

Asahi Kasei Report 2024

# ***Be a Trailblazer***



## On the Publication of the Asahi Kasei Report 2024

# Six Questions to Bridge the Gap

The Asahi Kasei Report is an integrated report designed to communicate to stakeholders the progress of the Asahi Kasei Group's management policies and efforts to improve corporate value. *Asahi Kasei Report 2024* is structured around six practical questions posed by our stakeholders, primarily investors.

Fiscal 2024 is the final year of our current medium-term management plan (MTP) focused on the theme "Be a Trailblazer." Factors including a sharper-than-anticipated deterioration in the operating environment necessitated a downward revision of the original final targets of the MTP. Nevertheless, our performance has trended upward since a nadir in fiscal 2022, with strong businesses achieving high growth. Leveraging our stable financial foundation, we continue to promote growth strategies and structural transformation focused on the future. In contrast, we believe that capital market expectations, as indicated by our share price, remain low. This indicates a gap between what we believe to be the value of the Asahi Kasei Group and the value that investors perceive. In *Asahi Kasei Report 2024*, we endeavor to directly address and fully answer the questions of stakeholders to bridge that gap, and to strengthen the understanding of our vision for improving our corporate value.

Guided by our Group Mission of contributing to life and living for people around the world, the Asahi Kasei Group continuously changes and grows while working to address issues in society. Through this report, we hope to communicate our vision and initiatives, and our firm determination to achieve them. Despite our best efforts, some of our answers may not adequately meet all of your expectations. As such, we will continue to listen closely to stakeholder views and strive to further enhance our management and improve our communication. We welcome your candid opinions and look forward to continuing to engage in various forms of dialogue.

**Q1** Why does Asahi Kasei have three-sector management?

**Q2** How will you raise your persistently low P/B ratio?

**Q3** How will you focus resources on growth businesses?

**Q4** What actions are you taking for carbon neutrality?

**Q5** How will you use intangible assets to improve corporate value?

**Q6** How does your corporate governance function?

# Contents

- 1** On the Publication of the Asahi Kasei Report 2024
- 3** Message from the President
- 11** The Asahi Kasei Group
- 15** Overview of the Medium-Term Management Plan for Realizing Our Vision
  
- 16**
  - Q1** Why does Asahi Kasei have three-sector management?
    - 17 Value Creation Model
    - 18 Value Creation Mechanism
    - 23 Materiality (Priority Issues and Subjects)
  
- 24**
  - Q2** How will you raise your persistently low P/B ratio?
    - 25 Message from the CFO
  
- 30**
  - Q3** How will you focus resources on growth businesses?
    - 31 **Special Feature** North American Strategy for Hipore™
    - 33 Both Structural Transformation and Growth Investments
    - 36 Strategies by Sector
      - 36 Material sector
      - 39 Homes sector
      - 42 Health Care sector
    - 46 Viewing Asahi Kasei's Business Portfolio from an External Perspective  
Chieko Matsuda, Outside Director
  
- 47**
  - Q4** What actions are you taking for carbon neutrality?
    - 48 Green Transformation (GX)
  
- 57**
  - Q5** How will you use intangible assets to improve corporate value?
    - 58 **Special Feature** A-Spirit: Contributing to the Maximization of Intangible Assets
    - 60 Maximizing Use of Intangible Assets
    - 61 Transformation of HR
    - 66 Research and Development
    - 69 Intellectual Property
    - 70 Digital Transformation
    - 73 Viewing Asahi Kasei's Intangible Assets from an External Perspective  
Yuko Maeda, Outside Director
  
- 74**
  - Q6** How does your corporate governance function?
    - 75 Corporate Governance
      - 78 **Special Feature** Effectiveness of the Board of Directors
      - 81 Viewing Asahi Kasei's Governance from an External Perspective  
Tsuyoshi Okamoto, Outside Director
      - 85 Message from New Outside Director  
Yoshinori Yamashita, Outside Director
    - 86 Risk Management
    - 88 Environmental Protection
    - 89 Respect for Human Rights / CSR Procurement
    - 90 Compliance / Information Security
    - 91 Health and Productivity Management
    - 92 Communication with Stakeholders
  - 93 Basic Information**
    - 94 Financial Highlights
    - 95 Non-Financial Highlights
    - 96 Consolidated Financial Statements
    - 101 Corporate Profile / Stock Information
    - 102 External Evaluation
    - 103 The Asahi Kasei Group's Information Structure



# *Message from the President*

## How will Asahi Kasei achieve growth henceforth?

I will sincerely answer the questions of stakeholders  
and describe how we will meet their expectations.

**Koshiro Kudo**

President

# Q1 Why does Asahi Kasei have three-sector management?

“ The most efficient utilization of management assets accumulated across the whole company, with each of the three sectors of Material, Homes, and Health Care fulfilling its role in pursuit of the Group Mission of contributing to life and living for people around the world, ensures a balance between growth and stability, making this the optimum way for Asahi Kasei to achieve the sustainable growth of corporate value. ”

## Asahi Kasei's goals

To answer why Asahi Kasei has three-sector management, I will start by describing our roots in terms of our aims and unique identity.

As the Group Mission of contributing to life and living for people around the world indicates, Asahi Kasei confronts the world's issues head-on, continuously taking on the challenge of addressing these issues through business activities based on the belief that identifying the key to solutions is certain to lead to business creation. This belief, passed down from founder Shitagau Noguchi for over a century, is embedded in the heritage of Asahi Kasei. We aim to achieve two mutually reinforcing aspects of sustainability: contributing to a sustainable society by transforming our advanced technology into value for society that enables people around the world to live better lives, while achieving the sustainable growth of corporate value through these efforts. We won't deviate from this approach, no matter how our business portfolio changes going forward.

Of course we don't chase business opportunities indiscriminately. Rather, we engage in a constant process of trial and error, exploring ways to address issues by leveraging our talented human resources and advanced technology—the sources of our value creation—as efficiently as possible. Our ongoing transformation in pursuit of the optimal business portfolio has led us to the three business sectors of today: Material, Homes, and Health Care. We have also accumulated outstanding intangible assets, such as our human resources and technology, through the continuous efforts of many of our predecessors to create a diverse array of businesses. Exploring all possibilities, taking on challenges, and changing continuously to achieve our value creation goals through the maximum use of these intangible assets—this is the process that Asahi Kasei has repeated for the past century.

## Asahi Kasei's unique identity

In my view, value creation that combines the following three elements epitomizes exactly what we mean by the unique identity of Asahi Kasei. First, seeking ways to enable people to live better lives. Second, achieving transformation by taking on challenges to create value, showcasing the spirit that comprises ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement, which we call the “A-Spirit.” Third, using finite management resources efficiently to realize a high level of profitability. Seen another way, if a business has declining profitability and sluggish growth, that indicates it no longer reflects the unique identity of Asahi Kasei.

Historically, we maintained our advantage by only entering a business if we were sure we could showcase the unique identity of Asahi Kasei and relentlessly pursue efficiency. Consider the homes business, which we entered 50 years ago. At the time, our business activities centered on fibers and chemicals. We had to launch the new business and raise earnings with severe limitations on the management resources that could be dedicated to it. How is our homes business able to maintain strengths on a par with specialized home builders, even in today's challenging operating environment? It's because the homes business achieves value creation that is unique to Asahi Kasei.

When entering the homes business, we focused on the following three points to raise earnings with limited resources. First, we assigned many talented personnel from all across the company; second, we focused on order-built homes for urban markets, attaching paramount importance to efficiency; and third, we promoted the business with customer satisfaction as the highest priority. Outstanding brand value was built as a result, and the Hebel Haus™ business of today still bears the hallmarks of these efforts. Continuously maintaining our value creation approach and our A-Spirit leads to efficiency, and the resulting value reflects the Asahi Kasei's unique identity. The Hebel Haus™ business model could only have been created by Asahi Kasei.



## Striking the right balance

I don't believe there is a binary choice between specialization and diversification. Having the right balance is the key to managing the three sectors created through the pursuit of value that reflects the unique identity of Asahi Kasei. I am sometimes asked why we have three-sector management. The reason is that the most efficient utilization of management assets accumulated across the whole company, with each of the three sectors of Material, Homes, and Health Care fulfilling its role in pursuit of the Group Mission of contributing to life and living for people around the world, ensures a balance between growth and stability, making this the optimum way for Asahi Kasei to achieve the sustainable growth of corporate value. In fiscal 2022, when we formulated the current MTP, we clearly defined the role of each of the three sectors based on their respective characteristics.

### Roles of the three sectors

<b>Material</b>	The Material sector pursues the creation of new business models to improve profitability and capital efficiency through R&D and innovation of materials technology that contributes to sustainability.
<b>Homes</b>	The Homes sector raises cash-generating capabilities by accelerating growth in Japan, North America, and Australia through continuous efforts to support people's safe and comfortable lives.
<b>Health Care</b>	The Health Care sector drives Asahi Kasei's profit growth through the provision of innovative pharmaceuticals and medical devices that address unmet needs, in pursuit of its mission to improve and save patients' lives.

Our ability to raise earnings steadily through the three sectors allows us to proactively take risks and transform our business portfolio before any serious predicament occurs. Especially in today's business climate characterized by dramatic change and unpredictability, having three sectors enables us to capture business opportunities without being bound by industry frameworks. This is a major strength in comparison with specialized manufacturers. Asahi Kasei strives to continuously create new business models that provide solutions to society's ever-changing needs by fully leveraging the intangible assets cultivated throughout our history. This is possible because we achieve both growth and stability through three-sector management. On the other hand, it is also conceivable that we will change the sectors themselves if the optimal balance changes. I believe that having a keen sense of balance in the management team, including me, demonstrates the true value of Asahi Kasei's management.

## Q2 How will you raise your persistently low P/B ratio?

“ We will accelerate business portfolio transformation by structural transformation focused on petrochemical chain-related businesses in the Material sector and by proactive investment in growth-driving businesses, while improving profitability which has been inadequate for the past two years. ”

### What the market expects of us

Since fiscal 2021, Asahi Kasei's price-to-book (P/B) ratio—the ratio of market capitalization to net worth—has been less than one. To improve our P/B ratio, we will accelerate business portfolio transformation by structural transformation focused on petrochemical chain-related businesses in the Material sector and by proactive investment in growth-driving businesses, while improving profitability which has been inadequate for the past two years. To receive a fair market evaluation, we need asset replacement to achieve a balanced and high level of capital efficiency together with growth and stability.

In the two years since the formulation of the MTP in fiscal 2022, the operating environment has changed more dramatically than we had anticipated, including deterioration in petrochemical market prices.

Circumstances in petrochemical-related basic materials changed sharply, with the business recording an operating loss of ¥8 billion in fiscal 2023 compared with operating income of ¥50 billion in fiscal 2018. Although we anticipate performance in the Material sector to recover to a certain extent in fiscal 2024, we do not expect profit levels to reach the record highs of fiscal 2018 as we could not respond flexibly and quickly enough when the operating environment suddenly changed. In addition to sluggish operating income, the recording of significant impairment loss on assets in certain businesses including basic materials in fiscal 2023, following the impairment loss recorded on Polypore International, LP (Polypore) in fiscal 2022, resulted in lower net income, which led to return on equity (ROE) remaining below the assumed cost of equity of 8%. As such, I consider our inability to achieve the level of capital efficiency expected by shareholders and investors to be the primary cause of the P/B ratio remaining below one. This is indicative of our current low productivity, in other words, ineffective creation of value that reflects Asahi Kasei's unique identity, which is to raise earnings efficiently with limited resources. We therefore made a significant downward revision of our operating income target for fiscal 2024, the final year of the current MTP, to ¥180 billion, in contrast with the original target of ¥270 billion.

Today, the market wants to know how we will promote the structural transformation of businesses with low capital efficiency that no longer reflect Asahi Kasei's unique identity, and how we will transform our business portfolio. We will steadily advance structural transformation during fiscal 2024, and then will shift our focus to accelerating growth from fiscal 2025, when the next MTP begins.

### How we will promote structural transformation

Although structural transformation efforts initially targeted businesses with sales totaling over ¥100 billion in fiscal 2021 with the aim of generating results during the period of the current MTP, we have already executed projects in businesses with sales of approximately ¥40 billion and are currently studying projects in businesses with net sales of approximately ¥100 billion. We are promoting the transformation of petrochemical chain-related businesses with sales on the scale of ¥600 billion in fiscal 2021, which face the biggest challenges, based on three approaches: structural transformation from a best-owner perspective, optimization through cooperation with other companies, and strengthening of businesses in-house or by collaboration with other companies.

For structural transformation from a best-owner perspective, we are studying structural transformation premised on what's better for the business from a global perspective. With specific projects currently underway in several businesses, we aim to make final decisions during fiscal 2024. For optimization through cooperation with other companies, we are seeking the best way to achieve structural transformation with an emphasis on technology for carbon neutrality, rather than simply streamlining production capacity based on demand trends in Japan and overseas. As for businesses based on the naphtha cracker at the Mizushima Works, we are advancing studies with partner candidates in Western Japan, conducting discussions to determine the direction of reforms during fiscal 2024. Turning to strengthening of businesses in-house or by collaboration with other companies, we aim to operate businesses globally in expanding markets by strengthening our earnings power through the expansion of high value-added products, and by collaborating with other companies.

Our long-term outlook is to achieve operating income of ¥400 billion and ROE of 15% by around fiscal 2030. The steady implementation of structural transformation is a prerequisite for realizing a balanced business portfolio with a high level of capital efficiency, growth, and stability. We are determined to achieve this result in order to meet the expectations of all stakeholders.

## Q3 How will you focus resources on growth businesses?

“ 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. ”

### North American strategy for Hipore™

We will utilize our firm financial foundation to proactively promote investment for future growth, as well as structural transformation, to achieve business portfolio transformation. 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. Although the scale of investment in GG10 businesses will be approximately ¥100 billion higher than initially planned, this increase is due to identifying a larger than originally anticipated business opportunity in the Hipore™ wet-process lithium-ion battery (LIB) separator business.

The Hipore™ business has grown in the characteristic Asahi Kasei way, by quickly identifying specific market needs in consumer electronics applications, such as personal computers and cell phones, and capturing market share through value creation efficiently leveraging limited resources. As the market for automotive applications expanded, however, our production capacity inevitably fell behind that of competitors in China and South Korea who made substantial investments to increase capacity by wide margins, while we made successive smaller investments to serve niche markets in consumer electronics applications. Now, with the widespread emergence of electric vehicles, many battery and automobile manufacturers are requesting us to supply large volumes of our high-quality separator. Meeting these requests is directly related to our Group Mission in terms of contributing to the achievement of carbon neutrality. The North American market, in particular, represents a major business opportunity for Asahi Kasei. It is expected to grow significantly going forward, and it allows us to expand our business advantageously from a geopolitical perspective. In April 2024 we decided to invest ¥180 billion to construct a Hipore™ plant in Canada. The planned expansion is clearly distinct from the business model of pursuing a certain degree of business scale, which has been a strong point of ours. We will pursue world-leading production efficiency that capitalizes not only on our technological advantages, but also on our high-level product technology while controlling risk, including through a joint venture with Honda Motor Co., Ltd. and investment from the Development Bank of Japan Inc. (DBJ). Having engaged in repeated discussions, I am convinced that we have reached the most suitable investment decision.

### M&A focused on the North American market

Asahi Kasei has proactively conducted overseas M&A with a focus on the North American market to accelerate the expansion of growth businesses, especially GG10 businesses. Through these efforts, overseas sales have grown to over 50% of total net sales. Since joining the Asahi Kasei Group, ZOLL Medical Corporation (ZOLL) has grown its revenue more than sixfold, becoming our largest driver of growth. Recently we have gained steady growth from Sage Automotive Interiors, Inc. (Sage), a car interior materials business, and Synergos Companies LLC (Synergos), the holding company for companies acquired in the North American homes business. In addition, Veloxis Pharmaceuticals, Inc. (Veloxis), which is in the global specialty pharma business, has achieved a compound annual growth rate of over 20% for sales of Envarsus XR™ immunosuppressant for kidney transplant patients since we acquired it. In fiscal 2024, we took the decision to acquire Calliditas Therapeutics AB (Calliditas), which operates a pharmaceuticals business in the United States, to accelerate the growth of our global specialty pharma business. I believe that this company that has extremely close affinity with our assets, and can strengthen our presence in the field of renal diseases in the United States.

Of course it's important for the acquired companies to grow as businesses, but having the personnel of these companies continue to actively contribute is also highly meaningful, and further stimulates the global mindset of our human resources in Japan. Since we acquire companies that create value consistently with the Asahi Kasei way, I sense that newly joined human resources genuinely care for their businesses, and their spirit of taking on challenges is analogous to the A-Spirit. Opportunities for them to contribute are expanding throughout the Asahi Kasei Group. Personnel of Sage helped the separator business strengthened its relationships with automobile manufacturers, while the Calliditas acquisition was supported by personnel of Veloxis having acumen on renal disease related pharmaceuticals. Inspired by the contributions of these overseas human resources, personnel in Japan are also striving to address issues with a more global viewpoint than before.

## Q4 What actions are you taking for carbon neutrality?

“ Rather than trying to commercialize through our independent efforts, we will consider a variety of options, including open innovation, alliances, and out-licensing in order to provide the best solutions for carbon neutrality as quickly as possible. ”

### Meeting expectations for innovation

Given that the chemical industry generates significant GHG emissions in the manufacturing process, it's natural to assume that the trend toward carbon neutrality mainly has negative impacts, such as increased development costs for technology to reduce emissions and the cost of purchasing carbon credits. And yet, it is the chemical industry that has the innovative technology for reducing GHG emissions. Given our Group Mission of contributing to life and living for people around the world, we are committed to transforming our business portfolio not only to reduce our own GHG emissions but also to create and operate businesses that contribute to reducing GHG emissions throughout the world.

