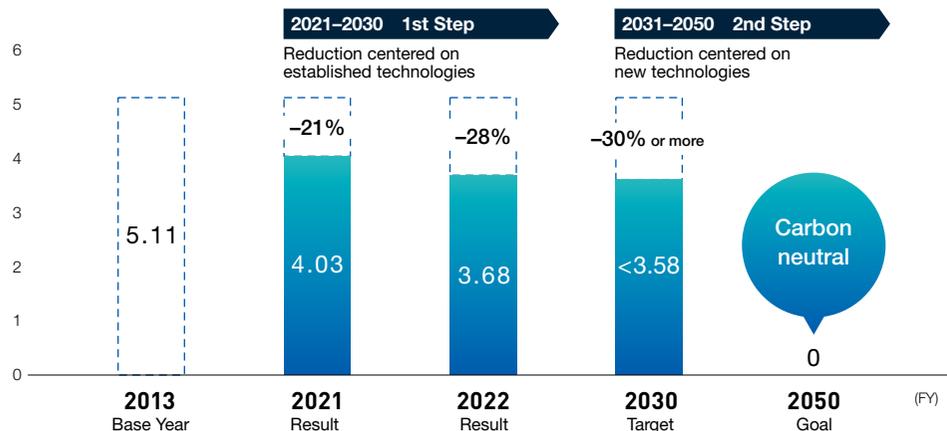
For Scope 1 (direct GHG emissions) and Scope 2 (indirect GHG emissions from the use of electricity, heat, and steam supplied by other companies), we have adopted targets to reduce GHG emissions by 30% or more by 2030 compared with fiscal 2013 and achieve carbon neutrality (net-zero emissions) by 2050.

In fiscal 2021, our GHG emissions were 21% lower than in fiscal 2013, and in fiscal 2022 they were 28% lower owing to measures including the low-carbonization of energy. We established a Carbon Neutrality Project in fiscal 2022 to strengthen initiatives for reducing group-wide GHG emissions. Under the guidance of the responsible Executive Officer, the project examines specific emission reduction measures and scenarios for achieving the 2030 and 2050 targets. The project will continue to examine measures and scenarios and proactively promote initiatives to achieve the targets.

### Targets and results

#### GHG emissions (Scopes 1 and 2)

(Million tons CO<sub>2</sub> equivalent)



Note: Preliminary figures shown for fiscal 2022; subject to revision as a result of third-party verification.

### Activities for Achieving Carbon Neutrality

Achieving carbon neutrality by 2050 is a major challenge for the Asahi Kasei Group. We recognize that fundamental technological innovation, business model change, and other large-scale endeavors, as well as steady energy-saving activities and continued efforts to reduce GHG emissions, are integral to achieving carbon neutrality.

In fiscal 2023, we are continuing to identify every possible reduction measure, examining specific measures and reduction scenarios from a variety of perspectives, such as the low-carbonization and decarbonization of energy, and improved efficiency and innovation of production processes. We are also considering structural transformation of petrochemical chain-related businesses that takes into account investments and costs for achieving carbon neutrality going forward.

### Investment framework for CVC focused on the environment

The Asahi Kasei Group performs corporate venture capital (CVC) activity to acquire innovative technologies and create new businesses. In April 2023 we established a “Care for Earth” investment framework with up to \$100 million allocated over the five-year period to fiscal 2027 targeting early-stage startups working to solve issues in the field of the environment.

### Systematizing calculations of the carbon footprint of products

Asahi Kasei works to calculate CFP as an approach to address customer needs and achieve carbon neutrality. With more than half of the business units in the Material sector already conducting calculations, our efforts to calculate CFP are proceeding steadily. In fiscal 2023, we will promote further calculations using a newly developed group-standard CFP calculation system, which we also plan to use in considering GHG emission reduction measures.

## Contributing to Reductions in Society's GHG Emissions

The Asahi Kasei Group believes that its diverse technologies and businesses have the potential to contribute to reduced GHG emissions in society. Viewing this potential as a business opportunity, we focus on developing products that contribute to GHG emission reductions throughout the value chain. Designating products certified internally for their contribution to improving the environment or reducing the impact on the environment across the entire life cycle of the product or service as **Environmental Contribution Products** , we have established targets and work to balance business growth with environmental contribution. Meanwhile, most GG10 businesses will create business opportunities through both climate change adaptation and mitigation. We have therefore decided to focus our allocation of resources on GG10, including investment of approximately ¥600 billion over the three-year period from fiscal 2022 to fiscal 2024.

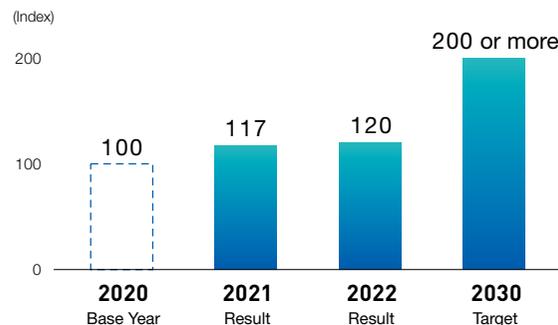
### Progress Toward Achieving Our Targets

Regarding Environmental Contribution Products which we internally certify, we have fiscal 2030 targets of at least doubling the volume of their contributions to GHG emission reduction from the fiscal 2020 level, and increasing the proportion of their sales relative to our total net sales excluding the Health Care sector.

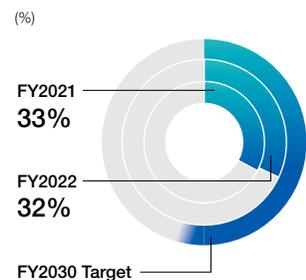
A total of 23 products have been certified as Environmental Contribution Products as of fiscal 2023, and their contribution to reduced GHG emissions rose to 1.2 times the fiscal 2020 level, and their sales were 32% of the total. In certifying Environmental Contribution Products, we confirm the rationality by receiving advice from outside experts on the method of calculating environmental contribution and on the suitability of our approach.

### Targets and results

#### GHG reduction by Environmental Contribution Products



#### Sales proportion of Environmental Contribution Products

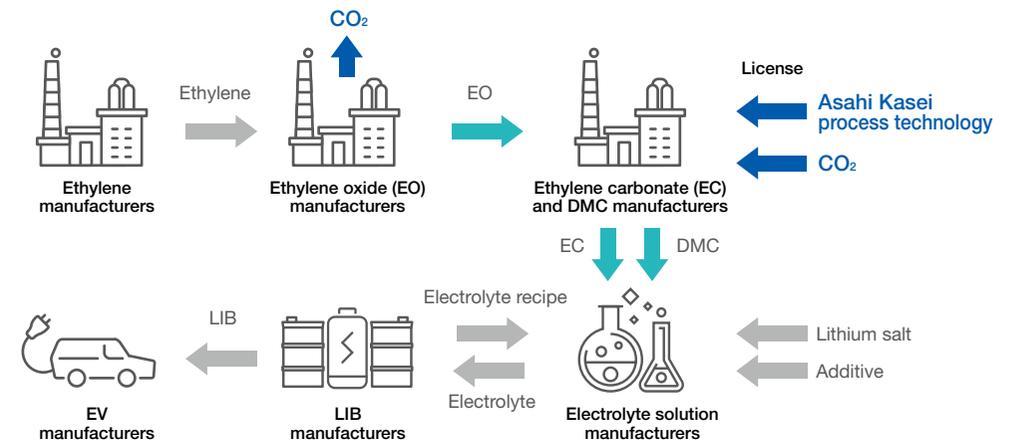


Note: Percentage of total net sales excluding the Health Care sector

### Examples of Environmental Contribution Products

#### Process for manufacturing dimethyl carbonate using CO<sub>2</sub> as feedstock

Demand for dimethyl carbonate (DMC) is increasing sharply as a feedstock for polycarbonate and as a component of lithium-ion battery (LIB) electrolyte. Asahi Kasei licenses technology for a process to manufacture DMC using CO<sub>2</sub> for half of the feedstock. This not only utilizes CO<sub>2</sub> that would be released into the atmosphere from other plants, it further reduce CO<sub>2</sub> emissions by also being an energy-saving process.



#### UVC LEDs

UVC LEDs are small devices that sterilize water, air, and surfaces by emitting ultraviolet (UV) light that deactivates viruses and bacteria. UVC LEDs have been incorporated into a wide range of products, including water purification systems, medical devices, and air purifiers.

Unlike mercury lamps (UV lamps) which have been used in UV disinfection, UVC LEDs contribute to energy-saving as they emit the necessary light as soon as they are switched on. Another advantage of UVC LEDs is that they do not use mercury, which is an environmentally harmful substance.



## Building a Circular Economy

The Asahi Kasei Group regards transitioning to a circular economy as a priority for creating a sustainable society from perspectives including sustainable use of finite resources, reduction of GHG emissions, and mitigation of the impact on the global environment and ecosystem caused by product disposal.

Accordingly, we develop technology and promote businesses in relation to recycling used plastics, using biomass materials, extending the service life of products, enhancing recyclability, and other environmental benefits.

### Working to Achieve the Practical Application of Biomass Feedstock

The Asahi Kasei Group is developing technology to create basic feedstocks, such as ethylene and propylene, from bioethanol. Creating multiple basic feedstocks at a similar rate to when a traditional petrochemical feedstock (naphtha) is used, this technology enables the use of existing petrochemical complexes and manufacturing processes while reducing GHG emissions in the manufacturing process. Although there are many issues to be addressed before it can be commercialized, we are focusing efforts on developing this technology in light of its potential to make sustainable, through the use of biomass-based feedstocks, a variety of chemical products in people's daily lives.

In fiscal 2022, we obtained ISCC PLUS certification—a global system operated by International Sustainability and Carbon Certification (ISCC) to certify sustainable products—for several products as part of our efforts to promote the expansion of products using biomass feedstocks. ISCC PLUS is a certification system that tracks and ensures that biomass-based and renewable feedstocks and products are sustainable and deforestation-free in supply chains. Under this system, a third-party institution verifies and certifies that biomass and recycled feedstocks are managed properly using the mass balance approach<sup>1</sup> across the supply chain, including product manufacturing.

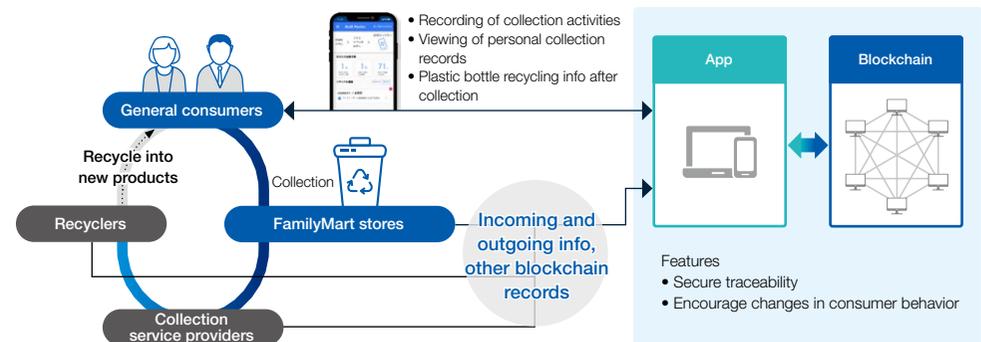
<sup>1</sup> A control method attributing biomass-based feedstock characteristics to a portion of the production volume of a product according to the ratio of such feedstock introduced when blending biomass-based feedstocks and petrochemical-based feedstocks to manufacture a product.

### Recycling plastic as a resource

With the aim of achieving practical implementation at an early stage, PS Japan Corporation, an Asahi Kasei Group company, has entered the final planning phase to verify the chemical recycling of post-use polystyrene back to styrene monomer by thermal decomposition.

At the same time, Asahi Kasei has promoted the development of recycling technology for post-use polyethylene in cooperation with parties involved in the supply chain—including consumer goods manufacturers, molded parts manufacturers, and recycling operators—and universities. However, society-wide efforts, including by consumers, are crucial to ensuring that post-use plastics are utilized as a resource instead of discarded. To this end, the Asahi Kasei Group is developing a platform visualizing the resource loop of recycled plastics to promote consumer understanding and change behavior by displaying the ratio of recycled content in recycled plastic products and to visualize the companies involved in the recycling

chain. In September 2022, in partnership with FamilyMart Co., Ltd., ITOCHU Corporation, and ITOCHU Plastics Inc., we conducted a demonstration trial of a service utilizing a bin for collecting post-use plastic bottles at a FamilyMart store in Tokyo. The service allowed consumers using a smartphone app to track the process of plastic bottles from collection to final recycled material. Going forward, we will make use of the platform to promote further resource recycling of plastics.



## Biodiversity

The Asahi Kasei Group maintains a policy of mitigating its impact on biodiversity in its business activities and endeavoring to make sustainable use of natural resources.

In April 2022, we joined the 30by30 Alliance for Biodiversity, a coalition established by government agencies including the Ministry of the Environment, companies, non-profit organizations, and other bodies, to preserve biodiversity. As part of these efforts, we are advancing preparations to apply for the Asahi Woods of Life, where we have conducted activities and research aimed at preserving biodiversity since 2007, to be recognized as an OECM<sup>2</sup> area.

<sup>2</sup> Abbreviation for "other effective area-based conservative measures" applicable to areas, other than protected areas such as national parks, that contribute to the preservation of biodiversity.



## Disclosure Based on the TCFD<sup>1</sup> Recommendations

### Awareness of Climate Change

The Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report, published in March 2023, stated that the world will not achieve the Paris Agreement target of limiting temperature rises to 1.5°C compared with pre-industrial revolution levels during the 21st century, even if every country meets its GHG emission reduction targets. In addition, the G7 Ministers' Meeting on Climate, Energy and Environment, held in April 2023, emphasized the steadfast commitment of G7 countries to taking immediate, short-term, and medium-term actions over the coming critical decade. As the sense of urgency regarding continuous global warming increases throughout the world, the Asahi Kasei Group recognizes that government policies and initiatives for adapting to and mitigating global warming are accelerating.

### Our Stance

Over the century since its founding, the Asahi Kasei Group has tackled social issues that change with the times, promoting its business activities while continuously transforming itself. In a major transitional period, when climate change is an issue for the entire social system, we conduct initiatives for achieving a carbon neutral society by 2050 while transforming our business portfolio and raising productivity through our [MTP](#) . We are also steadily reducing our own GHG emissions (Scope 1 and Scope 2) and working to reduce GHG emissions throughout our supply chain, including Scope 3.

### Corporate Governance

The Asahi Kasei Group works to achieve Green Transformation (GX), which is regarded as an important management task and positioned as one of the core themes of management strategy (please see [page 57](#)  for a diagram and details on GX).

### Strategy

#### Basis of analysis

We examined the impact on our current businesses and the new opportunities leading up to 2050 based on a +1.5°C scenario in which CO<sub>2</sub> emissions have been significantly curbed in order to rein in temperature rises (WEO, Net Zero Emissions by 2050 Scenario (NZE)<sup>2</sup>) and a +4°C scenario in which global warming countermeasures have not adequately progressed (IPCC, SSP3-7.0<sup>3</sup>).

Note: Our analysis is based on a variety of assumptions. Changes to these assumptions may result in actual risks and opportunities differing significantly from the analysis.

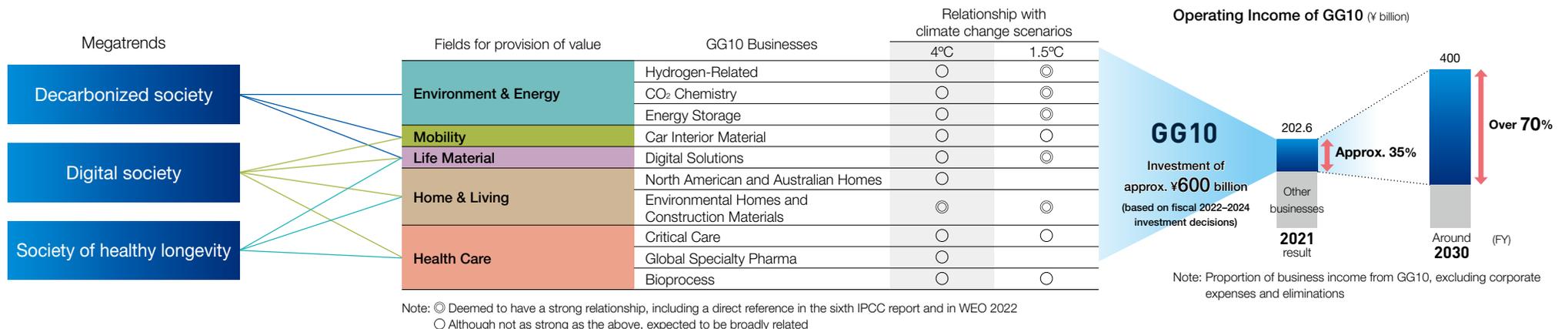
#### Opportunities

The Asahi Kasei Group transforms its business portfolio with a view to the transition to a carbon neutral society and other megatrends. Specifically, our MTP established “10 Growth Gears” (GG10) that are growth-driving businesses in which we will focus investments. Over the three years of the plan, we will target investments in GG10 of approximately ¥600 billion. The plan also set targets of at least doubling the volume of GHG emission reduction contributions from [Environmental Contribution Products](#)  (products and services that contribute to a reduction in GHG emissions in society) by 2030 compared with fiscal 2020 while increasing their sales ratio. We believe that the direction of our business promotion can provide various products and services as business opportunities for mitigating and adapting to climate change.

<sup>1</sup> TCFD: Task Force on Climate-related Financial Disclosures. The TCFD was established and its recommendations were officially announced by the Financial Services Board in 2017.

<sup>2</sup> One of the scenarios in World Energy Outlook (WEO) 2022, prepared by the International Energy Agency (IEA). NZE is a scenario for achieving global net-zero emissions by 2050 in order to limit temperature rises to 1.5°C by 2100.

<sup>3</sup> A scenario outlined in the IPCC Sixth Assessment Report. The Shared Socio-economic Pathway (SSP) 3-7.0 assumes a scenario whereby measures to address climate change are not adopted and temperatures rise 4°C in 2100 under development marked by regional rivalries.



Opportunities	Important Changes	Main Opportunities	Major Initiatives
+1.5°C scenario	Transition to a carbon neutral society	<ul style="list-style-type: none"> <li>Promotion of the spread of ZEH<sup>1</sup> and ZEH-M<sup>1</sup> through government policies</li> <li>Expansion of demand for renewable energy</li> <li>Increase in need for energy saving</li> <li>Expansion in demand for carbon-free products</li> </ul>	<ul style="list-style-type: none"> <li>Decarbonization of homes and urban environments through the expansion of ZEH-compliant Hebel Haus™ and Hebel Maison™</li> <li>Transition to carbon neutral energy</li> <li>Chemicals made with CO<sub>2</sub> as material</li> <li>Promotion of carbon neutrality and improvement of product competitiveness through measurement of carbon footprints<sup>2</sup></li> <li>Energy saving and process innovation</li> <li>Expanded use of biomass-based raw materials</li> <li>Expansion of Environmental Contribution Products</li> </ul>
	Spread of electric vehicles (EVs)	<ul style="list-style-type: none"> <li>Increase in EV-related demand (battery components, materials for reducing vehicle weight)</li> </ul>	<ul style="list-style-type: none"> <li>Development of materials for next-generation mobility</li> <li>Strengthening of collaboration with automobile and battery manufacturers</li> </ul>
	Advent of a hydrogen society	<ul style="list-style-type: none"> <li>Increase in demand for water electrolysis using renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Development of system to manufacture green hydrogen and promotion of its commercialization</li> </ul>
	Transition to a circular economy	<ul style="list-style-type: none"> <li>Expansion in demand for materials and infrastructure compatible with a circular economy</li> </ul>	<ul style="list-style-type: none"> <li>Development of material and chemical recycling technologies and promotion of their practical application</li> <li>Adoption of biomass feedstock</li> <li>Provision of long-life homes</li> </ul>
	Expansion of the digital market	<ul style="list-style-type: none"> <li>Growth in demand for decarbonization-related digital solutions (industry and society)</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of electronic components, such as current sensors and CO<sub>2</sub> sensors, and semiconductor- and substrate-related electronic materials businesses</li> </ul>
+4°C scenario	Serious storm and flood damage	<ul style="list-style-type: none"> <li>Increase in need for disaster-resilient housing</li> </ul>	<ul style="list-style-type: none"> <li>Greater emphasis on resilience in home construction and urban development, such as expansion of Hebel Haus™ and Hebel Maison™</li> </ul>
	Rise in temperature	<ul style="list-style-type: none"> <li>Increase in need for insulation performance</li> </ul>	<ul style="list-style-type: none"> <li>Provision of insulation material and homes with superior insulation performance</li> </ul>
	Increase in heatstroke and infectious diseases	<ul style="list-style-type: none"> <li>Expansion in demand for existing and new pharmaceuticals and acute critical care products</li> </ul>	<ul style="list-style-type: none"> <li>Provision of related pharmaceuticals and medical devices</li> </ul>

## Risks

Under the +1.5°C scenario, in addition to tightened regulations through carbon pricing and other government policies primarily aimed at achieving decarbonization, we anticipate a shift in demand to materials suitable for decarbonization as a risk. We also anticipate market structure changes resulting from an acceleration in the transition to a circular economy and the emergence of innovative technologies designed to create a decarbonized society as risks.

Under the +4°C scenario, we primarily anticipate physical risks, such as intense heat, heavy rain, and flooding. In particular, we perceive damage to production sites caused by the effects of increasingly severe storms and floods and the resultant cost of such damage to be a risk for our major sites in Japan and overseas.

While the degree of these risks varies, we are advancing risk mitigation initiatives based on the view that all may manifest as the climate changes going forward.

