



## Q3

# How will you focus resources on growth businesses?

**A** We plan to invest approximately ¥700 billion in the 10 Growth Gears (GG10) businesses to drive future growth during the three years of the current MTP, and we have steadily expanded investments and M&A while maintaining strict financial discipline.

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Chieko Matsuda, Outside Director

Special Feature

North American Strategy for Hipore™

# Expansion in North America for medium-to-long-term growth of Hipore™ lithium-ion battery separator business

The Asahi Kasei Group is evolving its business portfolio through challenging investment for growth together with cash generation from structural transformation and strengthening of existing businesses. One area of focus as an investment for growth is the North American project for Hipore™ in the separator business—the core of energy storage, one of the 10 Growth Gears (GG10) businesses.

Outline of the North American investment

|                     |  |
|---------------------|--|
| Location            | Ontario, Canada  |
| Plant overview      | Integrated plant for base film manufacturing and coating           |
| Total investment    | Approximately ¥180 billion*  |
| Production capacity | Approximately 700 million m <sup>2</sup> per year (as coated film) |
| Start of operation  | Commercial start-up scheduled in 2027                              |

\* At exchange rate of ¥145 per US\$



## Separator business overcoming adversity and moving toward recovery

The Hipore™ wet-process lithium-ion battery (LIB) separator business grew by quickly identifying specific market needs and efficiently utilizing limited resources to create value and gain market share. This is a typical pattern for a product of Asahi Kasei. Recently, however, the business has struggled. Having built solid foundations in consumer electronics applications, the business was slow to adapt to automotive applications. When coated separator became the mainstay for automotive applications, insufficient coating capacity curtailed expansion of the customer base, resulting in overdependence on demand from certain customers. This coincided with the impact of the COVID-19 pandemic,

supply-chain disruption, changes in the international situation, and other factors, leading to a significant decline in sales volumes. Currently, LIB manufacturers are planning to significantly increase their production capacities, reflecting expectations for a rapid expansion in the market for various types of electric vehicles (xEVs) in North America. Having identified a major business opportunity in the North American market, where an expansion in demand and the establishment of a new supply chain are expected, Asahi Kasei decided to target a North American market share of at least 30% by steadily meeting demand from LIB manufacturers as a leading supplier of LIB separators.

## Maximum control of investment risk

In April 2024, Asahi Kasei announced the establishment of an integrated production plant for Hipore™ separators, including base film manufacturing and coating, in Ontario, Canada. We consider it to be highly significant that we are constructing a plant ahead of other competitors in North America—where the xEV market is expected to expand and there are currently no plants for mass-production of wet-process separators. We also believe that this North American investment, backed in part by various measures to promote EVs and develop related industries, such as the Inflation Reduction Act (IRA) in the United States, will serve as a turning point for returning the separator business to growth. The investment

configuration for this project is particularly notable. An agreement has been reached for Asahi Kasei Battery Separator Corp., which is scheduled to be established in October 2024, to issue preferred shares to the Development Bank of Japan Inc. (DBJ), for which it will receive ¥28 billion in funding. We have also concluded a basic agreement with Honda Motor Co., Ltd. to establish a joint venture, with Asahi Kasei as the majority investor, and the two parties are currently studying details. In addition, we also expect to receive financial support from the federal government of Canada and the provincial government of Ontario. Although the estimated total investment in North America comes to ¥180 billion,





Special Feature

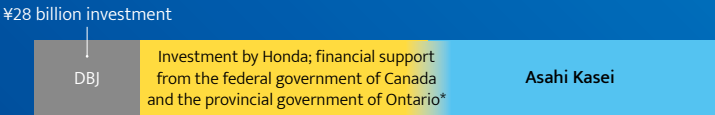
North American Strategy for Hipore™

we plan to achieve production on a scale that fully accommo-  
dates market expansion while controlling investment risk to

a significant degree by leveraging other companies' capital  
and government financial support.

Breakdown of funding

≈ ¥180 billion total investment



\* Financial support from the federal government of Canada and the provincial government of Ontario, in addition to support under the September 2023 memorandum of understanding between Canada and Japan concerning battery supply chains

A completely new way of business expansion

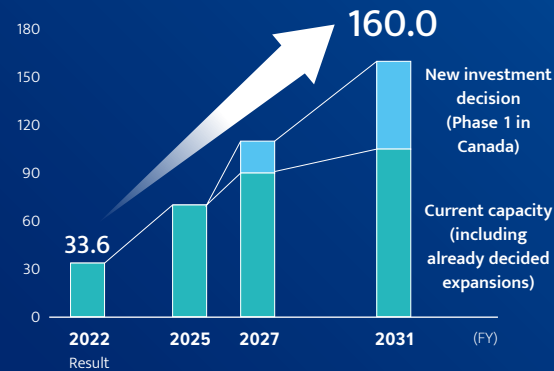
We have gained four main strengths over more than 40 years in the separator business. The first is relationships with customers. The relationships of trust built through a high ability to respond to customer needs using our accumulated know-how has enabled the development of products based on a high degree of coordination. The second is high productivity. Our world-leading production speed is approximately double the industry standard for both base film and coating. The third is the high performance and quality of our products. With a diverse lineup of coated membranes that

meet customer needs, our high-quality products contribute to improved battery yield and extended battery service life. The fourth is environmental consciousness. We have superior environmental technology such as non-fluorinated coatings that do not use per- and polyfluoroalkyl substances (PFAS), which have been the subject of tighter restrictions in recent years.

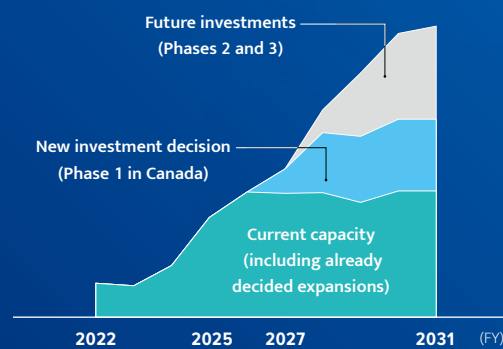
Our business expansion in North America will fully leverage these four strengths in a completely new way. We have conventionally been successful at promoting high value-added

Sales outlook for Hipore™ business

(¥ billion)



Medium- to long-term outlook for Hipore™ sales volume



products in niche markets. With the North American project, in contrast, we are adopting a different approach by making a major up-front investment to attract customer inquiries. In addition to thoroughly achieving low-cost production, we will establish alliances with business partners based on their technological advantages and realize production on a scale sufficient to accommodate market expansion. This project will build business foundations in North America by leveraging our accumulated battery-related technology.

Medium- to long-term outlook for the Hipore™ business

In terms of the performance outlook for the Hipore™ business over the medium term, we are targeting sales of ¥160 billion and an operating margin of at least 20% in fiscal 2031, the fifth year of operation at the Canada plant. While sales were sluggish in fiscal 2022 and 2023, we expect sales volume to increase from 2024. We especially foresee further increased volume in fiscal 2026 with the start of new coating lines in the United States, Japan, and South Korea, as announced in 2023. For the time being, we will supply the North American market from our plants in Japan. Once the plant in Canada becomes operational in fiscal 2027, the capacity in Japan will be available to supply

the Japanese and South Korean markets, which are projected to ramp up at that time. This will allow us to maintain high operating rates across all plants. Our plans are firmly grounded on earnest requests from major customers for local separator production in North America. As of July 2024, 60% of the main North American customers had completed their evaluation of our separators and begun discussions for long-term supply, with smooth progress in evaluation by the remaining 40% of customers. We are also considering second and third phases of investment, and will continue to examine how to adequately meet further expanding demand over the long term.

A major step toward carbon neutrality

Though many challenges remain to achieve carbon neutrality, governments and companies across the world are working diligently to address them. Asahi Kasei has accumulated an array of intangible assets through many years in LIB separator and other membrane-related businesses, including the core technology of phase separation, human resources, know-how, and customer relationships. These

intangible assets are the sources of our strength. We believe that by fully leveraging such intangible assets to supply high-quality LIB separators for xEVs, we can support the expansion of the xEV market and contribute to carbon neutrality. While taking this important challenge, we will also fulfill our Group Mission of contributing to life and living for people around the world.