To reduce our own and the world's GHG emissions entails costs and investments, and to achieve such reductions several technological challenges and other obstacles must be overcome. Giving up for these

reasons, though, would not reflect Asahi Kasei's unique identity. The world eagerly anticipates innovation to address climate change. In keeping with the unique identity of Asahi Kasei, which has continuously faced issues in society for more than a century, we will fully raise our technology and other intangible assets to create new businesses that provide solutions. We need to commercialize our technology quickly, so speed will be of paramount importance. Rather than trying to commercialize through our independent efforts, we will consider a variety of options, including open innovation, alliances, and out-licensing in order to provide the best solutions for carbon neutrality as quickly as possible. By working with other companies, we also gain a better understanding of the position of our technology in comparison with others. This allows us to distinguish which aspects we should continue focusing our own technology on, and where it would be better to use the technology of other companies, providing greater clarity in the allocation of management resources, which accelerates value creation that reflects the unique identity of Asahi Kasei.

## Q5 How will you use intangible assets to improve corporate value?

“ With mindsets changing throughout the company, employees are more keenly aware of the value of intangible assets, and business models are increasingly based on intangible assets as the central source of value. ”

### A-Spirit at the heart of intangible assets

Asahi Kasei has extensive intangible assets because we repeatedly transformed our diverse business portfolio throughout our history. These intangible assets include human resources capable of operating diverse businesses, relationships with business partners cultivated through connections in various markets, expertise in a

variety of industries, and core technologies and intellectual property accumulated in a wide range of fields. Asahi Kasei's enduring heritage, represented by ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement demonstrated by the A-Spirit, is at the heart of these intangible assets.

Given the current challenging operating environment, especially in the Material sector, this is truly a time for the tenacity epitomized by the A-Spirit and “Be a Trailblazer,” the theme of the current MTP. Faced with

deteriorating business performance, many employees are beginning to have a healthy sense of urgency that we can't regain growth by carrying on with previous approaches. Furthermore, since we adopted ROIC as a KPI, each division is endeavoring not only to improve earnings but also to raise ROIC, including the control of invested capital such as capital expenditure and working capital.

When I talk about A-Spirit and Be a Trailblazer to motivate employees to take on challenges, I am not only speaking to those engaged in growth businesses. For example, when reducing costs in a business whose performance is struggling, rather than simply implementing reduction measures similarly to the past, we should break new ground through ingenuity and take challenges in accordance with the mission of each business. Such efforts include taking on challenges for business process reforms by comprehensive overall processes review, and initiatives for productivity improvement in administrative tasks by adopting completely new and different methods. And as a result, every employee can feel a sense of satisfaction in achieving growth by taking on their own challenges, which ultimately contributes to our general competitiveness. We must never neglect employees working earnestly to overcome difficult situations in struggling businesses. As the top company executive, I intend to continue close communication with frontline employees.

## Latent potential of our intangible assets

I am confident that we have highly capable human resources, outstanding technology and intellectual property, and advanced digital transformation (DX) initiatives. That said, I am keenly aware that there are doubts as to whether we are able to efficiently gain value from our abundant intangible assets.

We have tended to place emphasis on protecting the continuity of a business, using intangible assets such as human resources, technology, and intellectual property as defensive management infrastructure. A defensive awareness is important and necessary for operating a business. But our fundamental purpose is utilize our intangible assets commercially to create value that contributes to society. We need a new mindset to look for the latent potential value of our intangible assets. In other words, we need to leverage our intangible assets more actively.

## The most efficient provision of value

Our human resources, technology, and intellectual property have the power to create value. If they aren't contributing to commercialization, that means we must not be allocating them appropriately. Just as we have



grown by transforming our business portfolio in accordance with the changing needs of society, our intangible assets may cease to create value if we let them stagnate. To convert the power of our intangible assets into value that contributes to life and living for people around the world, we need to leverage them in the way that provides value most efficiently. That means not necessarily by ourselves but also through co-creation with other companies and out-licensing.

Consider our development of high ionic conductive electrolyte for lithium-ion batteries, which enables improved battery performance in the field of energy storage. While we successfully achieved proof of concept in fiscal 2024 and aim to achieve commercialization going forward, we don't intend to build a plant and mass produce it. Instead we will work together with customers for co-creation as we commercialize our intangible assets, including intellectual property, know-how, and data, as a single unified value proposition in the form of licensing and other methods. This is an example of what we call technology-value business creation, our initiative to gain earnings through technology licensing and consulting from the research and development phase. With mindsets changing throughout the company, employees are more keenly aware of the value of intangible assets, and business models are increasingly based on intangible assets as the central source of value.

## Q6 How does your corporate governance function?

“ Trusting Outside Directors to make objective judgements and raise penetrating questions regarding proposals encourages bold and challenging proposals by company executives, which leads to active discussions toward the value creation that reflects Asahi Kasei’s unique identity. ”

### Discussions enhanced by a healthy tension and sense of trust

Asahi Kasei’s Board of Directors has very constructive discussions. While company executives advocate bold and challenging reforms, Outside Directors guide the discussions forward through dispassionate judgment of risks, occasionally leading to a proposal being amended. It’s essential for the Board of Directors to provide a sound oversight function, with Outside Directors at times offering critical opinions regarding proposals put forward by company executives. We shouldn’t expect every proposal to be approved as is. This function is effective because of a deep sense of mutual trust between the company executives and Outside Directors. Trusting Outside Directors to make objective judgements and raise penetrating questions regarding proposals encourages bold and challenging proposals by company executives, which leads to active discussions toward the value creation that reflects Asahi Kasei’s unique identity.

To give an example, in fiscal 2022 a meeting of the Board of Directors was close to approving a proposal to expand the separator business in North America. An early decision was desired in order to supply

customers as quickly as possible. However, in discussions at a subsequent meeting, it was questioned whether the investment configuration allowed for sufficient control of risks or not. The company executives had not adequately studied that aspect of the proposal at the time, and were unable to provide a convincing explanation, so we decided to pause deliberations and have a new proposal brought to another meeting of the Board of Directors. After further discussions in fiscal 2023, the Board of Directors approved a configuration that would restore the unique identity of Asahi Kasei to value creation in the separator business, as announced in April 2024. This result was possible because of the sound relationship between company executives and Outside Directors at meetings of the Board of Directors.

Both a healthy tension and a sense of trust are needed for constructive discussions at meetings of the Board of Directors, ensuring effective governance. Asahi Kasei is able to incorporate its unique identity into value creation because all Board Directors understand and seriously discuss the company’s circumstances intuitively as well as logically.

### Ensuring three years of growth under the next medium-term management plan

In the next MTP to start in fiscal 2025, I am intent on reaching operating income of ¥270 billion, the original fiscal 2024 target adopted when we formulated the current MTP, come what may. The current MTP can effectively be seen as a three-year period of structural transformation. We are already preparing for the next three-year plan to return to a growth trajectory. Although we haven’t decided the theme of the next MTP, I personally hope it will be “We Must Go On!” Even though we faced a challenging business environment over the past few years, in the next MTP I keenly want to convey to stakeholders the Asahi Kasei way of overcoming adversity to solidly forge a future that showcases our unique identity.



Koshiro Kudo  
President

## The Asahi Kasei Group

### The Asahi Kasei Group's Corporate Philosophy

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

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

**Group Values** —

- Sincerity** — Being sincere with everyone.
- Challenge** — Boldly taking challenges, continuously seeking change.
- Creativity** — Creating new value through unity and synergy.

---

#### Group Slogan

## *Creating for Tomorrow*

The commitment of the Asahi Kasei Group:

To do all that we can in every era to help the people of the world make the most of life and attain fulfillment in living. Since our founding, we have always been deeply committed to contributing to the development of society, boldly anticipating the emergence of new needs. This is what we mean by “Creating for Tomorrow.”

The Asahi Kasei Group

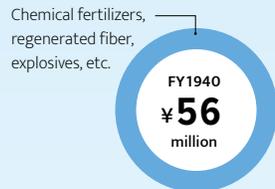
## History of Business Portfolio Transformation and Growth

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

### 1922–

Helping to bring stability to people's lives from our roots in businesses supporting food and clothing, including the production of ammonia, a raw material for fertilizer, and artificial fiber

#### Composition of net sales



#### Business portfolio transformation

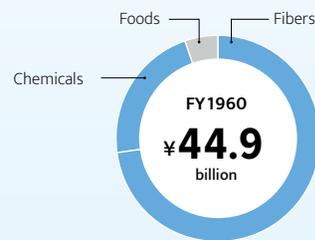
New business entry, M&A → Withdrawal, downsizing, divestment ←

- Ammonia
- Regenerated fiber (cupro, viscose rayon)
- Chemical fertilizer
- Polystyrene
- Synthetic fiber (acrylic fiber)
- Foods (monosodium glutamate)



### 1960–

Expanding into petrochemicals, homes, health care, and electronics, and offering convenient and comfortable lifestyles as a diversified chemical manufacturer

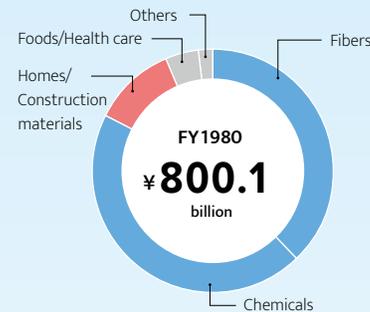


- Saran Wrap™
- Acrylonitrile
- Synthetic rubber
- Ethylene (construction of naphtha cracker)
- Autoclaved aerated concrete
- Hebel Haus™ unit homes
- Artificial kidneys
- Pharmaceuticals



### 1980–

Supplying key components for information devices integral to modern living, such as large-scale integrated circuits (LSIs) and lithium-ion batteries (LIBs)

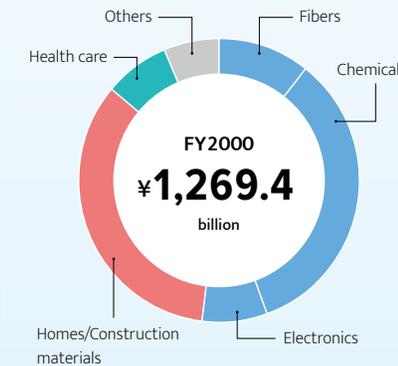


- Hall elements
- LSIs
- Lithium-ion battery separators
- Hebel Maison™ apartment buildings
- Insulation panels
- Virus removal filters
- Acquisition of Toyo Jozo Co., Ltd. (pharmaceuticals and liquors)
- ← Foods



### 2000–

Contributing to healthy and enriched lifestyles by accelerating the global development of Homes and Health Care sectors through M&A

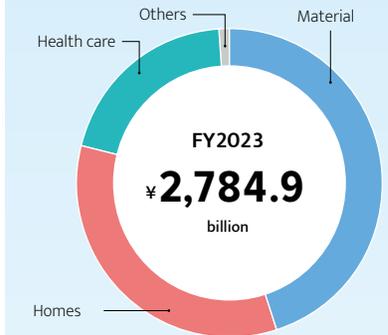


- Electronic compasses
- Car interior material
- Critical care
- ← Viscose rayon, acrylic fiber, polyester
- ← Restructuring of petrochemical business
- ← Liquors



### 2020–

Enabling sustainability by developing technologies and businesses that help address climate change, unmet medical needs, and other global issues



- Hydrogen production system (process verification)
- Diagnosis and treatment of sleep apnea
- Biologics CDMO
- Overseas homes
- ← Photomask pellicles



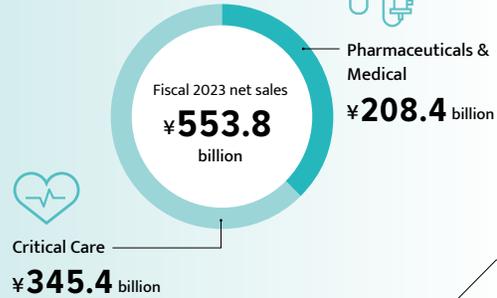
The Asahi Kasei Group

## Business Overview

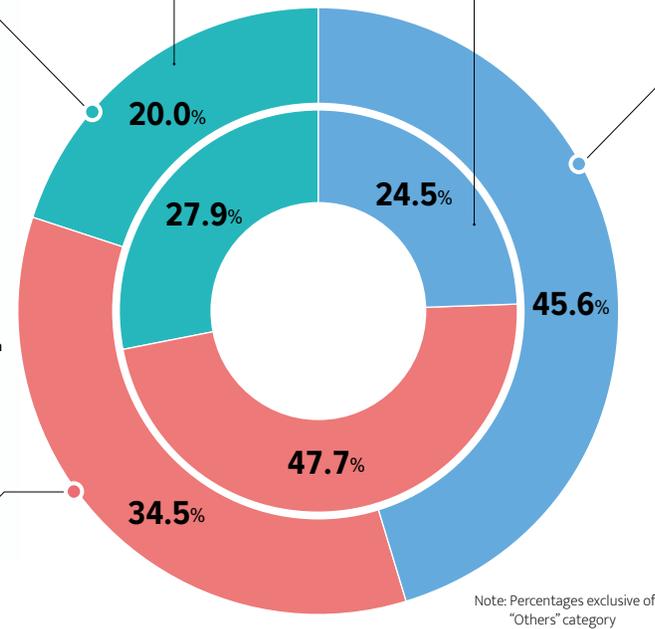
### Health Care

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

Core Operating Companies Asahi Kasei Pharma, Veloxis Pharmaceuticals, Asahi Kasei Medical, ZOLL Medical



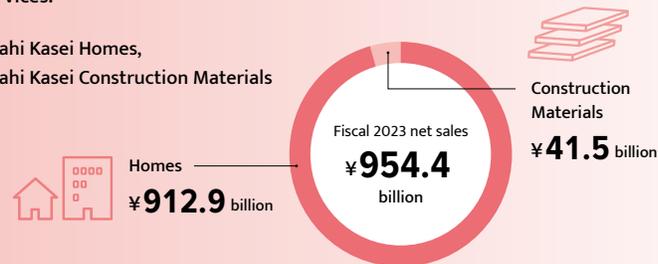
Fiscal 2023 net sales **¥2,784.9 billion**  
 Fiscal 2023 operating income **¥140.7 billion**



### Homes

The Homes sector enables secure and enriched living through the provision of high-quality, highly durable homes and construction materials, and various related services.

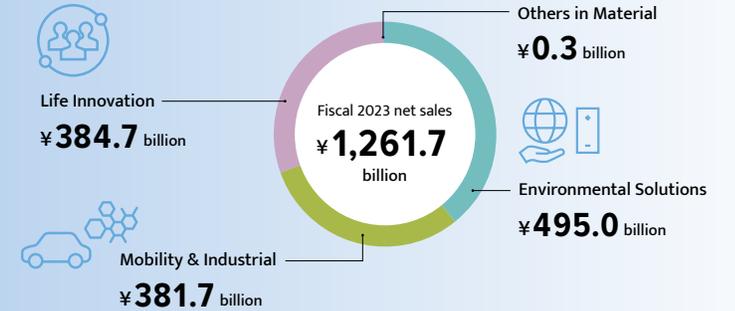
Core Operating Companies Asahi Kasei Homes, Asahi Kasei Construction Materials



### Material

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

Core Operating Companies Asahi Kasei Corporation, Asahi Kasei Microdevices



The Asahi Kasei Group

## Business Operations

Notable facts (as of March 31, 2024)

Employees

**49,295** More than 40% overseas

Global bases

More than **20** countries and regions

Consolidated subsidiaries

**287**

Overseas sales ratio

**52.8 %**

Credit rating

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

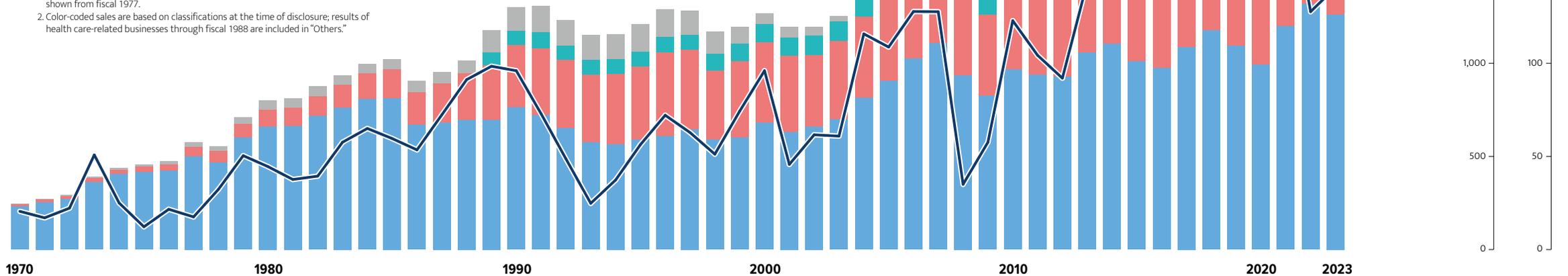
### Net sales and operating income

Net sales: Material Homes Health Care Others

Operating income

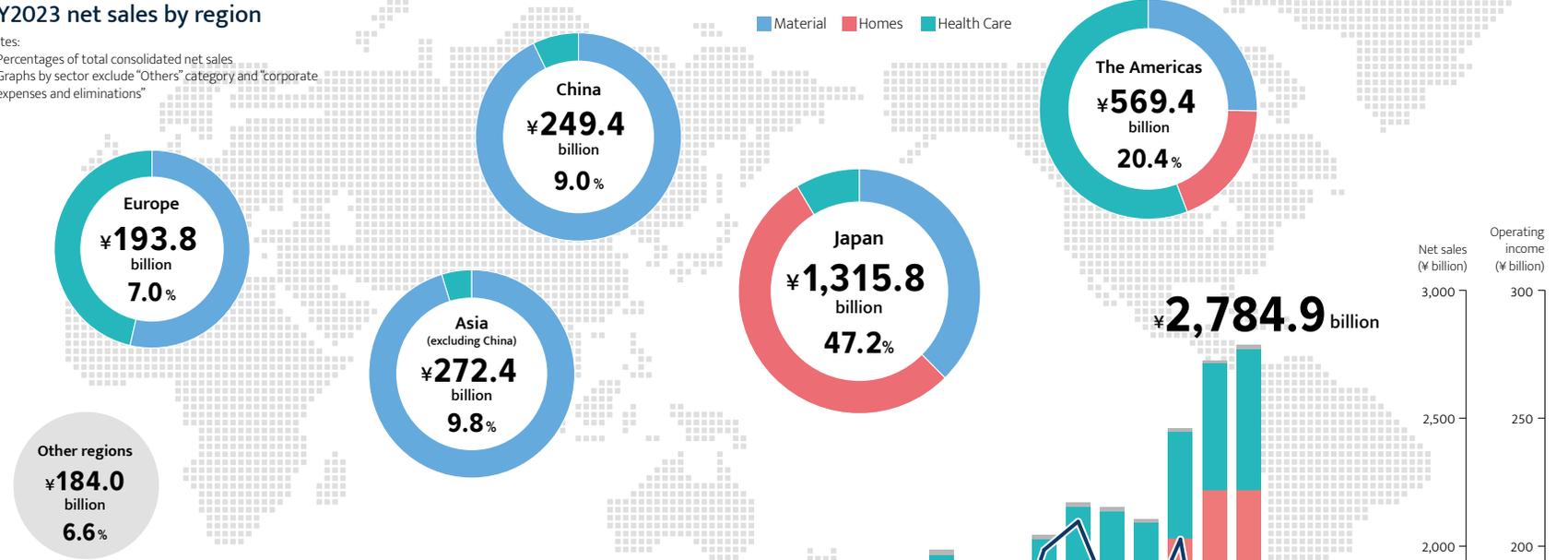
Notes: 1. Non-consolidated figures are shown through fiscal 1976; consolidated figures are shown from fiscal 1977.