Risks	Important Changes	Main Risks	Major Initiatives
+1.5°C scenario	Transition to a carbon neutral society	<ul style="list-style-type: none"> <li>Rise in costs due to stricter regulations (manufacturing and raw material costs)</li> <li>Estimate: Current GHG emissions (Scope 1 and Scope 2) × Carbon costs = Increase of approx. ¥55 billion per year<sup>3</sup></li> <li>Changes in materials needs (decarbonization requirements, necessary specifications)</li> </ul>	<ul style="list-style-type: none"> <li>Expansion in utilization of renewable energy, etc.</li> <li>More efficient energy use; development and commercialization of industrial processes for decarbonization</li> <li>Expanded use of biomass raw materials</li> <li>Acceleration of product decarbonization by ascertaining carbon footprint</li> <li>Revision of management resource allocation (including business portfolio transformation)</li> </ul>
	Changes in market structure	<ul style="list-style-type: none"> <li>Contraction of existing markets due to the transition to a circular economy</li> <li>Contraction of existing markets due to the advance of replacement technologies</li> </ul>	<ul style="list-style-type: none"> <li>Development of material and chemical recycling technologies and promotion of their practical application</li> <li>Adoption of biomass feedstock</li> <li>Revision of management resource allocation (including business portfolio transformation)</li> </ul>
+4°C scenario	Serious storm and flood damage	<ul style="list-style-type: none"> <li>"Physical" production risks</li> <li>Impact on production from damage to plants or suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Continuous revision of BCP and reinforcement of preemptive response (review of inventory levels, study of multiple suppliers/sites, etc.)</li> </ul>
	Rise in temperature	<ul style="list-style-type: none"> <li>"Human" production risks</li> <li>Deterioration of working environment and productivity at construction sites</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of heatstroke countermeasures at construction sites</li> <li>Promotion of industrialization and utilization of IT in housing construction</li> </ul>

<sup>1</sup> Net Zero Energy House (ZEH) and Net Zero Energy House Mansion (ZEH-M): Houses and apartment buildings with a net energy consumption of zero or less through advanced insulation and energy saving combined with power generation such as solar

<sup>2</sup> GHG emissions of a product from material extraction to production

<sup>3</sup> In fiscal 2022, the Group's GHG emissions (Scope 1 and Scope 2) came to 3.68 million t-CO<sub>2</sub>e (preliminary figure). Referencing the 2030 CO<sub>2</sub> price level and other criteria in WEO2022's NZE scenario, we expect a rise in costs of approximately ¥55 billion per year in the case of carbon costs of ¥15,000 per ton of CO<sub>2</sub> emissions.

## Risk Management

The Asahi Kasei Group prioritizes the management of climate change risks, which it positions as one of its Material Group Risks.

The Asahi Kasei Group implements independently assured tracking of its GHG emissions on an annual basis. The Sustainability Committee and its subcommittee, the Global Environment Committee, share information on the tracking results and the level of progress toward achieving targets, and discuss and verify future initiatives.

The committees also verify initiatives and other efforts for reducing GHG emissions during the formulation and annual review of the MTP, linking the results to business strategies and measures. In addition, the committees monitor related matters on a quarterly and monthly basis.

For capital expenditures, we assess profitability and make decisions in light of internal carbon pricing. In July 2023, we raised our internal carbon price per ton of CO<sub>2</sub> emissions from ¥10,000 to ¥15,000 in order to promote further action for achieving carbon neutrality.

## Metrics and Targets

The Asahi Kasei Group has positioned the following metrics as being relevant to climate change risks and opportunities.

	Target	Significance of Metric
GHG emissions*	2030: Reduce by 30% or more (compared with fiscal 2013) 2050: Achieve carbon neutrality	
GHG emissions*/operating income	(Fiscal 2022 result: 2,900 t-CO <sub>2</sub> e/100 million yen)	Decline signifies reduction of carbon tax risk
ROIC	Around 2030: Achieve ROIC of 10% or more (Fiscal 2022: 4.0%)	Increase indicates progress toward becoming high earnings enterprise capable of adapting to change
Operating income of GG10	Around 2030: 70% or more of total operating income (Fiscal 2021: 35%)	Signifies growth of related businesses capable of contributing to addressing climate change

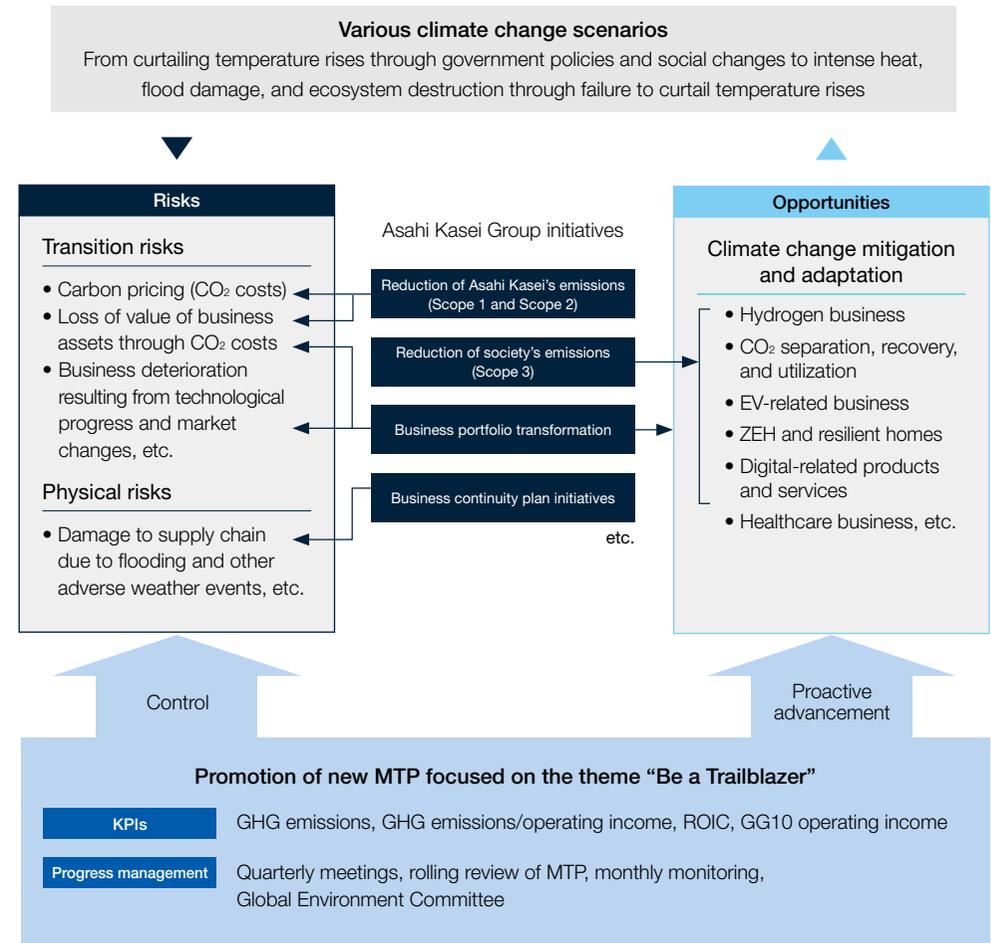
### Others

Internal carbon pricing (ICP)	Make investment decisions based on ¥15,000/t-CO <sub>2</sub> e and utilize in awards program
Reflection of climate change issues in executive remuneration	Reflect the level of achievement of sustainability promotion, including initiatives related to climate change, in performance-linked remuneration

## Global greenhouse gas emissions by segment (ESG data) [▶](#)

\* 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)

## Overview of the Asahi Kasei Group's Response to Climate Change



For more details, please see ["Disclosure based on TCFD Recommendations."](#) [▶](#)

## Digital Transformation

### Asahi Kasei DX Vision 2030

## Co-creating “healthy living” and “a future world full of smiles” through borderless connections enhanced by digital innovation



In accordance with the Asahi Kasei DX Vision 2030, we promote digital transformation (DX) of all aspects of business activities, including development, manufacturing, and marketing.

Digital technology is merely a means to an end; I believe that people, data, and organizational culture are the three factors that hold the key to achieving transformation. In fiscal 2023, the second year of our Digital Creation Period, we will sharpen our focus on these three factors for success to accelerate transformation. In addition, we will aim to create an even stronger company-wide business platform by fully utilizing intangible assets spanning our three sectors to create new businesses and strengthen existing ones.

With transformation extending beyond the Asahi Kasei Group to include the supply chain, competitors, and other entities, we continuously promote initiatives with a focus on collaboration with external parties. Moreover, we offer digital education support for students, who will lead the future of industry, and community members.

We look forward to further transcending organizational, corporate, and national boundaries to co-create value with our partners using digital technology.

**Kazushi Kuse**

Director, Primary Executive Officer, Oversight for Digital Transformation (DX)  
Senior General Manager, Digital Value Co-Creation

### Toward Achieving the Asahi Kasei DX Vision 2030

The Asahi Kasei Group proactively promotes the utilization of digital technology as a means of leveraging its diverse intangible assets to transform business models and drive value creation. In promoting the utilization of digital technology, we formulated a digital transformation road map. Designating the period beginning in fiscal 2022 as the Digital Creation Period—which followed the Digital Introduction Period and the Digital Deployment Period—we are currently advancing initiatives to realize management innovation through DX in accordance with this road map. We will then transition to the Digital Normal Period, in which all employees utilize digital technology as a matter of course. The company's initiatives to date have received a strong reception. Asahi Kasei has been selected as a DX Stock for three consecutive years—2021, 2022, and 2023—a selection that the Ministry of Economy, Trade and Industry (METI) makes jointly with Tokyo Stock Exchange, Inc. and the Information-technology Promotion Agency, Japan (IPA). Our DX initiatives were also featured in the 2023 Monozukuri White Paper, which is produced jointly by the METI, the Ministry of Health, Labour and Welfare, and the Ministry of Education, Culture, Sports, Science and Technology.



### Strengthening the DX Framework

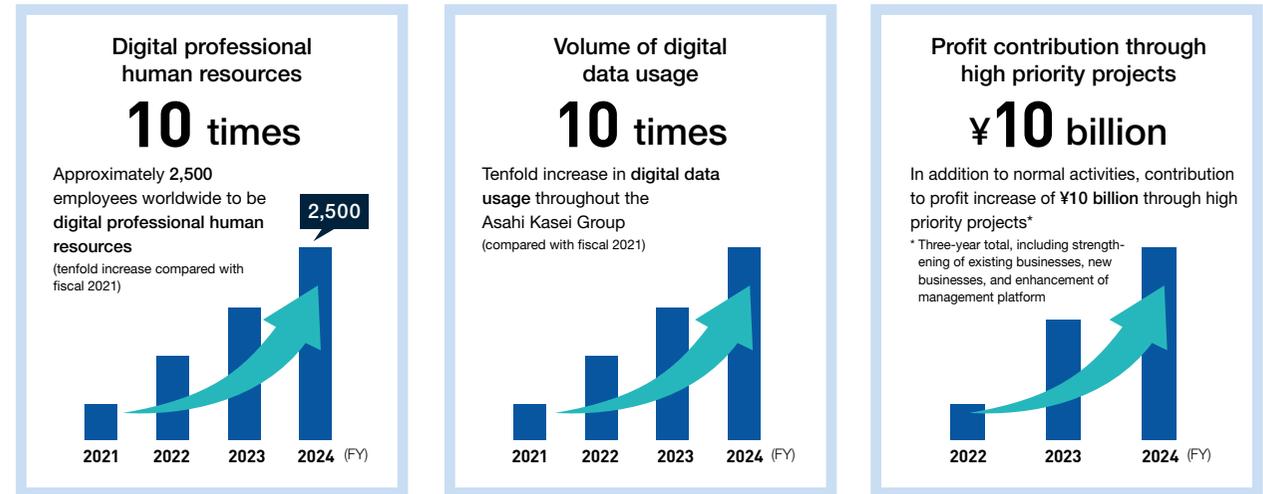
We have worked continuously to strengthen our framework to accelerate the promotion of DX across the Asahi Kasei Group as a whole. In April 2021, we consolidated DX promotion and IT-related organizations in R&D, production, and manufacturing to establish Digital Value Co-Creation. In April 2022, we overhauled DX promotion organizations in sales and marketing and for cultivating digital human resources on a company-wide basis, enhancing management, and achieving business transformation. We are implementing company-wide activities matched to the operational challenges faced in our business sectors. In addition, we established an independent organization for cultivating digital human resources in January 2023. This organization is accelerating initiatives designed to reinforce digital foundations, such as managing the curriculum for cultivating human resources, including the plan to train all employees as digital human resources and the DX Open Badge program.

## Digital Creation Period

In our Digital Creation Period which began in fiscal 2022, we aim to realize management innovation through DX based on three pillars: reinforcing digital foundations, enhancing management, and achieving business transformation. On the basis of our reinforced digital foundations, we will enhance management and achieve business transformation as we enter the phase for reaping the benefits of our efforts from fiscal 2023.

We established “DX-Challenge 10-10-10” as KPIs targeting fiscal 2024, and we are making good progress on each indicator. In terms of specific initiatives, we aim to achieve a tenfold rise in the number of digital professional human resources compared with fiscal 2021 (approximately 2,500 employees worldwide), a tenfold increase in the volume of digital data usage compared with fiscal 2021, and an increase in the profit contribution through high priority projects of ¥10 billion (cumulative total over three years up to fiscal 2024), in addition to profit contribution through the utilization of DX in normal activities. As of March 31, 2023, the number of digital professional human resources stood at 1,206 employees, the volume of digital data usage had increased 2.6 times, and profit contribution amounted to ¥2.8 billion.

### Fiscal 2024 KPI: DX-Challenge 10-10-10



Note: • Total DX-related investment of approximately ¥30 billion planned (IT investments and cloud usage fees for digital transformation)  
• Graphs are for illustrative purposes only.

## Digital Transformation Road Map



## 01 Reinforcing Digital Foundations

We will reinforce digital foundations, such as accelerating the cultivation and recruitment of digital human resources, instilling agile development, and promoting data utilization in preparation for the Digital Normal Period, when all Group employees will use digital technology as a matter of course.

### Accelerating the Cultivation and Recruitment of Digital Human Resources

#### Cultivation of all employees as digital-utilizing personnel

In fiscal 2021, we launched the Asahi Kasei DX Open Badge program, which comprises five levels (Level 1 to Level 5), as a measure to train and develop 40,000 personnel as digital human resources. On completing each level, employees are issued a blockchain-managed digital badge, which they can use in their email signatures and on social media. As of March 31, 2023, a total of 16,000 employees of the Asahi Kasei Group in Japan have acquired the Level 3 badge verifying that they understand the importance of and can utilize digital technology and data. We are also building frameworks conducive to a culture of digital transformation throughout the Group, awarding the Asahi Kasei DX Open Badge Level 3 “9 Mastered” badge to employees who complete all nine courses in Level 3, and holding events for dialogue between corporate officers and “9 Mastered” badge holders.

Overseas, more than 4,000 employees have acquired Level 1 and 2 badges, the courses for which are available in several languages. We are also accelerating the development of external activities, such as providing instruction of the Asahi Kasei DX Open Badge program at a senior high school in Miyazaki Prefecture, as we continue to promote next-generation digital education activities transcending organizational, corporate, and national boundaries.



### Cultivating digital professional human resources on the front lines

We are accelerating the cultivation and recruitment of digital professional human resources capable of utilizing advanced digital technology and data to address issues and create models with business applications. In addition to materials informatics personnel in the R&D domain and personnel utilizing data (power users) in production and manufacturing domains, we have recognized employees who have completed Level 4 and 5 of the newly established Asahi Kasei DX Open Badge program as digital professional human resources. We will further promote their individual growth to bring their number to 2,500 by the end of fiscal 2024. In the business sectors, we are seeing the emergence of communities centered on experienced digital professionals, which is leading to further development of personnel and already generating solutions to many frontline issues and delivering results for initiatives aimed at improving business process value.

### Instilling Agile Development

We implement Asahi Kasei Garage, a method of approaching and a program for supporting the spurring of innovation and the achievement of digital transformation. As a combination of design thinking, which incorporates new user experiences from a customer perspective, and agile development, which forms concepts by using digital technology to quickly implement various ideas, the program promotes activities creating new value and services through co-creation on the subjects of enhancing management and spurring business model innovation, based on products and expertise across Asahi Kasei's diverse business domains.

### Promoting Data Utilization

We established the data exploration and exchange pipeline (DEEP), a data management platform for employees to easily search, link, and utilize the Asahi Kasei Group's shared data assets. The platform was fully launched in April 2022. DEEP reduces the lead time required to utilize data, increases efficiency, and raises productivity by visualizing internal data. It will also enhance data governance and foster a data utilization culture within the Asahi Kasei Group. We are already advancing efforts that include consolidating the sales data of automotive-related businesses, visualizing the carbon footprint of our products, and providing data to customers through initiatives using DEEP. In addition, we are establishing a digital platform (DPF) that can continuously consolidate and utilize information gained through R&D activities as data. Going forward, we will coordinate DEEP and the DPF to promote further data utilization. With the increasing implementation of information sharing on examples of data utilization on the front lines and of internal community activities, we are gradually fostering a culture to underpin the Digital Normal Period.

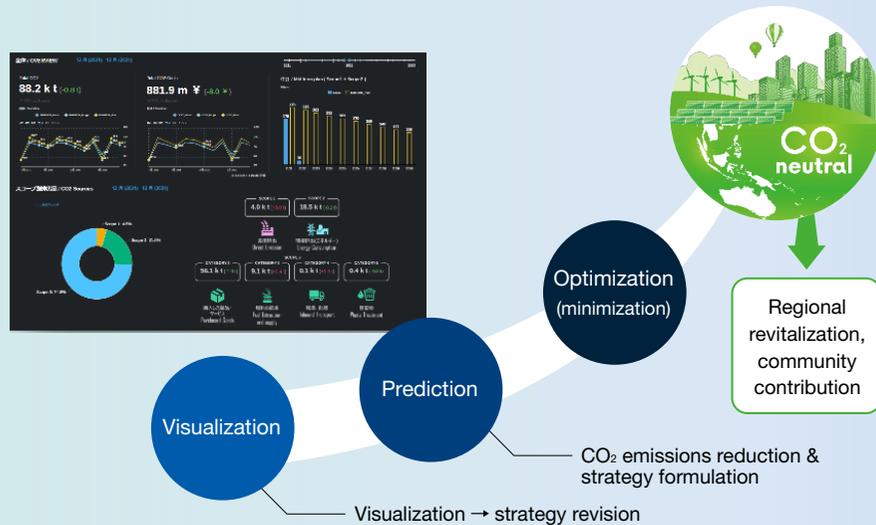
## 02 Enhancing Management

Asahi Kasei will increase the speed of management decision-making and improve development efficiency in various ways, such as pursuing data-based management, visualizing the carbon footprint of products (CFP) to realize sustainability management, transforming R&D, and converting to smart factories.

### DX Case Studies

#### Promoting the Development of a CFP Calculation System

Asahi Kasei is promoting the development of a CFP calculation system for visualizing CO<sub>2</sub> emissions to achieve carbon neutrality by 2050. As a first step, we are calculating the CFP of each mainstay product in the Material sector. We also began providing information to a portion of our customers to realize decarbonization in the supply chain. In fiscal 2023, we will develop a company-wide standard CFP calculation system, using the information gained through the visualization of emissions as the basis for formulating strategies.



## 03 Achieving Business Transformation

Business innovation through DX, such as business model innovation and new business creation, will contribute to the growth of businesses, including GG10, which are positioned as the drivers of future growth in the MTP.

### DX Case Studies

#### Cross-Industry Resource Recycling Project: Launching Demonstration Trials of Plastic Recycling

We are advancing a project using blockchain technology to develop a platform to manage and visualize the resource loop of recycled plastics. The project is developing an open digital platform for use not only by a wide variety of companies involved in the recycling chain, but also by consumers to realize a circular economy. Demonstration trials were launched in fiscal 2022 to verify changes in consumer attitude and behavior with a view to practical application of the platform. In fiscal 2023, the number of corporate partners has increased and verification is continuing through comprehensive demonstration trials ranging from the collection of plastic bottles to the manufacturer of the final product.

Asahi Kasei will continue to promote further recycling of plastics by confirming the value of traceability using digital platforms through a series of initiatives.



## Transformation of HR



Developing platforms that support  
the autonomous growth of employees  
and facilitate contributions from a  
diverse range of individuals

Satoshi Nishikawa

Lead Executive Officer

Executive Officer for Human Resources,

Deputy Oversight for Health & Productivity Management

all employees and executives as a guideline for our human resources, to ensure that they relish taking on challenges. I am convinced that these elements can further refine and fully leverage our intangible assets, such as our Group Values of sincerity, challenge, and creativity, and our diversity and open and dynamic corporate culture, all of which we have cultivated over a century. We must reawaken the A-Spirit and promote the cultivation of human resources who boldly embrace change and continuously take on challenges and enhance our organizational strength if we are to further advance transformation. To this end, the MTP promotes human resource strategies focused on lifelong growth and co-creativity to cultivate individuals and enhance organizational strength.

Lifelong growth is that which all employees autonomously envision their own careers and continuously learn, take on challenges, and achieve growth. The ability of leaders to draw out individual

In the period between its founding in 1922 and the celebration of its centennial in 2022, the Asahi Kasei Group has grown continuously while transforming its business portfolio. Realizing the two mutually reinforcing aspects of sustainability of “contributing to sustainable society” and “the sustainable growth of corporate value” will require us to promote further transformation.

To support such transformation, Asahi Kasei set up a human resource strategy project headed by the President in fiscal 2021, and began formulating human resource strategies linked to the MTP in fiscal 2022. Our Executive Officer with Oversight of General Affairs and Human Resources serves as a Board Director to ensure that such strategies are constantly in alignment with management and business strategies. In addition, monthly meetings with the President and regular meetings with the heads of business units are held, which I attend in my capacity as Executive Officer for Human Resources. We are pursuing both shared company-wide measures and measures by business unit to enable us to address a wide variety of issues unique to each business while incorporating matters of management, including our business portfolio transformation, into those relating to human resources.