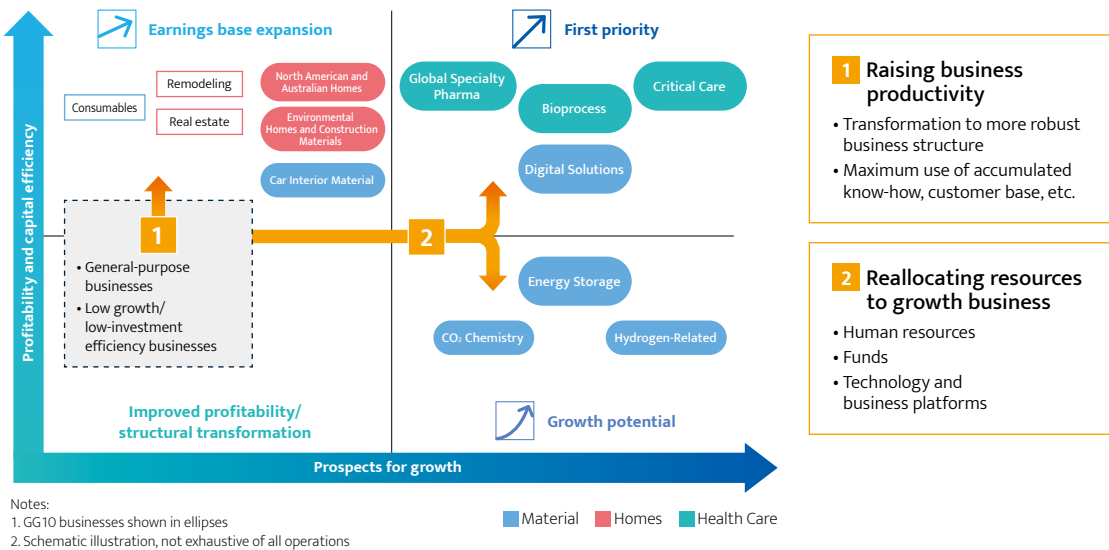
Both Structural Transformation and Growth Investments

Accelerating business portfolio transformation through structural transformation

Asahi Kasei promotes the structural transformation of a variety of its businesses, including petrochemical chain-related businesses, and transforms its business portfolio by directing the resources it generates through these efforts to growth businesses.

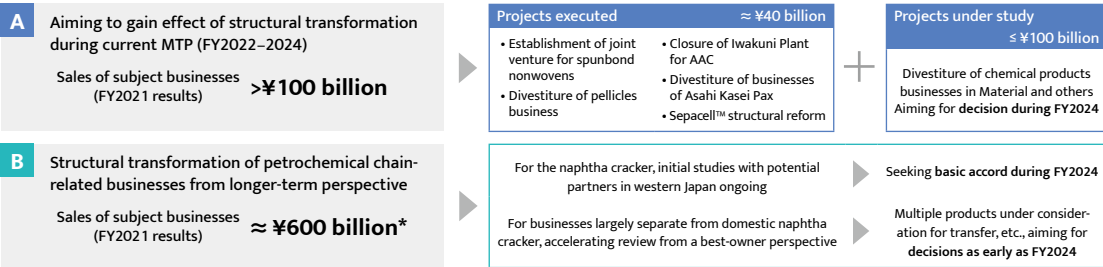
Overview of business portfolio and path of transformation

In managing our business portfolio, we categorize businesses into four quadrants along the two axes of “prospects for growth” and “profitability and capital efficiency,” advancing actions in accordance with each quadrant. In particular, given the pressing need to transform businesses in the lower left quadrant positioned for earnings improvement or structural transformation, we examine transformation from two perspectives. The first perspective involves fully leveraging the know-how and customer bases of these businesses to enhance their profitability and capital efficiency, in addition to strengthening their profit structure. Through these actions, we aim to transform businesses in the upper left quadrant positioned for “earnings base expansion.” The second perspective involves reallocating resources to “first priority” businesses and “growth potential” businesses to enhance the productivity of the Asahi Kasei Group as a whole. In light of the current challenging earnings situation, our examinations will prioritize the potential of the second perspective. To this end, we view it as particularly critical to focus human resources in businesses with high growth potential.



Progress on structural transformation

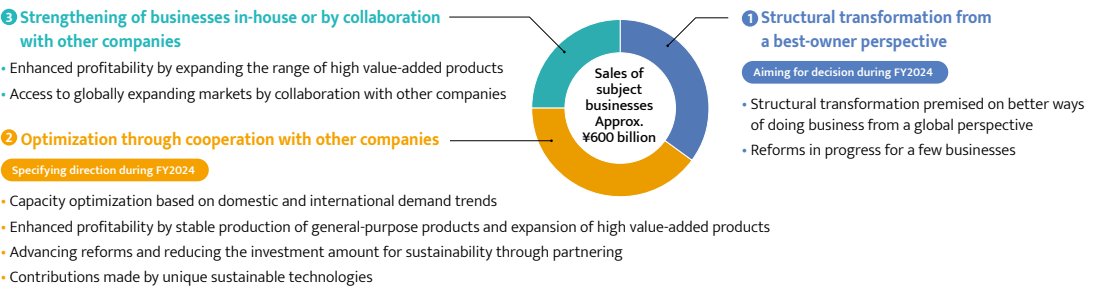
Looking at the reforms we enacted to create effects during the period of the current MTP, we aimed for structural transformation in businesses with net sales totaling ¥100 billion or more (based on fiscal 2021 results). We have already implemented structural transformation in businesses with total net sales of approximately ¥40 billion. These efforts include the establishment of a joint venture company for spunbond nonwovens with Mitsui Chemicals, Inc., and the closure of the Iwakuni Plant of Asahi Kasei Construction Materials. In addition, with reforms equivalent up to approximately ¥100 billion currently under examination, including the transfer of a chemicals business, we fully expect to achieve our target. We are also working on structural transformation from a medium-term perspective in petrochemical chain-related businesses, which have net sales of ¥600 billion (based on fiscal 2021 results). For businesses based on the naphtha cracker at the Mizushima Works, we are advancing discussions with partner candidates in western Japan with the aim of reaching an agreement on the direction of reforms during fiscal 2024.



\* Some overlap with category A

Structural transformation of petrochemical chain-related businesses

We are examining the transformation of petrochemical chain-related businesses based on three different approaches: 1) structural transformation from a best-owner perspective, 2) optimization through cooperation with other companies, and 3) strengthening of businesses in-house or by collaboration. Businesses targeted under the first approach account for approximately one-third of the aforementioned ¥600 billion. For these businesses, we are already taking concrete steps in several projects with the aim of making decisions during fiscal 2024. The second approach includes the naphtha cracker and derivative products that use basic chemicals from naphtha cracking. Under this approach, we will not only optimize capacity but also pursue the best outcome with an emphasis on utilizing our sustainable technologies. In businesses included in the third approach, we are advancing actions from the perspective of enhancing business value through our own efforts or in collaboration with other companies. Implementing these measures will enable us to improve ROIC in the Material sector, which will improve the capital efficiency of the Asahi Kasei Group as a whole.




Both Structural Transformation and Growth Investments

# Continuous growth through strategic investments in GG 10 businesses and M&A


Sustainable growth of the Asahi Kasei Group is achieved by strategic allocation of resources generated through structural transformation to investments in the expansion of GG10 businesses with high growth potential and the steady execution of M&A.

## Progress on GG 10 investments


When we announced the current MTP in fiscal 2022, we designated GG10 as businesses to drive our future growth. In fiscal 2023, we broadly categorized the GG10 businesses in accordance with time frame, scale, and way of growth, as outlined to the right. Our growth investments in GG10 businesses emphasize the realization of a well-focused allocation of resources between the three categories.

 **First priority**




Investing management resources in this category as a top priority, including inorganic growth, with the aim of achieving growth over the medium term while reaping profits from past investments

 **Growth potential**

With this category as the driver of future growth, conducting forward-looking investments and promoting strategic alliances from the perspective of strengthening competitiveness

 **Earnings base expansion**

Investing in this category based on a careful assessment of fields where we can expand the scale of our earnings while continuing to generate steady earnings

| Position in business portfolio   | Businesses to drive future growth<br>10 Growth Gears (GG10)                           |                                     | FY2022–2024 investment amount and major projects to date (¥ billion, decision-adopted basis) |  | FY2021⇒FY2024 profit increase¹ | GG10 financial targets   |
|--|---|-------------------------------------|--|--|--------------------------------|--|
|  <b>First priority</b>            | Critical Care<br>Global Specialty Pharma<br>Bioprocess                                | Health Care                         | ≤200   | • Acquisition of Bionova Scientific, a U.S. biologics CDMO, and expansion of business base   | + ≈ 15 billion ↗               | <div><b>FY2022–2024 cumulative investment</b><br/>(decision-adopted basis)<br/><b>¥700 billion</b><br/><small>Note: Total amount including maintenance investments, etc.</small><br/>▶ Increase due to Hipore™ investment in North America, etc.</div> <div><b>FY2024 operating income</b><br/><b>GG10 total ¥110 billion</b><br/>(&gt;50% of all business income²)<br/>▶ Below initial target of ¥150 billion due to downturn in separators</div> |
|  | Digital Solutions   | Material<br>Life Innovation         | ≤ 100  | • Increased capacity for Pimel™ semiconductor buffer coat/interlayer dielectric  | ± 0 billion →                  |  |
|  <b>Growth potential</b>        | Energy Storage (separators)<br>Hydrogen-Related<br>CO₂ Chemistry                      | Material<br>Environmental Solutions | ≤300   | • Expansion of automotive LIB separators (integrated plant in North America and addition of coating facilities in North America, Japan, and South Korea) | – ≈ 20 billion ↘               |  |
|  <b>Earnings base expansion</b> | North American and Australian Homes<br>Environmental Homes and Construction Materials | Homes                               | ≤ 100  | • Acquisition of Focus Companies in the U.S.<br>• Acquisition of Arden Homes in Australia  | + ≈ 10 billion →               |  |
|  | Car Interior Material   | Material<br>Mobility & Industrial   | ≤50  | • U.S. automotive interior materials   | + ≈ 10 billion →               |  |

In fiscal 2024, GG10 businesses in the Health Care and Homes sectors are on track for steady growth with expansion investments proceeding in accordance with strategy.