2. Color-coded sales are based on classifications at the time of disclosure; results of health care-related businesses through fiscal 1988 are included in "Others."



### FY2023 net sales by region

Notes:  
1. Percentages of total consolidated net sales  
2. Graphs by sector exclude "Others" category and "corporate expenses and eliminations"



Overview of the Medium-Term Management Plan for Realizing Our Vision

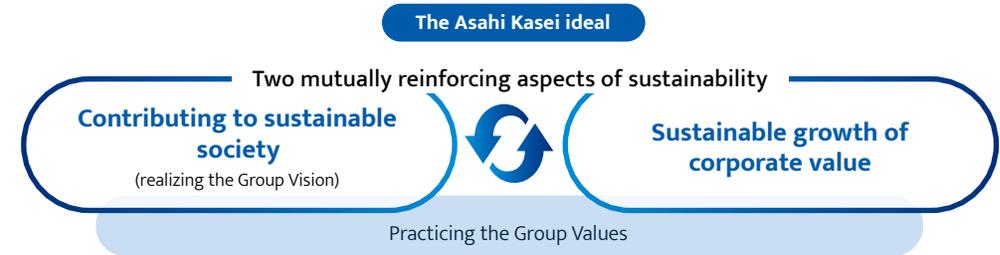
# Both Growth Investments and Structural Transformation in Medium-Term Management Plan 2024—Be a Trailblazer

The Asahi Kasei Group is advancing business portfolio transformation and strengthening its business platform under a Medium-Term Management Plan (MTP) for fiscal 2022 to 2024 focused on the theme “Be a Trailblazer.” The MTP is positioned as the first step toward realizing our vision for 2030. By steadily delivering results going forward, the growth investments and structural transformation promoted under the MTP will realize medium-term profit growth, enhanced investment efficiency, and reduced GHG emissions toward carbon neutrality.

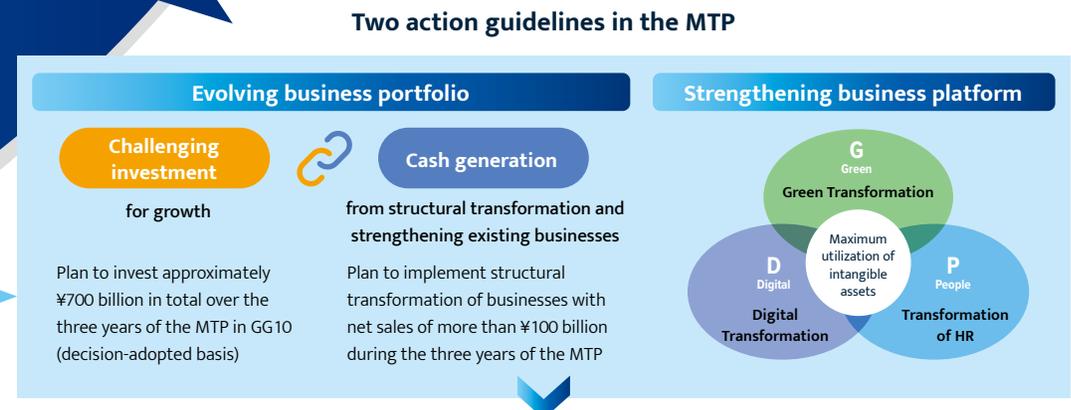
- Gaining results from growth investments and promoting structural transformation of businesses on the scale of ¥100 billion in sales
- Focusing resources on “10 Growth Gears” (GG10) businesses
- Embarking on structural transformation of petrochemical chain-related businesses from medium-term perspective
- Investments in GG10 deliver results and drive profit growth
- Structural transformation of petrochemical chain-related businesses advances, enhancing investment efficiency and reducing GHG emissions toward carbon neutrality

- Proactively implementing M&A centered on Health Care and Homes
- Promoting reform of under-performing “strategic restructuring businesses”

Cs+ for Tomorrow 2021  
FY2019–2021



The Asahi Kasei Group enables “living in health and comfort” and “harmony with the natural environment” by practicing its Group Values of Sincerity, Challenge, and Creativity with the aim of realizing two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value.



Financial KPIs		FY2024 Forecast	Around FY2030
Profit growth	Operating income	¥180.0 billion	¥400.0 billion
	ROE	5.5%	≥15%
Capital efficiency	ROIC	4.5%	≥10%
	GG10 share of operating income	≈50%	≥70%

Non-financial KPIs		FY2024 Targets	Around FY2030
Number of digital professional human resources		10 times (compared with FY2021)	
Number of Group Masters		360 (FY2021: 259)	
Percentage of valid patents related to GG10		>50% (FY2021: >30%)	
Scope 1 and Scope 2 GHG emissions		Reduction of ≥30% (compared with FY2013)	
GHG emission reduction contributions of Environmental Contribution Products		At least double (compared with FY2020)	



# Q1

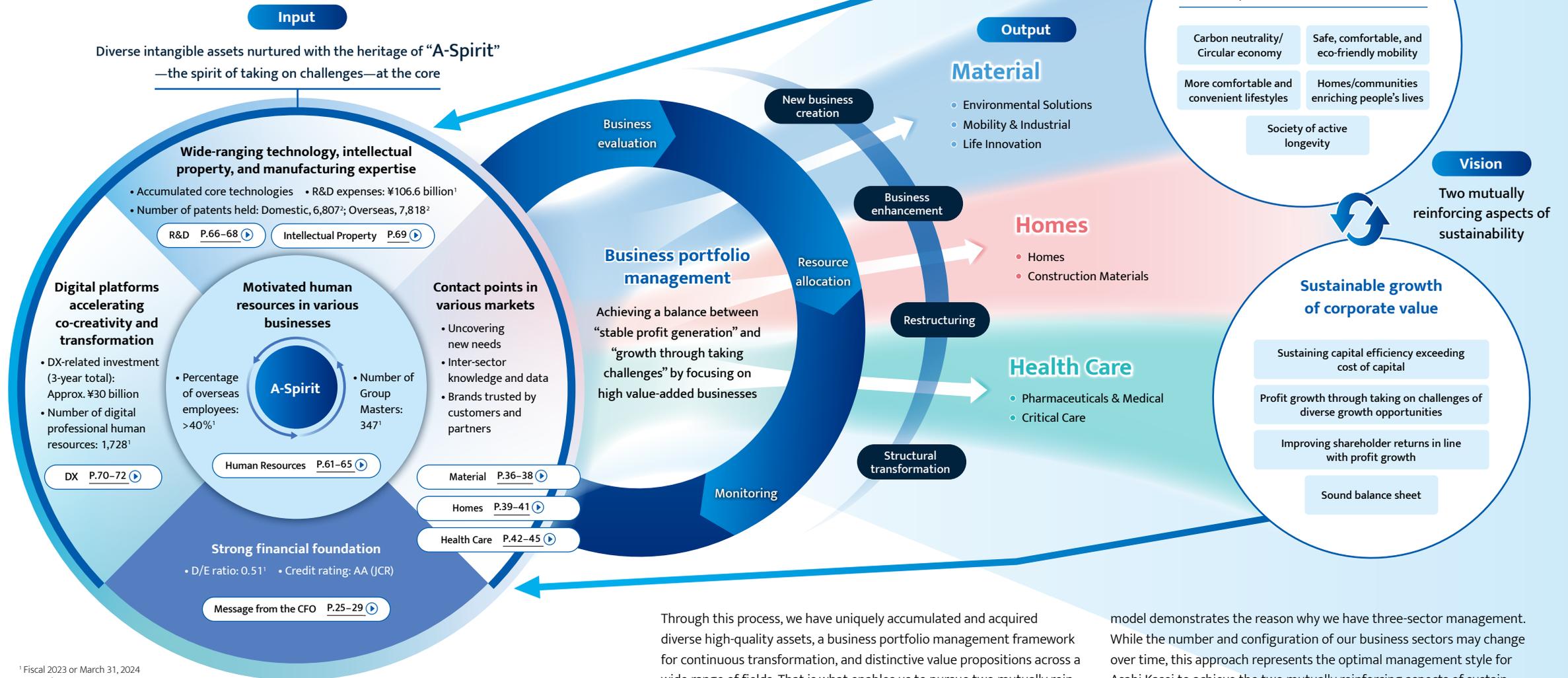
## Why does Asahi Kasei have three-sector management?

**A** The most efficient utilization of management assets accumulated across the whole company, with each of the three sectors of Material, Homes, and Health Care fulfilling its role in pursuit of the Group Mission of contributing to life and living for people around the world, ensures a balance between growth and stability, making this the optimum way for Asahi Kasei to achieve the sustainable growth of corporate value.

- 17** Value Creation Model
- 18** Value Creation Mechanism
- 23** Materiality (Priority Issues and Subjects)

## Value Creation Model

Contributing to life and living has been the mission of Asahi Kasei for over a century. Based on this mission, we have continually adapted to meet the changing needs of the times and provide solutions to various issues in society. Our business portfolio has repeatedly expanded and transformed as a result, culminating in the current three-sector management configuration.



Through this process, we have uniquely accumulated and acquired diverse high-quality assets, a business portfolio management framework for continuous transformation, and distinctive value propositions across a wide range of fields. That is what enables us to pursue two mutually reinforcing aspects of sustainability, and the strengths of three-sector management are manifested throughout the process. This value creation

model demonstrates the reason why we have three-sector management. While the number and configuration of our business sectors may change over time, this approach represents the optimal management style for Asahi Kasei to achieve the two mutually reinforcing aspects of sustainability at this time for the continually fulfillment of our mission.

<sup>1</sup> Fiscal 2023 or March 31, 2024  
<sup>2</sup> December 2023

Value Creation Mechanism

# Significance of Asahi Kasei's three-sector management

Asahi Kasei achieves value creation by three-sector management. The strengths of this can be seen in the process for our value creation model.

## 1 Diverse intangible assets across wide range of sectors

Having operated businesses in different sectors for more than a century, Asahi Kasei has unrivaled, extensive, and diverse intangible assets. We also leverage these intangible assets to complement one another, thereby enhancing the business competitiveness of each sector.

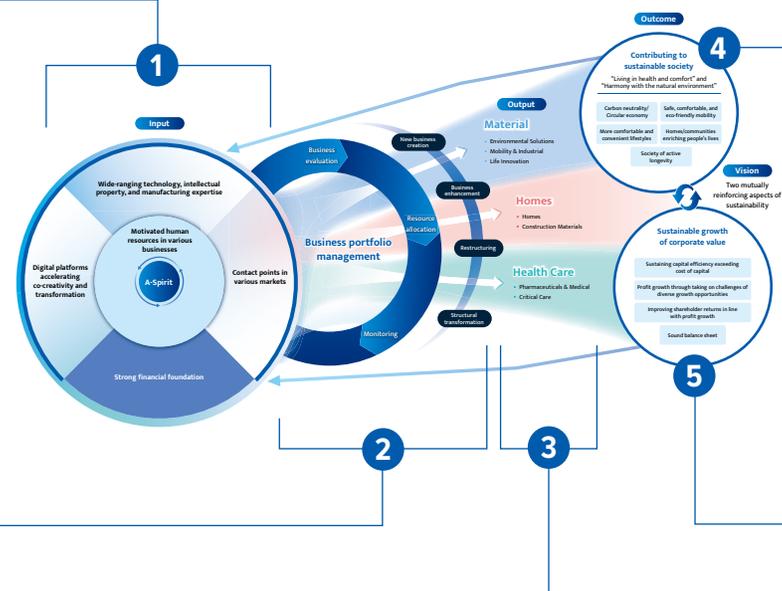
The motivated human resources involved in a diverse range of businesses worldwide guided by “A-Spirit”—the spirit of taking on challenges that is at the core of the culture of Asahi Kasei—are our greatest intangible asset. The stimulation and co-creation arising from different cultures within the Asahi Kasei Group, including the rotation of human resources across sectors, facilitates the creation of new value.

## 2 Business portfolio management to pursue growth while controlling risks

We have a distinctive mechanism for business portfolio management that responds to changes in the operating environment based on extensive experience in transforming our businesses.

We implement multifaceted evaluations of our businesses with regard to their growth potential and the risks they face by utilizing its management know-how and expertise in sectors with varying characteristics.

In allocating capital, we achieve a sophisticated balance rather than an extreme overconcentration in one field, with the aim of achieving growth while controlling risks in our three sectors. In this way, we conduct high-quality capital allocation. Each business exhaustively refines its strategies, including careful assessments of market segments, to use the capital allocated as efficiently as possible.



## 3 Missions for value creation by sector

By fulfilling their respective missions, each sector realizes growth through challenges and the steady generation of earnings for the Asahi Kasei Group as a whole.

- Material** Taking on challenges of societal transformation with technology and innovation
- Homes** Generating stable earnings while contributing to comfortable living
- Health Care** Advancing global management and driving the continuous growth of the Asahi Kasei Group

## 4 Asahi Kasei's unique contribution to sustainability

Asahi Kasei aims to consistently offer new value in five fields through businesses that realize our Group Vision of enabling “living in health and comfort” and “harmony with the natural environment.”

- Carbon neutrality/Circular economy
- Safe, comfortable, and eco-friendly mobility
- More comfortable and convenient lifestyles
- Homes/communities enriching people's lives
- Society of active longevity

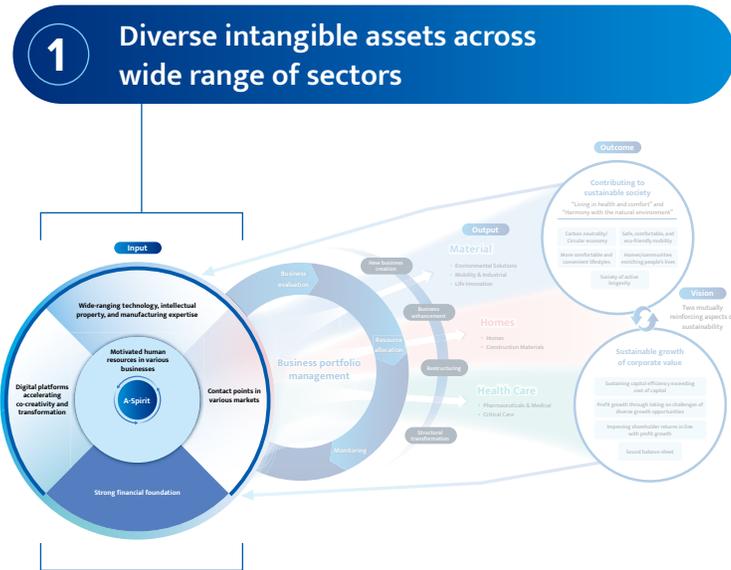
With wide-ranging business sectors, Asahi Kasei is uniquely qualified to make such diverse contributions to sustainability.

## 5 Both growth and stability for sustainable growth of corporate value

Through our three-sector management, we maintain a relatively stable earnings foundation and allocates cash within the Asahi Kasei Group in accordance with the characteristics and phases of each business. For example, we use cash generated in the Homes sector, which realizes stable growth through high capital efficiency, to expand businesses expected to achieve high growth over the medium-to-long term with a focus on the 10 Growth Gears (GG10) businesses in the Health Care and Material sectors.

Using these financial advantages, we continuously transform our business portfolio while capturing business opportunities in diverse markets to maintain a healthy balance sheet and achieve profit growth. We also strive for capital efficiency that continuously exceeds the cost of capital, including ongoing enhancements of shareholder returns facilitated by said balance sheet and profit growth.