In the MTP, we adopted the term “A-Spirit”—derived from the first letter of Asahi Kasei—to express the attitude we expect from employees. With a strong emphasis on its four elements of ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement, we are instilling A-Spirit in

and team capabilities to their fullest extent is vital to achieving such lifelong growth, and to that end we are focusing on measures to enhance management capabilities. Co-creativity entails leveraging the diversity of the Asahi Kasei Group to promote collaboration. We believe that we can create unique value by organically connecting our diverse technologies, businesses, and human resources. Based on this belief, we will examine and promote measures from the two perspectives of expanding and connecting diversity.

Asahi Kasei has adopted three KPIs pertaining to human resources. The first is the number of Group Masters. Group Masters are human resources who play a proactive role in creating new businesses and strengthening existing ones through highly specialized industry-leading skills. As cultivating advanced specialists in a diverse range of businesses helps advance both lifelong growth and co-creativity, we are focusing efforts on the cultivation of Group Masters. The second is the Asahi Kasei Group’s original growth behavior index. We use this index, which indicates the extent to which employees are pursuing efforts to enable growth and take on challenges, for its suitability in gaining an overview of the state of lifelong growth. The third index is the proportion of women working as managers and Group Masters, particularly in leadership positions. We have adopted a target of 10% for the whole Asahi Kasei Group by fiscal 2030, as a KPI to measure the active participation of our diverse human resources. We aim to create value by enabling not only women but a diverse array of human resources to actively participate and realize co-creativity.

## Overview of Measures Based on Human Resource Strategies

The Asahi Kasei Group promotes measures enhancing both lifelong growth and co-creativity based on its human resource strategies to cultivate human resources who contribute to value creation. Regarding lifelong growth, we pursue a number of initiatives—such as operating an open position posting system and providing various career guidance programs—to encourage employees to take on challenges in new environments and develop their careers autonomously. In fiscal 2022, we introduced Co-Learning Adventure Place (CLAP), an online learning platform, to support employees taking on challenges of their own accord and reskilling in response to business portfolio transformation. CLAP supports upskilling for all employees—of all ages—through a system allowing them to study from a library of more than 10,000 internal and external items. Particularly in regard to senior personnel, to whom the concept of lifelong growth also applies, we support taking on challenges and achieving growth even beyond the age of 60, and accordingly in fiscal 2023 extended the option of retirement through age 65. As we also emphasize the enhancement of management capabilities, we have put in place a foundation for line managers to work on improving their own organizations by visualizing the vitality and growth behavior of workplaces through KSA surveys, a measure we developed to improve engagement. Meanwhile, we are taking steps to facilitate the lifelong growth of management executives, such as advancing initiatives for managers to enhance their own management capabilities by assigning coaches, and arranging for selected next-generation leader candidates to participate in special development programs. In fiscal 2022, we promoted efforts to visualize our human resources by introducing Career Management Place (CaMP), a

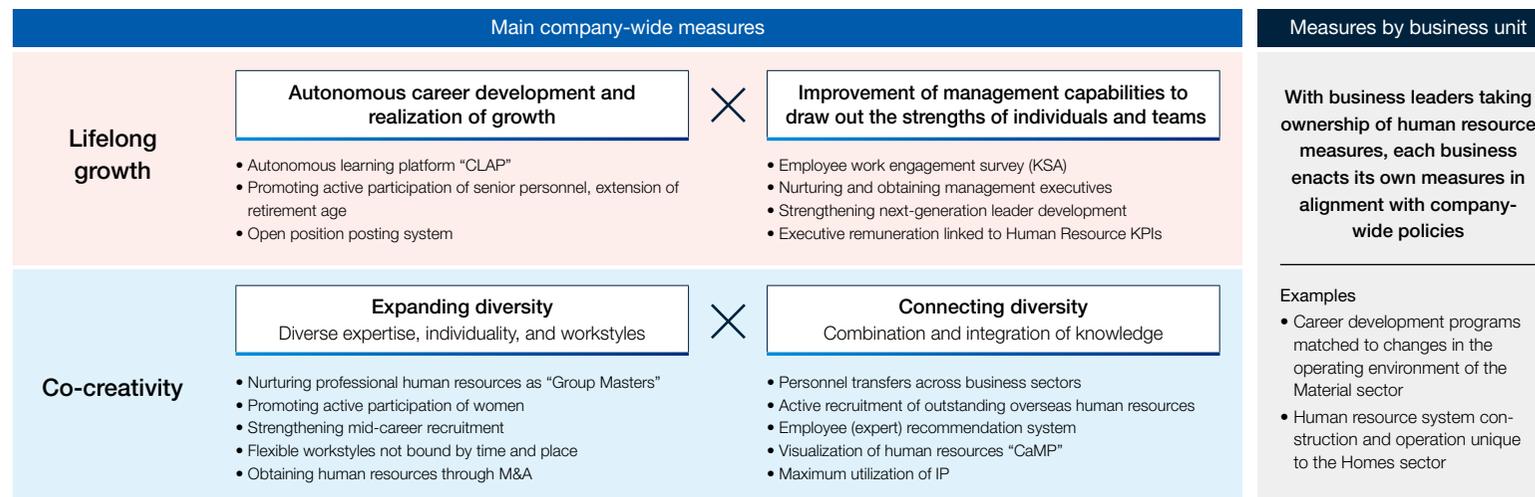
system that centrally manages information on employees, which line managers have begun utilizing as a tool to improve their organizations.

With respect to co-creativity, Asahi Kasei operates the Group Masters program to cultivate human resources with a variety of specialized skills, and implements measures to promote the active participation of women to expand diversity. At the same time, we are developing an environment enabling diverse workstyles tailored to work duties and individual circumstances by allowing for remote work from home or satellite offices. We are also bolstering our recruitment of richly experienced mid-career human resources to ensure that we maintain the talent necessary to strengthen our businesses and transform our business portfolio. In fiscal 2022, 328 mid-career recruits and 267 new graduates joined Asahi Kasei, with the former accounting for more than half of all new recruits. Moreover, we promote to executive positions those who have joined the Asahi Kasei Group through overseas M&A activities. In terms of connecting diversity, we transfer human resources across business sectors to combine and integrate knowledge. In addition, we are working to build our own system to accurately identify the human resources that the Asahi Kasei Group needs. In this way, we are promoting efforts enabling human resources with knowledge of various technologies and businesses to interact with each other.

The Asahi Kasei Group's business sectors are wide-ranging. Mindful of this, we promote human resource measures headed by business leaders to ensure that such measures are aligned with issues faced by each business. In particular, Homes takes many measures unique to the sector incorporating industry-standard approaches.

Further transformation will be indispensable to improving the Asahi Kasei Group's corporate value. A wide range of measures are being applied to accelerate this transformation. High-priority measures among them are introduced on the following pages.

### Outline of Human Resource Strategies



## Measures to Strengthen Lifelong Growth

### ■ KSA: Measure to Enhance Engagement

KSA, an engagement survey assessing employee empowerment and growth, is an initiative that effectively runs a plan-do-check-act (PDCA) cycle by visualizing the state of individuals and organizations to encourage employee work engagement and behavior conducive to taking on challenges and achieving growth. Asahi Kasei conducts KSA surveys on an annual basis and shares each organization's results with line managers. Based on these results, each organization takes the lead in working to address issues. While gauging three indicators—supervisor-subordinate relationships and workplace environments; employee empowerment; and a growth behavior index—KSA surveys focus on the growth behavior index as a KPI. The score for this KPI is steadily rising, having stood at 3.65 in fiscal 2020 when we launched this initiative, and 3.71 in fiscal 2022, and we will continue to increase it further (on a five-point scale from 1 to 5).

#### Items Gauged through KSA Engagement Surveys

#### 1 Supervisor-subordinate relationships, workplace environments

- Support from supervisors
- Interpersonal relationships supporting work
- Encouragement of ingenuity
- Respect for diversity
- Workplace openness (psychological safety)

#### 2 Employee empowerment

- Ability to maintain a positive stance (individual capabilities)
  - Confidence, feeling of self-efficacy
  - Strength to overcome adversity
  - Capacity for plotting course toward achieving goals
  - Optimism
- Motivation toward work (work engagement)

#### 3 Growth behavior index

- Experience-based learning
- Contributions to organization
- Problem-solving/improvement efforts
- Job crafting



#### Comments from Employees Who Utilized the KSA Survey

“ I reviewed the order of work priorities to reduce total labor hours. As a result, each employee's workload decreased and overtime hours were clearly reduced. ”

“ I addressed issues raised at discussion meetings with supervisors. First, we raised the headcount on three shifts and increased personnel with mid-career hires to alleviate the burden on each worker. Second, we are devolving some authority to supervisors, a position that line workers can aspire to, as part of the effort to foster a culture in which employees proactively aim to advance their careers. ”

“ Reflecting input from organization members, we reclassified business unit meeting participants from general manager or above to assistant manager or above. We created opportunities for young employees to make presentations at the meeting every two months, which we plan to use to increase their sense of participation and improve their skills. ”

“ The survey helped unite our department, deepening our understanding of our own organization and inspiring us to maintain our current positive workplace culture. ”

### ■ CLAP: Measure to Support Reskilling

Co-Learning Adventure Place (CLAP), the Asahi Kasei Group's own learning platform, is a system that freely allows employees to learn using materials needed to improve their own specialist skills or career development from a library of more than 10,000 internal and external e-learning items. Using this system, each organization support employees in learning essential skills and reskilling in response to operating environment changes and business portfolio transformation. In the period between its introduction in December 2022 and March 31, 2023, 15,500 out of 19,000 eligible employees used CLAP, equivalent to 81%. With 12,300 users completing one or more of the e-learning items, a significant number of employees are engaging in autonomous learning.

Through CLAP, we incorporate the concept of learning together, developing activities that allow employees to learn from in-house specialists or connect with each other through learning, in addition to enabling continuous learning by employees to develop their own careers and learn autonomously.



#### Not a Lesson. An Adventure. Welcome to CLAP.

Co-Learning Adventure Place

The name is inspired by the idea of taking enjoyment in learning together as if going on an adventure. CLAP offers an extensive library of learning items and ways to connect with a variety of colleagues.

The real joy of adventure is learning about an unknown world.  
But what you discover after that is up to you.  
Find your own ways to learn and connect with others.  
Step outside your comfort zone when your curiosity is excited, even just a little bit.  
Don't worry if it doesn't work out—having the courage to try is what matters.  
Praise others if you think they're having a great adventure.

Reach out and make a connection to those you aspire to emulate.  
Asahi Kasei has many amazing people you haven't met.  
CLAP belongs to you. Success depends on enjoying it.

The CLAP Concept



#### Comment from an Employee Using CLAP

“ The Osaka Sales Department of Asahi Kasei Construction Materials began activities using CLAP in June 2023. Members recommend to one another the videos they like from the CLAP video menu. Using Microsoft Teams, we take turns every Monday to recommend videos, and those who watched them then give their feedback. We hope this activity will lead to autonomous learning as well as learning together. ”



**Makoto Kai**

Osaka Sales Department  
Asahi Kasei Construction Materials

### ■ Energizing Senior Personnel in Response to Extending the Retirement Age

In fiscal 2023, Asahi Kasei raised the retirement age in Japan from 60 to 65 to support the lifelong growth of employees. Analyzing afresh the framework of expectations for what they will, can, and must achieve, we match employees reaching the age of 60 to work assignments in accordance with analysis results to further draw out the capabilities of senior personnel who still seek to refine their specialist skills and continuously take on new challenges matched to a changing environment. Asahi Kasei expects that assigning senior personnel to environments where they can tackle their work enthusiastically and demonstrate their full capabilities will enhance their job satisfaction while stimulating younger employees.

### ■ Using the Open Position Posting System to Realize Autonomous Career Development

In fiscal 2003, the Asahi Kasei Group adopted an open position posting system, through which dozens of human resources each year transfer of their own accord to different departments to take on challenges in new environments. The number of personnel transferring to other departments through the open position posting system has been trending upward in recent years, at 53 in fiscal 2021 and 67 in fiscal 2022. We will continue striving to improve the system—which supports employees in developing their careers autonomously to realize lifelong growth—in various ways, such as expanding the scope of concurrent assignments to allow employees to experience work in departments other than their own for set periods of time.

### ■ Cultivating Managers to Enhance Management Capabilities

Asahi Kasei is working to improve training programs targeting general managers, who hold the key to organizational management. The program comprises a variety of elements, including group training and e-learning on management as well as 360-degree feedback evaluating their behavior from multiple perspectives, a one-on-one course to improve their skills for communicating on an individual basis with subordinates, and a course for using KSA surveys. In addition, we began incorporating an individual coaching program in fiscal 2020, which approximately 200 out of 680 applicable personnel had completed as of February 2023.

We are also focusing efforts on cultivating and recruiting management executives. To this end, we have introduced coaching with the aim of facilitating the growth next-generation leader candidates and operate programs to improve leadership and teamwork. Selected from among General Managers and Senior General Managers, certain candidates each year are promoted to the position of Group Executives<sup>1</sup> through the program. As of April 2023, there were 36 Group Executives and 76 candidates to become Group Executives. We will continue aiming to secure candidates and further raise the quality of human resources.

<sup>1</sup> Group Executives are appointed by resolution of the Board of Directors from among Executive Officers as individuals with responsibility and authority for improving the corporate value of the Asahi Kasei Group as a whole. Specifically, Group Executives include Lead Executive Officers and above at Asahi Kasei Corporation and Executive Officers at equivalent positions in core operating companies.

## External Recognition and Awards Related to the Asahi Kasei Group's Human Resources

### Examples of Human Resource Initiatives Included in the Ito Report

The Asahi Kasei Group's human resource strategies were included as useful examples when considering policies on human capital management in the Ito Report on Human Capital Management 2.0, which was published by the Ministry of Economy, Trade and Industry in May 2022. The report highlighted our original measures for enhancing engagement (the KSA survey) and the Group Masters program.

### Excellence Award at HRX of The Year 2022

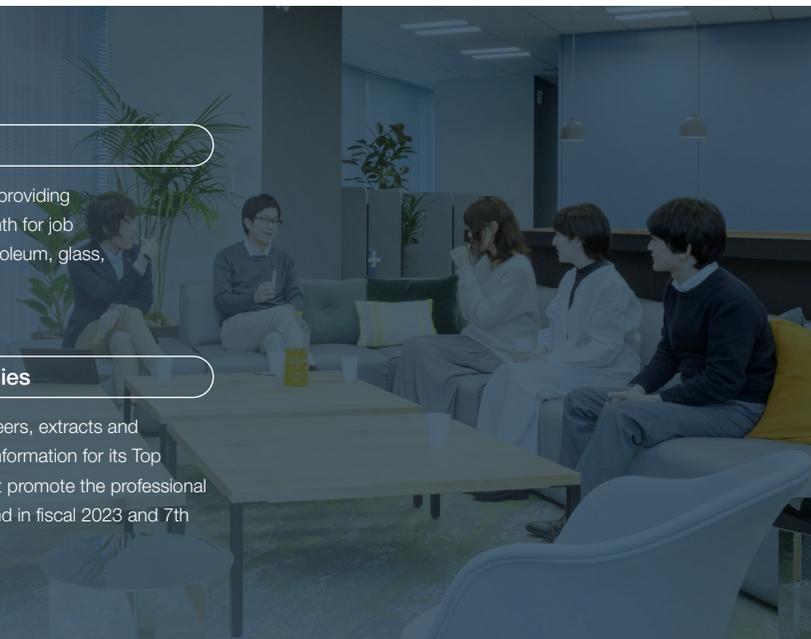
Organized by the HR Executive Consortium to promote human resource transformation (HRX) among Japanese companies, HRX of The Year recognizes companies conducting innovative initiatives in the field of human resources. In December 2022, at the inaugural awards, the Asahi Kasei Group's system for cultivating digital human resources received the Excellence Award.

### OpenWork: Workplace Review Site

In rankings compiled independently by OpenWork, a website providing employee reviews of companies, Asahi Kasei was ranked eighth for job satisfaction in fiscal 2021 and first overall in the chemical, petroleum, glass, and ceramic industries in fiscal 2022.

### Ranked in the Top 25 in LinkedIn Top Companies

LinkedIn, a U.S.-based social media platform focusing on careers, extracts and independently analyzes data based on collected user profile information for its Top Companies list, ranking the most attractive 25 companies that promote the professional growth of employees. The Asahi Kasei Group was ranked 22nd in fiscal 2023 and 7th among Japanese companies.



## Measures to Strengthen Co-Creativity

### Cultivating Professional Human Resources through Expansion of the Group Masters Program

Asahi Kasei needs to draw on the diverse capabilities of its human resources, including in technology, marketing, sales, manufacturing, environmental safety, and intellectual property, to accelerate the creation of new businesses and the reinforcement of existing ones, while cultivating and recruiting many specialists in various fields, which is essential for improving corporate value. The Group Masters program is a system that allows Asahi Kasei to secure industry-leading, highly specialized human resources, cultivating and rewarding those expected to proactively take part in and contribute to such business creation and reinforcement. Tasked with the development of the next generation, among other roles, Group Masters help improve Asahi Kasei's organizational strength, as well as enhancing and demonstrating their own specialized skills. We track the number of Group Masters as a KPI. There were 90 when we revised the program in fiscal 2016, and this has steadily increased to 294 as of fiscal 2022. Our MTP, which began in fiscal 2022, set a target of 300 Group Masters by fiscal 2024. However, given the pace of increase, we have raised that target to 360. In all our businesses, including the 10 Growth Gears (GG10) we have designated as drivers of future growth, Group Masters will not only propel technological development but also contribute to business expansion and the creation of new businesses by taking the lead in enhancing the Asahi Kasei Group's abundant intellectual property and co-creating human resources.

#### Group Master Ranks and Roles

Ranks		Roles
<b>Executive Fellow</b> (Status Equivalent to Executive Officer) Person who newly developed or considerably expanded a field of technology	<b>Senior Fellow</b> (Status Equivalent to Managing Executive, Senior Managing Executive, or Executive Officer) Person whose term as Executive Fellow or Principal Expert expires after retirement age but who is expected to continue the roles shown at right	1. Actively participating in and contributing to new business creation and strengthening operations by cultivating and enhancing their skills and abilities as a leading specialist 2. Fostering younger personnel in the relevant areas
<b>Principal Expert</b> (Status Equivalent to Managing Executive or Senior Managing Executive) Person who takes the lead in a field of technology		
<b>Lead Expert</b> Person ranked below Principal Expert (candidate to be Principal Expert)		Actively participating in and contributing to new business creation and strengthening operations by cultivating and enhancing their skills and abilities
<b>Expert</b> Person ranked below Lead Expert (candidate to be Lead Expert)		



#### Comments from Group Masters



“ I am determined to contribute to the growth of Global Specialty Pharma through alliances with partners in Japan and overseas based on my specialization in pharmaceutical licensing alliances. ”

#### Kazuko Yokota

Principal Expert  
 Business Development and Licensing Pharmaceutical R&D, Business and Strategy Division  
 Asahi Kasei Pharma

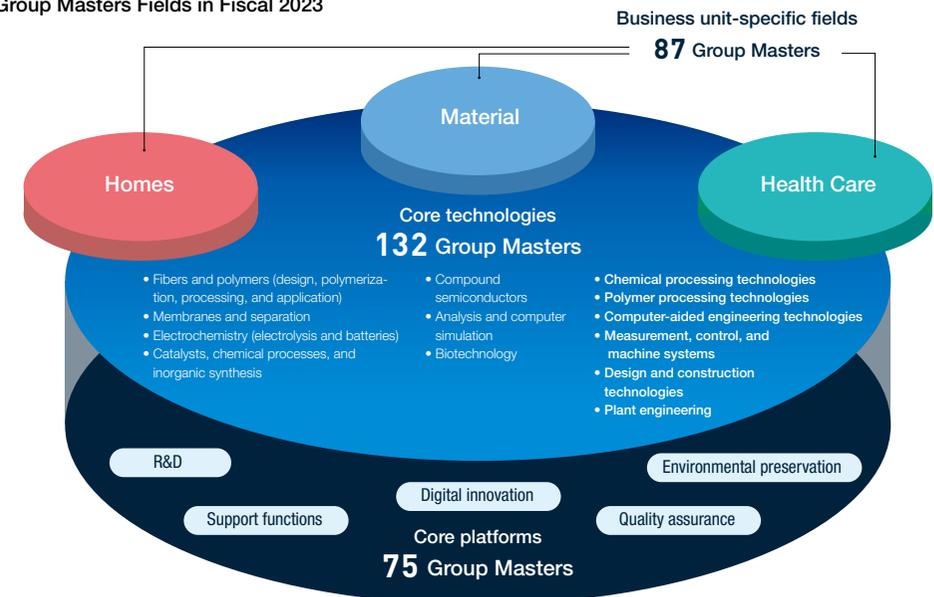
“ I will drive the development of innovative technologies in relation to hydrogen with a focus on water electrolysis to contribute to the creation of a carbon-neutral society and the sustainable improvement of corporate value. ”

#### Yosuke Uchino, Ph.D.

Lead Expert  
 Clean Energy Project and Green Solution Project, Environmental Solutions SBU



#### Group Masters Fields in Fiscal 2023



Note: Fields in bold were revised in fiscal 2023

## ■ Diversity, Equity, and Inclusion

Co-creativity that capitalizes on the diversity of human resources to co-create businesses is indispensable to addressing dramatic changes in the operating environment and continuously creating new value. Positioning diversity, equity, and inclusion (DE&I) as one of its management strategies, the Asahi Kasei Group establishes and expands systems and provides support to realize rewarding work environments friendly to a diverse range of human resources.

### Promoting the active participation of women

Along with seminars on preparing for childcare leave and returning from leave to support the active participation of female employees through events in their personal lives, including childbirth and childcare, Asahi Kasei has conducted a variety of initiatives, such as a mentoring program to support the career development of female managers. As a result of these efforts, the number of female managers increased from three in 1994 to 309 as of June 1, 2023. In addition, women account for two Directors, one Audit & Supervisory Board Member, and two Executive Officers among senior management.

In fiscal 2022, we adopted as a KPI a target to increase the percentage of female managers, particularly in leadership positions (managers and Group Masters), to 10% by fiscal 2030 (the figure in fiscal 2022 was 3.8%). Targeting 5% in fiscal 2024, we have also linked achievement of the percentage to executive remuneration.

