

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.

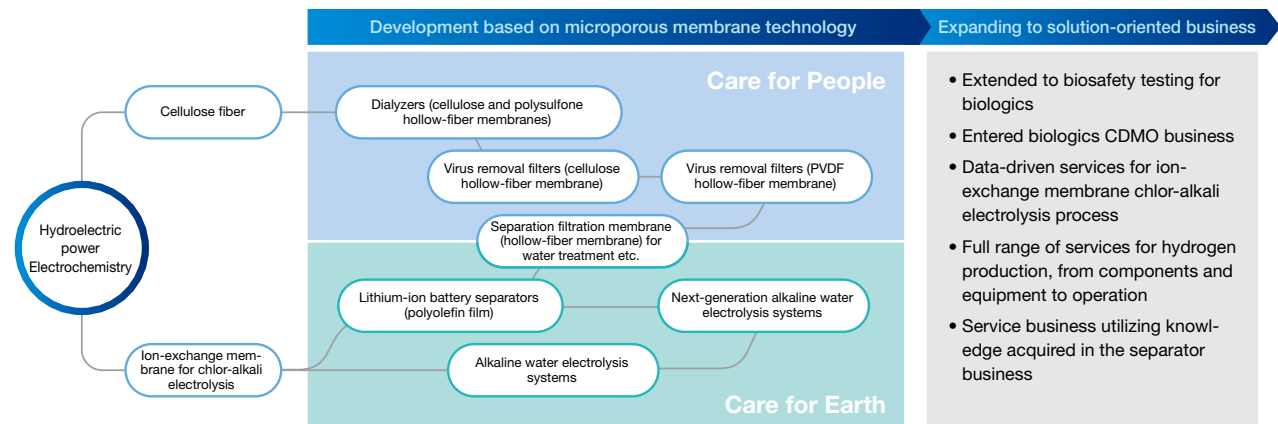
Leveraging Core Technologies to Extend Business

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.



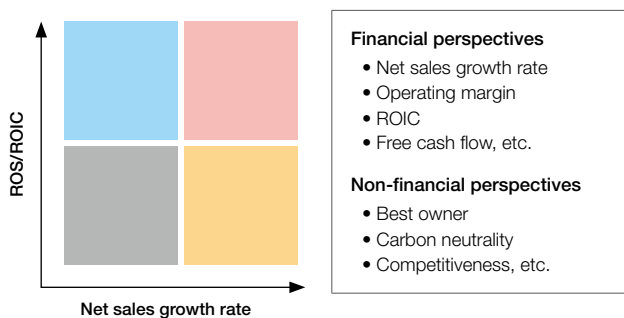
Business Portfolio Management

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.

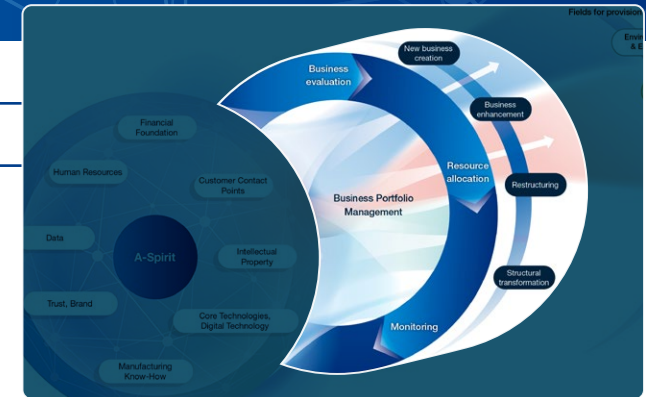
Resource Allocation

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.