Value Creation Mechanism



1 Diverse intangible assets across wide range of sectors

Diverse intangible assets as the source of Asahi Kasei's growth

The source of Asahi Kasei's growth lies in four categories of intangible assets: 1) motivated human resources involved in various businesses, 2) wide-ranging technology, intellectual property, and manufacturing expertise, 3) contact points in various markets, and 4) digital platforms accelerating co-creativity and transformation. The "A-Spirit," which represents the heritage of Asahi Kasei, endures at the core of our human resources. Comprising ambitious motivation, a healthy sense of urgency, quick decisions, and a spirit of advancement, this spirit is the origin of the transformative power that allows us to leverage intangible assets in the creation of diverse businesses. These intangible assets enable us to achieve growth through their utilization in businesses, driving our transformative power.

The ability to adapt to changes in the operating environment is crucial amid a business landscape characterized by dramatic change and uncertainty about the future. Asahi Kasei captures business opportunities that arise from changes in the operating environment and creates new value by accumulating all of its intangible assets as assets to be shared group-wide, leveraged to their full potential by deploying and linking them across sectors. In particular, our efforts to provide opportunities for human resources to connect within the Asahi Kasei Group, such as through transfers across sectors, and to foster a free and open organizational culture that

accepts diverse ideas and takes on new challenges, contributes significantly to the accumulation and full utilization of our intangible assets.

Maximizing the value of intangible assets through DX and IP strategies

Barriers between industries have become lower and activities transcending industry frameworks are accelerating. To create new value, it is vital that we not only expand our accumulated intangible assets to other fields and explore and utilize them in unprecedented combinations, but also enhance the precision of our strategy planning and decision-making by utilizing our intangible assets in an integrated manner amid an unpredictable operating environment. With this in mind, Asahi Kasei focuses on the promotion of digital transformation (DX) and intellectual property (IP) strategies.

Specifically, we have established Digital Value Co-Creation to spread DX throughout the Asahi Kasei Group, and the Intellectual Property Intelligence Department to utilize IP in our management. In addition, we are accelerating the development of mechanisms to track, manage, analyze, and methodically utilize intangible assets accumulated within the Asahi Kasei Group, 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 a personnel recommendation system that draws on IP information.

Example of utilizing intangible assets across business sectors

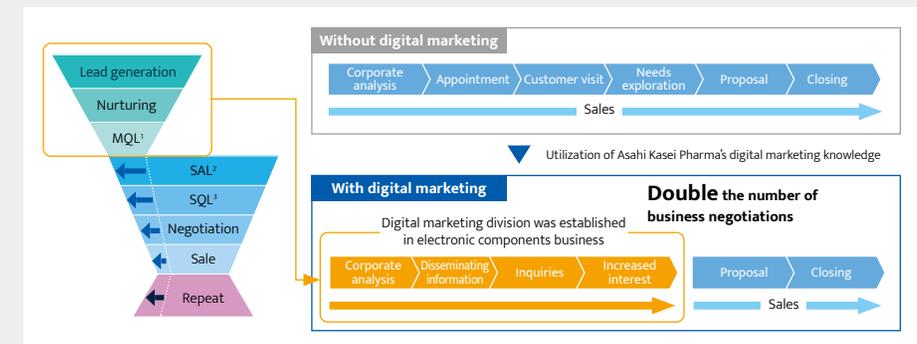
Applying innovations in marketing from pharmaceuticals to the Material sector

The group-wide deployment of digital marketing centered on "Pharma Digital," a website for health care professionals established by Asahi Kasei Pharma, is an example of the Asahi Kasei Group's utilization of intangible assets such as digital infrastructure and contact points with diverse markets.

Based on the concept of connectivity, "Pharma Digital" is a website that aims to connect medical professionals with each other and with medical representatives. The inclusion of content and functions not seen in the websites of other companies has resulted in several key achievements, such as a tenfold increase in user numbers. The digital marketing expertise cultivated at Asahi Kasei Pharma is being applied throughout the Asahi Kasei Group, including Asahi Kasei Pharma's advanced marketing operations, enhanced engaging content that encourages use, and improved usability from the customer perspective. These activities have connected human resources of the Asahi Kasei Group engaged in pharmaceuticals and electronic components, leading to digital marketing suited to electronic components based on knowledge from Asahi Kasei Pharma, which is a leader in digital marketing. As a result, Asahi Kasei Microdevices has doubled its number of business leads thanks to the use of digital marketing.

Building on this example, we aim to offer new customer experiences by sharing the diverse array of knowledge in marketing and sales across the Asahi Kasei Group.

B2B marketing demand generation process in Material sector



¹ Marketing Qualified Lead: Prospective customer gained by marketing activity  
 ² Sales Accepted Lead: Prospective customer that the sales team accepts from the marketing team and agrees to nurture  
 ³ Sales Qualified Lead: Prospective customer that the sales team deems likely to become a paying customer

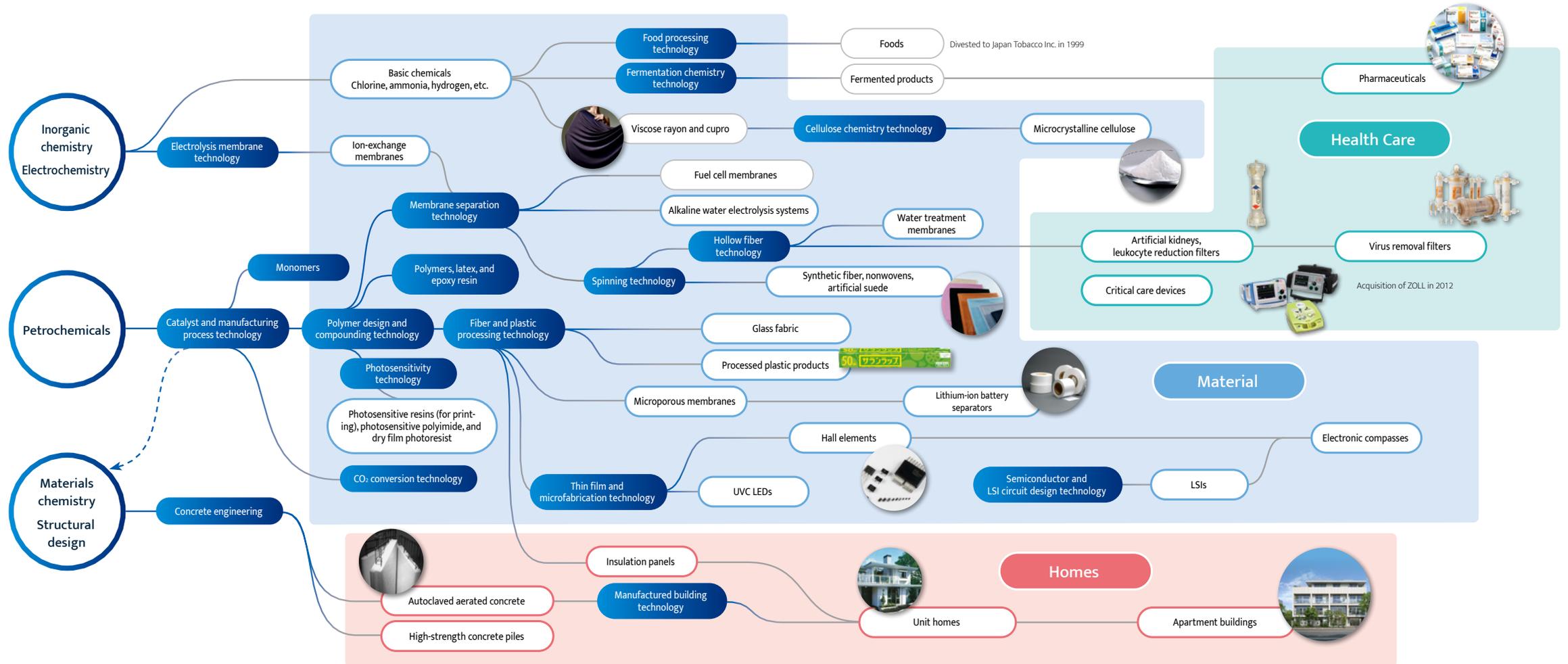
Value Creation Mechanism

Technological heritage in extensive intangible assets

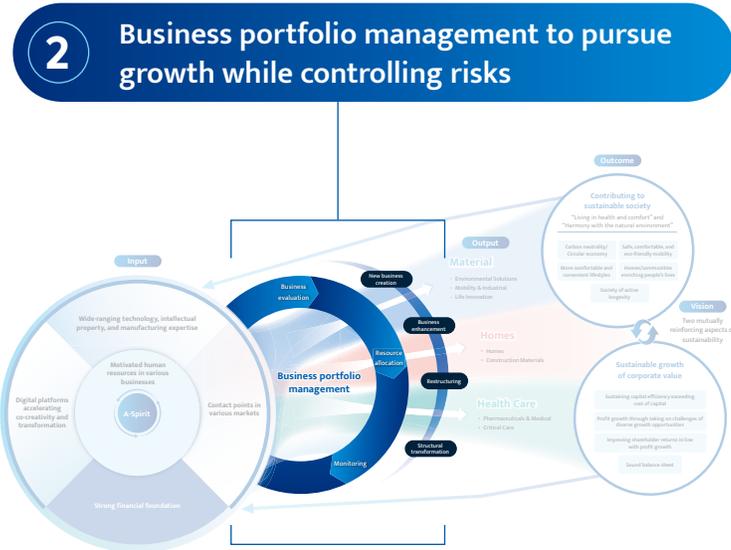
Extensive core technologies are one of the elements comprising Asahi Kasei's intangible assets—the source of its value creation. These technologies, pioneered by our predecessors in their efforts to address societal issues of the times, have enabled the creation of many businesses. Our successful production of Japan's first synthetic ammonia for the manufacture of chemical fertilizer a century ago paved the way

for us to manufacture viscose rayon, a regenerated cellulose fiber. Through decades of subsequent business portfolio transformation, today we have amassed unique technologies that span the three sectors of Material, Health Care, and Homes. Interconnected at their roots, these technologies continue to serve as the seeds of new technologies, passed down from generation to generation.

In addition, we incorporate new technologies through M&A and the adoption of technologies centered on the Health Care sector, further enhancing our core technologies.



Value Creation Mechanism



Business portfolio management is a vital management cycle for efficiently allocating cash and intangible assets to our businesses and realizing the two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value through business growth.

**Business evaluation**

The efficient allocation of resources must be grounded in the results of proper business evaluations. Asahi Kasei evaluates a number of its businesses annually from both financial and non-financial perspectives. From a financial perspective, we evaluate operating margin, ROIC, net sales growth rate, free cash flow, and other factors over a given time span. Non-financial performance evaluation includes the achievement of carbon neutrality, such as GHG emissions, relationships with other businesses in the value chain, and the “best owner” perspective. On the basis of this quantitative and qualitative information, we comprehensively evaluate whether a business helps improve our corporate value.

**Resource allocation**

We invest resources efficiently based on the results of business evaluations. We invest continuously for growth by allocating stable cash flow generated by businesses with strong cash-generating capabilities, such as those in the Homes sector, to businesses with growth potential centered on GG10 businesses in the Health Care and Material sectors.

We also allocate resources as circumstances require: for example, to the commercialization of nascent technology gained through R&D and corporate venture capital (CVC) investment, to the creation of new businesses through the development of businesses obtained via M&A, to the strengthening of businesses through the expansion of production capacities of existing businesses and the development of new products, and to strategic restructuring in businesses experiencing a temporary decline in performance. We study the possibility of structural transformation in businesses where it has become challenging for us to create value on our own, striving to use resources efficiently in our entire business portfolio by using the capital of other companies and downsizing or withdrawing from businesses to control our resources.

**Investment decisions**

For projects requiring investment above a certain amount, we make decisions after setting hurdle rates on a project-by-project basis. Hurdle rates are set based on factors including the performance of a business, its position in our business portfolio, and characteristics of a project, in relation to our weighted average cost of capital (WACC). We evaluate the performance of a business using past data on the volatility

and investment efficiency of the business making the investment. In terms of the position of the business in our business portfolio, we set an increment in accordance with the categorization of the business within four quadrants. We also make additions or subtractions based on perspectives such as sustainability and business stage before deciding final hurdle rates.

**Monitoring**

For businesses designated for strategic restructuring as a result of evaluation, we conduct frequent monitoring and follow up in a timely manner on the evaluation and progress of possible strategic options. Meanwhile, for growth businesses, we monitor whether market growth is consistent with our expectations and whether we are seeing returns on our investments. For large-scale capital expenditures and M&A, management and corporate divisions monitor conditions for each business on a regular basis—including changes in operating environment, profitability, and the occurrence of risks—and share the results of their monitoring with management and members of businesses. In this way, we have established a framework that allows us to study necessary countermeasures in a timely manner. We also use the insights gained from the results of monitoring as points to be checked when examining future M&A and large-scale capital expenditures.

In addition, for major businesses—including those that do not fall into the above categories—we provide opportunities for the President and responsible Executive Officers to have direct discussions with members of those businesses on a quarterly basis regarding the status of performance and KPIs, as well as future challenges and measures to address them.

**Example of factors taken into account in setting hurdle rates**

**Past results of business to make investment (volatility and investment efficiency)**

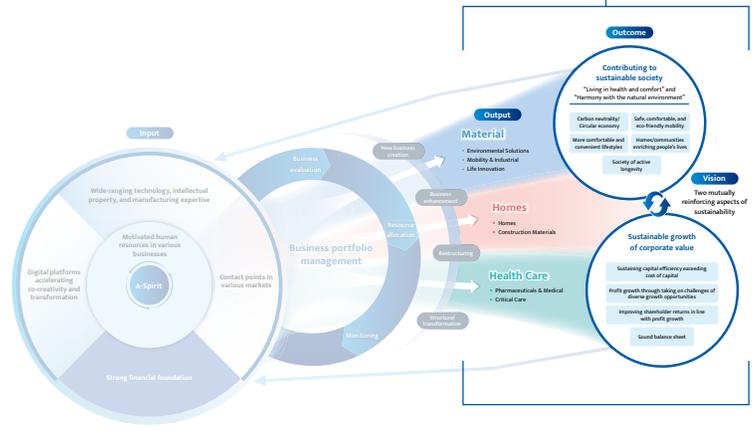
Outline for setting range of premium to be added to WACC				
2 Investment efficiency	Low	+4%	+6%	+6%
	Mid	+2%	+4%	+6%
	High	+2%	+2%	+4%
Evaluation based on ROIC performance		Low	Mid	High
	1 Volatility	Evaluation based on budget-to-actual deviation of operating income		

**Investment stance in accordance with positioning within business portfolio**

<b>Earnings base expansion</b> Focusing growth investment on projects with a high degree of certainty on returns	<b>First priority</b> Pursuing further growth through focused commitment of resources (including M&A)
<b>Improved profitability/ structural transformation</b> Prioritizing earnings improvement and structural transformation	<b>Growth potential</b> Committing resources upfront for future growth

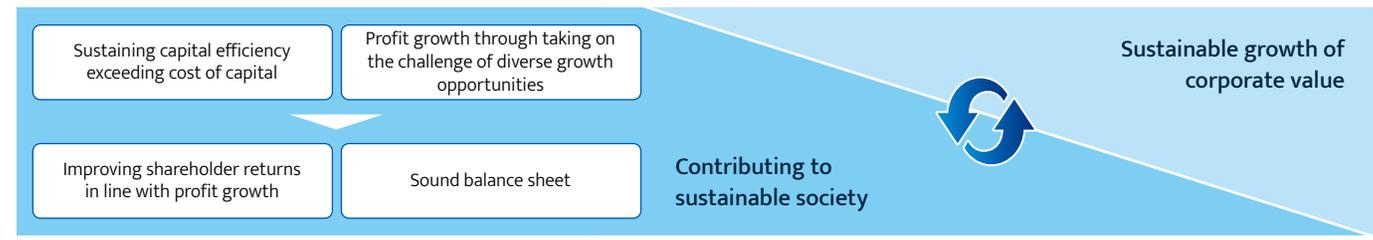
Value Creation Mechanism

3 4 5 Mutual reinforcement of contributing to a sustainable society and achieving sustainable growth of corporate value



To contribute to a sustainable society, Asahi Kasei focuses investments in GG10 businesses to drive future growth in five fields of value provision with the aim of achieving continuous growth. In addition, we have established ROIC targets in each field, and work to enhance capital efficiency through business portfolio transformation and productivity improvements.