Senior management, the Diversity Promotion Office—the organization promoting diversity—and business units are acting as one, implementing concrete initiatives tailored to issues in each business unit to achieve this target. We are also enhancing our system to tackle the company-wide issues of long working hours for managers and the gap in experience between men and women in core positions, while the commitment and leadership of senior management is providing strong support for activities on the front lines.

### Creating an environment supporting the active participation of all motivated human resources

The Asahi Kasei Group promotes extensive support measures to create an environment accommodating the individual circumstances of employees, thereby allowing all human resources to properly demonstrate their talents and play an active role. For example, we are working to create an inclusive environment by introducing a variety of systems. These include a work rehabilitation system supporting a seamless return to work after receiving medical treatment, a system ensuring time for outpatient medical care to balance treatment and work, and a system allowing a leave of absence to employees whose spouses have been transferred overseas.

In its corporate governance report, Asahi Kasei has stated its commitment to promoting women, non-Japanese, and mid-career recruits to key positions. For information on initiatives and various data pertaining to the recruitment of people with disabilities, please refer to our [sustainability report](#) .

## ■ Promoting Co-Creation by Transferring Human Resources Across Business Sectors and Visualizing Human Resources

The Asahi Kasei Group cultivates human resources with broad viewpoints and elevated perspectives by proactively implementing transfers across business sectors to give people experience in a diverse range of businesses. The overseas expansion of the Homes business is a prime example of the cultivation of human resources with experience of a variety of businesses leading to business expansion. The Homes business swiftly expanded overseas by making use of human resources with extensive experience in overseas expansion and M&A know-how from the Health Care sector. The growth of its overseas business has improved the performance of the Homes business, raising its ability to generate cash. Transferring human resources across business sectors truly enables us to maximize our abundant intangible assets, such as diverse businesses and technologies, which are strengths of the Asahi Kasei Group. We will further promote this measure going forward.

In fiscal 2022, we introduced Career Management Place (CaMP) to promote the visualization of human resources. This system digitalizes and centrally manages a range of information, such as the career approaches, specializations, and experience of employees. We will accelerate co-creativity by consolidating necessary human resource information to support growth effectively, such as the appropriate allocation of human resources, and their cultivation.

## ■ Promoting Overseas Human Resources

As the proportion of overseas sales has risen, the percentage of overseas employees increased to over 40% as of March 31, 2023. We are expanding the promotion of non-Japanese and locally hired human resources to major positions at overseas sites and cultivating the most talented individuals into human resources who contribute not only to their respective businesses but also the Asahi Kasei Group as a whole. As one example, we arranged for discussions on the Asahi Kasei Group's vision for 2030 between the next generation of leaders from the U.S., Europe, China, and Japan when considering the MTP to begin in fiscal 2022. An opinion offered during the discussions became the basis for “Be a Trailblazer,” the concept for the MTP. We are also proactively promoting talented human resources who became Asahi Kasei Group employees through overseas M&A to the position of Executive Officer, advancing their participation in group-wide management. As of March 31, 2023, Asahi Kasei Corporation had seven non-Japanese Executive Officers.



### Comments from an Overseas Employee

“ My transfer from Crystal IS (which joined the Asahi Kasei Group in fiscal 2011) to Corporate Venture Capital symbolizes the bold spirit of Asahi Kasei. I am committed to using the expertise I have developed and the Group's network to contribute to the transformation of Asahi Kasei's business portfolio and the achievement of “Be A Trailblazer.” ”



Jeff Chen

Corporate Venture Capital, Asahi Kasei America, Inc.

## Health and Productivity Management



The Asahi Kasei Group works to develop dynamic human resources and workplaces based on the well being of employees and their families

### Masatsugu Kawase

Director, Senior Executive Officer  
Chief Health and Productivity Officer

In fiscal 2020, the Asahi Kasei Group issued a Statement on Management for Health, indicating its conviction that maintaining and promoting the physical and mental health of employees and their families is an important management task. In fiscal 2021, we began developing a framework to facilitate the integrated group-wide promotion of health and productivity management to create an environment that empowers employees to play an active role in good mental and physical health.

Today, amid rapidly changing work conditions, including the rise of telecommuting, the number of people on leave of absence for mental health purposes is increasing in society as a whole. Asahi Kasei views measures to improve mental health as a priority task in health and productivity management. Based on this view, we have established the percentage of employees on leave of absence for mental health purposes as one factor in determining Director remuneration. Maintaining and improving the physical and mental health of employees raises productivity and invigorates our organizations, which leads to improved corporate value.

Human resources are everything when it comes to the sustainable improvement of corporate value. With this in mind, we will strengthen our support for not only our employees but also their families, to alleviate any anxieties and burdens in relation to their well-being or in their personal lives, with the aim of creating an environment that allows all employees to work enthusiastically in good physical and mental health.

### Overview of Health and Productivity Management Initiatives

Contributing to sustainable society and sustainable growth of corporate value



Maintaining and promoting the physical and mental health of employees and their families

### Selected as a “White 500” Enterprise

The Asahi Kasei Group proactively promotes various measures and activities focused on mental health, serious lifestyle-related illnesses, cancer, smoking, and sleep to support the success and growth of each individual, foster greater working satisfaction and fulfillment, and create a vibrant and strong organizational climate.

In recognition of such initiatives, in fiscal 2022 Asahi Kasei was selected as a “White 500”<sup>1</sup> enterprise for the first time under the 2023 Certified Health & Productivity Management Outstanding Organization Recognition Program.

<sup>1</sup> The Certified Health & Productivity Management Outstanding Organization Recognition Program honors companies and other organizations practicing exceptional health and productivity management based on their initiatives addressing community health-related issues and efforts implementing the health promotion efforts of the Nippon Kenko Kaigi. The top 500 companies in the large enterprise category are selected as “White 500” enterprises.



### Health and Productivity Management Targets

Asahi Kasei revitalizes individuals and organizations while striving to reduce the number of employee absence days. Efforts to increase the quality and quantity of sleep—cited as an important indicator from the perspective of raising productivity—are a distinctive feature of our targets.

#### Company-wide KPIs and Targets

KPIs	Results				Targets	
	2019	2020	2021	2022	2023	2024
Percentage of employees on leave of absence for mental health purposes	0.91	0.98	1.00	1.07	0.80	0.64
Percentage of employees with serious lifestyle-related illnesses	11.0	11.0	10.7	10.7	8.9	7.7
Percentage of employees affected by metabolic syndrome	11.1	11.4	11.1	10.7	8.9	7.8
Number of days absent by employees due to cancer-related illnesses	79.2	68.1	87.5	88.6	67.3	67.3
Percentage of employees affected by smoking habits	25.8	24.7	23.5	22.5	18.5	15.5
Percentage of employees affected by insufficient rest from sleep	32.4	28.5	27.2	28.0	24.2	22.7

## Priority Measures

### Measures to improve mental health

In addition to care by line managers as has long been implemented, Asahi Kasei conducts and strengthens training in relation to mental health to promote understanding of strategies for coping with stress and mental health issues. In May 2023, we conducted mental health self-care education for all employees to enable them to quickly identify and address personal concerns regarding stress and mental health.

In fiscal 2020, the Asahi Kasei Group began conducting KSA surveys (engagement surveys assessing employee empowerment and growth), which allow for the analysis and visualization of work engagement among employees in terms of enthusiasm, immersion, and vitality. We conduct surveys each July in conjunction with stress checks. Currently, we are working to improve work engagement in various ways to further revitalize individuals and organizations. These include ensuring that each workplace comprehensively uses the analysis results of both surveys to promote communication among employees.

### Measures to address lifestyle-related illnesses

#### Specific health guidance and the Slim Up Challenge

Asahi Kasei promotes measures to prevent and address lifestyle-related illnesses among its employees. Since fiscal 2022, we have stipulated that employees diagnosed with metabolic syndrome must, as a general rule, undergo specific health guidance. We also offer the Slim Up Challenge as a program for those at risk of metabolic syndrome.



Yoga class for employees

#### Creating opportunities for exercise

In addition to walking events and other activities, each manufacturing site hosts meetings to help assess the physical stamina of employees and arranges events to monitor changes over the years. Asahi Kasei also creates fitness opportunities by posting videos to its employee website with exercises that can be practiced in any location by anyone.

## Cancer

### Conducting company-wide e-learning on cancer prevention and support for work-treatment balance

Asahi Kasei holds company-wide, simultaneous e-learning to encourage employees to acquire a correct understanding of cancer, improve their lifestyles to prevent cancer, and increase the cancer screening rate to facilitate early detection and early treatment.

### Encouraging employees to undergo cancer screening

We offer financial assistance to encourage employees to undergo cancer screening in regular medical checkups and health screening. Aside from this assistance, we have a program providing support for treatment when employees develop cancer and an internal program to help them on their return to work. Awareness of these programs among employees is promoted.

In recognition of such initiatives, in fiscal 2022 Asahi Kasei received the Silver Award in the Cancer Ally Awards 2022.



## Smoking

### Group no-smoking policy

The Asahi Kasei Group has set forth a basic approach of supporting efforts to quit smoking habits and protecting employees from unwanted exposure to secondhand smoke. Under this basic approach, we will gradually transition from a total ban on smoking during work hours (working toward a target to remove indoor smoking areas) in April 2024 to a total ban on smoking within company premises and during banquets in April 2025. In addition to traditional no-smoking challenge projects arranged by our health insurance association, we hold seminars and other events on quitting smoking habits and support the efforts of employees to stop smoking.

## Sleep

We conducted a questionnaire on sleep with the goal of improving sleep quality and raising the productivity level of work and daily life. Following the questionnaire, we identified employees with severe insomnia and held a trial sleep improvement program for those who wished to take part. In light of the high level of satisfaction among participants and its effectiveness in improving sleep quality to a certain degree, we will operate the program on a group-wide basis going forward. In addition, we hold online seminars to increase literacy on sleep.

We are also studying the establishment of sub-KPIs that gauge the effectiveness of such measures for achieving the KPIs to verify whether they are functioning effectively.

### Medium- to Long-Term Approach for Fiscal 2025 and Beyond

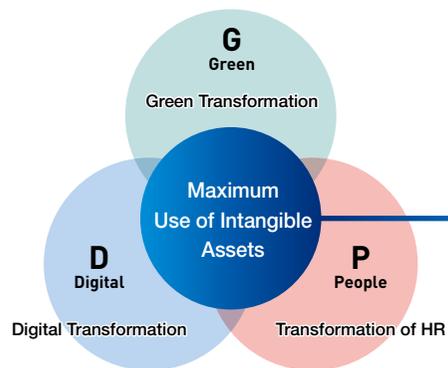


# Maximum Use of Intangible Assets

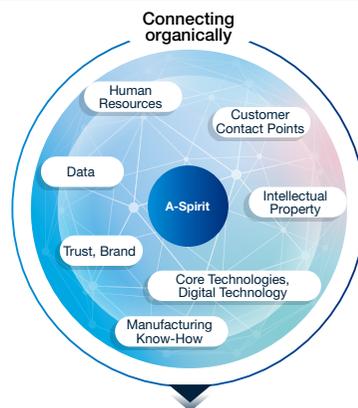
## Guiding Principle for Use of Intangible Assets

In its MTP, Asahi Kasei adopted the maximum use of intangible assets as one of its key areas for transformation to strengthen its business platform. We aim to improve our corporate value by organically connecting our intangible assets, which we view as a vital management resource.

### Four Key Areas for Transformation to Strengthen Our Business Platform



### Overview of Intangible Assets



Improving corporate value through value creation

## Using Rights to Maximize the Value of Intellectual Property and Intangible Assets

The Asahi Kasei Group leverages intellectual property rights from both a rights-focused perspective and an informational perspective to maximize the value of its intangible assets. In terms of the former, we protect our businesses from imitation by other companies and grant intellectual property licenses to other companies to earn royalty income by obtaining patents and leveraging them to secure exclusive rights. For the latter, we gain insights on industrial trends and the intellectual properties and business strategies of other companies by analyzing publicly available intellectual property information, and utilize these insights to develop our business and management strategies.

1 Rights-focused perspective

Patent rights bestow the enforceable right of exclusivity (Creates barriers to entry, allows monetization through licensing, etc.)

Use of Rights

2 Informational perspective

Patents represent the largest available source of technological information, enabling access to information on the strategies of other companies

Use of Information (IP landscaping)

1 Rights-focused perspective

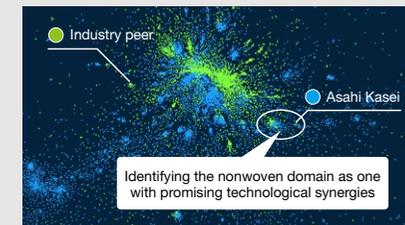
### Extending the Exclusive Marketing Period for Teribone™ (Freeze-Dried Preparation)

With the conclusion of the patent reexamination period for Teribone™ (freeze-dried preparation) in 2017, the entrance of generic drugs was expected to lead to a sharp decline in sales. In response to this risk, Asahi Kasei Pharma launched the Teribone™ subcutaneous autoinjector, which enables self-administered injection at home, and has endeavored to protect Teribone™ businesses through a set of patents. Specifically, we have succeeded in maintaining sales by effectively extending the exclusive marketing period of Teribone™ (freeze-dried preparation)—as a result of efforts to ensure multifaceted protection through dosage and administration patents prescribing the drug's distinctive feature, namely, its use for patients at high risk of bone fracture, and patents emphasizing its features for enhancing quality. Furthermore, in September 2023, a provisional injunction was issued preventing the manufacture, sale, or application for sale of a generic version of Teribone™ (freeze-dried preparation) in a provisional injunction against infringement of patent rights based on Asahi Kasei Pharma's manufacturing process patent.

2 Informational perspective

### Investigating the Possibility of Combining Nonwoven Business with that of Industry Peer

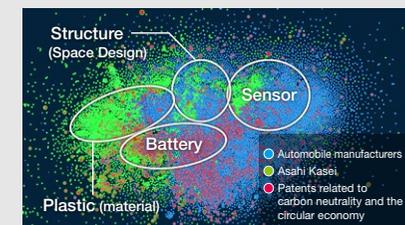
The Asahi Kasei Group uses its intangible assets to strengthen established businesses and achieve structural transformation as well as to create new businesses. When deciding to establish a joint venture for our spunbond nonwoven business, we used IP landscaping. The map on the right provides an overview of the patents of both the Asahi Kasei Group and an industry peer. In addition to objectively demonstrating the existence of technological synergies between the two companies through this overview, we conducted a simulation of advantages over other companies in the event of combining forces, thereby identifying a path to success. We made a strategic decision using this approach, which achieved structural transformation that enables the growth of the nonwoven business.



2 Informational perspective

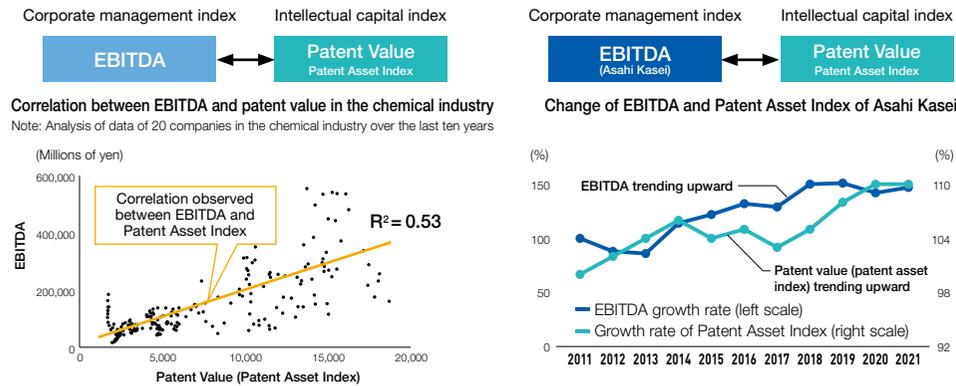
### Strengthening Communication with Automobile Manufacturers

In the automotive domain, the Asahi Kasei Group fosters business communication with automobile manufacturers by using IP landscaping to visualize relationships between our technologies and those of automobile manufacturers. Using IP landscaping to objectively identify common domains with manufacturers and potential for co-creation to realize sustainability, we gain opportunities to introduce our products in business negotiations.



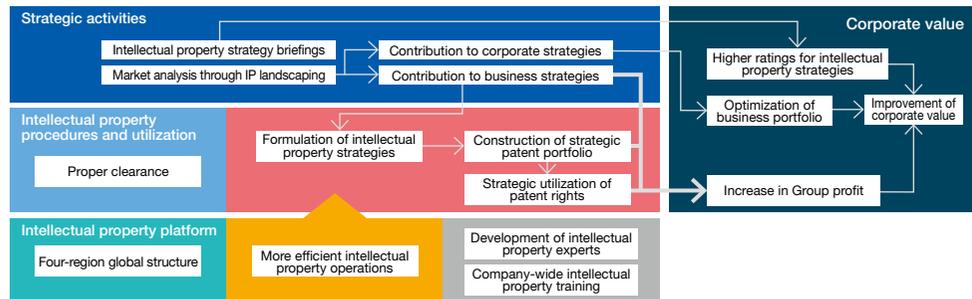
### Constructing a Corporate Value Improvement Narrative through IP Activities

In fiscal 2022, the Asahi Kasei Group analyzed the correlation between indices of management and indices of intellectual property and intangible assets as an initiative to visualize the corporate and business contribution of IP activities. Results of a review of the correlation between several indices of management (such as net sales, profit, operating margin, and ROIC) and various indices of intellectual property and intangible assets (such as numbers of patents, overseas patent applications, and forward patent citations, and a variety of patent scores), confirmed a correlative relationship between EBITDA and patent value in the chemical industry.



In fiscal 2023, we examined the possibility of creating a specific road map (corporate value improvement narrative) for reflecting intellectual property measures in corporate value based on the assumption of a correlation between intellectual property measures (investment and utilization) and management indices.

In the examination, we organized our intellectual property measures into strategic activities and intellectual property procedures and utilization. The examination led us to a narrative in which strategic activities and intellectual property procedures and utilization supported by our intellectual property platform improve corporate value in ways that include optimizing our business portfolio and increasing Group profit. Asahi Kasei's *Intellectual Property Report 2023* reports on the corporate value improvement narrative pertaining to the Asahi Kasei Group's three business sectors.



The Cabinet Office's *Intellectual Property/Assets/Capital and Other Intangible Assets Governance Guidelines ver. 2.0* calls on companies to clarify how they link investment in and utilization of intellectual property and intangible assets to management indices at the corporate level, and how this contributes to improving corporate value. The Asahi Kasei Group's corporate value improvement narrative meets the requirements set out in the guidelines.

### Verifying the Appropriateness of Corporate Value Improvement Narrative

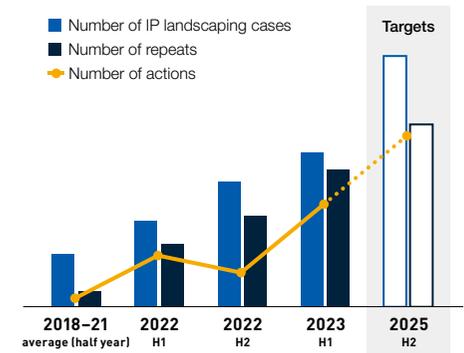
With the cooperation of external experts, we are working on objective and qualitative verification of the correlation between the elements constituting the corporate value improvement narrative described on the left. In one business, we identified a significant correlation between intellectual property procedures and utilization (patent score) and net sales of the business, thereby verifying the probability of the narrative.

### Examples of KPIs Based on the Corporate Value Improvement Narrative

Asahi Kasei improves corporate value by promoting intellectual property activities aligned with its corporate value improvement narrative. We have established KPIs as a way to verify the extent to which promotion of intellectual property activities fuels contributions to management and business. The KPIs focus in particular on IP activities with a close connection to financial indicators. We will continue to pursue further corporate value improvement by promoting IP activities while regularly optimizing the KPI and confirming our progress toward achieving it.

### Level of contribution to management and business strategies of IP landscaping

We established a KPI on the contribution to management and business strategies of IP landscaping, an IP activity closely connected to the improvement of corporate value. The KPI measures the contribution level of IP landscaping with a focus on the three essential elements of quantity, quality, and productivity. Specifically, quantity demonstrates the number of IP landscaping cases, quality is assessed in terms of the percentage of repeats<sup>1</sup> and actions<sup>2</sup>, and productivity is calculated using the number of IP landscaping cases conducted per person. Incorporating the perspective of quality makes for an indicator that more accurately expresses the level of contribution to business activities and, in turn, corporate activities. By fiscal 2025, we aim to more than double the level of contribution compared with fiscal 2022. We aim to improve corporate value by meeting this KPI target.