Although its profits have declined recently due to sluggish performance in Energy Storage (separators), Environmental Solutions in the Material sector will increase its operating rates by expanding sales in the short term and aim to achieve major growth centered on the North American market over the medium-to-long term.

Cumulative investment in GG10 businesses (on a decision-adopted basis) between fiscal 2022 and fiscal 2024 increased from the initial planned amount of ¥600 billion to approximately ¥700 billion, mainly due to a project for lithium-ion battery (LIB) separators for automotive applications in North America.

Meanwhile, our target for GG10 operating income in fiscal 2024 stands at ¥110 billion, lower than the initial target of ¥150 billion, reflecting the downturn in the separator business.

¹ Operating income + amortization from PPA  
² Proportion of business income, excluding corporate expenses

Both Structural Transformation and Growth Investments

Strategic M&A leveraging accumulated expertise

Since acquiring ZOLL in fiscal 2012, Asahi Kasei has proactively pursued business expansion by making full use of M&A. In particular, overseas M&A in the Health Care sector, positioned as a pillar of growth, have driven the expansion of the sector and accelerated our globalization. We will create value through M&A with the aim of transitioning to a business portfolio with a high proportion of high value-added businesses.

M&A target fields

Under the current MTP, we promote M&A to accelerate growth and achieve results centered on GG10 businesses—designated as growth drivers—such as Global Specialty Pharma and Bioprocess in the Health Care sector and North American and Australian Homes in the Homes sector. Going forward, we will continue to focus on the Health Care sector for M&A targets while positioning M&A as a means to achieve growth in GG10 businesses, including Digital Solutions in the Material sector and North American and Australian Homes in the Homes sector.

M&A selection criteria

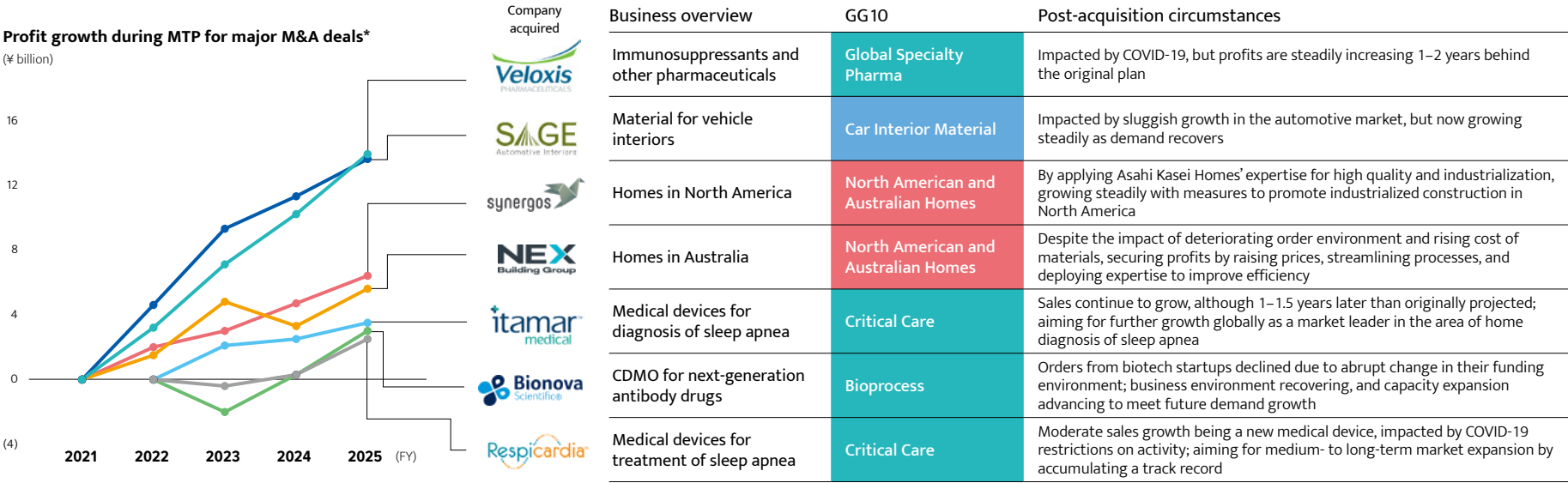
Based on our extensive accumulated experience with many M&A projects, we position the following four points as keys to success. We steadily deliver results by checking these points thoroughly when choosing target companies.

- 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 (PMI)

We conduct due diligence that anticipates the following three points from the M&A consideration stage to facilitate PMI that maximizes synergies following the execution of M&A.

- 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



Looking at changes in profits, although both were affected by COVID-19, Veloxis and Sage have returned to steady growth; North American and Australian Homes are also recording solid profit growth.

In contrast, Bionova and Respicardia, Inc. (Respicardia) have been affected by delays in market establishment, partly because both remain early-stage businesses.

Overall, although we are seeing an increase in profits through rigorous M&A management, we will conduct more focused monitoring of market and business conditions for projects experiencing delays in generating profits, and work to realize growth in accordance with market establishment.

\* Changes in operating income plus PPA amortization; FY2021 baseline except for Bionova, Itamar, and Respicardia. FY2024 and FY2025 are forecasts.



Strategies by Sector



Message from the Head of the Material Sector

Solutions for sustainability leveraging chemistry and materials

Building foundations for growth through structural transformation and earnings base enhancement

In Environmental Solutions, Mobility & Industrial, and Life Innovation, our Material sector offers a lineup of distinctive high value-added materials and products that meet the ever-changing needs of society.

The operating environment continued to be challenging in fiscal 2023, and we were unable to realize the profit recovery we had hoped for in the Material sector. We also recorded an impairment loss and equity in losses of affiliates centered on petrochemical chain-related businesses. Since previously, we have been studying structural transformation focused on petrochemical chain-related businesses. Businesses subject to structural transformation had total net sales on the scale of ¥600 billion in fiscal 2021, and we are determined to accelerate studies based on the best-owner perspective.

Although the operating environment remains uncertain in fiscal 2024, we plan to improve earnings the Material sector with gradual improvement in business conditions and profit recovery centered on GG10 businesses. We will build a solid foundation for future growth by steadily improving return on invested capital (ROIC) in

each business, including by reducing working capital and carefully selecting investments. For structural transformation, we will make decisions during fiscal 2024 on measures to be effective during the current medium-term period and measures being studied from a best-owner perspective. For naphtha cracker-related businesses, we have commenced discussions with potential partners to determine the direction of transformation during fiscal 2024. The Material sector operates a diverse range of businesses, many of which have world-leading competitiveness. The technologies and know-how that support these businesses are our irreplaceable advantages and the source of our strengths. Moving forward, we will advance the sector over the medium-to-long term centered on GG10 businesses.



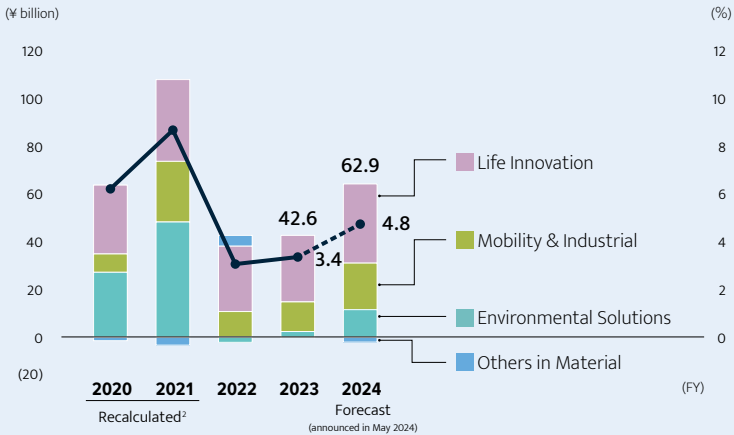
Koshiro Kudo  
Executive Officer for Material Business Sector  
President & Representative Director,  
Presidential Executive Officer,  
Asahi Kasei Corp.