Sector	Business and GG10	ROIC		Examples of business opportunity creation	
		FY2024 forecast (announced in May 2024)	Future target		
Material	<b>Environmental Solutions</b> • Hydrogen-Related • CO <sub>2</sub> Chemistry • Energy Storage (separators, etc.)	1.4%	≥6%	<ul style="list-style-type: none"> <li>Creation of a business model aimed at achieving a hydrogen society</li> <li>Accelerated commercialization of various technologies contributing to carbon recycling</li> <li>Provision of products and services contributing to GHG emission reductions</li> </ul>	Carbon neutrality/ Circular economy
	<b>Mobility &amp; Industrial</b> • Car Interior Material (fabric, artificial suede)	3.9%	≥6%	<ul style="list-style-type: none"> <li>Provision of products and services that meet diversifying needs for in-vehicle comfort as autonomous driving becomes widespread</li> <li>Provision of products that meet needs for materials with low environmental impact</li> </ul>	Safe, comfortable, and eco-friendly mobility
	<b>Life Innovation</b> • Digital Solutions (electronic components and electronic materials)	9.0%	≥10%	<ul style="list-style-type: none"> <li>Creation of innovative products with strengths in competitive sensing technologies in response to the development of markets for energy conservation and comfort</li> <li>Provision of products and solutions with a strong competitive advantage for leading-edge semiconductor and packaging processes</li> </ul>	More comfortable and convenient lifestyles
Homes	<b>Homes, Construction Materials</b> • North American and Australian Homes • Environmental Homes and Construction Materials	26.4%	Around 25%	<ul style="list-style-type: none"> <li>Realization of efficiency and greater productivity through industrialization and provision of high-quality homes suited to local conditions in North America and Australia</li> <li>Provision of homes compliant with Net Zero Energy House (ZEH)* and ZEH Mansion (ZEH-M)* standards</li> <li>Provision of highly resilient homes able to withstand disasters</li> </ul>	Homes/communities enriching people's lives
Health Care	<b>Pharmaceuticals, Medical, Critical Care</b> • Global Specialty Pharma • Bioprocess • Critical Care (wearable defibrillators, defibrillators for professional use, etc.)	5.3%	6% to 10%	<ul style="list-style-type: none"> <li>Provision of medical device solutions addressing unmet needs in the critical care and cardiopulmonary conditions fields</li> <li>Promotion of a global pharmaceutical business that reflects increasing needs for better medical care and the progression of aging societies</li> <li>Provision of bioprocess-related products and services that support the safe and efficient manufacture of pharmaceuticals</li> </ul>	Society of active longevity



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

Materiality (Priority Issues and Subjects)

# Focusing on key subjects for value creation

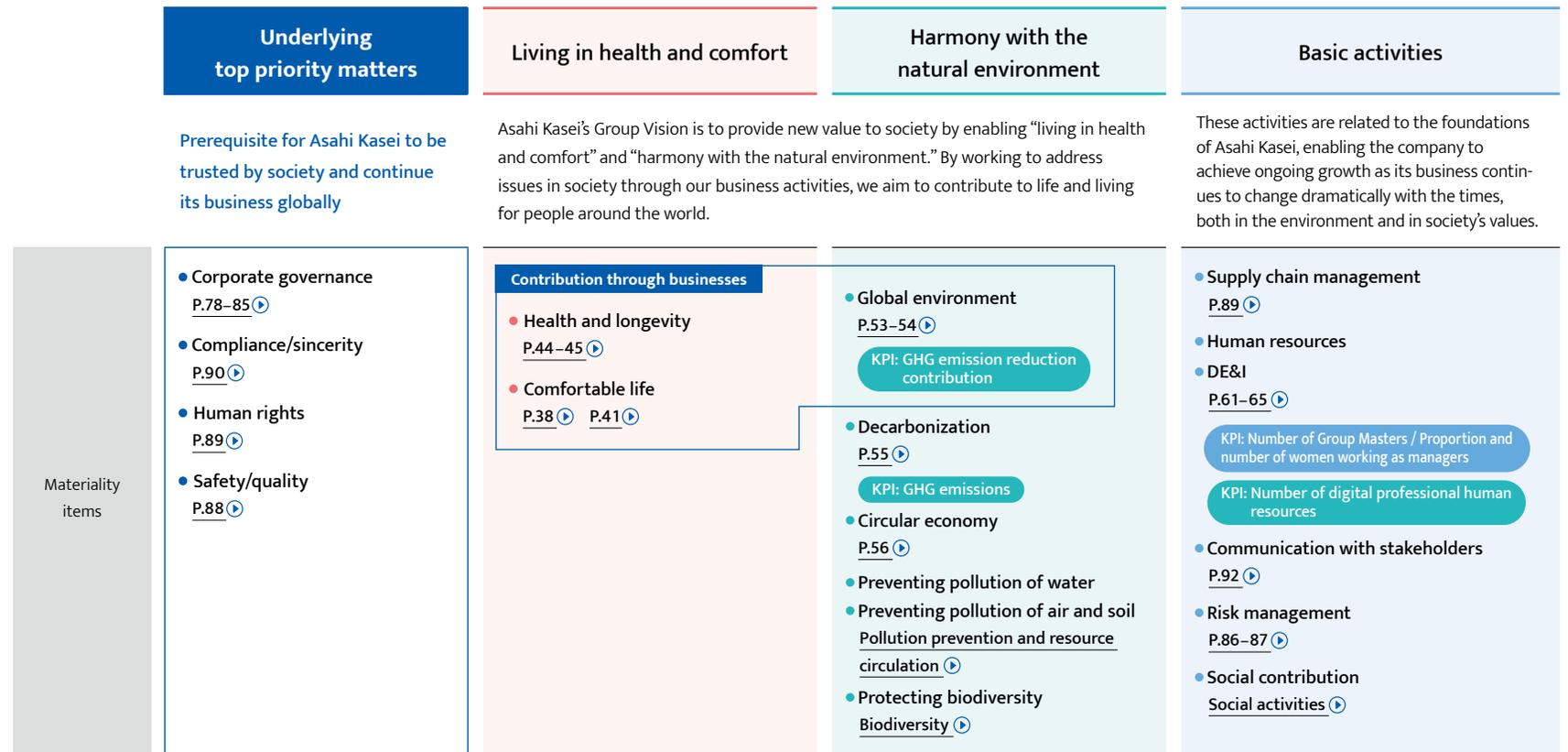
Asahi Kasei pursues its Group Mission of contributing to life and living for people around the world through two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value. The key to continuing such value creation lies in the 18 priority issues and subjects that we have designated to address as materiality under four areas: “living in health and comfort” and “harmony with the natural environment,” which are directly linked to our Group Vision; “basic activities” that form the foundation of our business; and “underlying top priority matters” upon which all of the other matters are predicated. We actively address materiality in conjunction with measures set out in our management plan.

## Process for identifying materiality

The Asahi Kasei Group defined materiality in fiscal 2017 through the process outlined below. In fiscal 2021, on reviewing our targets in response to changes in the business environment, we added “decarbonization” and “circular economy” to our top priority matters.



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



For our progress on non-financial KPIs, please see Non-Financial Highlights on [page 95](#)



## Q2

# How will you raise your persistently low P/B ratio?

**A** We will accelerate business portfolio transformation by structural transformation focused on petrochemical chain-related businesses in the Material sector and by proactive investment in growth-driving businesses, while improving profitability which has been inadequate for the past two years.

## Message from the CFO

# Aiming for a higher P/B ratio by improving profitability and capital efficiency through accelerated business portfolio transformation

Why does Asahi Kasei have a low price-to-book value (P/B) ratio? The context is our return on equity (ROE) being below the assumed cost of equity, which indicates that our results are not meeting the expectations of shareholders and investors. To address this issue, we will execute measures to improve our P/B ratio and demonstrate results through higher profitability and capital efficiency.

## Role of the CFO at Asahi Kasei

Since Asahi Kasei operates businesses across the three sectors of Material, Homes, and Health Care, it faces a variety of management issues, including individual business strategies and group-wide strategies. I believe that the role of the CFO of Asahi Kasei is to share all of the most important management issues with the President and aim to improve Asahi Kasei's corporate value by working together with the President to address them.

## Asahi Kasei's low P/B ratio

Since fiscal 2021, our P/B ratio has remained below one, currently standing at the low level of around 0.8 times. In my view, the primary factor behind this low level is that ROE has been persistently lower than the assumed cost of equity of 8%. The underlying cause of this situation is the decrease in our net income due to a decline in profitability in the Material sector following a substantial deterioration in the operating environment and to significant impairment losses for two consecutive years in fiscal 2022 and fiscal 2023.

I believe that the decline in profitability in the Material sector can be attributed to our inability to respond flexibly and quickly to dramatic changes in the operating

environment. The slowdown and low growth in the Chinese economy affected neighboring countries in Asia, which led to a breakdown in the balance between supply and demand for petrochemical-chain related products. As a result, earnings deteriorated significantly, primarily in the basic materials business. In addition, sluggish sales at major customers due to the expanded presence of Chinese companies in the supply chain for automotive batteries in the market for EVs led to a downturn in the separator business. Furthermore, in addition to lower-than-expected demand in the electronic device, semiconductor, and automotive markets, due in part to post-COVID-19 changes in demand, competition in products for standard applications intensified, leading to a deterioration of our earnings. As a result, return on invested capital (ROIC) is lower than our estimated weighted average cost of capital (WACC) of 6%, particularly in Environmental Solutions and Mobility & Industrial. In the final year of the current MTP, we will revise our strategies to address these changes in the operating environment, working to improve profits by bolstering sales activities and reducing costs from a short-term perspective and to accelerate business portfolio transformation from a medium- to long-term perspective.

While we have leveraged the stable financial foundation provided by three-sector management to make forward-looking investments on an ongoing basis, the recording of substantial impairment losses for two consecutive fiscal years effectively signifies that our assessments of past investments were too optimistic.

## Toshiyasu Horie, CFO

Representative Director,  
Primary Executive Officer

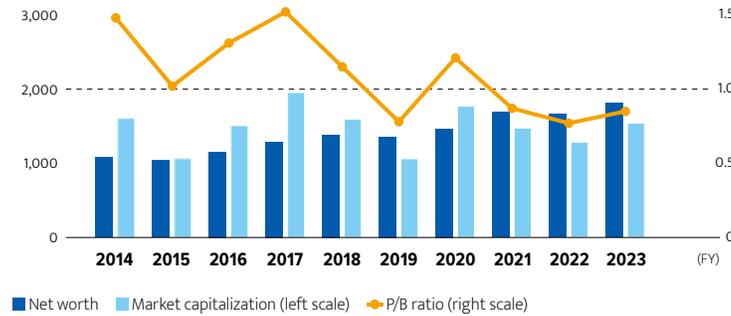
# Message from the CFO



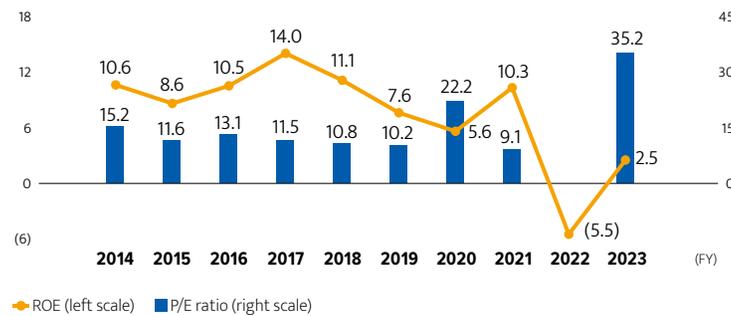
Message from the CFO

Status of P/B ratio-related indicators

P/B ratio (price-to-book value ratio)  
(¥ billion)



ROE and P/E ratio (price-to-earnings ratio)  
(%)



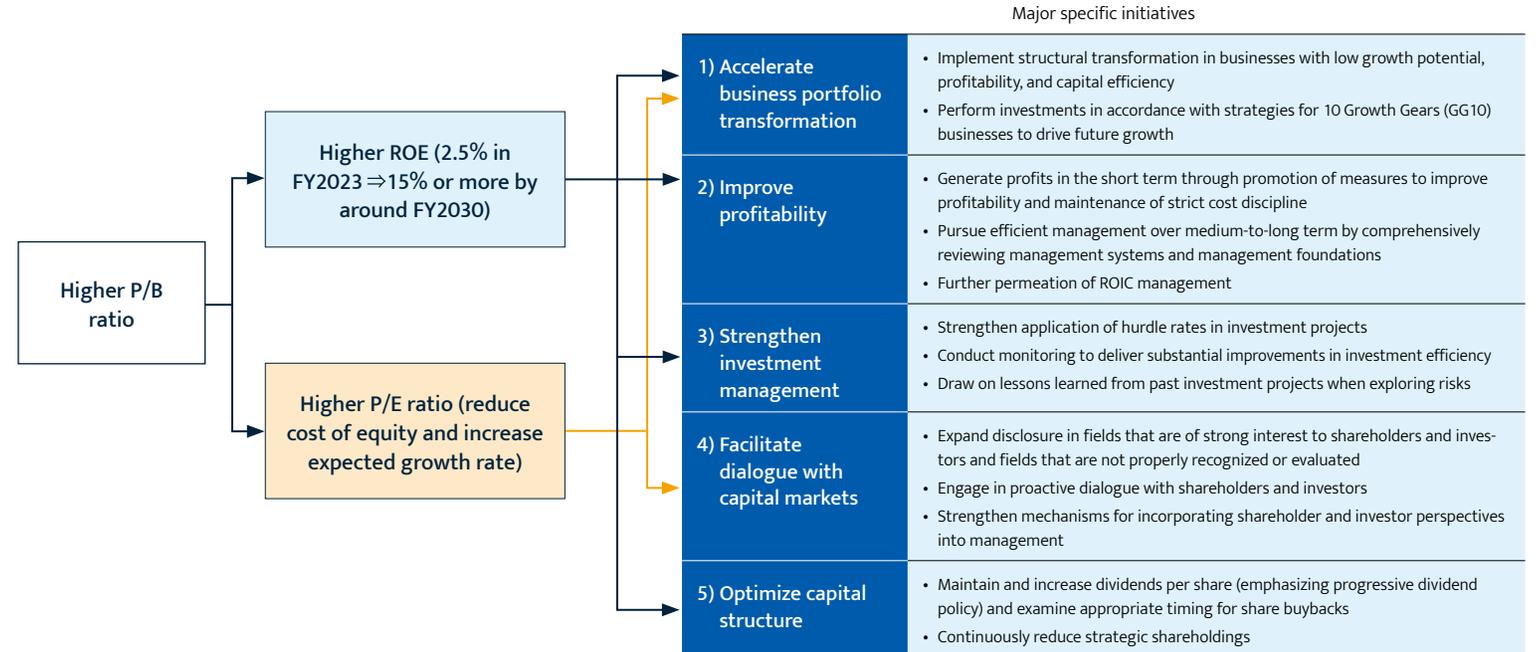
Accordingly, I believe that there was an issue with the likelihood of recovering investments. In the Material sector in particular, we sought to achieve growth through differentiation based on the performance of our products with the aim of contributing to society by leveraging our chemical technology. However, as Chinese companies close the technological gap, future investments must focus on establishing business models that leverage our intangible assets, including technology and intellectual property, and improving our strategies, in addition to technological superiority. In fiscal 2024, while we have announced investments for future growth, including the construction of an integrated plant in Canada for base film manufacturing and coating of Hipore™ wet-process lithium-ion battery (LIB) separators and the acquisition of Calliditas, I sense that some shareholders and investors have apprehensions about the certainty of the forecasts for these investments. To dispel these apprehensions, I believe that we must demonstrate an improvement in

profitability and capital efficiency in our results by steadily reaping returns from recent investment projects, including the two just mentioned.

At the same time, given that we are currently advancing structural transformation in petrochemical chain-related businesses and growth investments simultaneously, we recognize that now is a particularly difficult time for shareholders and investors to evaluate our efforts. Remaining fully mindful of the information gap with these stakeholders, I believe that we must promote further disclosure and dialogue directed toward deepening mutual understanding to earn proper recognition and evaluation for our strategies.

To address the aforementioned issues, we will demonstrate improvements in results for our profitability and capital efficiency by executing the following five initiatives intended to improve the level of our P/B ratio.

Initiatives to improve the P/B ratio



## Message from the CFO

## Initiatives to improve the P/B ratio

### 1) Accelerate business portfolio transformation

In business portfolio transformation, we will implement structural transformation in businesses with low growth potential, profitability, and capital efficiency, considering options including withdrawal, sale, and alliances with other companies. At the same time, we aim to replace them with robust businesses with high growth potential, profitability, and capital efficiency by making investments for future growth in GG10 businesses, which we identified as growth drivers, while maintaining strict financial discipline.

We are accelerating initiatives for structural transformation in two separate time frames: one for structural transformation targeting results during the period of the current MTP, and the other for structural transformation of petrochemical chain-related businesses over the medium-to-long term. For the former time frame, in fiscal 2023 we took steps that included deciding to close the Iwakuni Plant for autoclaved aerated concrete (AAC), transferring the businesses of Asahi Kasei Pax Corp., and implementing structural transformation of the Sepacell™ leukocyte reduction filters business. With these efforts, we have implemented structural transformation in businesses with sales on the scale of ¥40 billion in net sales, based on the inclusion of matters already decided in fiscal 2022. In fiscal 2024, we are examining structural transformation in businesses with sales on the scale of ¥100 billion, such as the transfer of chemical businesses in the Material sector, with the aim of making decisions within the fiscal year. As for the latter time frame, we are promoting structural transformation of petrochemical chain-related businesses based on three approaches—structural transformation from a best-owner perspective, optimization through cooperation with other companies, and the strengthening of businesses in-house or by collaboration with other companies—and we are examining possibilities with the aim of making decisions and clarifying our direction during fiscal 2024.

We are also making steady growth investments in accordance with the current MTP. These investments include the expansion of coating capacity for Hipore™ LIB separators and the construction of an integrated plant in Canada for their base film manufacturing and coating; the construction of a new plant for Pimel™ photosensitive polyimide; and the acquisition of Calliditas. In considering investments, we focus on whether we can create strong business models in which intangible assets can serve as a source of value, such as advantages in intellectual property (IP) using IP landscaping, strengths in human resources, and the use of proprietary know-how.

Given the deterioration in the operating environment and the challenging earnings situation faced throughout the company, some people may take the view that we should refrain from growth investments at present to focus on structural transformation. However, I believe that the ability to simultaneously take on the challenge of transforming our business portfolio and capturing a diverse array of business opportunities in three sectors based on stable earnings generated through the operation of three-sector management while maintaining a strong financial foundation is a unique strength of Asahi Kasei, as well as a unique management style. We will therefore work to realize a balanced business portfolio that is distinctive to Asahi Kasei, with a high level of capital efficiency, growth, and stability, while combining structural transformation and growth investments.