<sup>1</sup> IP landscaping requests from the same organization

<sup>2</sup> Cases where the outcome of IP landscaping has led to decision or action on the management, business, or development side of the requesting organization

## 05

# Strengthening of Corporate Governance

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Name	Choi Jaeho
Company	Asahi Kasei Microdevices Korea
Country/region	Korea

## Directors (as of June 27, 2023)



Back row, from left Masatsugu Kawase Hiroki Ideguchi Toshiyasu Horie Chieko Matsuda Tsuneyoshi Tatsuoka Kazushi Kuse  
Front row, from left Tsuyoshi Okamoto Koshiro Kudo Hideki Kobori Yuko Maeda

## Directors and Audit & Supervisory Board Members (as of June 27, 2023)

### Directors



**Hideki Kobori**  
Chairman & Director

April 1978 Joined Asahi Kasei  
 April 2008 Asahi Kasei Microdevices Director,  
 Senior Executive Officer  
 April 2009 Asahi Kasei Microdevices Director,  
 Primary Executive Officer  
 April 2010 Asahi Kasei Microdevices President &  
 Representative Director, Presidential  
 Executive Officer  
 April 2012 Asahi Kasei Senior Executive Officer  
 June 2012 Asahi Kasei Director  
 (position held at present)  
 April 2014 Asahi Kasei Representative Director,  
 Primary Executive Officer  
 April 2016 Asahi Kasei President and Director,  
 Presidential Executive Officer  
 April 2022 Asahi Kasei Chairman and Director  
 (position held at present)



**Koshiro Kudo**  
President &  
Representative Director  
Presidential Executive Officer

April 1982 Joined Asahi Kasei  
 April 2013 Asahi Kasei Fibers Executive Officer  
 April 2016 Asahi Kasei Lead Executive Officer  
 April 2017 Asahi Kasei President of Fibers & Textiles  
 SBU, Senior General Manager,  
 Osaka Office  
 April 2019 Asahi Kasei Senior Executive Officer,  
 President of Performance Products SBU  
 June 2021 Asahi Kasei Director  
 (position held at present)  
 April 2022 Asahi Kasei Representative Director  
 (position held at present),  
 President and Director  
 (position held at present),  
 Presidential Executive Officer  
 (position held at present)



**Kazushi Kuse**  
Director  
Primary Executive Officer

April 1987 Joined IBM Japan  
 April 2005 IBM Japan Executive Officer  
 January 2008 IBM Vice President  
 January 2017 IBM Japan Chief Technology Officer  
 July 2020 Joined Asahi Kasei, Asahi Kasei  
 Executive Officer, Asahi Kasei  
 Executive Fellow  
 April 2021 Asahi Kasei Senior Executive Officer,  
 Asahi Kasei Digital Value Co-Creation  
 Senior General Manager  
 (position held at present)  
 April 2022 Asahi Kasei Primary Executive Officer  
 (position held at present)  
 June 2022 Asahi Kasei Director  
 (position held at present)



**Toshiyasu Horie**  
Representative Director  
Senior Executive Officer

April 1985 Joined Asahi Kasei  
 April 2015 Asahi Kasei Chemicals Corporate  
 Planning & Coordination  
 General Manager  
 April 2016 Asahi Kasei Petrochemicals SBU  
 Planning & Coordination  
 Senior General Manager  
 April 2019 Asahi Kasei Executive Officer  
 April 2020 Asahi Kasei Lead Executive Officer  
 April 2022 Asahi Kasei Senior Executive Officer  
 (position held at present)  
 June 2022 Asahi Kasei Director  
 (position held at present)  
 April 2023 Asahi Kasei Representative Director  
 (position held at present)



**Hiroki Ideguchi**  
Director  
Senior Executive Officer

April 1985 Joined Asahi Kasei  
 April 2016 Asahi Kasei Pharma Corporate Planning  
 & Coordination Senior General Manager  
 April 2017 Asahi Kasei Pharma Executive Officer  
 April 2019 Asahi Kasei Executive Officer  
 Asahi Kasei Corporate Strategy Senior  
 General Manager  
 April 2020 Asahi Kasei Lead Executive Officer  
 April 2022 Asahi Kasei Senior Executive Officer  
 (position held at present)  
 June 2023 Asahi Kasei Director  
 (position held at present)



**Masatsugu Kawase**  
Director  
Senior Executive Officer

April 1990 Joined Asahi Kasei  
 April 2016 Asahi Kasei Chemicals Basic Chemicals  
 Division Senior General Manager  
 April 2018 Asahi Kasei Production Center Planning  
 & Coordination Senior General Manager  
 April 2020 Asahi Kasei Senior Managing Executive  
 Asahi Kasei Production Center Senior  
 General Manager  
 April 2023 Asahi Kasei Senior Executive Officer  
 (position held at present)  
 June 2023 Asahi Kasei Director  
 (position held at present)



**Tsuneyoshi  
Tatsuoka**  
Outside Director

April 1980 Joined Ministry of International Trade  
 and Industry  
 January 2010 Councilor, Cabinet Secretariat  
 August 2011 Deputy Vice-Minister of Economy, Trade  
 and Industry  
 June 2013 Vice-Minister of Economy, Trade and  
 Industry  
 July 2015 Retired from Ministry of Economy, Trade  
 and Industry  
 June 2016 Asahi Kasei Director  
 (position held at present)



**Tsuyoshi Okamoto**  
Outside Director

April 1970 Joined Tokyo Gas Co., Ltd.  
 June 2002 Tokyo Gas Co., Ltd. Executive Officer  
 April 2004 Tokyo Gas Co., Ltd.  
 Senior Executive Officer  
 June 2004 Tokyo Gas Co., Ltd. Director  
 April 2007 Tokyo Gas Co., Ltd. Representative  
 Director, Executive Vice President  
 April 2010 Tokyo Gas Co., Ltd. Representative  
 Director, President  
 April 2014 Tokyo Gas Co., Ltd. Director, Chairman  
 April 2018 Tokyo Gas Co., Ltd. Director, Senior  
 Corporate Advisor  
 June 2018 Asahi Kasei Director  
 (position held at present)  
 July 2018 Tokyo Gas Co., Ltd.  
 Senior Corporate Advisor  
 (position held at present)



**Yuko Maeda**  
Outside Director

April 1984 Joined Bridgestone Corporation  
 September 2003 Tokyo Medical and Dental University  
 Director of Technology Transfer Center  
 and Intellectual Property Manager of  
 Intellectual Property Right Department  
 October 2009 Tokyo Medical and Dental University  
 Visiting Professor  
 October 2011 Kyoto Prefectural University of Medicine  
 Specially Appointed Professor  
 May 2013 Bridgestone Corporation  
 Executive Officer  
 April 2014 Japan Agency for Marine-Earth Science  
 and Technology Auditor  
 (position held at present)  
 January 2017 CellBank Corp. Director  
 (position held at present)  
 October 2020 Kyushu University Executive Vice  
 President (position held at present)  
 June 2021 Asahi Kasei Director  
 (position held at present)



**Chieko Matsuda**  
Outside Director

April 1987 Joined The Long-Term Credit Bank of  
 Japan, Limited  
 October 1998 Joined Moody's Japan K.K.  
 September 2001 Corporate Directions, Inc. Partner  
 October 2006 Booz & Company, Inc.  
 Vice President (Partner)  
 April 2011 Tokyo Metropolitan University Faculty of  
 Economics and Business Administration  
 Professor (position held at present)  
 Tokyo Metropolitan University Graduate  
 School of Management Professor  
 (position held at present)  
 June 2023 Asahi Kasei Director  
 (position held at present)

## Audit &amp; Supervisory Board Members

**Yutaka Shibata**Audit & Supervisory Board  
Member

April 1979 Joined Asahi Kasei  
 April 2008 Asahi Kasei Executive Officer  
 April 2009 Asahi Kasei Lead Executive Officer  
 April 2011 Asahi Kasei Kuraray Medical President & Representative Director, Presidential Executive Officer  
 Asahi Kasei Medical President & Representative Director, Presidential Executive Officer  
 April 2016 Asahi Kasei Primary Executive Officer  
 April 2017 Asahi Kasei Pharma President & Representative Director, Presidential Executive Officer  
 June 2018 Asahi Kasei Director  
 April 2019 Asahi Kasei Vice-Presidential Executive Officer  
 June 2021 Asahi Kasei Audit & Supervisory Board Member (position held at present)

**Takuya Magara**Audit & Supervisory Board  
Member

April 1982 Joined Asahi Kasei  
 April 2012 Asahi Kasei Homes Executive Officer  
 April 2014 Asahi Kasei Homes Director  
 Asahi Kasei Homes Senior Executive Officer  
 April 2016 Asahi Kasei Homes Primary Executive Officer  
 April 2018 Asahi Kasei Homes Vice-Presidential Executive Officer  
 April 2022 Asahi Kasei Homes Advisor  
 June 2023 Asahi Kasei Audit & Supervisory Board Member (position held at present)

**Akemi Mochizuki**Outside Audit & Supervisory  
Board Member

October 1984 Joined Aoyama Audit Corporation  
 March 1988 Certified as a Certified Public Accountant  
 August 1996 Joined Tohmatu Audit Corporation (currently Deloitte Touche Tohmatsu LLC)  
 June 2001 Tohmatu Audit Corporation Partner  
 July 2018 Akahoshi Audit Corporation Partner (position held at present)  
 June 2021 Asahi Kasei Audit & Supervisory Board Member (position held at present)

**Haruyuki Urata**Outside Audit & Supervisory  
Board Member

April 1977 Joined Orient Leasing Co., Ltd. (currently ORIX Corporation)  
 February 2005 ORIX Corporation Executive Officer  
 August 2006 ORIX Corporation Managing Executive Officer  
 June 2007 ORIX Corporation Managing Director  
 January 2008 ORIX Corporation Director and Deputy President  
 January 2009 ORIX Corporation Director and Deputy President, and Group CFO  
 January 2011 ORIX Corporation Representative Director and Deputy President, and Group CFO  
 June 2015 ORIX Bank Corporation Representative Director and President  
 June 2020 ORIX Bank Corporation Director and Chairman  
 June 2021 ORIX Bank Corporation Special Adviser (position held at present)  
 June 2022 Asahi Kasei Audit & Supervisory Board Member (position held at present)

**Yoshikazu Ochiai**Outside Audit & Supervisory  
Board Member

April 1986 Appointed as Public Prosecutor  
 October 2015 Tokyo District Public Prosecutors Office Deputy Superintending Prosecutor  
 April 2017 Saitama District Public Prosecutors Office Chief Prosecutor  
 February 2018 Supreme Public Prosecutors Office Director of Criminal Affairs Dept.  
 July 2020 Supreme Public Prosecutors Office Deputy Prosecutor-General  
 June 2022 Tokyo High Public Prosecutors Office Superintending Prosecutor  
 January 2023 Retired as Public Prosecutor  
 April 2023 Certified as an attorney-at-law  
 June 2023 Nishimura & Asahi law firm Of Counsel (position held at present)  
 Asahi Kasei Audit & Supervisory Board Member (position held at present)

# Corporate Governance

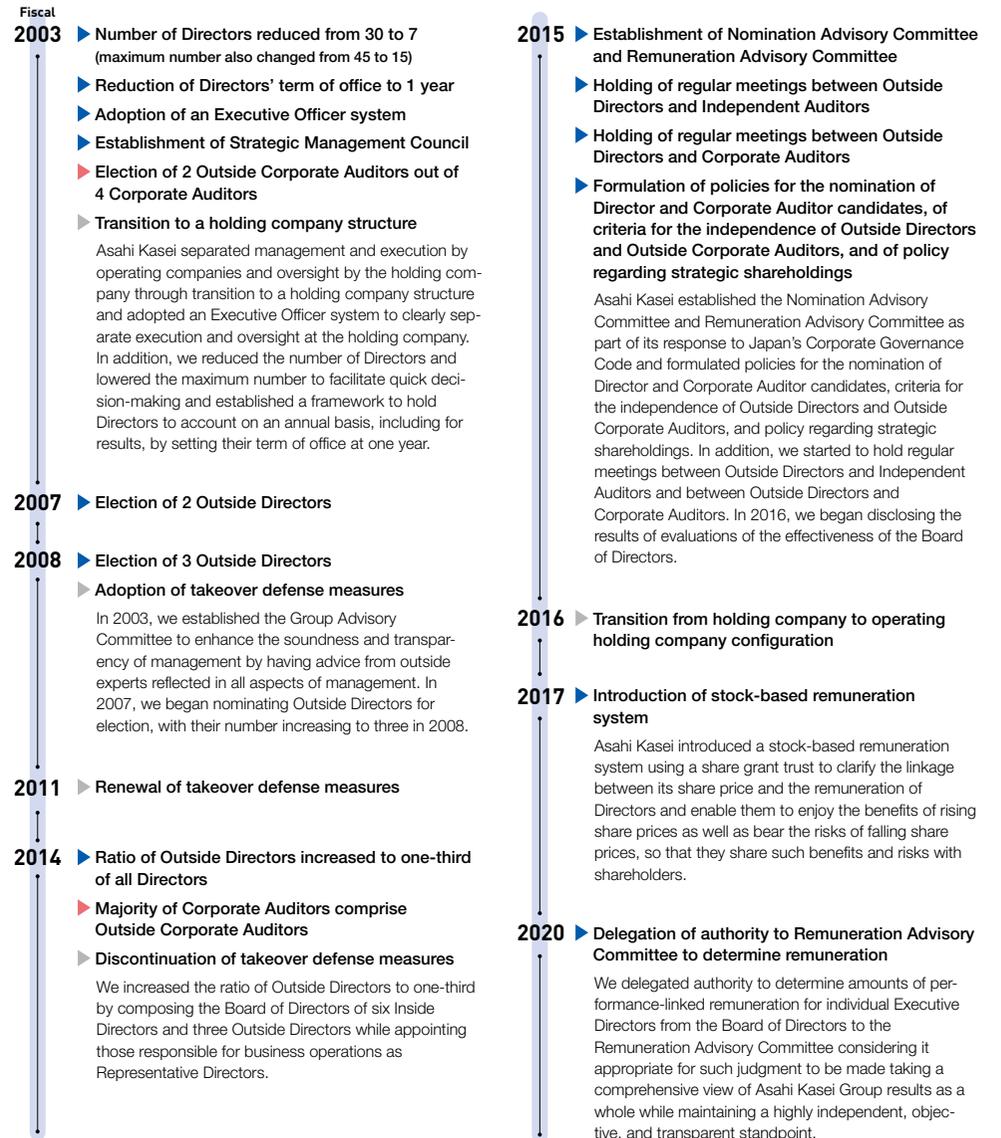
## Working to Strengthen Corporate Governance

### Basic Policy

Guided by the Group Mission of contributing to life and living for people around the world, the Group Vision for Asahi Kasei is to provide new value to people throughout the world and help resolve social issues by enabling “living in health and comfort” and “harmony with the natural environment.” Based on this approach, we aim to contribute to society while achieving sustainable growth and improving corporate value over the medium to long term, by spurring innovation and creating synergies through the integration of our diverse range of businesses.

To that end, we will continuously pursue the optimal corporate governance framework for ensuring transparent, fair, timely, and resolute decision-making in accordance with changes in the business environment.

## Changes to Strengthen Corporate Governance (fiscal 2003–2020)



## Changes to Strengthen Corporate Governance (fiscal 2021–2022)

### 2021

#### Introduction of Interim Reviews at Meetings of Independent Officers

In fiscal 2021, Asahi Kasei began holding interim reviews evaluating the effectiveness of the Board of Directors by arranging discussion meetings of Independent Officers attended solely by Outside Directors and Outside Audit & Supervisory Board Members to incorporate more objective viewpoints and enhance the effectiveness of the Board of Directors. At the meetings, participants discuss the role of the Board of Directors, the nature of explanations and deliberations at meetings of the Board of Directors, and ways to evaluate the effectiveness of the Board of Directors, from an objective standpoint to identify issues at the Board of Directors and steadily improve its effectiveness.

#### Improvement of Meeting Proceedings through Better Organization of Discussion Points

We standardized the organization of discussion points in materials for meetings of the Board of Directors, thereby promoting better deliberations and more efficient discussions during meetings, with a focus on priority discussion points.



### 2022

#### Revision of Remuneration System for Directors

Given that remuneration of Directors is a key constituent element of corporate governance, we revised the remuneration system for Directors to provide appropriate incentives for both those charged with business execution and those conducting oversight for the continuous growth of the Asahi Kasei Group and increased corporate value over the medium to long term. Specifically, we aligned indicators for the performance-linked remuneration of Directors with indicators in the MTP and linked stock-based remuneration with the level of achievement of non-financial indicators.

#### Introduction of Matters to Be Discussed in Relation to Important Management Matters

In addition to matters to be resolved and reported, Asahi Kasei introduced matters to be discussed in fiscal 2022 to enable more in-depth discussions at meetings of the Board of Directors. This move allows important management matters to be deliberated in greater detail.

#### Enhancement of the Setting of Agenda Items at Meetings of the Board of Directors

Asahi Kasei enhanced the setting of agenda items at meetings of the Board of Directors, taking into consideration the circumstances of businesses and social trends. The Board of Directors improves its oversight function by proactively taking up various issues for discussion, such as business portfolio management, reviews of major M&A and significant investments, and management risks in relation to economic security and the global supply chain.

#### Improvement of Management of Meeting Proceedings through Pre-Meeting Briefings

In fiscal 2022, we reduced the time spent on explaining materials at meetings of the Board of Directors by providing pre-meeting briefings to enhance the quality and ensure the efficient progress of discussions at the meetings.

#### Introduction of Surveys to Receive Feedback from Employees

In fiscal 2022, we began anonymous surveys for Executive Officers and employees (excluding Directors and Audit & Supervisory Board Members) who attend meetings of the Board of Directors to assist with proposals and reporting. We use the results of the surveys to gauge expectations of and issues facing the Board of Directors and make improvements.

#### Revision of the Composition of the Board of Directors

Asahi Kasei decided to revise the composition of the Board of Directors with Inside Directors focused on Executive Officers responsible for corporate functions and an increased number of Independent Outside Directors and female Directors.

Note: Please refer to the section pertaining to our corporate governance configuration on [page 85](#) for the ratio of independent members and female members among the Board of Directors and Audit & Supervisory Board in fiscal 2023.



## Discussing Asahi Kasei's Corporate Governance: Interview with New Outside Director Chieko Matsuda

**Q** Viewed from the outside, what impressions do you have of Asahi Kasei's corporate governance configuration?

My connection with Asahi Kasei began in the early 2000s through discussions in my capacity as an analyst for a credit rating agency, and I subsequently had the opportunity to work with Asahi Kasei as a management consultant. Over this long relationship, I sense that Asahi Kasei has been focused on strengthening corporate governance these last few years in particular.

Japanese companies tend to adopt U.S. and European models of corporate governance when strengthening their governance. In my view, however, blindly imitating the U.S. and Europe will not lead to a fundamental strengthening of governance. In that respect, I have the impression that Asahi Kasei carefully considers its own way of governance, and improves it step by step.

**Q** What expectations do you have for Asahi Kasei at present?

While I personally have a fondness for diversified companies, I understand that unwarranted diversification is viewed negatively from an investor's perspective. I believe that companies with extensive business portfolios such as Asahi Kasei can offer a compelling explanation to investors by outlining the process and background to the reorganization and consolidation of their businesses as a story, from origins to the present. Honorary Fellow Dr. Akira Yoshino once gave me a firsthand explanation of the course of Asahi Kasei's businesses. I was very interested to hear about the origins and subsequent offshoots of businesses through his explanation, which was very persuasive. Given its wealth of such stories, I think that Asahi Kasei should put more emphasis on its own narrative.



**Chieko Matsuda**

Outside Director

Following roles at The Long-Term Credit Bank of Japan, Limited, Moody's Japan K.K., Corporate Directions, Inc., and Booz & Company, Inc., Chieko Matsuda teaches as a professor at Tokyo Metropolitan University's Faculty of Economics and Business Administration and its Graduate School of Management. She became an Outside Director of Asahi Kasei in June 2023.

**Q** In light of your experience and expertise, in what ways do you aim to contribute as an Outside Director?

There are three main ways I aim to contribute. The first is to offer opinions from an investor's perspective. In doing so, I will draw on my experience at a bank assessing the creditworthiness of companies, and my work as a securities analyst.

My perspective differs from that of those in charge of business execution due to our different standpoints, so our opinions may diverge from time to time. Nevertheless, I hope to play a part in enhancing the quality of management through discussions from multiple perspectives.

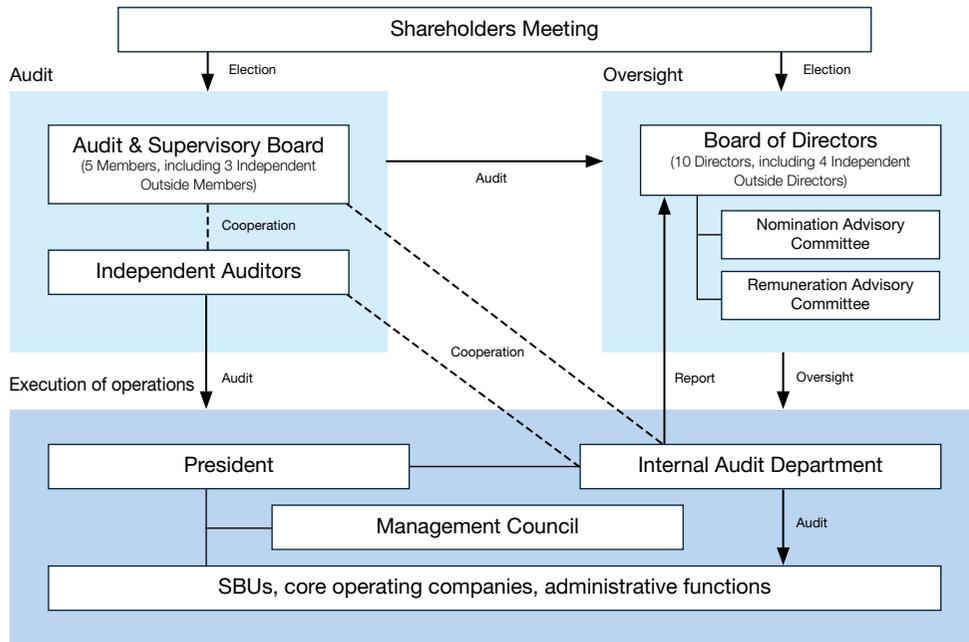
The second is to offer opinions on company-wide strategy. I am keen to engage proactively in discussions on business portfolio management in my capacity as a professor currently researching corporate management, primarily company-wide strategies.

The third is diversity. For a company such as Asahi Kasei, which is expected to spur innovation, ensuring task-oriented diversity in terms of career backgrounds and other roles, as well as of gender and nationality, is also crucial. I intend to make use of my position as someone who has had many career roles to share my views.

**Q** On what points do you intend to focus in supervising management as an Outside Director?

A key role of outside directors is to supervise management from the perspective of someone who can see things in a certain way precisely because they are on the outside. With that said, having a discussion would be impossible without knowing anything about a company's businesses. As an outside officer at other companies over the years, I have endeavored to develop my intuition by visiting many sites and plants, including overseas, for a firsthand sense of working environments and the mood of the people. Talking in person with frontline employees often brings business model issues to light, highlighting their essence from a management perspective. I hope to proactively visit Asahi Kasei's front lines and communicate in a similar manner.