KPIs

|                              | FY2022  | FY2023  | FY2024 Forecast<br>(announced in May 2024) |
|------------------------------|---------|---------|--|
| Net sales (¥ billion)        | 1,316.6 | 1,261.7 | 1,312.0                                    |
| Operating income (¥ billion) | 41.0    | 42.6    | 62.9                                       |
| Operating margin             | 3.1%    | 3.4%    | 4.8%                                       |
| EBITDA (¥ billion)           | 128.5   | 119.9   | 134.2                                      |
| EBITDA margin                | 9.8%    | 9.5%    | 10.2%                                      |
| ROIC <sup>1</sup>            | 2.4%    | 2.6%    | 3.6%                                       |

Note: White background indicates management KPIs in the Material sector.

Operating income, operating margin



<sup>1</sup> ROIC = operating income (1 – tax rate) / (fixed assets + working capital, etc.)  
<sup>2</sup> Figures have been recalculated to reflect the revision of business categories in fiscal 2022.

### Continuous growth through focused investment anticipating market expansion

GG10 businesses in the Material sector are advancing steadily, with several significant steps being taken.

In Energy Storage, we decided in April 2024 to construct an integrated plant in Canada for the manufacture and coating of Hipore™ wet-process lithium-ion battery (LIB) separators. We have received active inquiries based on forecasted growth in demand for various types of electric vehicles (xEVs) in North America, we will begin by constructing the plant as the first phase of our investment targeting a market share of 30% in the region. This will be a large-scale project rather than a business targeting a niche market, which has conventionally been one of our strengths. We aim to achieve high capital efficiency by realizing high productivity backed by advanced production technology while thoroughly examining business strategies and leveraging external investment and other financial means to control investment risk.

In Digital Solutions, we are scheduled to launch a new quality inspection center and start operation of a new plant in 2024 to meet increasingly strict quality requirements and significant expansion in demand for Pimel™ photosensitive polyimide. We are also advancing timely product development in accordance with market growth and customer needs for other electronic materials and various electronic components.

In Car Interior Material, we are constructing a platform as a one-stop provider of diverse automotive interior materials and designs that match customer needs, with optimal production locations for each region and material. In October 2023, we invested in Natural Fiber Welding, Inc., which develops non-petroleum-based leather alternatives for car interiors, through a corporate venture capital framework focused on investments in technologies that contribute to carbon neutrality.

In Hydrogen-Related, we concluded a memorandum of understanding with Gentari Hydrogen Sdn Bhd (Gentari), of Malaysia, and JGC Holdings Corporation, of Japan, for a front-end engineering design to construct a 60 megawatt-class alkaline water electrolyzer system as part of a demonstration supported by the Green Innovation Fund of Japan's New Energy and Industrial Technology Development Organization (NEDO). In addition, we started operation of a multi-module hydrogen pilot plant at our Kawasaki Works in May 2024 to advance the development of large-scale alkaline water electrolyzer systems, as part of our ongoing effort to contribute to the commercialization of green hydrogen.

In CO<sub>2</sub> Chemistry, we are actively licensing process technology using CO<sub>2</sub> as raw material to manufacture high-purity carbonates (ethylene carbonate and dimethyl carbonate) as components of LIB electrolyte solution. The technology is based on our process to manufacture polycarbonate using CO<sub>2</sub> as a raw material, which is commercially operated by licensees worldwide. We are receiving earnest inquiries from around the world for this unique technology that uses CO<sub>2</sub> as raw material.

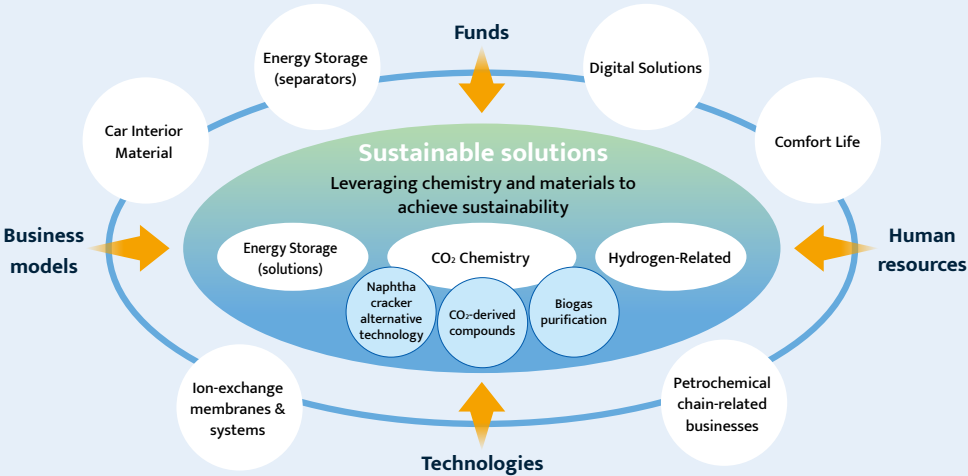
### Creating new business models

In May 2024, Asahi Kasei, Mitsui Chemicals, and Mitsubishi Chemical announced the launch of a joint study on carbon neutrality at their ethylene production facilities in western Japan. Although ethylene production facilities are a vital infrastructure for the manufacture of various basic feedstocks that underpin people's lifestyles, greenhouse gas (GHG) emission reductions have become a major challenge. Coordinating across different sites, the three companies will realize greener ethylene production facilities and petrochemical products by measures such as the use of biomass feedstock and low-carbon fuels, while studying future optimal production arrangements.

Meanwhile, Asahi Kasei is developing the concept of Product-based Platform as a Service (P-PaaS) as a business model to leverage our intangible assets with platforms that increase customer value based on the added value of materials and products using intellectual property, data, etc. In the ion-exchange membrane process for chlor-alkali electrolysis, we are offering new business value as a leading supplier by integrating the sale of goods together with the provision of services. As one example, we have launched a demonstration trial of a chlor-alkali electrolysis cell rental service in Europe.

Our long-term vision for the Material sector is to achieve sustainability through expertise in chemistry and materials that has been cultivated over a long history. In addition to bold business portfolio transformation, we seek to provide sustainable solutions unique to Asahi Kasei by maximizing the utilization of our accumulated intangible assets.

|  |                                      |  |
|--|--------------------------------------|--|
| <div>Challenging investment</div> <div>for growth</div> <div>(including plans)</div>   | Energy Storage (separators)          | • Construction of integrated plant in North America and addition of new coating facilities in U.S., Japan, and South Korea for automotive LIB separators   |
|  | Digital Solutions                    | • Construction of new plant for Pimel™ photosensitive polyimide  |
|  | Hydrogen-Related                     | • Development of large-scale alkaline water electrolysis system for hydrogen production  |
|  | CO <sub>2</sub> Chemistry            | • Utilization of CO <sub>2</sub> as feedstock in manufacturing processes   |
| <div>Cash generation</div> <div>from structural transformation and strengthening of existing businesses</div> <div>(including plans)</div> | Structural transformation            | • Establishment of joint venture for spunbond nonwoven fabric business<br>• Divestment of businesses of Asahi Kasei Pax and photomask pellicles<br>• Promotion of short-term viable projects in petrochemical chain-related businesses |
|  | Strengthening of existing businesses | • Promotion of high-performance coreless current sensors for automotive applications<br>• Expansion of low-dielectric glass fabric for AI servers, switches, and routers   |





GG10

Digital Solutions

Offering distinctive, leading-edge products and services by leveraging the strength of having both electronic materials and electronic components

Business strategies

Under unified management of the electronic materials and electronic components businesses, we will accelerate the growth of Digital Solutions through distinctive products and services by identifying trends in growth markets, such as xEVs, information and communications, and the environment and saving energy, to effectively engage the leaders of each market. We are targeting net sales of ¥300 billion by 2030 and ¥100 billion of investments for expansion with a focus on leading-edge and next-generation markets to establish Digital Solutions as a major pillar of earnings in the Material sector.

|                                 |   |
|---------------------------------|---|
| Electronic materials            | Expanding offerings of high-performance, high-quality electronic materials and solutions for leading-edge semiconductors and their packaging processes used in high-end servers aimed at generative AI and 5G, 6G, and other high-speed telecommunications systems as well as devices such as smartphones   |
| Pimel™ photosensitive insulator | <ul style="list-style-type: none"><li>• Aiming to double sales by 2030 (compared with 2022) by meeting the needs of leading-edge semiconductor manufacturers based on our strong technological development capabilities. In addition to accelerating development speed and reinforcing quality assurance along with heightened requirements, raising productivity by promoting digital transformation at the new plant scheduled to begin operations in 2024.</li><li>• Invention related to Pimel™ received Minister of Economy, Trade and Industry Award at the 2024 National Commendation for Invention in recognition of its contribution to realizing high-density semiconductor packages.</li></ul> |
| Glass fabric                    | <ul style="list-style-type: none"><li>• Increasing sales of low-dielectric glass fabric in high-speed communications infrastructure market, which is expanding rapidly through generative AI-related demand; aiming to triple sales by 2030 (compared with 2022). Leading cutting-edge markets through the development of next-generation products.</li></ul>   |

|                                     |   |
|-------------------------------------|---|
| Electronic components               | Pursuing value provision to end users in global niche markets by integrating sensor technology, analog design, and software technology  |
| Currentier™ coreless current sensor | <ul style="list-style-type: none"><li>• For xEV applications, obtaining projects based on strengths in extending cruising range through smaller drive systems and fewer parts and realizing high-speed charging through smaller packages and high-speed response. Successfully completed a proof of concept for eFuses (electronic fuses) to overcome issues of mechanical fuses.</li></ul> |
| VELVET SOUND audio solutions        | <ul style="list-style-type: none"><li>• Quickly offering new high-quality audio space by anticipating in-vehicle sound environment needs in the xEV market using expertise cultivated over many years.</li></ul>  |
| Millimeter-wave radar solutions     | <ul style="list-style-type: none"><li>• Generating demand through a variety of applications, such as ensuring that children are not left behind in vehicles and detecting when the elderly fall using highly accurate contactless sensing.</li></ul>  |