### 2) Improve earnings power

In light of the pressing task of strengthening our earnings structure, we have begun to accelerate business process reforms on a group-wide basis by launching the Build-up to Trailblaze (BT) Project in fiscal 2023 to promote productivity improvement, so that we can properly allocate management resources to GG10 businesses and create a structure for efficient operation. In the short term, we will focus on generating profits through the promotion of measures designed to improve profitability and the maintenance of strict financial discipline; in the medium-to-long term, we will pursue efficient management that is distinctive to Asahi Kasei, including fundamental review of our management system and management foundations. In fiscal 2023, we raised efficiencies in shared fixed costs, reduced indirect material costs, and reviewed outsourcing costs, achieving a ¥10 billion reduction in costs. In fiscal 2024, we will continue to advance business process reforms with the aim of achieving a reduction of ¥20 billion cumulatively for fiscal 2023 and fiscal 2024.

Meanwhile, in improving profitability, we must abandon the approach of simply being satisfied if a business is making a profit and consider whether we can achieve the profitability and capital efficiency that the stock market requires and whether ROIC is at a level that exceeds the cost of capital (WACC)—namely, whether the spread between ROIC and WACC is sufficient. Accordingly, I believe that we must change mindsets throughout the company to that approach. Since fiscal 2021, we have been evaluating our business portfolio, including the ROIC of each business, and revising business strategies based on these evaluations, implementing various measures to fully instill an ROIC mindset among those on the front lines of our businesses. As a result, we have made progress in our bottom-up efforts to improve ROIC, which entail enhancing productivity in daily business processes. We will

continue to pursue higher capital efficiency and productivity while striving to establish a culture of proactively transforming our business portfolio. Although our first priority is to complete structural transformation in businesses with issues related to growth potential, profitability, and capital efficiency, such as structural transformation in our petrochemical chain-related businesses, that will not be the end of our business portfolio transformation. We are committed to further instilling ROIC management to realize a balanced business portfolio that is distinctive to Asahi Kasei with a high level of capital efficiency, growth, and stability.

### 3) Strengthen investment management

We manage investment projects over a certain amount by making decisions after setting a hurdle rate on a project-by-project basis. Although we have been applying hurdle rates for some time, we strengthened their application to scrutinize investment projects more rigorously. Specifically, we decide hurdle rates by adding to WACC by region a risk premium of between 2% and 6%—which is determined using quantitative indicators in relation to the volatility and investment efficiency of the business making the investment—taking into account individual factors specific to each project, such as past investment results, the positioning of the project in our business portfolio, and sustainability. We applied such a hurdle rate in studying the prospects for constructing an integrated plant in Canada for base film manufacturing and coating of Hipore™ separator, concluding that the investment was commercially viable and deciding to proceed with it after fully incorporating risks. We also follow up exhaustively after making investments, conducting monitoring that helps improve effective capital efficiency, such as examining how to achieve a recovery when the operating environment deteriorates.

In addition to these efforts, I feel that it is important to draw fully on lessons learned from past investments when examining investment project risks. There are a variety of risks in making investments, many of which are beyond our control, such as changes in the market environment and in government policies in various countries and regions. Accordingly, it is crucial to conduct strict risk management for aspects that are within our control, while planning ahead to create a mechanism to respond flexibly to unexpected changes. For this reason, when examining investment projects, we continuously ask ourselves if we can state with confidence that we have examined a project 100% from every conceivable angle.

For an example of factors taken into account in setting hurdle rates, please see [page 21](#) 

## Message from the CFO

#### 4) Facilitate dialogue with capital markets

We are expanding our disclosure to gain shareholder and investor understanding and recognition for our strategies, investment projects, and initiatives for strengthening management foundations. In particular, we are keen to reduce the cost of capital by proactively expanding disclosure and providing careful explanations on fields that are of strong interest to shareholders and investors and fields that we sense are not properly recognized or evaluated. Specifically, we have strengthened disclosure on fields of strong interest in our everyday dialogue with shareholders and investors. For example, in fiscal 2023 we began disclosing information on changes in the performance of the separator business and of sales of Hipore™ in financial results briefing materials as well as information on changes in profit growth for major past M&A in management briefing materials. Meanwhile, at the Material sector briefing held in fiscal 2023, we provided an extensive explanation on Digital Solutions, which is one of the GG10 businesses. I felt that the briefing provided an opportunity to engage the interest of shareholders and investors in the strengths and growth potential of this business, which we had hitherto not been communicated adequately. In addition, as we are currently advancing structural transformation of petrochemical chain-related businesses and growth investments simultaneously, and implementing a variety of measures in accordance with our strategies, we recognize that now is a difficult time for shareholders and investors to evaluate our efforts. In full recognition of the gap between the time frames expected by shareholders and investors and the time frames that we envisage, I believe that it is critical to engage in dialogue continuously to close that gap.

In addition, I regard it vital to verify our strategies and their execution from the perspective of shareholders and investors, and to act promptly when areas for improvement are identified. We therefore endeavor proactively to create opportunities for dialogue with shareholders and investors. At forums including meetings of the Board of Directors, training courses for Executive Officers, and reports to Group Executives and Outside Officers after briefings are held, we provide feedback on opinions and other comments received from shareholders and investors in our dialogue with them. In this way, we are strengthening mechanisms to incorporate shareholder and investor perspectives into management.

I also feel that raising expectations for our future growth by demonstrating the results of improved performance in our dialogue with shareholders and investors is indispensable to improving our corporate value. In addition to indicating the direction of business portfolio transformation at an early stage, particularly structural

transformation of petrochemical chain-related businesses, we aim to return to a growth trajectory by generating results from our efforts to improve our profitability and from past investments.

#### 5) Optimize capital structure

We strengthen shareholder returns from the perspective of optimizing our capital structure and continuously reduce our strategic shareholdings. No change has been made to our shareholder returns policy that was set out at the beginning of the current MTP. We place particular emphasis on the second of the four elements of its policy. With this element of our shareholder returns policy, we will demonstrate both growth and stability by providing progressive dividends, which are intended to give shareholders a sense of security. In fact, we have not reduced dividends since fiscal 2009, and we aim to continue to maintain and increase dividends per share. Neither has any change been made to our approach of considering share buybacks when an opportunity presents itself. We believe that we can expect to see a certain amount of cash inflow from the sale of businesses as we advance business portfolio transformation. Accordingly, we will explore the possibility of using that cash for measures including share buybacks.

Meanwhile, in dialogue with our shareholders and investors, we have received comments suggesting that we should take steps to strengthen shareholder returns and improve ROE by raising our financial leverage to a greater degree. However, our goodwill at the end of fiscal 2023 stood at ¥360.7 billion, equivalent to

approximately 20% of our net worth, which reflects the growth investments we have made, including M&A for taking on challenges to capture various growth opportunities in our three sectors. For us to pursue growth investments while managing such assets that are potentially at risk, we believe that we must judge financial leverage with due consideration of risks related to assets. The current MTP has adopted targets of around 0.7 for debt-to-equity (D/E) ratio and 0.5 for net D/E ratio, which we regard as appropriate for maintaining proper financial soundness, given potential risks.

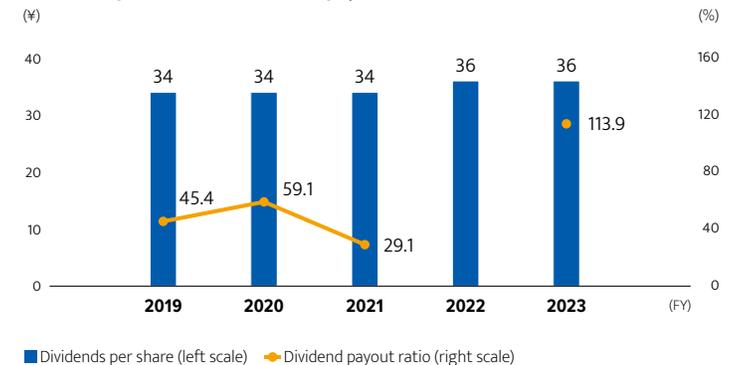
As for strategic shareholdings, we are continuously reducing their amount, taking into account factors including share price volatility risk, costs associated with such shareholdings, and capital efficiency, as well as the value and benefit of retaining them. In fiscal 2023, we sold strategic shareholdings in 13 stocks other than unlisted stocks for ¥31 billion, bringing the balance for our strategic shareholdings to less than 5% of net worth. In fiscal 2024, we will make further sales to reduce our amount of such shareholdings.

Strategic shareholdings [page 84](#) 

#### Shareholder returns policy

1. Determine level of shareholder returns based on outlook for free cash flow over medium term
2. Aim to maintain and increase dividends per share, with basic policy of shareholder returns through dividends
3. Steadily increase level of shareholder returns, aiming for payout ratio of 30% to 40% (cumulative total over 3 years of MTP)
4. Examine and implement share buybacks based on comprehensive consideration of optimal capital structure, investment projects, share price, etc.

#### Dividends per share and dividend payout ratio



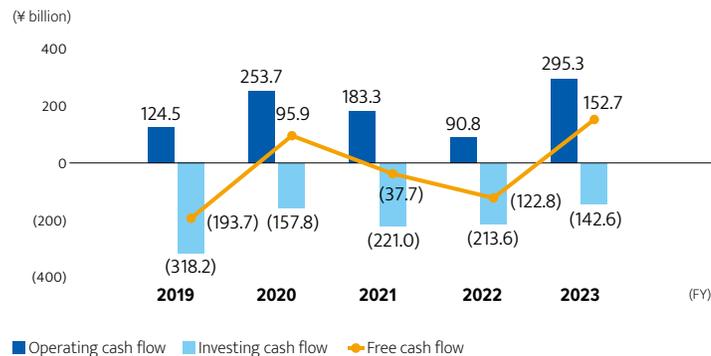
## Message from the CFO

## Capital allocation policy

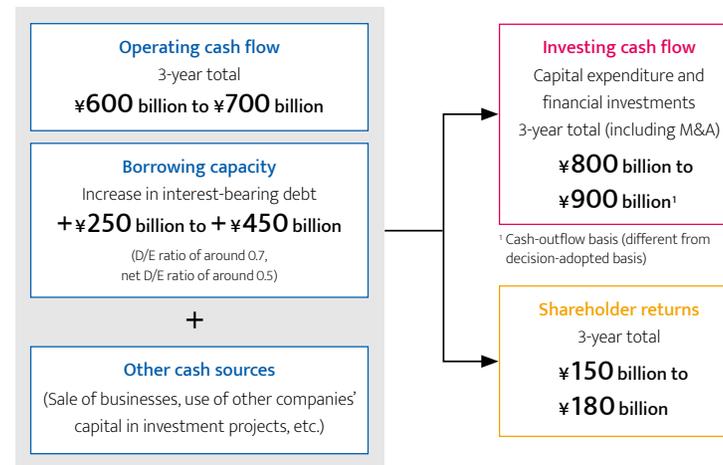
Turning to our capital allocation policy, we expect operating cash flow to be in the range of ¥600 billion to ¥700 billion and investing cash flow to be between ¥800 billion and ¥900 billion over the three years of the MTP, both of which are unchanged from the levels we indicated in fiscal 2023, based on the assumption that we make our planned growth investments. Nevertheless, given that our earnings are lower than in the initial plan from fiscal 2022, when we unveiled the current MTP, we are proactively studying the possibility of raising cash through methods such as the sale of businesses or the use of the capital of other companies. Although there is an element of uncertainty about the timing of any cash inflow, we could expect to see a certain amount of cash inflow from fiscal 2025 in the case of decisions to sell certain businesses during fiscal 2024. We will consider using this cash to strengthen shareholder returns, including share buybacks, as well as to make growth investments, as I have stated.

In our dialogue with shareholders and investors, we sometimes receive comments questioning whether our capital allocation policy is not biased toward investment. While we are currently working on business portfolio transformation as our top priority—conducting structural transformation and growth investments simultaneously—the results of these efforts will require a certain period of time, rather than bearing fruit immediately. Accordingly, we aim to further enhance the level of shareholder returns while taking into account the progress of business portfolio transformation.

### Cash flows



### Framework for capital allocation (three-year period FY2022–FY2024)



## Meeting your expectations

Looking back at the history of Asahi Kasei, continuous productivity improvement and bold business portfolio transformation have become part of our identity. Recently, structural transformation centered on petrochemical chain-related businesses has become an urgent task due to the significant deterioration in our operating environment. Viewing our current circumstances as an opportunity, we will accelerate business portfolio transformation to create a new Asahi Kasei that is suited to the coming era, without losing sight of our identity.

In the phase leading up to the next MTP, the measures promoted under the current MTP will gradually bear fruit. The return to a growth trajectory will lead to improvements in profitability and capital efficiency, and we aim to strengthen shareholder returns. Looking ahead to 2030, we will work to improve our P/B ratio by doing the utmost to ensure that shareholders and investors have expectations for the long-term growth of Asahi Kasei through efforts in the Material, Homes, and Health Care sectors to contribute to life and living for people around the world.

### Primary financial metrics

	FY2019	FY2020	FY2021	FY2022 <sup>2</sup>	FY2023
<b>Profitability</b>					
Net sales (¥ billion)	2,151.6	2,106.1	2,461.3	2,726.5	2,784.9
Operating income (¥ billion)	177.3	171.8	202.6	127.7	140.7
Operating margin	8.2%	8.2%	8.2%	4.7%	5.1%
EBITDA (¥ billion)	295.6	305.1	350.8	305.0	322.9
EBITDA margin	13.7%	14.5%	14.3%	11.2%	11.6%
Net income (loss) (¥ billion)	103.9	79.8	161.9	(91.9)	43.8
EPS (¥)	75	57	117	(66)	32
<b>Capital efficiency</b>					
ROIC	6.6%	4.9%	6.6%	4.0%	5.9%
ROE	7.6%	5.6%	10.3%	(5.5)%	2.5%
<b>Financial health</b>					
D/E ratio	0.52	0.45	0.45	0.57	0.51
Net D/E ratio	0.36	0.30	0.31	0.41	0.32
Capital ratio	48.2%	50.3%	50.4%	48.1%	49.5%

<sup>2</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.



## 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.

- 31** **Special Feature**  
North American Strategy for Hipore™
- 33** Both Structural Transformation and Growth Investments
- 36** Strategies by Sector
  - 36** Material sector
  - 39** Homes sector
  - 42** Health Care sector
- 46** Viewing Asahi Kasei's Business Portfolio from an External Perspective  
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 over-dependence 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 accommodates 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.

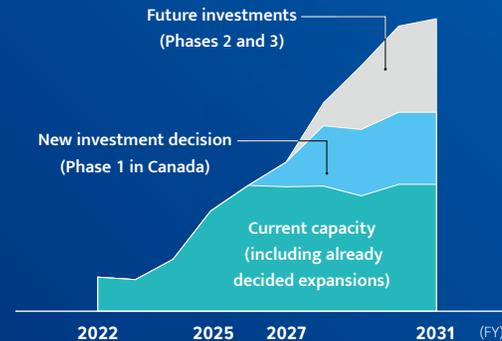
Our business expansion in North America will fully leverage these four strengths in a completely new way. We have conventionally been successful at promoting high value-added

**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



**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

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.

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.

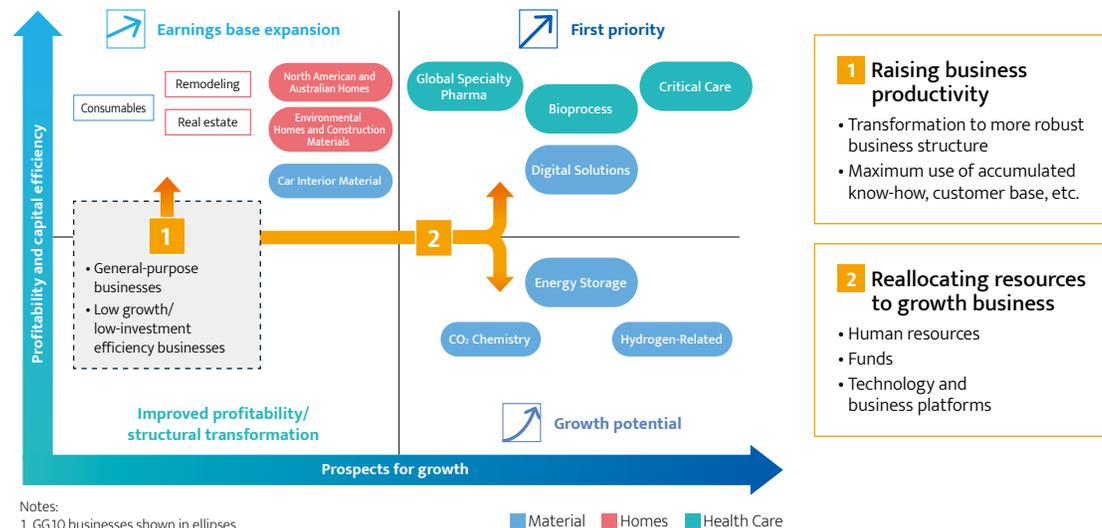
## Both Structural Transformation and Growth Investments

# 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.

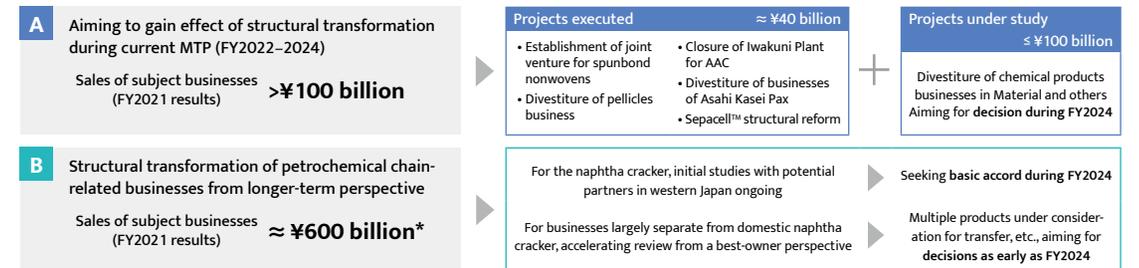
## Overview of business portfolio and path of transformation

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.



