

Main Substance of the Question and Answer Session

Intangible Assets Strategy Briefing, held on December 13, 2024

Asahi Kasei Corporation

Participants

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President

Kazushi Kuse

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Supplementary explanation at the beginning of the Q&A session

Kudo: People often ask me, “What kind of capabilities does your company have to be able to make so many investments in recent years, including M&A?” I believe it is because, since the acquisition of ZOLL Medical Corporation, we have developed human resources for planning and executing investment strategies. Rather than developing M&A specialists, we have employees with diverse backgrounds participate in M&A projects, gain experience, and develop into human resources with know-how who play an active role across business sectors. In the current medium-term management plan, we have announced several M&A projects and investments with complex configurations, and employees with the ability to plan and execute such investment strategies are playing an active role in these projects.

Our business strategies are also unique. Throughout our history of operating a diverse range of businesses, we have developed strong businesses that are unique to Asahi Kasei in order to survive in the face of competition from specialized manufacturers. Examples include, in the Homes sector, concentrating our operations in urban areas and thoroughly refining the value of the Hebel Haus brand. In the Health Care sector, we have narrowed down our target disease areas in Pharmaceuticals, such as renal disease, and have been pursuing business operations that can succeed with a high degree of certainty by acquiring companies with late-stage development pipelines and marketed drugs. On the other hand, in the Material sector, we are undergoing a structural transformation, and we intend to further strengthen our business by leveraging Asahi Kasei's unique strengths. We believe that promoting the maximum utilization of intangible assets, as explained today, will lead to the strengthening of our businesses in the Material sector.

Questions and Answers

Overall:

Q: While cross-sectional functions are important for systems that utilize three-sector management and diverse human resources, why are they functioning well at Asahi Kasei? And when did they begin to function well?

Kudo: While the pure holding company system up to fiscal 2015 achieved results in strengthening individual businesses, it had also reduced awareness for horizontal collaboration, strengthening the management infrastructure including intangible assets, and leveraging them throughout the group,

so we had to reconsider how we create value as a company. Subsequently, the previous President Hideki Kobori promoted “Connections” in order to foster horizontal collaboration, and I believe that around the time of the previous medium-term management plan, the current horizontal collaboration system began to function better.

In addition, as a prerequisite for utilizing the cross-sectional functions in the management of diverse businesses, we are not just looking for profitable businesses in niche markets, but are shifting to a business portfolio that will enable us to manage the company efficiently as a whole.

Q: You mentioned competitiveness against specialized manufacturers, but what is your competitive advantage over other companies with comprehensive strengths, such as Asahi Kasei.

Kudo: We are currently operating in the three sectors of Material, Homes, and Health Care, all of which were established by our company itself. We believe that in the process leading up to the present day, we have amalgamated human resources and expertise from different sectors. For example, the Homes business was launched about 50 years ago, and even with limited funds at the time, we are in our current position as a result of concentrated investment of our talented human resources and the planning and execution of a strong strategy. Similarly, other businesses have been launched by fully utilizing our in-house resources. As a result, we have gained diverse human resources with a variety of backgrounds, and the amalgamation of these human resources has become one of our strengths.

Q: I would like to ask again about Asahi Kasei's strengths regarding M&A. Why are you able to develop human resources, why is PMI going so well, and how are you honing your ability to discern?

Kudo: It is only natural to thoroughly investigate the business of an acquisition target itself, but the most important thing is to know what kind of people the other party's management team are. Whether the management team truly loves the business and has the will to continue growing it even after the acquisition is particularly important, otherwise the PMI will not go well. In the acquisition of Calliditas Therapeutics AB, we spent a year building a relationship of trust through persistent negotiations with the management team to ensure they understood our approach, and by ensuring that we fully understood their approach. Thoroughly understanding one another is the key to successful PMI.

Q: Asahi Kasei has strong intellectual property (IP) and legal departments. To what extent are the various businesses able to utilize these corporate administrative functions in common? Also, is this leading to stronger human resources as well as cost reductions?

Kudo: Strong IP and legal departments make a significant contribution to our business, and Pharmaceuticals is a typical example of this. These departments are staffed with high quality human resources with procedural skills from various sectors and businesses, and a system has been established to exchange knowledge and information across sectors and businesses, and discuss how to protect and assert our rights. In addition, the Intellectual Property Intelligence Department is organized under the supervision of the Executive Officer for Corporate Strategy in order to effectively utilize IP in line with management strategies. One of the reasons why our PBR has been below 1.0 for a long time is that our assets are substantial and our asset turnover rate is low, but the utilization of IP is an important factor in asset-light management. While cost reduction is also significant, we will continue to improve the quality of our IP and legal human resources so that they can play even more active roles.