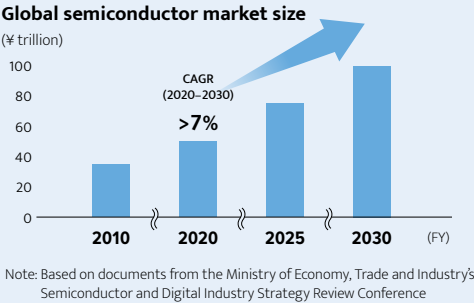
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|------------------------------------|--|
| Garage-style laboratory activities | To accelerate the development of solutions through co-creation with customers and partners, garage-style laboratories are operated in China, South Korea, Germany, and the United States, as well as Japan; site in Japan renewed and relocated to new technological development hub in Yokohama in June 2024. |
|------------------------------------|--|



Operating environment

Further market expansion in both quality and volume as regenerative AI technology advances

- Increasing evolution of digital technologies and solutions such as generative AI technology, 5G and 6G high-speed communications, and vehicle electrification
- Continuing significant growth of electronic materials and electronic components markets and expansion of needs for high-performance products through a cycle whereby diverse needs stimulate further technological development
- Succession of investments in semiconductor facilities and related industries around the world



Strengths of Asahi Kasei

High value-added, market-leading products in both electronic materials and electronic components

- Having both electronic components and electronic materials, each with highly competitive, distinctive products in growth markets
- Ability to identify market trends and needs through solid relationships with market leaders based on a track record of supplying high-quality, high-performance products
- High-level development capabilities, manufacturing technologies, and quality assurance that meet customer needs

Electronic materials: Supporting diversified leading-edge semiconductor package technology with finer processing

Electronic components: Core technologies including sensor technology, analog design, and software technology

Homes  
sector

Message from the Head of  
the Homes Sector

Advancing as an essential company of true value for customers,  
society, and employees

Responding to changes in the operating environment to  
further enhance customer satisfaction

Fiscal 2023 was the third consecutive year for the Homes sector to reach new record highs in net sales and operating income. In fiscal 2024, the final year of the current medium-term management plan, we expect to attain results close to our initial targets. I appreciate that this is only possible because we are recognized as a company that is needed by customers and society, and I am truly grateful to all of our stakeholders.

There have been significant changes in the operating environment in Japan, such as the recent COVID-19 pandemic and sharp rises in construction material costs and logistics costs. We have been able to navigate these changes and achieve

a recovery in performance by focusing our marketing strategy on larger and higher value-added units in the order-built homes business. This has enabled us to increase unit prices and operating margins for both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings. I am proud of our employees who steadily implemented the new strategy in accordance with changes in the operating environment, while gaining high customer satisfaction.

In real estate, in addition to condominiums, the rental management business continues to grow along with firm growth in sales of apartment buildings in the order-built homes business. The remodeling business is achieving solid growth as a business that is critical for the long-life homes concept. Although the market for homes in Japan is forecasted to decline, we are confident that we can create new value for society by continuing to supply safe and secure homes.

Fumitoshi Kawabata

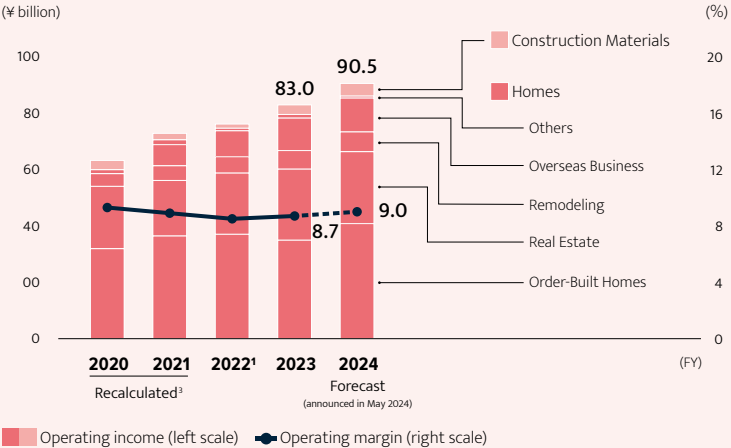
Executive Officer for  
Homes Business Sector  
Vice-Presidential Executive Officer,  
Asahi Kasei Corp.  
President & Representative Director,  
Asahi Kasei Homes  
Director,  
Asahi Kasei Construction Materials

KPIs

|                                 | FY2022 <sup>1</sup> | FY2023 | FY2024 Forecast<br>(announced in<br>May 2024) |
|---------------------------------|---------------------|--------|---|
| Net sales (¥ billion)           | 899.0               | 954.4  | 1,004.0                                       |
| Operating income<br>(¥ billion) | 75.4                | 83.0   | 90.5  |
| Operating margin                | 8.4%                | 8.7%   | 9.0%  |
| EBITDA (¥ billion)              | 93.4                | 104.3  | 111.7   |
| EBITDA margin                   | 10.4%               | 10.9%  | 11.1%   |
| Free cash flow ratio            | 1.3%                | 7.1%   | 2.7%  |
| ROIC <sup>2</sup>               | 27.1%               | 27.1%  | 26.4%   |

Note: White background indicates management KPIs in the Homes sector.  
<sup>1</sup> Figures for fiscal 2022 have been retroactively revised to reflect purchase price allocation completed in the first quarter of fiscal 2023 related to acquisition of the Focus Companies in the U.S. on October 31, 2022.  
<sup>2</sup> ROIC = operating income (1 – tax rate) / (fixed assets + working capital, etc.)  
<sup>3</sup> Figures have been recalculated to reflect the revision of business categories in fiscal 2022.

Operating income, operating margin



### Strengthening the whole business portfolio, as well as overseas business

Our overseas business began in 2017 through a capital alliance with McDonald Jones Pty. Ltd. (currently NEX Building Group Pty. Ltd.), a major detached home builder in Australia. With businesses in North America and Australia expanding steadily, the overseas business has grown to become a pillar of the homes business. In both markets, where housing demand is steady, we have established our own unique business model emphasizing investment efficiency, which is beginning to bear fruit. Going forward, we will contribute to better living for people in North America and Australia by further solidifying our business model to achieve stable management.

We are also exploring new business opportunities through corporate venture capital (CVC) activities overseas and in-house startups in Japan in order to further strengthen the whole business portfolio of the homes sector. As an example leveraging intangible assets to raise earnings, we licensed the technology for Neoma Foam™ high-performance insulation panels in the construction materials business.

By continually strengthening our business portfolio, we are able to contribute to society in accordance with the times through the highly meaningful function of supplying homes. This allows us to maintain the Asahi Kasei Group's cash-generating ability going forward, which drives the improvement in corporate value.

### Being a leader in environmental protection together with customers

Although “sustainability” was not a widely used term when Asahi Kasei Homes began doing business, we have always provided long-life homes which are exceptionally sustainable. Currently, an increasing proportion of our order-built homes are compliant with ZEH standards for net-zero energy consumption\* as part of the effort for decarbonization, helping customers realize environment-friendly living. In fiscal 2019, Asahi Kasei Homes joined RE100, an initiative for businesses aiming to use renewable energy for 100% of the electricity required for operations. Asahi Kasei Homes purchases surplus power from many customers who have solar systems installed, the goal was reached in fiscal 2023, well ahead of schedule. This achievement, that puts us among the leading companies in Japan, was made possible by the trust and expectations customers place in us, which is highly significant. We will also continue to fulfill our role in society by further environmental contributions, including decarbonization activities to achieve GHG emissions reduction targets under the Science Based Targets initiative (SBTi).

Our vision is to be an essential company of true value for customers, society, and employees. We will continue to generously support the professional growth of our employees to ensure that we meet the expectations of customers who choose our brands. I hope we will always be a company where employees feel proud and happy to work.

\* In fiscal 2023, 88% of unit homes were compliant with ZEH standards (based on construction starts) and 75% of apartment buildings were compliant with ZEH-M standards (based on orders received).