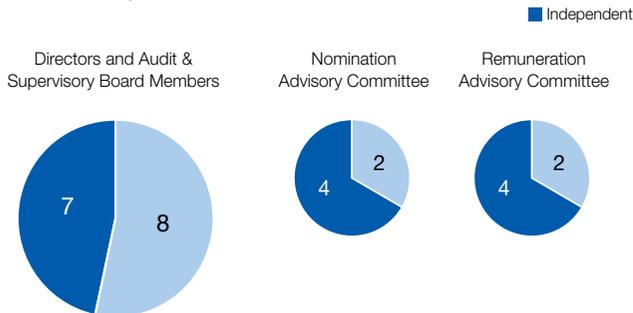
### Corporate Governance Configuration (as of June 27, 2023)



### Status of Activities in Fiscal 2022

Meeting	No. of Meetings Held	Average Attendance	Main Subjects of Agenda
Board of Directors Chair: Hideki Kobori	15	99% (Directors and Audit & Supervisory Board Members)	<ul style="list-style-type: none"> <li>Medium-term management plan, annual management plan</li> <li>Quarterly and annual results</li> <li>Examinations, decisions, and follow-up of large investments, M&amp;A, and reorganization</li> <li>Analysis and disclosure for TFCD</li> <li>Enhancement of risk management, follow-up on plant accidents, and influence of the situation in Ukraine</li> <li>Effectiveness evaluation of the Board of Directors, review on the officer remuneration system, nomination of officers</li> </ul>
Nomination Advisory Committee Chair: Tsuyoshi Okamoto	5	100% (committee members)	<ul style="list-style-type: none"> <li>Election of chair</li> <li>Committee schedule</li> <li>Nomination of officers for fiscal 2023</li> </ul>
Remuneration Advisory Committee Chair: Tsuyoshi Okamoto	6	100% (committee members)	<ul style="list-style-type: none"> <li>Review on the officer remuneration decision-making policy</li> <li>Review on the performance-linked remuneration system</li> <li>Review on the stock-based remuneration system</li> <li>Decision of individual performance-linked remuneration amounts</li> </ul>
Audit & Supervisory Board Chair: Masafumi Nakao	19	98% (Audit & Supervisory Board Members)	<ul style="list-style-type: none"> <li>Audit plans</li> <li>Opinion exchange on agenda of the Board of Directors meetings</li> <li>Checks of financial statements</li> <li>Opinion exchange sessions with Outside Directors</li> <li>Evaluation of Independent Auditors</li> </ul>

#### Ratio of Independent Officers



Note: 7 out of 15 Directors and Audit & Supervisory Board Members are independent (4 out of 10 Directors are independent)

#### Ratio of Women



Note: 3 out of 15 Directors and Audit & Supervisory Board Members are women (2 out of 10 Directors are women)

### Fields in Which Expectations of Directors and Audit & Supervisory Board Members Are Particularly High

We have identified the knowledge, experience, and capabilities required to advance Group management and its supervision and auditing at a higher level in a discontinuous and uncertain business environment, and have considered the composition of the Board of Directors with consideration to the balance of its diversity and independence.

In addition to “corporate management & strategy,” “finance & accounting,” “legal affairs, intellectual property & risk management,” and “R&D, manufacturing & technology,” which are indispensable for pursuing opportunities and reducing risks, we also emphasize “global” to align with the internationalization of markets and businesses, “digital” to advance digital transformation, “environment & society” to respond to changes in the social environment and the status of stakeholders with agility, and “human resource management” to utilize people as the foundation of business management.

To further enhance the monitoring capability of the Board of Directors, we decided to adjust the composition so that Inside Directors mainly comprise Executive Officers responsible for corporate functions.

We expect that each Director and Audit & Supervisory Board Member will demonstrate their knowledge, experience, and capabilities, and will accordingly carry out important decision-making of group management and appropriate supervision and auditing comprehensively from diverse perspectives.

#### Skill Matrix (configuration from June 27, 2023)

		Corporate Management & Strategy	Finance & Accounting	Legal Affairs, Intellectual Property & Risk Management	R&D, Manufacturing & Technology	Global	Digital	Environment & Society	Human Resource Management
Directors	Hideki Kobori	★		★				★	
	Koshiro Kudo	★				★		★	★
	Kazushi Kuse				★	★	★	★	
	Toshiyasu Horie	★	★					★	
	Hiroki Ideguchi			★				★	★
	Masatsugu Kawase				★			★	
	Tsuneyoshi Tatsuoka	Independent		★		★		★	
	Tsuyoshi Okamoto	Independent	★	★				★	
	Yuko Maeda	Independent			★	★		★	
	Chieko Matsuda	Independent	★	★				★	
Audit & Supervisory Board Members	Yutaka Shibata		★	★				★	
	Takuya Magara				★			★	
	Akemi Mochizuki	Independent		★				★	
	Haruyuki Urata	Independent	★	★				★	
	Yoshikazu Ochiai	Independent			★			★	

Note: Up to four fields with particularly high expectations are noted for each individual. The table above does not represent all of the knowledge, experience, and capabilities of each individual.

#### Results of Evaluation of Effectiveness of the Board of Directors (fiscal 2022)

The Board of Directors of the Company conducts regular evaluations of its own effectiveness every fiscal year. The evaluation method and measures in fiscal 2022 and issues recognized for the future are as follows:

##### Effectiveness evaluation method

In the middle of the fiscal year, based on the previous fiscal year's evaluation as well as institutional investors' demands and capital market trends, the chair of the Board of Directors took the lead in examining the future direction of the Company's Board of Directors. Independent officer meetings, which were attended only by Outside Directors and Outside Audit & Supervisory Board Members, also conducted interim reviews on the effectiveness of the Board of Directors and exchanged opinions. Then, the Board of Directors discussed the matters to organize and categorize them into issues that require improvement within the current fiscal year and ones that require continuous consideration. After these steps, at the start of the new fiscal year, the Board of Directors again deliberated on the effectiveness of the Board of Directors, as well as checking the progress of improvement actions in the fiscal year.

##### Main measures implemented in fiscal 2022

The Board of Directors of the Company implemented the following measures in fiscal 2022 based on evaluation of the previous fiscal year.

##### (1) The composition of the Board of Directors

To keep a higher level of the Group management and supervision and auditing on the management in this discontinuous and uncertain business environment, we have discussed the composition of the Board of Directors considering the balance of its diversity and independence. We decided that the following rectifications will be made on the member composition to further enhance the monitoring capability of the Board of Directors and facilitate discussions in the Board of Directors:

- i. A rectification to ensure that Inside Directors are mainly composed of officers responsible for corporate departments
- ii. Increases in Independent Outside Directors and female Directors

##### (2) Receiving feedback from employees

Anonymous surveys were conducted for officers and employees (who are not Directors or Audit & Supervisory Board Members) who attended the Board of Directors meetings as assistants for proposing or reporting. The surveys are intended to know what expectations or issues the officers and employees have with the Board of Directors. The surveys found that employees and other staff generally recognize the value in deliberations by the Board of Directors from perspectives different from those of internal discussions. The survey also helped us identify issues with how to propose and report matters in the Board of Directors meetings with an awareness of differences from internal meetings, including the Management Council. These issues have led to the following improvements for facilitating meetings.

### (3) Improvements for facilitating meetings

Starting from fiscal 2022, the agenda includes matters to be discussed in addition to matters to be resolved and reported, and a procedure is established for the Management Council meetings and other internal meetings to share their discussions with the Board of Directors. With such measures, the Board of Directors can discuss important management matters more deeply. In addition, the meetings of the Board of Directors provide a more concise explanation of materials while enabling outside officers to receive a preliminary explanation. The executive summary is utilized to organize discussion points. These improvements helped the Board of Directors have more effective discussions. Furthermore, a guidance document was created to clarify basic points so that meetings can be facilitated more effectively, considering the composition and role of the Board of Directors.

### Issues recognized for the future

Based on measures implemented in fiscal 2022, the Board of Directors has confirmed a common awareness of the following issues for the future.

#### (1) Methods to evaluate the effectiveness of the Board of Directors

We continue to scrutinize evaluation methods with objective perspectives, such as working with third parties.

#### (2) The way that the Board of Directors should be

As our business environment is changing, we continuously pursue the ideal Board of Directors (in terms of independence, diversity, and organizational structure).

## Officer Remuneration

### Remuneration for Officers in fiscal 2022

#### The amount of remuneration, etc., of Directors and Audit & Supervisory Board Members in fiscal 2022

Classification	Amount Paid (Millions of Yen)	Breakdown by Remuneration Type (Millions of Yen)			Number of Directors and Audit & Supervisory Board Members Paid
		Basic Remuneration	Performance-linked Remuneration	Stock-based Remuneration	
Directors	528	379	95	54	11
of which, Outside Directors	53	53	—	—	3
Audit & Supervisory Board Members	154	154	—	—	6
of which, Outside Audit & Supervisory Board Members	53	53	—	—	4

#### Composition of remuneration for Executive Directors in fiscal 2022



• Performance-linked remuneration = commitment to results • Stock-based remuneration = perspective of shareholders  
Note: Outside Directors receive basic remuneration only.

## Remuneration for Directors

### (1) Decision-making policy

As one of the corporate governance mechanisms to ensure that the Asahi Kasei Group achieves sustainable growth and enhances corporate value over the medium to long term, the Board of Directors sought the advice of the Remuneration Advisory Committee on the decision-making policy. Respecting the contents of the committee's report, the Board of Directors passed a resolution on the decision-making policy, which includes the following basic policy.

#### Basic policy

The Directors' remuneration of the Company is one of the important components of corporate governance. The Company designs this system to provide appropriate incentives to both executives and supervisors for achieving sustainable growth and improving medium- to long-term corporate value.

Remuneration for Non-executive Directors\* including Outside Directors, who supervise the management of the Company, solely comprises fixed basic remuneration at a level determined in consideration of third-party survey data, in order to secure a high degree of independence unaffected by short-term earnings fluctuations. The remuneration for Executive Directors combines performance-linked remuneration with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration, which serves a basic livelihood, in order to provide incentives tied to earnings and management strategy as senior management, with levels of remuneration amounts and proportions of types of remuneration adjusted as appropriate for each role according to management strategy and tasks, in consideration of third-party survey data.

To ensure the optimal way of remunerating Directors and the design of the remuneration system, the Board of Directors and the Remuneration Advisory Committee regularly deliberate and continually confirm their appropriateness and make improvements.

\* Non-executive Directors include the Chairman.

### (2) Basic design

#### 1) Performance-linked remuneration

- Designed by combining both the achievement of financial targets, such as capital efficiency, to provide incentives tied to earnings and management strategy as management leaders, together with the achievement of non-financial targets including individual targets, one of which is progress on sustainability
- Calculated by making a comprehensive judgment based on achievement of financial targets such as consolidated net sales, operating income, return on invested capital (ROIC), etc., together with achievement of individually set targets, including progress on sustainability

- Standards for financial incentives selected from the perspectives of appropriateness as clear and objective evaluation criteria based on earnings results as well as awareness for increased capital efficiency
- The formula required to calculate individual performance-linked remuneration is outlined as follows:

$$\text{Index calculated by evaluation}^1 \times \text{Basic amount by rank} = \text{Individual performance-linked remuneration amount}$$

<sup>1</sup> Coefficient comprehensively considering achievement of financial targets and non-financial targets

- Target figures / standard figures and actual figures of management indicators to be used for the calculation of performance-linked remuneration in fiscal 2022

	Fiscal 2022 Target Figure / Standard Figure	Fiscal 2022 Actual Figure
Consolidated net sales	¥2,731.0 billion	¥2,726.5 billion
Consolidated operating income	¥210.5 billion	¥128.4 billion
Consolidated ROIC <sup>2</sup>	6.0%	4.0%

<sup>2</sup> (Operating income-income taxes) / average annual invested capital

## 2) Stock-based remuneration

- Designed to reinforce a common perspective with shareholders, including both the benefits of share price increases and the risk of share price decreases
- A trust established by Asahi Kasei acquires shares of the Company and grants them to eligible Directors. Based on the Share Grant Regulations adopted by the Board of Directors, eligible Directors are conferred points in accordance with their rank (maximum of 150,000 points per fiscal year) and the shares are granted to eligible Directors corresponding to the accumulated number of points at the time of their retirement as Director and as Executive Officer of the Group (one share of stock per point).
- The following table describes the status of the performance targets above, which are defined by the Board of Directors, for fiscal 2022.

Indicator	Indicator Calculation Method	Fiscal 2022 Target Figure / Standard Figure	Fiscal 2022 Actual Figure
Job satisfaction	Percentage of employees absent due to mental illness	0.80%	1.07%
DX	Total number of digital professionals	1,000	1,206
Diversity	Percentage of female employees working as managers and Group Masters	3.9%	3.8%

## (3) Decision-making process

- As authorized by the Board of Directors, the Remuneration Advisory Committee confirms the reasonableness and appropriateness of the evaluation of the achievement of targets by Executive Directors, as proposed by the President & Director, and determines remuneration amounts for individual Directors by applying this evaluation to the framework formula determined by the Board of Directors.
- The Board of Directors determines the amount of fixed basic remuneration by rank.
- Stock-based remuneration is granted when certain conditions are met, corresponding to points conferred based on the Share Grant Regulations adopted by the Board of Directors (the Remuneration Advisory Committee reports the degree of achievement of targets and the performance-linked indicators at the end of each fiscal year in relation to stock-based remuneration).
- The Remuneration Advisory Committee comprises a majority of Outside Directors and regularly reports to the Board of Directors on the process of confirmation and determination described above.

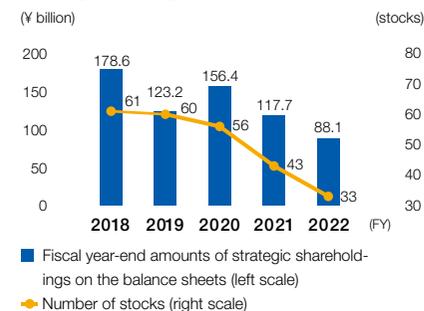
## Strategic Shareholdings

The Company is continuing to reduce its holdings of shares held for purposes other than pure investment (strategic shareholdings), taking into consideration factors such as the risk of share price fluctuations, costs associated with such holdings, and capital efficiency.

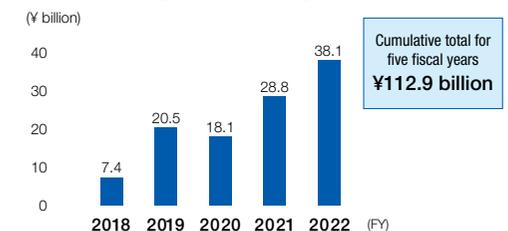
The purpose, effectiveness, and economic rationale of individual strategic shareholdings are regularly evaluated from qualitative and quantitative aspects each year, and are reviewed by the Board of Directors.

As a result of the verification, the Company reduces, through sales or other means, holdings of shares judged to be no longer compatible with the purpose of holding them or deemed to have costs and risks that outweigh the benefits of holding them, taking into consideration the conditions of the company concerned.

### Strategic holdings of listed shares



### Sales of strategic shareholdings



# Risk Management



**Hiroki Ideguchi**

Director, Senior Executive Officer  
Executive Officer for Risk  
Management & Compliance

## Basic concept

We are accelerating the global expansion of the Asahi Kasei Group's diverse operations in three sectors. Meanwhile, the operating environment has become highly volatile. The emergence of new and more complex risks threatens to have a substantial impact, which makes it necessary for us to grasp and manage risks from the broader perspective of group management. In fiscal 2022 we adopted a major revision to our risk management framework.

## My role in the risk management framework

Our Risk Management Team, which reports directly to me as the responsible Executive Officer, keeps track of the activities of each business unit. In addition to providing direction and support regarding individual risk countermeasures, this team functions as the

organizer for the Risk Management & Compliance Committee, chaired by the President, and ensures that decisions and instructions from upper management are fully conveyed to each business unit.

By having a Risk Management Team comprising members from General Affairs and members from Corporate Strategy, we are able to respond not only to pure risks but also to business opportunities and risks.

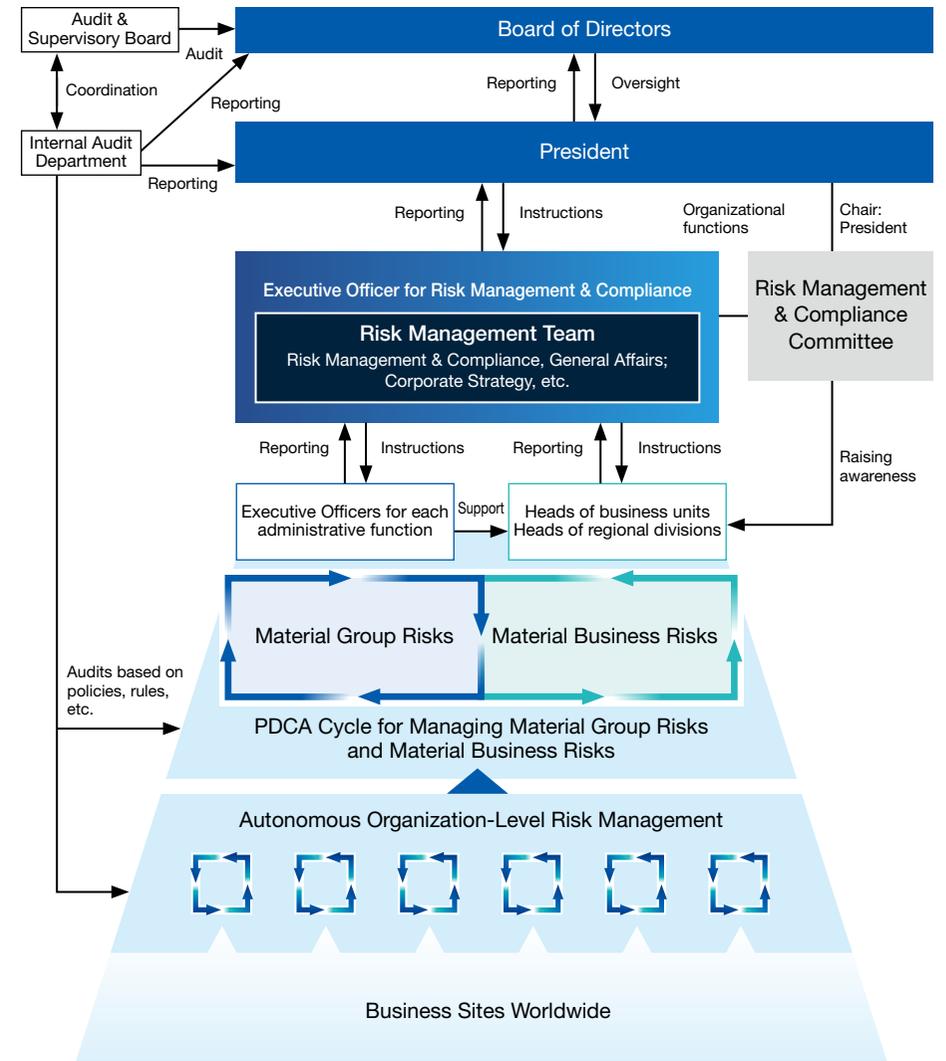
## Strengthening risk management in line with business characteristics

Our basic policy is for each organization to manage its own risks autonomously. Among the various risks, those requiring regular monitoring by the Board of Directors are defined as Material Group Risks, and those which could impede the annual plans of business units are categorized as Material Business Risks to be addressed through concerted effort within a given fiscal year.

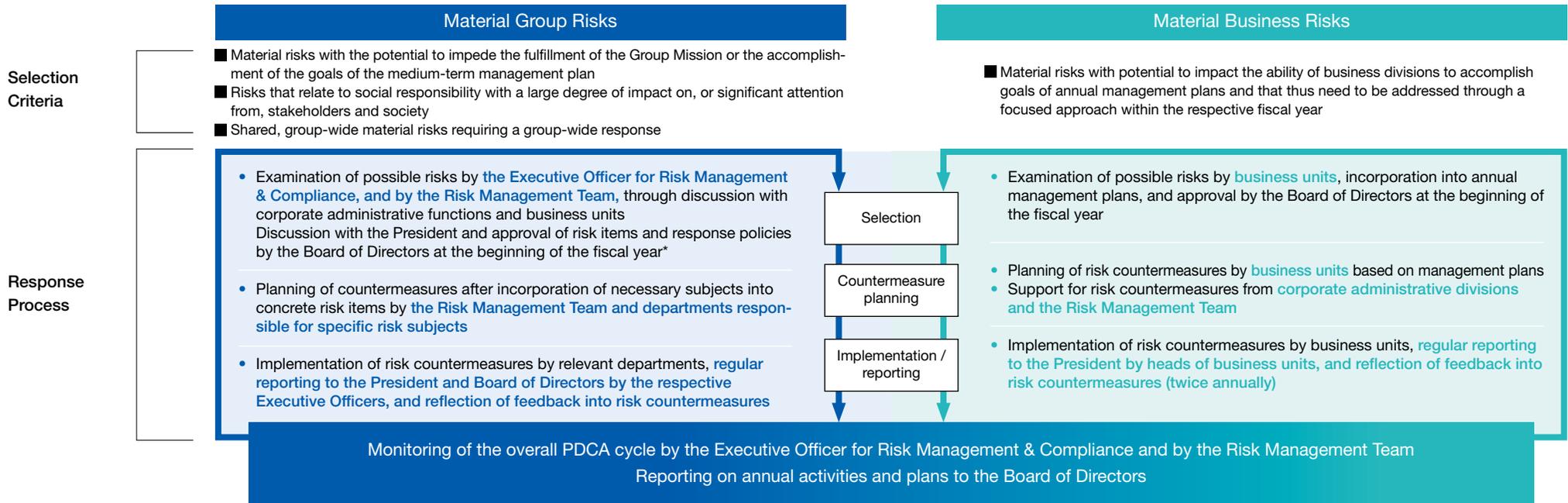
Flexible management commensurate with individual circumstances is required. In the Material sector, there is substantial overlap between Material Group Risks and Material Business Risks, and in the Homes and Health Care sectors, there are many cases in which the business unit directly handles industry-specific risks such as permits and regulations.