Solution-oriented business:

Q: Why were so many businesses from acquisitions shown as examples in the presentation material?

Kudo: We believe this is because in many cases, solutions are enhanced through M&A. In the past, our earnings growth was centered on setting up production facilities for our products, and increasing

sales volume. For example, in Car Interior Material, if we had not acquired Sage Automotive Interiors, Inc., we might not have been able to formulate a strategy other than making an investment in our existing product, Dinamica artificial suede. However, now that we have acquired Sage, we are able to make investments after carefully examining what materials are promising and where the appropriate production sites are, from the perspective of Sage, which is closer to the automobile manufacturers and knows the automobile market better. ZOLL has also acquired Itamar Medical and Respicardia, Inc., to obtain innovative devices, further increasing its presence as a market leader in the field of cardiopulmonary and respiratory conditions.

Q: With regard to Critical Care, on page 22 of the briefing material, you mentioned expanding the sleep apnea business and applying the business model to other home healthcare applications as a way to further utilize the intangible assets developed through LifeVest wearable defibrillator. What is the current progress on these projects and the scale of future contributions from them?

Kudo: We acquired Itamar and Respicardia because they have innovative devices related to sleep apnea, a condition that often occurs in patients with cardiac disease, which has been our focus in the past, and we expect synergies. Regarding the progress of business performance, Respicardia is about two years behind the original plan, but Itamar is generally performing well. In order to further expand this business, we believe that it will be able to leverage the network of cardiologists that the LifeVest team has developed.

Kuse: ZOLL's strong network with cardiologists is due to their trust in LifeVest's vast clinical data over the past 20 years and their expertise in enhancing its functions by utilizing that data. Itamar's device may also benefit from this expertise in future product development. Other home healthcare applications will depend on future developments, but we believe there are a variety of business opportunities for us.

Licensing-type business:

Q: Could you give us more details on the licensing-type business, including the business model and the timing of monetization, and how you plan to achieve your revenue targets?

Kuse: Both the monetization of process technology using CO₂ as a raw material, which we have been working on in the past, and Technology-value Businesses Creation (TBC), which we will be doing more of in the future, have several possible contract structures, depending on the client. We will consider not only one-time revenues, but also a structure in which royalty revenues increase in accordance with the phase and results of the project. In addition to IP and technology, we also believe that TBC can monetize the value in the R&D and manufacturing processes that we provide to our partners in the future. We are currently looking for investment partners on a global basis, and we expect that we will be able to steadily build up our performance toward our goals.

Human Resource Strategy:

Q: I think the variety of experience available is an attractive feature of Asahi Kasei for students looking for employment, but is there any competition with general trading companies in the hiring of new graduates?

Kudo: In the hiring of new graduates, we have gained high recognition, especially among science graduates, who view us from a higher perspective and see us as a company where they can take on various challenges and gain a broad range of experience. We also believe that the mobility of human resources creates an ecosystem within our company. For example, the number of our MRs (Medical Representatives) decreased by about 30% from 2016 to 2023 due to the shrinking pharmaceutical market in Japan, but many former MRs are active in various businesses within our company. Our MRs join the company through a specialized recruitment route, but after that, there are many fields in which they can be active throughout the Asahi Kasei Group, providing them with diverse career

development opportunities. In this way, we believe that adding dynamism to the utilization of human resources and creating a system that enables graduates to work in a wider range of fields than they had imagined before joining our company will strengthen our recruiting capabilities and enhance three-sector management.

Q: Asahi Kasei's executives are expected to have the ability to change their business portfolio to meet the needs of consumers in each era, but I feel that it is difficult to acquire this ability as an extension of mastering a specific business field. What is your approach to succession planning and personnel evaluation of executive human resources?

Kudo: The development of executive human resources for a company with diverse businesses like ours is extremely important, and we are putting a lot of effort into succession planning. In the past, executive candidates were recommended within the vertical axis of each sector, and this did not always lead to overall optimization when deciding on executives for the entire group. Since the time of President Kobori, the next generation of executive candidates have been evaluated through interviews with executives from other sectors, and personnel rotations have been determined based on discussions on what kind of experience the candidates should have in the future. We will continue to change this system in response to the times, but one thing that will remain constant is A-Spirit, which is our company's heritage, and our priority is to develop leaders who have a spirit of challenge and nurture our executive candidates.

<p>Note: The forecasts and estimates mentioned in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.</p>
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