RATIUS RD™ two-story luxury home



RATIUS GR™ two-story luxury home with large roof

|   |                                      |   |
|---|--------------------------------------|---|
| <div>Challenging investment</div> <div>for growth (including plans)</div>   | North American and Australian Homes  | <ul style="list-style-type: none"><li>• Further expansion leveraging expertise of Asahi Kasei Homes</li></ul>   |
|   | Others                               | <ul style="list-style-type: none"><li>• Creation of new value through CVC activity</li><li>• Exploration of new business opportunities through in-house startups</li></ul>  |
| <div>Cash generation</div> <div>from structural transformation and strengthening of existing businesses (including plans)</div> | Structural transformation            | <ul style="list-style-type: none"><li>• Closure of Iwakuni plant for autoclaved aerated concrete</li></ul>  |
|   | Strengthening of existing businesses | <ul style="list-style-type: none"><li>• Enhancement of earnings with shift to high value-added order-built homes business</li><li>• Licensing of technology for Neoma Foam™ insulation panels</li><li>• Further enhancement of resilience (Japan Resilience Award for 6 consecutive years, Grand Prize twice)</li><li>• Promotion of GHG emission reductions in overall business activities</li></ul> |

#### Initiatives and recognition for promoting GHG emission reductions (Asahi Kasei Homes)

|             |   |  |
|-------------|---|--|
| Fiscal 2023 | Achieved RE100 goal   | RE100   CLIMATE GROUP   CDP                                  |
| July 2023   | Received approval from SBTi   | SCIENCE BASED TARGETS   Endorsed TCFD recommendations   TCFD |
| April 2024  | Received certification as an Eco-First Company by the Ministry of the Environment | ECO 1 FIRST  |



GG10

North American and Australian Homes

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

Business strategies

We have focused our overseas homes business on North America and Australia given the sizes of their economies and population growth rates. While housing demand has grown in recent years in both markets, there are growing needs to streamline construction processes and reduce costs, due to labor shortages, rising construction costs, etc. This affords significant business opportunities for the Asahi Kasei Group.

We create original business models and establish integrated construction systems by acquiring subcontractors and builders with a strong understanding of local markets, rather than simply introducing Hebel Haus™ in its Japanese format. We are making construction processes more efficient, reducing construction periods, and enhancing quality by improving processes and leveraging IT. Our target for operating margins is 10% or higher, the same as our businesses in Japan.

North America

Bolstering our Homes business in North America based on strengths in management methods for advanced construction processes



Synergos Companies LLC, the holding company for the homes business in North America, integrates the core trades for construction processes to promote industrialized construction centered subcontractors such as Erickson Framing Operations LLC and Focus Companies LLC, which supply building components; Austin Companies LLC, which performs concrete, electrical, and HVAC work; and Brewer Operations LLC, which conducts plumbing work. Through these companies, we are contributing to the provision of high-quality homes by creating new value in terms of more efficient processes in the construction industry in the U.S., where long construction periods have become an issue. In addition, we are seeing solid growth in performance through carefully selected regional development in states such as Arizona and Nevada, where housing demand is strong. We are examining the possibility of expanding into new locations through M&A and other investments while monitoring housing demand closely to pursue further growth opportunities in the future.

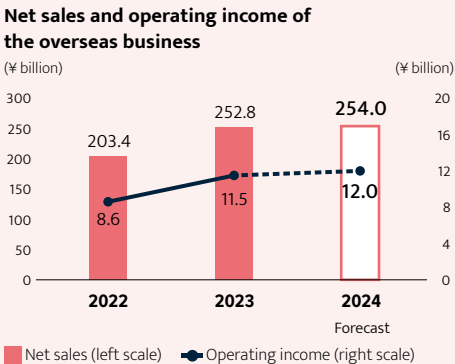
Australia

Offering products and services that capitalize on the business scale of the company with the third largest market share



With a focus on NEX Building Group Pty. Ltd., a major detached home builder, we have expanded our business beyond New South Wales, where NEX Building Group was founded, through acquisitions of additional builders. Today, with operations in five states, NEX Building Group has grown to become the third-ranked\* company for new housing starts in Australia. We are further strengthening our competitiveness by collaborating with suppliers and using know-how cultivated in Japan on business processes, product development, marketing, and other areas in order to further advance the homes business in Australia.

\* Source: HIA Economics (as of 2023)



Operating environment

Steady housing demand and solid market growth driven by population growth

- U.S. Market

  - With the millennial generation, which accounts for a large portion of the population, reaching home-buying age, housing demand is expected to remain firm over the medium-to-long term.
  - Populations and incomes are expected to increase, particularly in Arizona and Nevada, where we operate, as people move in from other states due to employment opportunities at major companies in the semiconductor industry, etc., as well as the comfortable climates they offer.
  - Major home builders, who are our main customers, are advancing large-scale developments due to the housing shortage.
- Australian Market

  - Although Australia's population of approximately 26 million may seem relatively small compared to the size of the country, which is roughly 20 times that of Japan, it is concentrated in urban areas, where the infrastructure is well developed, resulting in an acute housing supply shortage. The population growth rate, including inflows through immigration, will remain high, ensuring that strong housing demand will continue.
  - Australia's federal government has adopted a target of building 1.2 million new homes over a period of five years from mid-2024 to alleviate the housing shortage. Despite a slowdown in recent years in new housing starts due to inflation driving up house prices and persistently high mortgage interest rates, stable growth in the housing market is expected over the long term.
  - As in Japan, home builders in Australia are engaged primarily in the construction of order-built homes.

Strengths of Asahi Kasei

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

The Asahi Kasei Group has grown sales of Hebel Haus™, which it sells in Japan, as a pioneer in urban housing, including the development of three-story manufactured homes. Our continuous evolution of various processes—such as product development, design and construction technologies, collaboration with suppliers, and our after-sales service system—through the pursuit of greater efficiency over half a century, has earned the strong trust of our customers.

Such expertise and know-how are strengths that are unique to Japanese manufactured housing, and we are convinced that applying them overseas can spur major innovations in local homebuilding industries.

Health Care  
sector

Message from the Head of  
the Health Care Sector

To be a global healthcare company with diverse growth drivers

Leading the growth and global expansion of Asahi Kasei

The Health Care sector operates across critical care, pharmaceuticals, medical devices, and bioprocesses through four core operating companies: ZOLL, Asahi Kasei Pharma, Veloxis, and Asahi Kasei Medical. Each company is dedicated to advancing patient care under the mission of “Improve and save patients’ lives.” Since fiscal 2011, the sector has achieved a sales CAGR of 13% and an operating income CAGR of 16%, solidifying its role as a pillar of Asahi Kasei’s growth strategy and global expansion efforts.

Leaders of these four companies collaborate closely through the Healthcare Business Unit structure, focusing on strategic management, resource allocation, and sector-wide priorities. In fiscal 2023, we established the global headquarters of the Health Care sector in the United States, with a sole leader. This new base in the world’s largest healthcare market provides us with valuable insights to enhance the speed and quality of business development.

During fiscal 2023, Critical Care overcame procurement constraints from the previous year, resulting in increased sales of automated external defibrillators (AEDs). Pharmaceuticals also enjoyed growth, particularly in key products such as Envarsus XR™ and Teribone™ autoinjector. Medical, however, experienced temporary sales stagnation in Planova™ virus removal filters due to reduced COVID-19-related demand and customer inventory adjustments. Overall, the sector outperformed fiscal 2022 in both revenue and operating income.

Looking ahead to fiscal 2024, we anticipate continued sales growth across all main product lines, expecting a return to a more robust growth trajectory.

Richard A. Packer

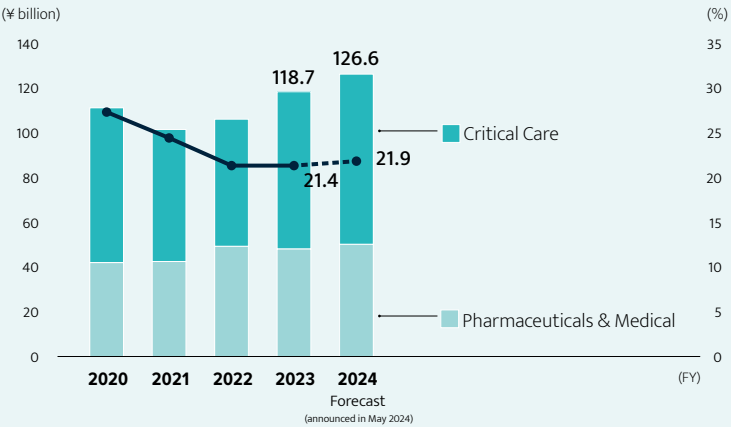
Executive Officer for  
Health Care Business Sector  
Vice-Presidential Executive Officer,  
Asahi Kasei Corp.  
Chairman & Board Director,  
ZOLL Medical Corporation  
Board Director,  
Veloxis Pharmaceuticals, Inc.