## 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.

### 3 Strengthening of businesses in-house or by collaboration with other companies

- Enhanced profitability by expanding the range of high value-added products
- Access to globally expanding markets by collaboration with other companies

### 2 Optimization through cooperation with other companies

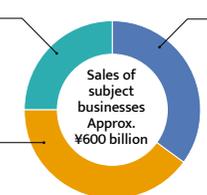
Specifying direction during FY2024

- Capacity optimization based on domestic and international demand trends
- Enhanced profitability by stable production of general-purpose products and expansion of high value-added products
- Advancing reforms and reducing the investment amount for sustainability through partnering
- Contributions made by unique sustainable technologies

### 1 Structural transformation from a best-owner perspective

Aiming for decision during FY2024

- Structural transformation premised on better ways of doing business from a global perspective
- Reforms in progress for a few businesses



Both Structural Transformation and Growth Investments

## Continuous growth through strategic investments in GG10 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 GG10 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.

 <b>First priority</b>	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
 <b>Growth potential</b>	With this category as the driver of future growth, conducting forward-looking investments and promoting strategic alliances from the perspective of strengthening competitiveness
 <b>Earnings base expansion</b>	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 10 Growth Gears (GG10)	FY2022–2024 investment amount and major projects to date (¥ billion, decision-adopted basis)	FY2021→FY2024 profit increase <sup>1</sup>	GG10 financial targets
 <b>First priority</b>	Critical Care Global Specialty Pharma Bioprocess	Health Care • Acquisition of Bionova Scientific, a U.S. biologics CDMO, and expansion of business base	≤200 + ≈ 15 billion 	<b>FY2022–2024 cumulative investment</b> (decision-adopted basis) <b>¥700 billion</b> <small>Note: Total amount including maintenance investments, etc.</small> ▶ Increase due to Hipore™ investment in North America, etc.
	Digital Solutions	Material Life Innovation • Increased capacity for Pimel™ semiconductor buffer coat/interlayer dielectric	≤100 ± 0 billion 	
 <b>Growth potential</b>	Energy Storage (separators) Hydrogen-Related CO <sub>2</sub> Chemistry	Material Environmental Solutions • Expansion of automotive LIB separators (integrated plant in North America and addition of coating facilities in North America, Japan, and South Korea)	≤300 – ≈ 20 billion 	
 <b>Earnings base expansion</b>	North American and Australian Homes Environmental Homes and Construction Materials	Homes • Acquisition of Focus Companies in the U.S. • Acquisition of Arden Homes in Australia	≤100 + ≈ 10 billion 	
	Car Interior Material	Material Mobility & Industrial • U.S. automotive interior materials	≤50 + ≈ 10 billion 	
				<b>FY2024 operating income</b>  <b>GG10 total ¥110 billion</b> <small>(&gt;50% of all business income<sup>2</sup>)</small> ▶ Below initial target of ¥150 billion due to downturn in separators

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.

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

<sup>2</sup> 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

Material  
sectorMessage 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

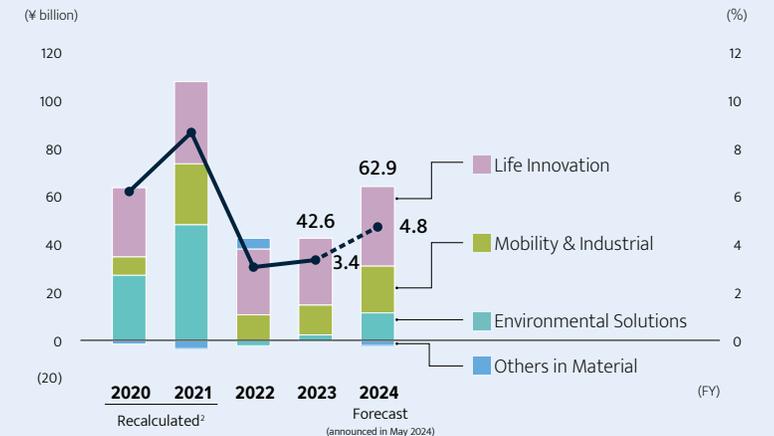
Executive Officer for  
Material Business Sector  
President & Representative Director,  
Presidential Executive Officer,  
Asahi Kasei Corp.

## KPIs

	FY2022	FY2023	FY2024 Forecast (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



Operating income (left scale) Operating margin (right scale)

<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.

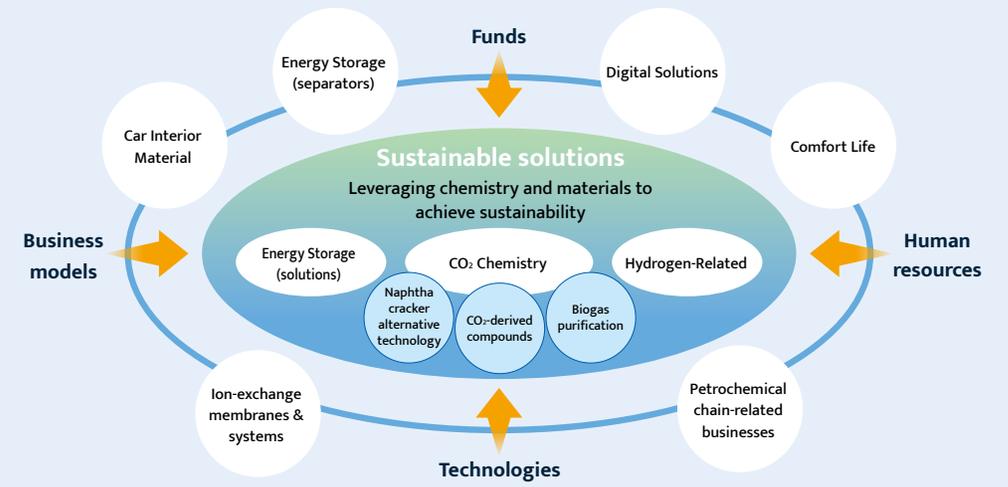
### Creating new business models

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.

<p><b>Challenging investment for growth</b> (including plans)</p>	<p><b>Energy Storage (separators)</b></p> <ul style="list-style-type: none"> <li>Construction of integrated plant in North America and addition of new coating facilities in U.S., Japan, and South Korea for automotive LIB separators</li> </ul>
	<p><b>Digital Solutions</b></p> <ul style="list-style-type: none"> <li>Construction of new plant for Pimel™ photosensitive polyimide</li> </ul>
	<p><b>Hydrogen-Related</b></p> <ul style="list-style-type: none"> <li>Development of large-scale alkaline water electrolysis system for hydrogen production</li> </ul>
	<p><b>CO<sub>2</sub> Chemistry</b></p> <ul style="list-style-type: none"> <li>Utilization of CO<sub>2</sub> as feedstock in manufacturing processes</li> </ul>
<p><b>Cash generation from structural transformation and strengthening of existing businesses</b> (including plans)</p>	<p><b>Structural transformation</b></p> <ul style="list-style-type: none"> <li>Establishment of joint venture for spunbond nonwoven fabric business</li> <li>Divestment of businesses of Asahi Kasei Pax and photomask pellicles</li> <li>Promotion of short-term viable projects in petrochemical chain-related businesses</li> </ul>
	<p><b>Strengthening of existing businesses</b></p> <ul style="list-style-type: none"> <li>Promotion of high-performance coreless current sensors for automotive applications</li> <li>Expansion of low-dielectric glass fabric for AI servers, switches, and routers</li> </ul>



Strategies by Sector

Material sector

## 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

- 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.
- 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.

##### Glass fabric

- 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.

#### 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

- 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.

##### VELVET SOUND audio solutions

- Quickly offering new high-quality audio space by anticipating in-vehicle sound environment needs in the xEV market using expertise cultivated over many years.

##### Millimeter-wave radar solutions

- 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.

#### 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.

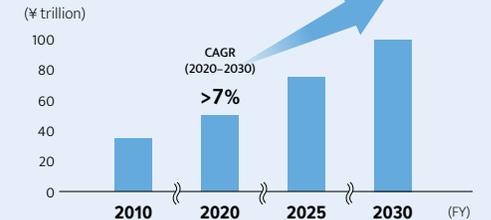


### Operating environment

**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

#### Global semiconductor market size



Note: Based on documents from the Ministry of Economy, Trade and Industry's Semiconductor and Digital Industry Strategy Review Conference

- 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

Strategies by 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 (announced in May 2024)
Net sales (¥ billion)	899.0	954.4	1,004.0
Operating income (¥ 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%

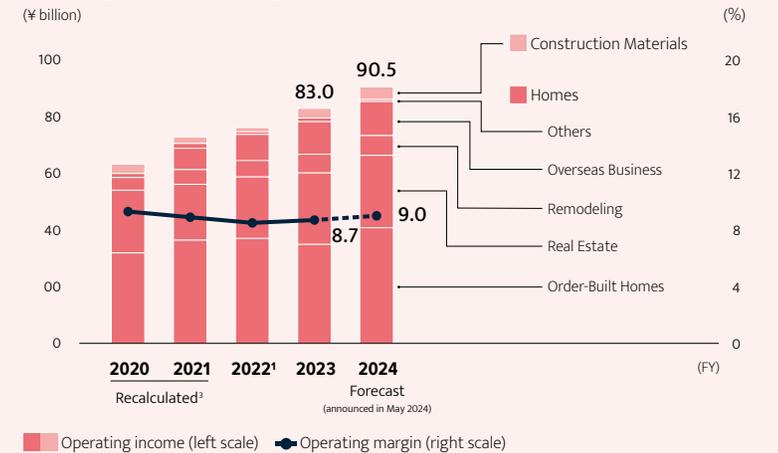
Note: White background indicates management KPIs in the Homes sector.

<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



Strategies by Sector **Homes sector**

**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

<p><b>Challenging investment</b></p> <p>for growth (including plans)</p>	<p><b>North American and Australian Homes</b></p> <ul style="list-style-type: none"> <li>• Further expansion leveraging expertise of Asahi Kasei Homes</li> </ul>
	<p><b>Others</b></p> <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>
<p><b>Cash generation</b></p> <p>from structural transformation and strengthening of existing businesses (including plans)</p>	<p><b>Structural transformation</b></p> <ul style="list-style-type: none"> <li>• Closure of Iwakuni plant for autoclaved aerated concrete</li> </ul>
	<p><b>Strengthening of existing businesses</b></p> <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	
July 2023	Received approval from SBTi	
April 2024	Received certification as an Eco-First Company by the Ministry of the Environment	

Strategies by Sector

Homes sector

## 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

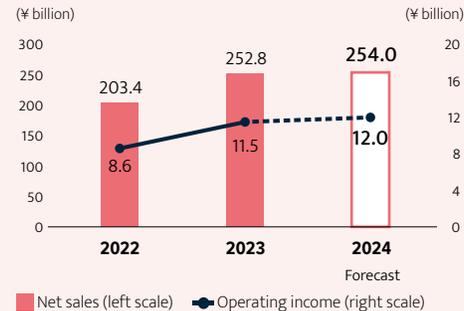
#### Offering products and services that capitalize on the business scale of the company with the third largest market share



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)

#### Net sales and operating income of the overseas business



#### 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



### 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.

### 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.

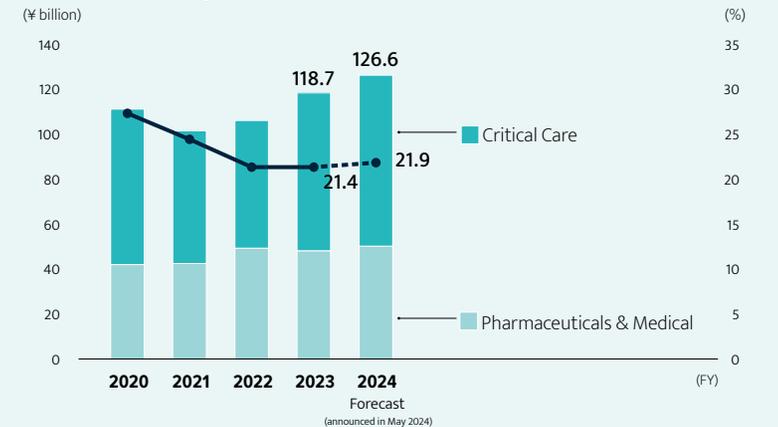
Looking ahead to fiscal 2024, we anticipate continued sales growth across all main product lines, expecting a return to a more robust growth trajectory.

### KPIs

	FY2022	FY2023	FY2024 Forecast (announced in May 2024)
Net sales (¥ billion)	496.9	553.8	578.0
Operating income (¥ 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



Legend: ■ EBITDA (left scale) ● EBITDA margin (right scale)

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

Strategies by Sector **Health Care sector**

**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.

<p><b>Challenging investment for growth</b> (including plans)</p>	<p><b>Critical Care</b></p> <ul style="list-style-type: none"> <li>Entry into field of sleep apnea leveraging business platform and expertise in cardiovascular disease</li> </ul>
	<p><b>Global Specialty Pharma</b></p> <ul style="list-style-type: none"> <li>Successful expansion in United States market after addition of Veloxis, reinforcing pipeline (VEL-101, etc.) and broadening areas of therapeutic interest</li> </ul>
	<p><b>Bioprocess</b></p> <ul style="list-style-type: none"> <li>Entry into biologics CDMO (acquisition of Bionova) and investment in capacity expansion</li> </ul>
<p><b>Cash generation from structural transformation and strengthening of existing businesses</b> (including plans)</p>	<p><b>Structural transformation</b></p> <ul style="list-style-type: none"> <li>Restructuring of Sepacell™ business (portfolio review underway covering all business)</li> </ul>
	<p><b>Strengthening of existing businesses</b></p> <ul style="list-style-type: none"> <li>Sales growth of Envarsus XR™, Teribone™ autoinjector, and Kevzara™</li> <li>Improvement of drug value through IP strategy (Teribone™)</li> <li>Reinforcement of new drug pipeline through licensing (Empaveli™, Doptelet™)</li> <li>Reinforcement of Bioprocess business platform (e.g., opening of China Bioprocess Technical Center)</li> </ul>



**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.

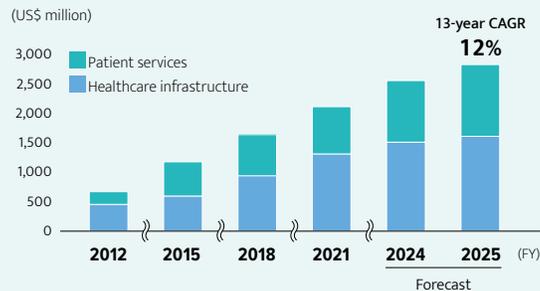
We have also expanded into the new field of sleep apnea, which often occurs in patients with heart disease, with our fiscal 2021 acquisitions of Respicardia and Itamar, which have innovative devices for treatment and diagnosis in this field. Approved by the United States Food and Drug Administration, 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
<b>Patient services</b>	<ul style="list-style-type: none"> <li>Global potential market of over \$10 billion</li> <li>Current market penetration of less than 10%</li> <li>Business growth rate in mid-teens</li> <li>70–80% gross profit margin</li> </ul>	<ul style="list-style-type: none"> <li>LifeVest™ wearable defibrillator</li> <li>Heart failure management systems</li> <li>WatchPAT® at-home testing solution for sleep apnea</li> <li><b>remedē</b>® System implantable neurostimulator device for central sleep apnea</li> </ul>
<b>Healthcare infrastructure</b>	<ul style="list-style-type: none"> <li>Global market potential of over \$5 billion</li> <li>Leading positions in multiple product categories</li> <li>Business growth in high single digit range</li> <li>50–60% gross profit margin</li> </ul>	<ul style="list-style-type: none"> <li>Defibrillators for professional use</li> <li>Automated external defibrillators (AEDs)</li> <li>Ventilators</li> <li>Automated CPR device</li> <li>Acute myocardial infarction treatment system</li> <li>Thermogard System™ temperature management system</li> <li>Software solutions</li> </ul>

**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**



Critical care devices (defibrillators, AEDs, etc.)

**remedē**® System

**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.

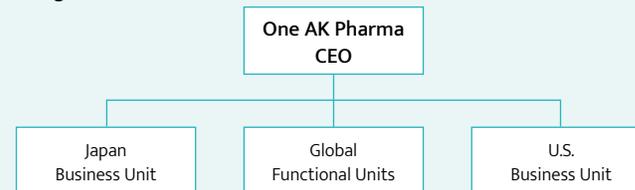
Through these measures, we aim to grow the net sales of pharmaceuticals to ¥300 billion, the business scale that we believe will enable us to invest in R&D and business development to achieve continuous growth.