To prevent inadequate risk response due to administrative functions and business units each expecting the other to take the lead, we have clarified each of their roles and responsibilities, and strengthened communication among administrative functions and between administrative functions and business units, ensuring quick and proper response both in normal times and in emergencies.

## Risk Management Framework and Roles of Constituents

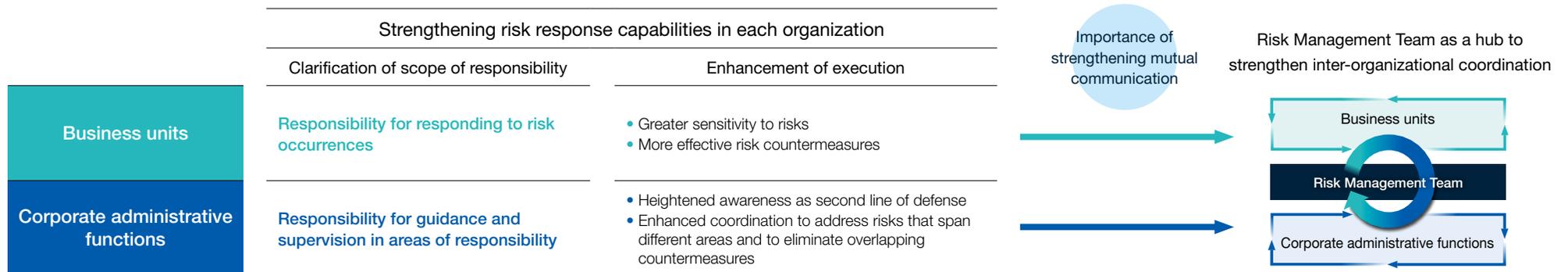


### Risk Management PDCA Cycle (Material Group Risks and Material Business Risks)



\* Revisions instituted as necessary in response to major changes in the operating environment

### Enhancement Policy for Fiscal 2023



## FY2023 Material Group Risks and thrust of main initiatives

Material Group Risks		Thrust of Main Initiatives	
Risks related to accidents at production sites (environmental abnormalities, industrial accidents, injuries)		<ul style="list-style-type: none"> <li>Reinforcement and enhancement of Life Saving Actions (adherence to activity prohibitions for eliminating serious accidents)</li> <li>Improvement of fire prevention technology at individual production sites</li> <li>Reinforcement of workplace safety auditing functions and cultivation of environmental safety experts</li> <li>Identification of hazard sources at individual production sites, conveyance and education of process safety techniques, thorough implementation of PDCA in response to abnormalities</li> </ul>	For more information, see “Environmental Protection” on <a href="#">page 92</a>
Risks related to quality-associated misconduct (data falsification, etc.)		<ul style="list-style-type: none"> <li>Enhancement of quality awareness and culture through regular communication between management and frontline workers</li> <li>Extensive circulation of information regarding quality risks through increased information communication from corporate quality assurance departments</li> <li>Reinforcement of governance through quality inspections and reinforcement of training for quality assurance personnel</li> </ul>	
Risks related to domestic and international laws, regulations, certification requirements, etc., regarding the environment, safety, and quality assurance	Environment and safety	<ul style="list-style-type: none"> <li>Circulation of information regarding regulations and regulatory revisions, exhaustive education activities, appointment of experts, and strengthening of internal consultation frameworks</li> <li>Development of systems for improving compliance</li> </ul>	
	Quality assurance		
Risks related to economic security and global supply chains	Risks related to tightening of economic sanctions and export restrictions (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Timely monitoring of regulatory trends and consultation with relevant organizations and experts as necessary before issues emerge</li> <li>Rigorous screening of customers through external screening systems</li> </ul>	
	Risks related to corporate activities due to geopolitics	<ul style="list-style-type: none"> <li>Setting of risk scenarios for geopolitical emergencies and studying of impacts on business activities such as employee safety, procurement, and sales</li> <li>Specification of initial responses and BCP to be carried out under task force in the event of emergency</li> </ul>	
	Human rights risks (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Promotion of business activities in accordance with the Asahi Kasei Group Human Rights Policy</li> <li>Fostering an awareness and culture of respect for human rights through human rights due diligence, education and awareness activities, etc.</li> </ul>	For more information, see “Human Rights” on <a href="#">page 93</a>
	Feedstock/material procurement risks	<ul style="list-style-type: none"> <li>Transparency for raw material procurement risks and countermeasure priorities for each business, strengthening of support systems on corporate side</li> <li>Diversification of procurement routes and maintenance of appropriate inventory levels for feedstocks used in major products and businesses</li> <li>Formation and maintenance of relationships with alternative suppliers for equipment components prone to unreliable supplies</li> <li>Revision of management procedures pertaining to delivery and upgrade timings for equipment components</li> </ul>	
Risks related to cybersecurity and technological information management	Risks related to cybersecurity and communications infrastructure	<ul style="list-style-type: none"> <li>Implementation of swift and flexible countermeasures to combat ever-evolving cyberattacks through technical measures made possible by installing security systems and raising and reinforcing awareness regarding security via employee education, etc.</li> <li>Planning and implementation of BCP measures aimed at achieving minimum level of IT usage (communication, information access) in the event of large-scale disaster</li> </ul>	For more information, see “Information Security” on <a href="#">page 94</a>
	Risk of technological information leakage	<ul style="list-style-type: none"> <li>Formulation of technological information management rules and implementation of leak prevention measures based on those rules</li> <li>Strengthening of group-wide unified monitoring systems for leak prevention measures</li> </ul>	
Risks related to natural disasters, pandemics, and terrorism or conflicts	Headquarters and office districts (domestic and overseas)	<ul style="list-style-type: none"> <li>Recompilation of response policies and manuals based on past cases such as large-scale natural disasters and pandemics, implementation of training simulating risk actualization</li> <li>Establishment of standards and systems for setting up emergency response headquarters and response manuals to prepare for acts of terrorism, conflicts, and other extreme circumstances that may occur overseas</li> </ul>	
	Production sites (domestic and overseas)		
Risks related to M&A		<ul style="list-style-type: none"> <li>Prudent due diligence of potential acquisitions</li> <li>Careful verification of post-merger integration plans</li> </ul>	
Risks related to climate change		<ul style="list-style-type: none"> <li>Monitoring and formulation of measures based on annual analyses and investigations of climate change-related risks and opportunities</li> </ul>	For more information, see “Disclosure Based on the TCFD Recommendations” on <a href="#">page 61</a>

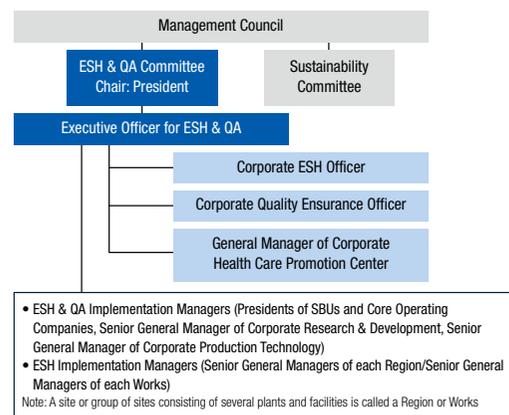
# Environmental Protection

## Policy and Management Framework

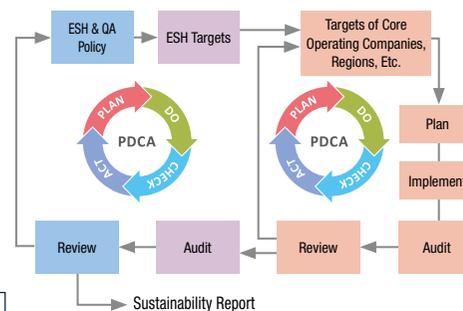
The Asahi Kasei Group Mission states that “we, the Asahi Kasei Group, contribute to life and living for people around the world.” Based on this mission, we implement environment, safety, and health (ESH) and quality assurance (QA) activities that recognize health maintenance, process safety, workplace safety and hygiene, quality assurance, and environmental protection as the most important management tasks in all business activities. In July 2022, we revised the **Asahi Kasei Group ESH & QA and Health & Productivity Management Policy** [▶](#). Under this revision, we strive for stable and safe operation while preventing workplace accidents and securing the safety of personnel and members of the community, and are strengthening our environmental safety initiatives.

We aim to gain public understanding and trust by ensuring legal compliance and adopting self-imposed targets to achieve continuous improvement while proactively disclosing information and communicating.

### Management Framework



### PDCA Cycle for Safety Management



**Masatsugu Kawase**

Director, Senior Executive Officer  
Oversight for ESH, QA,  
Regional Offices, Manufacturing,  
Production Technology Functions

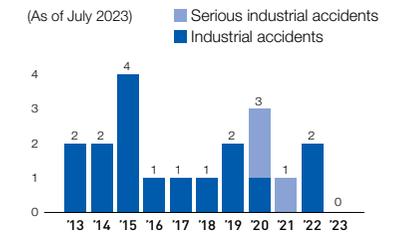
The Asahi Kasei Group, which aims to realize the two mutually reinforcing aspects of sustainability of “contributing to sustainable society” and “the sustainable growth of corporate value,” acknowledges that the serious industrial accidents of recent years constitute a serious risk that could undermine our value from the perspectives of public trust, consideration for the environment, the safety of employees and local communities, and our own growth. To prevent such critical accidents, we are striving to enhance process safety technology on a company-wide basis and foster a culture of safety, including at subsidiaries and affiliates, while incorporating improvement measures based on audits by experts.

## Current Status and Fiscal 2023 Improvement Policy

In fiscal 2022, industrial accidents occurred in April and September, leading to fires that took time to extinguish. In addition, there were 14 minor incidents involving small fires, smoke, and minor leaks of hazardous materials and other substances within plant grounds. In total, 19 industrial accidents, including serious ones, have occurred over the past 10 years.

In light of these circumstances, the ESH & QA Committee convened in July 2023, reaffirming the importance of measures to address industrial accidents and prevent the spread of fires. At the same time, the committee determined on a policy to work toward understanding conditions at work sites and taking effective measures, given that there is no immediate remedy. In fiscal 2023, we are prioritizing the following three measures based on this policy.

### Occurrences of industrial accidents and serious industrial accidents



- 1) Prevention of industrial accidents through company-wide promotion and establishment of activities to impart process safety technology
- 2) Prevention of the spread of fires, drawing on standards for the installation of fire prevention and extinguishing equipment in areas at high risk of indoor fires
- 3) Implementation of a PDCA cycle of activities at work sites with the support and collaboration of experts

In addition, we will focus on developing a culture that strengthens two-way communication with the goal of fostering a culture of safety among all employees. To this end, we will promote and ingrain the Life Saving Actions program, a uniform, company-wide safety initiative.

FY2023	Target	Priority Initiatives and Measures
ESH	Nurture a culture of safety	<ul style="list-style-type: none"> <li>Promotion and ingrain of the Life Saving Actions program (thorough adherence to rules on prohibited behaviors to eradicate serious occupational accidents)</li> <li>Strengthening of two-way communication between management and work sites</li> </ul>
	Develop human resources with expertise in ESH	<ul style="list-style-type: none"> <li>Establishment of Group Masters in ESH and formulation and implementation of succession plans for them</li> </ul>
Process Safety	Achieve zero serious industrial accidents	<ul style="list-style-type: none"> <li>Company-wide promotion of prioritized activities for imparting process safety technology</li> <li>Implementation of highly effective expert audits of work sites</li> </ul>
	Prevent the spread of fires	<ul style="list-style-type: none"> <li>Promotion of standards established with the participation of experts for installation of fire prevention and extinguishing equipment</li> <li>Implementation of effective emergency drills in cooperation with public fire departments</li> </ul>

Please see [“Process Safety”](#) [▶](#) for details on these initiatives.

# Human Rights

## Policy

Respect for the human rights of all people is one of the most important aspects of the Asahi Kasei Group's business activities. The Asahi Kasei Group Human Rights Policy, which was established with the approval of the Board of Directors in fiscal 2021, complies with the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The Asahi Kasei Group has also pledged its support for the Ten Principles of the United Nations (UN) Global Compact as well as the UN Guiding Principles on Business and Human Rights and the Children's Rights and Business Principles. Guided by these frameworks, we will strive to identify and appropriately address human rights issues in our business activities.

### Asahi Kasei Group Human Rights Policy [▶](#)

#### Basic Approach

- Respecting the human rights of all stakeholders
- Compliance with international human rights standards
- Endeavoring with business partners to remediate and eliminate human rights violations that occur

#### Addressing Human Rights Issues (daily activities)

- Compliance with laws and regulations (including on working hours, wages, safety and hygiene, and protection of personal information)
- Prohibition of unacceptable conduct (including discrimination and harassment)
- Respect for the human rights of all people in society (including customers and communities)

#### Promoting Respect for Human Rights (corporate initiatives)

- Education
- Implementation of human rights due diligence
- Commitment to engage with affected stakeholders
- Grievance mechanisms
- Disclosure

Regarding the supply chain, the [Asahi Kasei Group's procurement policy](#) [▶](#) states that it is a policy to consider suppliers as important partners. In addition, we formulated [Supplier Guidelines](#) [▶](#) in 2021 to promote understanding and cooperation among suppliers.

## Human Rights Education and Training

The Respect for Human Rights and Diversity section of the Asahi Kasei Group Code of Conduct clearly expresses a firm policy against all forms of discrimination and harassment. In fiscal 2022, we held human rights seminars by outside experts for training and raising awareness among senior executives. In addition, we promoted understanding of respect for human rights through e-learning on the topic of business

and human rights among all employees. We will continuously carry out activities to raise awareness of human rights and strengthen our initiatives going forward.

## Management Framework

### Establishment of Human Rights Committee

We established a Human Rights Committee as a platform to discuss and determine our approach to human rights, and to promote the Asahi Kasei Group Human Rights Policy. The first meeting of the committee was held in 2022. With public interest in human rights issues growing each year and various countries adopting related laws and regulations, the committee will continually share information pertaining to human rights initiatives.

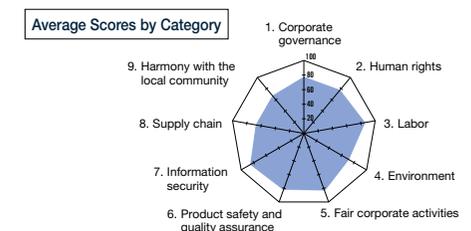
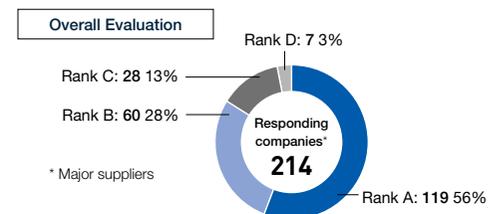


## Due Consideration for Human Rights in Procurement

At the Asahi Kasei Group, Corporate Procurement & Logistics, the Sustainability Strategy Planning Department, and Group companies work in collaboration to foster awareness of corporate social responsibility (CSR), including respect for human rights. Our Supplier Guidelines stipulate that all suppliers must respect human rights. In addition to thorough propagation of this knowledge, we conduct a CSR procurement questionnaire on an annual basis to ascertain the status of initiatives in relation to human rights and labor practices at suppliers.

In fiscal 2022, we also conducted a survey of suppliers regarding procured materials containing tantalum, tin, tungsten, gold, cobalt, and mica in response to the issue of conflict minerals, which have been identified as a possible source of funding for armed groups linked to inhumane acts. The results of the survey confirmed that none of the materials procured came under the category of conflict minerals.

### FY2022 CSR Procurement Questionnaire Results (raw material suppliers)



## Compliance / Information Security

### Compliance

#### Policy and Management Frame

The Asahi Kasei Group positions compliance as a priority issue of materiality from the perspective of value creation. We seek to act with sincerity in accordance with our Group Values through strict compliance with internal rules as well as laws and regulations that relate to our businesses and operations. We apply the [Asahi Kasei Group Code of Conduct](#) to all executives and employees and thoroughly familiarize them with the code while continuously revising it in light of changing societal demands and circumstances.

To strengthen management of compliance, we established the Risk Management & Compliance Committee, which is chaired by the President and has Presidents of SBUs and core operating companies as members. Matters to be reported include plans and results of compliance promotion activities, serious compliance violations, and the operational status of the Compliance Hotline.

#### Awareness of the Code of Conduct

Group companies in Japan maintain an understanding of the status of compliance through questionnaires on the issue and regular exchanges of opinions in small groups—such as sections and subsections—using examples of compliance violations, which help promote awareness and understanding of compliance. In fiscal 2021, the compliance questionnaire response rate came to 93.5%, with 97% of respondents answering that they had read the Asahi Kasei Group Code of Conduct and approximately 80% that they understood it. Going forward, we will also expand and strengthen compliance activities globally.

#### Establishment of the Group Principles

As Asahi Kasei's business becomes more diversified and global, legal requirements and public expectations around the world are increasingly complex and demanding. The Group Principles were established as basic principles to be applied consistently across the entire Asahi Kasei Group. Accordingly, Group companies around the world formulate rules suited

to each business and region based on these common standards. The Group Principles form the basis of ongoing efforts to develop the optimal system of Group management.

#### Compliance Hotline

The Asahi Kasei Group operates a Compliance Hotline in order to promptly collect information on compliance violations and take measures in response. A wide variety of reports and consultations are received, including from suppliers and their employees, with the designated office or an investigation and response team carrying out investigations depending on the nature of the reports or consultations. The Executive Officer for Risk Management & Compliance reports on the operational status of the hotline to the Risk Management & Compliance Committee and to the Audit & Supervisory Board.

The system was revised in June 2022 in accordance with an amendment to Japan's Whistleblower Protection Act.

<p><b>Number of reports and operational status (fiscal 2022):</b>  <b>85 reports</b> (2 of which were in relation to human rights issues, such as discrimination and harassment)</p>
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#### Prevention of Bribery

The Asahi Kasei Group has endorsed the United Nations Global Compact and declared that it will work to prevent all forms of corruption, including coercion and bribery. In particular, we consider bribery to be a serious risk factor that could considerably jeopardize our corporate reputation. Accordingly, we have established the [Asahi Kasei Group Basic Policies for Prevention of Bribery](#) and operate bribery prevention measures in accordance with regulations.

### Information Security

#### Policy and Management Framework

The Asahi Kasei Group considers information security to be a serious issue for management in promoting digital transformation (DX). Accordingly, we formulated the [Asahi Kasei Group Information Security Policy](#) with the aim of ensuring and further enhancing information security. Regarding the information security framework, we have established a specialized internal organization (the Security Center) for the implementation of information security measures at all Group companies in Japan and overseas from the perspectives of both corporate governance and technology.

#### Cybersecurity

Cybersecurity measures have become increasingly important due to the sharp rise and growing sophistication of cyberattacks. The Asahi Kasei Group began operating a security operation center (SOC)<sup>1</sup> utilizing advanced security systems, such as endpoint detection and response (EDR),<sup>2</sup> to prevent such cyberattacks. In addition, we devote efforts to employee awareness activities, including carrying out targeted email attack drills several times a year, as most cyberattacks originate from suspicious emails, and implementing regular information security training.

<sup>1</sup> A SOC is an organization that monitors security. It receives alerts and other intelligence from security tools and investigates the impact scope and severity of attacks.

<sup>2</sup> EDR is a system for detecting advanced cyberattacks. The system can also respond to incidents in a variety of ways, such as by collecting logs required for analysis and isolating breached computers.

## Communication with Stakeholders

The Asahi Kasei Group's businesses are built on relationships of trust with stakeholders. We believe that understanding the requirements and meeting the expectations of a diverse range of stakeholders—including customers, shareholders and investors, suppliers, community members, the general public, and employees—will improve our corporate value. Accordingly, we have created a variety of communication opportunities to ensure that dialogue with stakeholders further enhances our business activities.

### Main Stakeholders and Communication Opportunities

 Customers	<ul style="list-style-type: none"> <li>• Support by marketing and sales personnel</li> <li>• Provision of information on products and services via website</li> <li>• Addressing of telephone, website, and other inquiries</li> </ul>
 Shareholders and investors	<ul style="list-style-type: none"> <li>• General Meetings of Shareholders, various briefings for investors</li> <li>• Individual meetings, information disclosure via website</li> <li>• Addressing of telephone, website, and other inquiries</li> </ul>
 Suppliers	<ul style="list-style-type: none"> <li>• Safety discussion forums and other gatherings, CSR questionnaires</li> <li>• Whistle-blowing system (Compliance Hotline)</li> </ul>
 Communities and society	<ul style="list-style-type: none"> <li>• Regular community networking events</li> <li>• Community contribution activities</li> </ul>
 Employees	<ul style="list-style-type: none"> <li>• Various training programs and meetings, communication between employees and management</li> <li>• In-house magazine and intranet</li> <li>• Whistle-blowing system (Compliance Hotline)</li> </ul>

### Promoting Dialogue Focused on Improving Corporate Value

Led by its senior management, Asahi Kasei proactively endeavors to disclose information and engage in two-way communication to allow shareholders and investors in Japan and overseas to gain an understanding of its road map, including the Asahi Kasei Group's vision, management strategies, and corporate governance, for achieving sustainable growth of corporate value.

In fiscal 2022, we held briefings on sustainability (such as our response to climate change and human resource strategies), intellectual property strategies, DX strategies, and other topics, in addition to management briefings, earnings results briefings (quarterly), and business briefings, disclosing details of them on our website. We conduct approximately 277 individual meetings annually, engage in dialogue with passive investors on the topic of shareholder relations, and hold many meetings and other forums on non-financial information, such as ESG, intellectual property, and intangible assets. We strive to improve information disclosure based on the views of shareholders and investors by receiving feedback in response to various briefings, meetings, disclosure materials, and other documents. For overseas investors, we provide full disclosure in English on our website and proactively conduct meetings, primarily online conferences.