KPIs

|                                 | FY2022 | FY2023 | FY2024 Forecast<br>(announced<br>in May 2024) |
|---------------------------------|--------|--------|---|
| Net sales (¥ billion)           | 496.9  | 553.8  | 578.0   |
| Operating income<br>(¥ billion) | 41.9   | 48.5   | 57.5  |
| Operating margin                | 8.4%   | 8.8%   | 9.9%  |
| EBITDA (¥ billion)              | 106.4  | 118.7  | 126.6   |
| EBITDA margin                   | 21.4%  | 21.4%  | 21.9%   |
| ROIC*                           | 4.2%   | 4.5%   | 5.3%  |

Note: White background indicates management KPIs in the Health Care sector.

EBITDA, EBITDA margin



EBITDA (left scale) EBITDA margin (right scale)

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

Pursuing strategic transformation for high growth and improved profitability

The Health Care sector’s core objective is to enhance profitability and achieve growth targeting a long-term sales goal of ¥1,000 billion with a 20% operating margin by fiscal 2030. This ambitious target guides our expansion plans and profitability improvement efforts. From a group-wide perspective, Critical Care, Global Specialty Pharma, and Bioprocess are identified as GG10 businesses to lead the next phase of growth.

In Critical Care, our focus is on innovation and highly profitable growth. We are expanding into the sleep apnea market while continuing to strengthen our positions in cardiopulmonary resuscitation and cardiovascular disease treatment. The combined strength and reach of Respicardia, Itamar, and LifeVest™ will enhance our ability to provide advanced diagnostic and therapeutic solutions for sleep apnea, especially as it relates to cardiology.

We are transforming Pharmaceuticals into a Global Specialty Pharma business, leveraging the strengths of Asahi Kasei Pharma and Veloxis. By combining our

expertise in business and clinical development, we aim to maximize our growth potential in immunology, transplantation, and related disease areas. Starting in fiscal 2024, we are transitioning to “One AK Pharma,” integrating our U.S. and Japanese pharmaceutical operations. Furthermore, in May 2024, we made the strategic decision to acquire Calliditas, a Swedish pharmaceutical company, expanding our global footprint and adding to our product portfolio in the key area of nephrology.

In Medical, our focus is on transforming our Bioprocess business to offer unique value propositions through products and services, including CRO (contract research organization) and CDMO (contract development and manufacturing organization) offerings. Moving beyond a focus on virus filtration, we aim to further improve the safety and efficiency of pharmaceutical manufacturing processes.

In June 2024, we decided to establish a new CDMO facility in Texas under Bionova, focusing on the production of plasmid DNA—a critical starting material for cell and gene therapies.

Creating a competitive business portfolio through optimized resource deployment

Our strategy emphasizes realizing returns from past acquisitions and investments to drive early profitability. We prioritize investments in businesses that offer sustainable long-term growth opportunities. Simultaneously, we continue to review our business portfolio, restructuring and streamlining where necessary to align with our strategic growth and profitability objectives.

Our ongoing focus remains on developing the Critical Care, Pharmaceuticals, and Medical businesses, actively seeking opportunities to address global healthcare challenges and improve patient outcomes worldwide.

|  |                                      |  |
|--|--------------------------------------|--|
| <div>Challenging investment</div> <div>for growth</div> <div>(including plans)</div>   | Critical Care                        | • Entry into field of sleep apnea leveraging business platform and expertise in cardiovascular disease   |
|  | Global Specialty Pharma              | • Successful expansion in United States market after addition of Veloxis, reinforcing pipeline (VEL-101, etc.) and broadening areas of therapeutic interest  |
|  | Bioprocess                           | • Entry into biologics CDMO (acquisition of Bionova) and investment in capacity expansion  |
| <div>Cash generation</div> <div>from structural transformation and strengthening of existing businesses</div> <div>(including plans)</div> | Structural transformation            | • Restructuring of Sepacell™ business (portfolio review underway covering all business)  |
|  | Strengthening of existing businesses | • Sales growth of Envarsus XR™, Teribone™ autoinjector, and Kevzara™<br>• Improvement of drug value through IP strategy (Teribone™)<br>• Reinforcement of new drug pipeline through licensing (Empaveli™, Doptelet™)<br>• Reinforcement of Bioprocess business platform (e.g., opening of China Bioprocess Technical Center) |





GG10

Critical Care

Growing in the field of serious cardiopulmonary diseases to protect health and save lives

Business strategies

Aiming for expansion through both the patient services business, which pursues high growth through innovative medical devices, and the healthcare infrastructure business, where steady growth and earnings contributions are expected

Patient services

In patient services, we offer therapeutic and diagnostic medical devices that are prescribed to cardiopulmonary disease patients. With the aim of improving the market penetration of LifeVest™ wearable defibrillator and establishing it as a standard treatment for patients at risk of sudden cardiac death, we will continue to focus on strengthening relationships with cardiologists and promoting the clinical value of LifeVest™ as a market trailblazer.

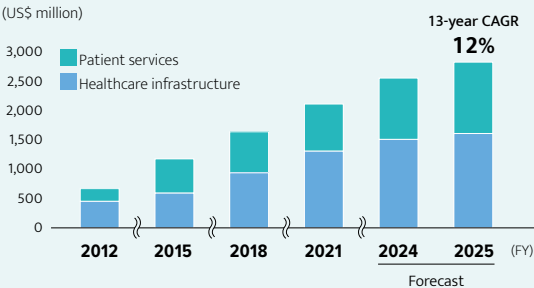
We have also expanded into the new field of sleep apnea, which often occurs in patients with heart disease, with our fiscal 2021 acquisitions of Respicardia and Itamar, which have innovative devices for treatment and diagnosis in this field. Approved by the United States Food and Drug Administration, Respicardia’s **remedē**® System is an implantable nerve-stimulation device for adults with moderate to severe central sleep apnea (CSA). We aim to expand the use of the **remedē**® System by promoting the diagnostic process for identifying CSA patients who are candidates for the device, and raising awareness of this treatment among eligible patients. Itamar is a global leader in the field of sleep apnea testing and diagnosis, and sales of its WatchPAT® products are growing around the world. In addition to approaching regular sleep specialists, we will develop the potential market for undiagnosed patients by approaching cardiologists through collaboration with the LifeVest™ team to expand sales and ensure a contribution to profits at an early stage.

Healthcare infrastructure

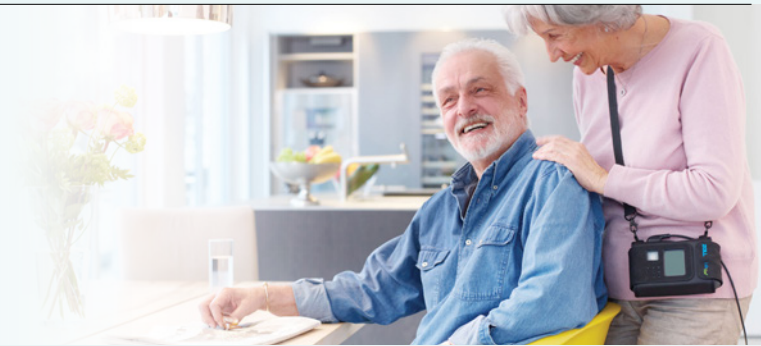
In healthcare infrastructure, we sell medical devices, such as defibrillators and AEDs, software, and other related products to customers including medical institutions, emergency medical services, and public facilities.

As a market leader in critical care products, including those for cardiopulmonary resuscitation, we will continue to invest in technological innovation and product and service development. In addition to defibrillators and AEDs, we will meet frontline medical needs extensively by diversifying our product portfolio, including ventilators, automated cardiopulmonary resuscitation devices, acute myocardial infarction treatment systems, and various software solutions. In terms of sales regions, we aim to achieve expansion by capturing growth steadily not only in the main market of the United States but also in markets globally.

Revenue in Critical Care



| Business characteristics  |  | Principal products  |  |
|---------------------------|--|---|--|
| Patient services          | • Global potential market of over \$10 billion     | • LifeVest™ wearable defibrillator  | • Automated external defibrillators (AEDs)         |
|                           | • Current market penetration of less than 10%      |   |  |
| Healthcare infrastructure | • Business growth rate in mid-teens                | • WatchPAT® at-home testing solution for sleep apnea                        | • Ventilators                                      |
|                           | • 70–80% gross profit margin                       |   |  |
| Patient services          | • Global market potential of over \$5 billion      | • Defibrillators for professional use                                       | • Acute myocardial infarction treatment system     |
|                           | • Leading positions in multiple product categories |   |  |
| Healthcare infrastructure | • Business growth in high single digit range       | • Automated CPR device  | • Thermogard System™ temperature management system |
|                           | • 50–60% gross profit margin                       |   |  |
| Patient services          |  | • remedē® System implantable neurostimulator device for central sleep apnea | • Software solutions                               |
|                           |  |   |  |



Operating environment

Substantial market opportunity in cardiopulmonary diseases

- Need for further availability of critical care, such as cardiopulmonary resuscitation

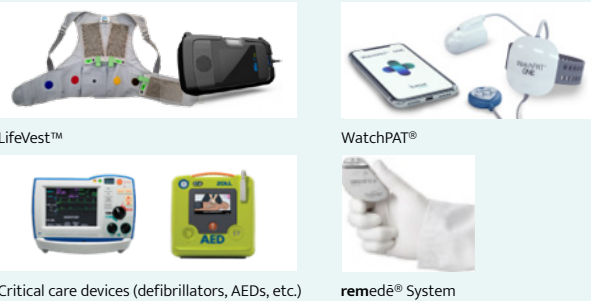
Global market opportunity in healthcare infrastructure of over US\$5 billion

- Latent market opportunities in the field of cardiopulmonary diseases due to the aging of society and innovative medical technology targeting unmet clinical needs

Global market opportunity in patient services of over US\$10 billion

Strengths of Asahi Kasei

1. Unique product lineup that addresses unmet needs



2. Strong customer network as a market pioneer and a market leader

- Physicians (cardiologists, sleep specialists, etc.)
- Medical institutions, emergency medical services, firefighting units, public facilities, etc.
- Medical insurance providers

GG10

Global Specialty Pharma

Transforming into a Global Specialty Pharma business focused on immunology, transplantation, and related disease areas

Business strategies

Aiming for sales of ¥300 billion in the global market by specializing in immunology, transplantation, and related disease areas

Veloxis will continue to expand sales of Envarsus XR™ immunosuppressant as the business foundation and growth driver of pharmaceuticals in North America. Clinical trials of VEL-101 as a pipeline drug are in progress. VEL-101 is an immunosuppressant for organ transplants that may have limited side effects; Phase 1 trial of VEL-101 is complete, and Phase 2 is currently in the planning stage.

As a medium-to-long-term strategy for pharmaceuticals, we are transforming into a Global Specialty Pharma business with a focus on immunology, transplantation, and related disease areas. Pharmaceuticals focuses on specialists and rare diseases, such as autoimmune disease, renal disease, the transplantation field, and severe infections, targeting major hospitals with large bed counts. Under this approach, we believe that we can establish a business model that allows us to maintain profitability while continuing to invest in clinical trials and business development, as this enables us to avoid direct competition with major pharmaceutical companies and excessive development risks, as well as to reduce sales expenses.

In May 2024, we decided to acquire Calliditas, a Swedish pharmaceutical company that markets TARPEYO™ for immunoglobulin A (IgA) nephropathy, a renal disease, as the next step in our transformation into a Global Specialty Pharma business. The strategic purpose of this acquisition is to expand the scale of pharmaceuticals in the United States and enhance our market presence by integrating the business foundations of the kidney transplantation field of Veloxis and the renal disease field of Calliditas, thereby enabling us to capture new business opportunities.

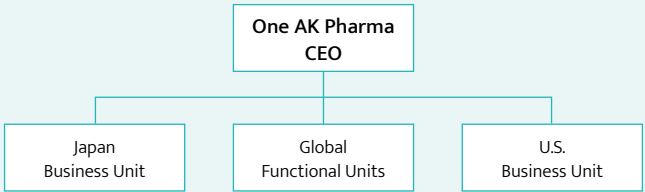
Meanwhile, in fiscal 2024 we commenced the transition to “One AK Pharma” that integrates the pharmaceuticals businesses of Asahi Kasei Pharma in Japan and Veloxis in the United States. The integration will accelerate our growth in the global market by consolidating and optimally distributing the resources of pharmaceuticals businesses in Japan and the United States under a single global strategy to enable business management through a global management team with diverse career histories.

Through these measures, we aim to grow the net sales of pharmaceuticals to ¥300 billion, the business scale that we believe will enable us to invest in R&D and business development to achieve continuous growth.

|                      |  |
|----------------------|--|
| Business model       |  |
| Business area        | <div><div>• Less competitive</div><div>• Modest probability of success in development</div><div>• Smaller clinical trial size and lower R&amp;D expenditure</div><div>• Covered by fewer sales representatives and marketing efforts</div></div> <div>Focus Areas<div>Immunology</div><div>Renal disease</div><div>Organ transplantation area</div><div>Severe infectious disease*</div></div> |
| Profit structure     | Low promotional costs, making it easier to maintain profitability while investing in clinical trials and business development  |
| Business development | Too small for big pharma but too big for small biotech   |

\* Invasive/severe infection (e.g., deep mycosis)

Management structure



Operating Environment

The U.S. pharmaceutical market, the world’s largest, as the key to growing the pharmaceuticals business

- As the global pharmaceutical market expands, the United States is the world’s largest market and has an ecosystem of innovation
- Significant business opportunities in the end-stage renal failure and kidney transplantation markets in the United States

|                                  |   |
|----------------------------------|---|
| End-stage renal failure patients | Approx. 800,000                               |
| Kidney transplant patients       | Approx. 250,000                               |
|                                  | (approx. 25,000 transplant patients annually) |

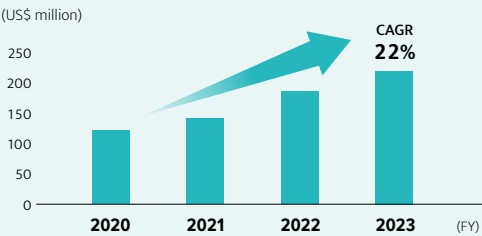
Source: National Institute of Diabetes and Digestive and Kidney Diseases

Strengths of Asahi Kasei

1. Features of the formulation of Veloxis’ Envarsus XR™ immunosuppressant and its presence in the field of kidney transplantation

- Proprietary extended-release technology for once-daily administration
- Sales channels with immunology and transplantation specialists at major hospitals in the United States
- Share of the tacrolimus market in the United States  
FY2019 5.2% → FY2023 >20%

Envarsus XR™ Sales in the United States Market



2. Medical and pharmacological expertise, drug discovery research and clinical development capabilities, and sales base in immunology, transplantation, and related disease areas

Viewing Asahi Kasei’s Business Portfolio from an External Perspective Chieko Matsuda, Outside Director

# Dynamic corporate management capable of flexible transformation as a major strength



Chieko Matsuda

Outside Director

## Cross-sectoral flexibility spurs innovation

I’ve been an Outside Director of Asahi Kasei since June 2023. At Board of Directors meetings, discussions of the business portfolio have been much more frequent and extensive than I expected. There were important growth investment projects in fiscal 2023. When making decisions, the Board of Directors always discusses the suitability of each project in terms of the overall balance of the business portfolio. I find it remarkable that Asahi Kasei’s Board of Directors makes its decisions based on a greater awareness of the overall business portfolio than other companies that operate across a broad range of sectors.

Equity investors tend to take a negative view of business diversification. Being an Outside Director, though, has given me a somewhat different impression of

Asahi Kasei than other diversified companies. Not rooted in preconceived notions of its business sectors, Asahi Kasei’s value creation stems from making full use of its technologies and know-how to pursue its Group Mission of contributing to life and living for people around the world. I believe this is because most of Asahi Kasei’s wide-ranging businesses are rooted in its founding technologies. Asahi Kasei’s corporate management features the flexibility to transform itself in accordance with changes in the environment by organically connecting people and organizations to continuously spur innovation through co-creation, which in turn supports inorganic growth. Being able to spur spontaneous innovation from within is certainly an outstanding strength in a dramatically changing and unpredictable world.

## The challenge of expanding growth businesses to ensure business portfolio transformation

I think a big reason for Asahi Kasei’s tepid evaluation in capital markets is that the Health Care sector—positioned as a first priority area—has not grown as much as expected, in addition to uncertainty regarding structural transformation of the Material sector. Asahi Kasei’s business portfolio is currently in a transitory period. While expediting the progress of fundamental structural transformation, Asahi Kasei also needs to focus resources on future growth areas and foster them into new pillars of business. M&A is merely a means to achieving this goal, so the company must clearly articulate its future vision for such investments. Regarding structural transformation, I expect Asahi Kasei to take the initiative in boldly transforming petrochemical chain-related businesses—to be a leader of industry-wide reorganization and hold a position at the forefront of such efforts.

That said, I feel that the company’s corporate divisions and business divisions could communicate better with one another about the business portfolio. While

I sense that there is awareness of the need for profitability that takes into account the cost of capital, there seems to be inadequate dialogue and action in this regard. Corporate divisions should deepen their understanding of the approach to the business portfolio and the expectations of businesses by engaging in fuller communication with business divisions. Corporate divisions also need to raise their performance. For their part, business divisions should have a better understanding of how their businesses are viewed by capital markets. For example, business divisions could explain their growth strategies to investors and then receive feedback.

I am certain that Asahi Kasei’s business portfolio will become even more closely aligned with people’s life and living as the company continues to create value in accordance with its Group Mission. I look forward to seeing the management deftly take controlled risks in growth businesses to generate high returns.