Senior management proactively promotes communication to improve corporate value over the medium to long term by making presentations at briefings and through meetings, small meetings, and other forums. In these ways, we accelerate the transformation of our business portfolio and improve KPIs while taking into account the disposition of the stock market—such as for further improvement of capital efficiency—which are identified through dialogue.

### Establishing the Miyazaki Prefecture Digital Human Resource Development Consortium

In May 2023, five organizations, including Asahi Kasei, established a consortium to develop digital human resources in Miyazaki Prefecture, where our company was founded and a main location of our manufacturing sites. The consortium aims to address issues in the prefecture and contribute to regional revitalization by promoting efforts to popularize, spread, and improve the quality of digital technology through development of digital human resources across industry, government, and academia.

Although issues including the ageing population and labor shortages are becoming increasingly serious in Miyazaki Prefecture, it has abundant tourism resources and thriving industries, such as agriculture, forestry, fisheries, and livestock. The consortium believes leveraging digital technology can further enhance the prefecture's appeal.

The consortium will begin by operating programs for students and working adults, respectively, and expand the scope of its activities by promoting this initiative through a concerted industry–government–academia effort, with each organization utilizing engagement and its own strengths to develop human resources who will drive digitalization within Miyazaki Prefecture.



# 06

## Corporate Information

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Name           Suriyawong Pramsamai  
Company       Daramic (Thailand)  
Country/region   Thailand

# Consolidated Financial Statements

## Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries

March 31, 2023 and 2022

Detailed Consolidated Financial Statements are available at the following link:  
[https://www.asahi-kasei.com/ir/library/financial\\_briefing/pdf/2303statements.pdf](https://www.asahi-kasei.com/ir/library/financial_briefing/pdf/2303statements.pdf)

ASSETS	Millions of yen		Thousands of U.S. dollars*	LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars*
	2023	2022	2023		2023	2022	2023
<b>Current assets:</b>				<b>Liabilities:</b>			
Cash and deposits	¥ 251,181	¥ 244,641	\$ 1,880,942	Current liabilities:			
Notes and accounts receivable—trade, and contract assets	442,692	434,595	3,315,052	Notes and accounts payable—trade	¥ 180,560	¥ 178,092	\$ 1,352,104
Merchandise and finished goods	310,380	252,521	2,324,247	Short-term loans payable	196,032	239,491	1,467,965
Work in process	162,255	146,120	1,215,029	Commercial paper	124,000	113,000	928,561
Raw materials and supplies	169,918	141,608	1,272,413	Current portion of bonds payable	40,000	—	299,536
Other	154,335	117,195	1,155,721	Lease obligations	6,766	2,224	50,666
Allowance for doubtful accounts	(2,567)	(2,471)	(19,223)	Accrued expenses	147,163	146,275	1,102,014
Total current assets	1,488,195	1,334,209	11,144,189	Income taxes payable	17,491	58,115	130,979
				Advances received	72,948	62,476	546,263
<b>Noncurrent assets:</b>				Provision for grant of shares	80	208	599
Property, plant and equipment				Provision for periodic repairs	8,410	4,738	62,977
Buildings and structures	663,642	646,311	4,969,612	Provision for product warranties	4,240	4,007	31,751
Accumulated depreciation	(347,877)	(333,966)	(2,605,040)	Provision for removal cost of property, plant and equipment	3,788	4,445	28,366
Buildings and structures, net	315,765	312,344	2,364,572	Other	110,683	110,778	828,838
Machinery, equipment and vehicles	1,611,495	1,569,782	12,067,508	Total current liabilities	912,163	923,850	6,830,635
Accumulated depreciation	(1,313,694)	(1,288,462)	(9,837,457)	Noncurrent liabilities:			
Machinery, equipment and vehicles, net	297,801	281,320	2,230,051	Bonds payable	170,000	160,000	1,273,027
Land	69,232	69,567	518,436	Long-term loans payable	409,424	253,785	3,065,928
Lease assets	12,017	8,679	89,988	Lease obligations	28,526	8,715	213,614
Accumulated depreciation	(6,457)	(6,814)	(48,353)	Deferred tax liabilities	27,767	52,017	207,930
Lease assets, net	5,560	1,865	41,635	Provision for grant of shares	339	490	2,539
Construction in progress	120,299	102,284	900,846	Provision for periodic repairs	4,309	5,396	32,267
Other	188,994	159,312	1,415,261	Provision for removal cost of property, plant and equipment	15,910	12,298	119,140
Accumulated depreciation	(125,950)	(121,477)	(943,163)	Net defined benefit liability	128,708	152,081	963,816
Other, net	63,045	37,834	472,106	Long-term guarantee deposits	22,703	22,490	170,009
Subtotal	871,701	805,215	6,527,640	Other	38,671	39,139	289,584
				Total noncurrent liabilities	846,355	706,410	6,337,839
Intangible assets				Total liabilities	1,758,517	1,630,260	13,168,466
Goodwill	368,089	431,335	2,756,395	<b>Net assets:</b>			
Other	368,695	405,508	2,760,933	Shareholders' equity			
Subtotal	736,784	836,843	5,517,328	Capital stock			
				Authorized—4,000,000,000 shares			
Investments and other assets				Issued and outstanding—1,393,932,032 shares	103,389	103,389	774,217
Investment securities	212,611	246,701	1,592,115	Capital surplus	79,841	79,887	597,881
Long-term loans receivable	8,466	6,227	63,397	Retained earnings	1,142,325	1,282,325	8,554,179
Long-term advance payments—trade	28,267	30,432	211,674	Treasury stock			
Net defined benefit asset	25,836	1,193	193,470	(2023—7,864,299 shares, 2022—6,640,935 shares)	(7,426)	(6,219)	(55,609)
Deferred tax assets	45,916	54,276	343,837	Total shareholders' equity	1,318,129	1,459,381	9,870,668
Other	37,248	34,404	278,928	Accumulated other comprehensive income			
Allowance for doubtful accounts	(498)	(426)	(3,729)	Net unrealized gain on other securities	52,310	66,287	391,718
Subtotal	357,846	372,808	2,679,691	Deferred gains or losses on hedges	72	(341)	539
Total noncurrent assets	1,966,332	2,014,866	14,724,667	Foreign currency translation adjustment	265,013	167,225	1,984,521
				Remeasurements of defined benefit plans	25,397	(5,142)	190,183
				Total accumulated other comprehensive income	342,793	228,029	2,566,969
				Non-controlling interests	35,087	31,405	262,745
				Total net assets	1,696,009	1,718,815	12,700,382
				Commitments and contingent liabilities			
<b>Total assets</b>	<b>¥ 3,454,526</b>	<b>¥ 3,349,075</b>	<b>\$25,868,848</b>	<b>Total liabilities and net assets</b>	<b>¥3,454,526</b>	<b>¥3,349,075</b>	<b>\$25,868,848</b>

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥133.54 = US\$1 prevailing on March 31, 2023, has been used.

## Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars*
	2023	2022	2023
<b>Net sales</b>	¥2,726,485	¥2,461,317	\$20,416,991
Cost of sales	1,952,709	1,691,549	14,622,652
<b>Gross profit</b>	773,776	769,769	5,794,339
Selling, general and administrative expenses	645,424	567,122	4,833,189
<b>Operating income</b>	128,352	202,647	961,150
Non-operating income:			
Interest income	3,896	1,364	29,175
Dividends income	4,021	4,332	30,111
Equity in earnings of affiliates	923	8,878	6,912
Other	5,210	7,088	39,015
Total non-operating income	14,050	21,663	105,212
Non-operating expenses:			
Interest expense	5,907	3,643	44,234
Foreign exchange loss	2,287	–	17,126
Costs associated with idle portion of facilities	3,300	850	24,712
Other	9,371	7,764	70,174
Total non-operating expenses	20,867	12,257	156,260
<b>Ordinary income</b>	121,535	212,052	910,102
Extraordinary income:			
Gain on sales of investment securities	32,201	26,545	241,134
Gain on sales of noncurrent assets	729	912	5,459
Insurance income	8,814	3,777	66,003
Gain on step acquisitions	–	1,700	–
Total extraordinary income	41,744	32,934	312,595
Extraordinary loss:			
Loss on valuation of investment securities	2,805	511	21,005
Loss on disposal of noncurrent assets	12,517	7,526	93,732
Impairment loss	189,446	6,811	1,418,646
Loss on fire at plant facilities	7,092	–	53,108
Business structure improvement expenses	13,326	15,017	99,790
Total extraordinary loss	225,186	29,866	1,686,281
<b>Income (loss) before income taxes</b>	(61,906)	215,121	(463,576)
Income taxes—current	56,118	93,046	420,234
—deferred	(28,654)	(41,759)	(214,572)
Total income taxes	27,464	51,287	205,661
<b>Net income (loss)</b>	(89,370)	163,834	(669,238)
Net income (loss) attributable to non-controlling interests	1,942	1,954	14,542
<b>Net income (loss) attributable to owners of the parent</b>	¥ (91,312)	¥ 161,880	\$ (683,780)

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥133.54 = US\$1 prevailing on March 31, 2023, has been used.

## Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars*
	2023	2022	2023
<b>Net income (loss)</b>	¥ (89,370)	¥163,834	\$(669,238)
Other comprehensive income			
Net increase (decrease) in unrealized gain on other securities	(13,706)	(25,746)	(102,636)
Deferred gains or losses on hedges	414	5	3,100
Foreign currency translation adjustment	95,343	114,406	713,966
Remeasurements of defined benefit plans	30,593	5,403	229,092
Share of other comprehensive income of affiliates accounted for using equity method	2,544	3,599	19,050
Total other comprehensive income	115,188	97,668	862,573
<b>Comprehensive income</b>	¥ 25,818	¥261,502	\$ 193,335
Comprehensive income attributable to:			
Owners of the parent	¥ 23,452	¥258,322	\$ 175,618
Non-controlling interests	2,367	3,180	17,725



## Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2023 and 2022

Thousands of U.S. dollars\*

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2022	\$774,217	\$598,225	\$ 9,602,554	\$(46,570)	\$ 10,928,418	\$ 496,383	\$(2,554)	\$1,252,247	\$(38,505)	\$1,707,571	\$235,173	\$12,871,162
Changes during the fiscal year												
Dividends from surplus			(363,749)		(363,749)							(363,749)
Net income (loss) attributable to owners of the parent			(683,780)		(683,780)							(683,780)
Purchase of treasury stock				(10,589)	(10,589)							(10,589)
Disposal of treasury stock		0		1,558	1,558							1,558
Change of scope of consolidation			(1,041)		(1,041)							(1,041)
Change of scope of equity method			187		187							187
Capital increase of consolidated subsidiaries		(344)			(344)							(344)
Net changes of items other than shareholders' equity						(104,665)	3,100	732,282	228,681	859,398	27,572	886,970
Total changes of items during the period	–	(344)	(1,048,375)	(9,038)	(1,057,758)	(104,665)	3,100	732,282	228,681	859,398	27,572	(170,780)
Balance at March 31, 2023	\$774,217	\$597,881	\$ 8,554,179	\$(55,609)	\$ 9,870,668	\$ 391,718	\$ 539	\$1,984,521	\$190,183	\$2,566,969	\$262,745	\$12,700,382

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## Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars*		Millions of yen		Thousands of U.S. dollars*
	2023	2022	2023		2023	2022	2023
<b>Cash flows from operating activities:</b>				<b>Cash flows from financing activities:</b>			
Income (loss) before income taxes	¥ (61,906)	¥ 215,121	\$ (463,576)	Net increase (decrease) in short-term loans payable	¥ (29,778)	¥ 65,632	\$ (222,989)
Depreciation and amortization	138,956	119,738	1,040,557	Increase (decrease) in commercial paper	11,000	29,000	82,372
Impairment loss	189,446	6,811	1,418,646	Proceeds from long-term loans payable	209,648	896	1,569,927
Amortization of goodwill	37,695	28,391	282,275	Repayment of long-term loans payable	(75,461)	(51,094)	(565,082)
Increase (decrease) in provision for grant of shares	(279)	60	(2,089)	Proceeds from issuance of bonds payable	50,000	50,000	374,420
Increase (decrease) in provision for periodic repairs	2,585	(502)	19,357	Repayments of lease obligations	(3,665)	(2,298)	(27,445)
Increase (decrease) in provision for product warranties	198	233	1,483	Purchase of treasury stock	(1,415)	(412)	(10,596)
Increase (decrease) in provision for removal cost of property, plant and equipment	2,951	(1,562)	22,098	Proceeds from disposal of treasury stock	208	125	1,558
Increase (decrease) in net defined benefit liability	(5,838)	(2,939)	(43,717)	Cash dividends paid	(48,575)	(47,187)	(363,749)
Interest and dividend income	(7,917)	(5,696)	(59,286)	Proceeds from share issuance to non-controlling interests	1,499	–	11,225
Interest expense	5,907	3,643	44,234	Cash dividends paid to non-controlling interests	(1,371)	(2,190)	(10,267)
Equity in earnings of affiliates	(923)	(8,878)	(6,912)	Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(163)	–	(1,221)
(Gain) loss on sales of investment securities	(32,201)	(26,545)	(241,134)	Other, net	(149)	(152)	(1,116)
(Gain) loss on valuation of investment securities	2,805	511	21,005	Net cash provided by (used in) financing activities	111,780	42,321	837,053
(Gain) loss on sale of property, plant and equipment	(729)	(912)	(5,459)	<b>Effect of exchange rate change on cash and cash equivalents</b>	15,744	21,027	117,897
(Gain) loss on disposal of noncurrent assets	12,517	7,526	93,732	<b>Net increase (decrease) in cash and cash equivalents</b>	4,744	25,600	35,525
(Increase) decrease in notes and accounts receivable–trade, and contract assets	8,405	(45,911)	62,940	<b>Cash and cash equivalents at beginning of year</b>	242,948	216,235	1,819,290
(Increase) decrease in inventories	(84,053)	(73,257)	(629,422)	<b>Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation</b>	212	1,112	1,588
Increase (decrease) in notes and accounts payable–trade	(7,949)	21,392	(59,525)	<b>Cash and cash equivalents at end of year</b>	¥ 247,903	¥ 242,948	\$ 1,856,395
Increase (decrease) in accrued expenses	(5,167)	10,184	(38,693)				
Increase (decrease) in advances received	8,040	10,546	60,207				
Other, net	(8,982)	(19,112)	(67,261)				
Subtotal	193,563	238,843	1,449,476				
Interest and dividend income, received	13,666	7,212	102,336				
Interest expense paid	(5,859)	(3,647)	(43,874)				
Income taxes (paid) refund	(110,565)	(59,137)	(827,954)				
Net cash provided by (used in) operating activities	90,804	183,271	679,976				
<b>Cash flows from investing activities:</b>							
Payments into time deposits	(5,209)	(3,267)	(39,007)				
Proceeds from withdrawal of time deposits	3,702	7,224	27,722				
Purchase of property, plant and equipment	(151,973)	(142,256)	(1,138,034)				
Proceeds from sales of property, plant and equipment	7,796	1,280	58,380				
Purchase of intangible assets	(20,185)	(27,452)	(151,153)				
Purchase of investment securities	(7,352)	(5,805)	(55,055)				
Proceeds from sales of investment securities	43,200	33,437	323,499				
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(78,420)	(80,912)	(587,240)				
Payments of loans receivable	(6,661)	(6,102)	(49,880)				
Collection of loans receivable	2,132	2,782	15,965				
Other, net	(613)	52	(4,590)				
Net cash provided by (used in) investing activities	(213,584)	(221,019)	(1,599,401)				

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥133.54 = US\$1 prevailing on March 31, 2023, has been used.

## Corporate Profile / Stock Information (as of March 31, 2023)

### Corporate Profile

**Company Name** Asahi Kasei Corporation

**Founding** May 25, 1922

**Establishment** May 21, 1931

**Paid-in Capital** ¥103,389 million

**Employees** 48,897 (consolidated) 8,787 (non-consolidated)

### Asahi Kasei Group Offices

#### Asahi Kasei Corporation

##### Tokyo Head Office

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3000 Fax: +81-(0)3-6699-3161

##### Asahi Kasei (China)

8/F, One ICC Shanghai International Commerce Centre  
No. 999 Huai Hai Zhong Road, Shanghai 200031 China  
Tel: +86-(0)21-6391-6111 Fax: +86-(0)21-6391-6686

##### Asahi Kasei America

800 Third Avenue, 30th Floor New York, NY 10022 U.S.A.  
Tel: +1-212-371-9900 Fax: +1-212-371-9050

##### Asahi Kasei Europe

Fringsstrasse 17, 40221 Düsseldorf, Germany  
Tel: +49-(0)211-33-99-2000 Fax: +49-(0)211-33-99-2200

##### Asahi Kasei India

The Capital 1502B, Plot No. C-70, G-Block, Bandra Kurla Complex,  
Bandra (East), Mumbai 400051 India  
Tel: +91-22-6710-3962 Fax: +91-22-6710-3979

##### Asahi Kasei Asia Pacific

Room#1705-1706, 17th Floor Singha Complex Building,  
1788 New Petchaburi Road, Bang Kapi,  
Huai Khwang, Bangkok 10310 Thailand  
Tel: +66-(0)21-634-944

#### Core Operating Companies

##### Asahi Kasei Microdevices

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3933

##### Asahi Kasei Homes

1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan  
Tel: +81-(0)3-6899-3000

##### Asahi Kasei Construction Materials

1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan  
Tel: +81-(0)3-3296-3500

##### Asahi Kasei Pharma

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3600

##### Asahi Kasei Medical

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3750

##### ZOLL Medical

269 Mill Rd., Chelmsford, MA 01824-4105 U.S.A.  
Tel: +1-978-421-9655

##### Veloxis Pharmaceuticals

2000 Regency Parkway, Suite 500 Cary, NC 27518 U.S.A.  
Tel: +1-919-591-3090

### Stock Information

**Stock Listing** Tokyo

**Stock Code** 3407

**Authorized Shares** 4,000,000,000

**Outstanding Shares** 1,393,932,032

**Transfer Agent** Sumitomo Mitsui Trust Bank, Ltd.

**Independent Auditors** PricewaterhouseCoopers Aarata LLC

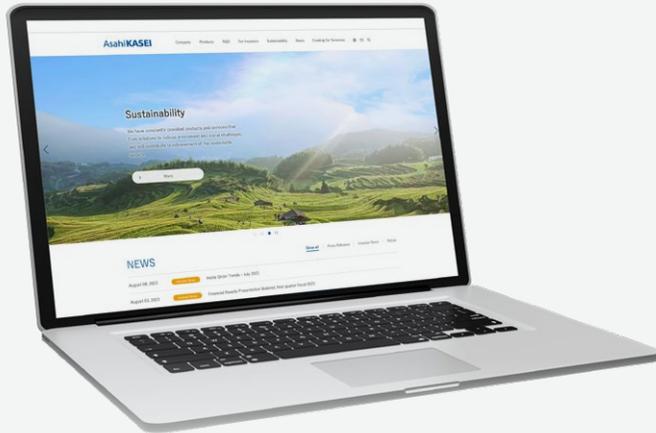
**Number of Shareholders** 205,670

#### Largest shareholders

	Percentage of equity (%)
The Master Trust Bank of Japan, Ltd. (trust account)	15.49
Custody Bank of Japan, Ltd. (trust account)	6.14
JP Morgan Chase Bank 385632	3.41
Nippon Life Insurance Company	2.95
Asahi Kasei Group Employee Stockholding Assn.	2.71
Sumitomo Mitsui Banking Corp.	1.83
State Street Bank West Client – Treaty 505234	1.73
Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Mizuho Bank account)	1.43
Trustee of sub-trust: Custody Bank of Japan, Ltd.	
Sumitomo Life Insurance Company	1.43
Meiji Yasuda Life Insurance Company	1.33

Note: Percentage of equity ownership after exclusion of treasury stock

## Information Disclosure



### Investor Relations

In addition to financial results and management briefing materials, the For Investors section of our website features a wide variety of information for investors in an easy-to-understand format.

▶ <https://www.asahi-kasei.com/ir/>

### Sustainability

The Sustainability section of our website presents information on our sustainability from the aspects of the environment, society, and governance (ESG). It covers initiatives, systems, and data regarding ESG issues.

▶ <https://www.asahi-kasei.com/sustainability/>

GRI Standards Content Index ▶ [https://www.asahi-kasei.com/sustainability/basic\\_information/guidelines/](https://www.asahi-kasei.com/sustainability/basic_information/guidelines/)

SASB Content Index ▶ [https://www.asahi-kasei.com/sustainability/basic\\_information/sasb/](https://www.asahi-kasei.com/sustainability/basic_information/sasb/)

CDP Climate Change Reporting ▶ [https://www.asahi-kasei.com/jp/sustainability/environment/climate\\_change/pdf/climate\\_change\\_01.pdf](https://www.asahi-kasei.com/jp/sustainability/environment/climate_change/pdf/climate_change_01.pdf)

CDP Water Security Reporting ▶ [https://www.asahi-kasei.com/jp/sustainability/environment/water\\_use/pdf/water\\_use\\_01.pdf](https://www.asahi-kasei.com/jp/sustainability/environment/water_use/pdf/water_use_01.pdf)

#### Inclusion in Socially Responsible Investment Indexes (as of 2023)

- FTSE4Good Index
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- S&P/JPX Carbon Efficient Index
- MSCI ESG Leaders Indexes
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- Morningstar Japan ex-REIT Gender Diversity Tilt Index



FTSE4Good



FTSE Blossom  
Japan



FTSE Blossom  
Japan Sector  
Relative Index



2023 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX

2023 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

#### Acquisition of the Highest Rank from Development Bank of Japan, Inc. (DBJ) under its DBJ Environmentally Rated Loan Program

In August 2022, Asahi Kasei received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the system's highest rating as a "company with particularly advanced environmental programs."



#### Selected as a DX Stock

In 2023, Asahi Kasei was selected as a Digital Transformation (DX) Stock, in an initiative conducted jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for the third consecutive year.



#### Recognized as "White 500" for 2023 (Large Enterprise Category)

Asahi Kasei was selected as a "White 500" enterprise under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program, conducted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.