**Business model**

<b>Business area</b>	<ul style="list-style-type: none"> <li>• Less competitive</li> <li>• Modest probability of success in development</li> <li>• Smaller clinical trial size and lower R&amp;D expenditure</li> <li>• Covered by fewer sales representatives and marketing efforts</li> </ul> <p>Focus Areas <b>Immunology</b> <b>Renal disease</b> <b>Organ transplantation area</b> <b>Severe infectious disease*</b></p>
<b>Profit structure</b>	Low promotional costs, making it easier to maintain profitability while investing in clinical trials and business development
<b>Business development</b>	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)

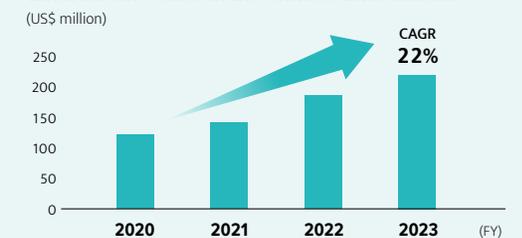
Source: National Institute of Diabetes and Digestive and Kidney Diseases

**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.



# Q4

## What actions are you taking for carbon neutrality?

**A** Rather than trying to commercialize through our independent efforts, we will consider a variety of options, including open innovation, alliances, and licensing out in order to provide the best solutions for carbon neutrality as quickly as possible.

**48** Green Transformation (GX)

## Green Transformation (GX)

Message from the Head of  
the Sustainability Strategy Planning  
Department

“To contribute to life and living for people around the world, we are taking on the challenge of Green Transformation (GX)”

### GX means contributing to life and living for people

In April 2024, the European Court of Human Rights ruled that the Swiss government's failure to respond appropriately to the climate crisis constituted a violation of human rights. As symbolized by this ruling, people around the world are directly or indirectly affected by climate change and abnormal weather such as record heat waves, heavy rains, and droughts. For Asahi Kasei, having a Group Mission of contributing to life and living for people around the world, GX is an important issue that must be tackled head-on.

Our diverse technologies and businesses offer a wide range of possibilities for contributing to GX. We will pursue our own growth while providing those

possibilities to the world. As we organize and disclose the impact of climate change on the running of our business within the TCFD framework, the “10 Growth Gears” (GG10) businesses set out in our medium-term management plan (MTP) will work to create opportunities for adapting to and mitigating climate change. Notably, we will pursue business opportunities in the Material sector and the Homes sector. Meanwhile, in research and development, we have adopted transitioning to carbon neutrality and a circular economy as critical subjects, and we aim to create innovative technologies and solutions.

### Combining diverse technologies and human resources to create new value

We are working to reduce our own GHG emissions (Scope 1 and Scope 2), with the aim of achieving carbon neutrality by 2050. At the same time, by leveraging a variety of technologies and businesses, we aim to reduce GHG emissions, including Scope 3, throughout our entire value chain, thereby contributing to the reduction of GHG emissions in society. So far, we have internally certified more than 20 products and services as Environmental Contribution Products that contribute to the reduction of society's GHG emissions, which is a clear example of what makes us unique as Asahi Kasei. While there are many different perspectives to our various contributions, we are constantly working to maximize the value we can achieve by exploring what we can do to help people live better lives from an environmental perspective. I feel that there is a lot that Asahi Kasei can do to achieve GX.

Nevertheless, there are difficulties in the further advancement of GX given that each business has been optimized under former value conditions, and that the value chain involves capital-intensive businesses that are intertwined with other companies. Overcoming these difficulties and making changes to contribute to the transition to a sustainable society is a major issue. In some of our businesses, we are moving away from our traditional focus on selling products and toward

transitioning to a circular economy. Further, in May 2024, we announced that Asahi Kasei had begun discussions with two integrated chemical companies on a collaboration to achieve carbon neutrality for ethylene production facilities, which are essentially the starting point for organic chemical products. However, GX will not progress through reforms in our surrounding businesses alone. The entire value chain, including from upstream to downstream, and society as a whole need to share the value of GX and undergo reforms. None of these goals can be achieved overnight, but we will work swiftly to implement a variety of initiatives toward the achievement of a sustainable society.

Asahi Kasei has a culture of acceptance for taking on new challenges and change, which I attribute to its history of business portfolio transformation through the pursuit of new challenges while addressing societal issues. We will demonstrate the diversity and flexibility that is characteristic of Asahi Kasei, combine knowledge both inside and outside the company to create new value, and strive to realize two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value.

Tatsuhiko  
Tokunaga

Executive Officer  
Senior General Manager,  
Sustainability Strategy  
Planning Department

Green Transformation (GX)

# Toward a carbon neutral and sustainable world

Asahi Kasei has been working to address societal issues while expanding its business portfolio for over 100 years. Having a wide range of technologies and businesses that can contribute to the transition to carbon neutrality and a circular economy, we will provide value across various value chains, including Energy Storage, Hydrogen-Related, CO<sub>2</sub> Chemistry, and other GG10 businesses we are focusing on.

## Becoming a key player in the hydrogen supply chain with large-scale alkaline water electrolysis systems

Since the time of Asahi Kasei's founding, we have had pioneering technology for green hydrogen production. We produced hydrogen using electricity generated at our own hydroelectric power plants and used this hydrogen in our products. We have designated Hydrogen-Related as one of our GG10 businesses, and aim to contribute to reducing global GHG emissions by supplying low-cost green hydrogen through the early commercialization of alkaline water electrolysis systems, which are considered suitable for large-scale operation.



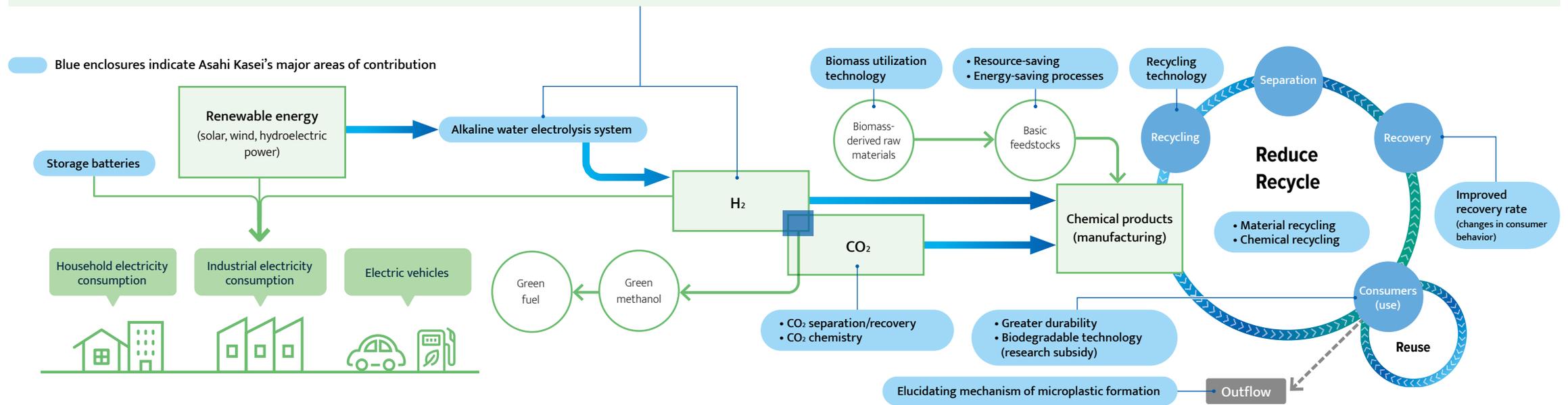
In Japan, we have been conducting trial operation of a 10 megawatt-class alkaline water electrolysis system at the Fukushima Hydrogen Energy Field of NEDO<sup>1</sup> since 2020, and we lead the world in long-term operation of large-scale systems. Overseas, in addition to conducting demonstration trials in Europe, we plan to construct a 60 megawatt-class alkaline water electrolyzer system in Malaysia together with Gentari and JGC Holdings Corporation to produce 8,000 tons of green hydrogen annually as part of a NEDO Green Innovation Fund

project.<sup>2</sup> The three companies signed a memorandum of understanding for the basic engineering design of the hydrogen production plant in September 2023 and aim to commence trial operation in 2027.

We have received numerous inquiries from around the world for our alkaline water electrolysis system, which we plan to commercialize in fiscal 2025, targeting sales of ¥100 billion by around 2030. We aim to play a leading role in building the hydrogen supply chain and thereby become a key player. In addition, by accumulating experience in operations and maintenance, we plan to expand beyond just selling equipment to offer solutions for highly economical operation and maintenance, including remote monitoring and predictive maintenance.

<sup>1</sup> New Energy and Industrial Technology Development Organization

<sup>2</sup> NEDO "Green Innovation Fund Project / Hydrogen production project by water electrolysis using electricity from renewable energy sources"

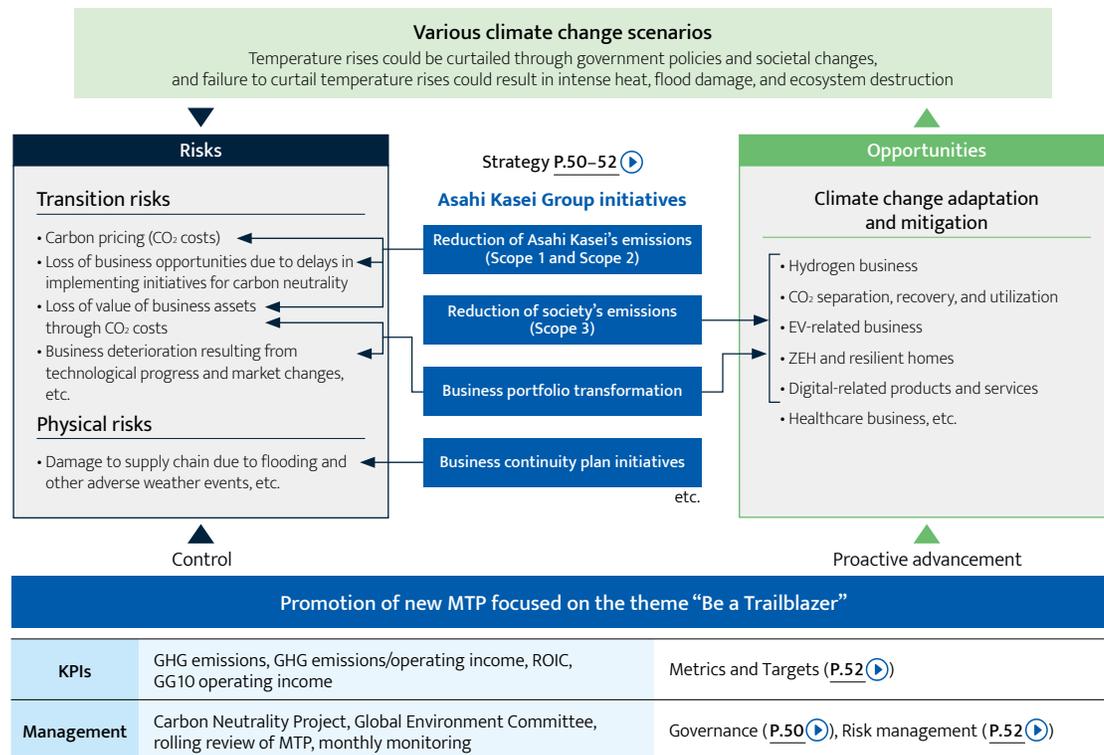


Green Transformation (GX)

# Initiatives for carbon neutrality

Climate change is a critical issue that will have a major impact on society, ecosystems, and businesses. Furthermore, actions and regulations to prevent climate change have the potential to impact the structure of society and corporate strategies. Asahi Kasei is working to transform its business portfolio and improve productivity while taking on the challenge of achieving a carbon neutral society and sustainable growth of corporate value.

## Overview of the Asahi Kasei Group's response to climate change



## Climate change-related information disclosure (disclosure based on the TCFD<sup>1</sup> framework)

In the following sections, we describe Asahi Kasei's climate change initiatives in accordance with the TCFD disclosure framework, covering governance, strategy, risk management, and metrics and targets.

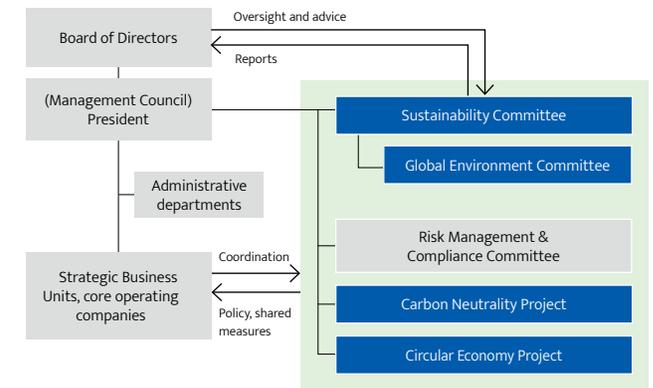
## Governance

Asahi Kasei considers GX, which focuses on climate change initiatives, to be an important management issue and is working to address GX as one of the core themes of its management strategy.

Our climate change policy and priority concerns are deliberated and determined by the Board of Directors, while specific related matters are discussed and decided by business execution decision-making bodies such as the Management Council. To promote the implementation of decisions of the Board of Directors and the Management Council at the business level, we have established the Sustainability Committee, chaired by the President of Asahi Kasei, where persons responsible for the execution of each business share and discuss sustainability-related issues. The details of the discussions are reported to the Board of Directors, leading to further discussions from a company-wide perspective.

Under the direction of the Executive Officer for Green Transformation, the Carbon Neutrality Project examines scenarios and specific measures to achieve GHG emission reduction targets. The President and the Executive Officer for Strategy regularly review the course of the project and guide its further advancement.

In addition, to accelerate the transition to a circular economy, which is closely related to action on climate change, we launched the Circular Economy Project in April 2024. The project studies Asahi Kasei's policies and path for transitioning to a circular economy.



## Strategy

Based on awareness and analysis of the significant opportunities and risks associated with various climate change scenarios, Asahi Kasei is working to actively seize such opportunities in accordance with its MTP while controlling risks.

### Basis of analysis

We studied the opportunities and risks associated with Asahi Kasei's business based on two scenarios: a +1.5°C scenario in which GHG emissions are significantly curbed to rein in temperature rises (WEO, Net Zero Emissions by 2050 Scenario [NZE]<sup>2</sup>) and a +4°C scenario in which global warming countermeasures do not progress adequately (IPCC, SSP3-7.0<sup>3</sup>).

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

<sup>1</sup> Task Force on Climate-related Financial Disclosures. The TCFD was established and its recommendations were officially announced by the Financial Services Board in 2017. It was dissolved in October 2023 and succeeded by the IFRS Sustainability Disclosure Standards.

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

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

## Green Transformation (GX)

## ► Opportunities

Asahi Kasei works to contribute to life and living for people around the world. Through its various products and services, Asahi Kasei is able to create business opportunities by addressing the societal challenge of adapting to and mitigating climate change.

Asahi Kasei is promoting the transformation of its business portfolio to provide value in line with the shift toward a carbon neutral society and other such megatrends. Each of the GG10 businesses to drive future growth has opportunities related to climate change, and under our MTP we plan to adopt decisions on approximately ¥700 billion of investment in GG10 businesses

over the three years through fiscal 2024. In particular, we are focusing management resources on Energy Storage and Hydrogen-Related businesses, and anticipate investment of up to ¥300 billion over the three-year period of the MTP. Additionally, we plan to invest approximately ¥60 billion in decarbonization over the three years through fiscal 2024.

Furthermore, with the aim of engaging and collaborating on new technologies for addressing climate change and other challenges, we established the “Care for Earth” investment framework, allocating US\$100 million over the five-year period through fiscal 2027 to our corporate capital venture (CVC) activities for investment in environmental startup companies.

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

\* GHG emissions of a product from material extraction to production

## ► Risks

Under the +1.5°C scenario, we anticipate risks such as stricter regulations through carbon pricing and other central government policies, a shift in demand to products and services that are compatible with carbon neutrality, an accelerating transition to a circular economy, and changes in market structure due to the emergence of innovative technologies aimed at achieving carbon neutrality. Related risks include the potential selection of certain companies over others and damage to our reputation in society if expectations of investors or customers regarding carbon neutrality exceed our level of commitment.

Under the +4°C scenario, we primarily anticipate physical risks such as extreme heat, heavy rain, and flooding. In particular, we are aware of the risk of damage to our major manufacturing sites both in Japan and overseas due to intensifying wind and flood damage, and the associated damage costs.

We recognize that these are all risks that may emerge as climate change progresses, and we will continue to take steps to mitigate them.

## Green Transformation (GX)

	Important changes	Main opportunities	Major initiatives
+1.5°C scenario	Transition to a carbon neutral society	<ul style="list-style-type: none"> <li>Rise in costs due to stricter regulations (manufacturing and raw material costs) Estimate: Current GHG emissions (Scope 1 and Scope 2) × Carbon costs = Increase of approx. ¥48 billion per year*</li> <li>Changes in materials needs (decarbonization requirements, necessary specifications)</li> <li>Potential for investors and customers to choose certain companies over others, and damage to reputation, based on corporate efforts for carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Expansion in utilization of renewable energy, etc.</li> <li>More efficient energy use; development and commercialization of industrial processes for decarbonization</li> <li>Expanded use of biomass raw materials</li> <li>Acceleration of product decarbonization by ascertaining carbon footprint</li> <li>Revision of management resource allocation (including business portfolio transformation)</li> </ul>
	Changes in market structure	<ul style="list-style-type: none"> <li>Contraction of existing markets due to the transition to a circular economy</li> <li>Contraction of existing markets due to the advance of replacement technologies</li> </ul>	<ul style="list-style-type: none"> <li>Development of material and chemical recycling technologies and promotion of their practical application</li> <li>Adoption of biomass feedstock</li> <li>Revision of management resource allocation (including business portfolio transformation)</li> </ul>
+4°C scenario	Serious storm and flood damage	<ul style="list-style-type: none"> <li>“Physical” production risks</li> <li>Impact on production from damage to plants or suppliers</li> </ul>	<ul style="list-style-type: none"> <li>Continuous revision of BCP and reinforcement of preemptive response (review of inventory levels, study of multiple suppliers/sites, etc.)</li> </ul>
	Rise in temperature	<ul style="list-style-type: none"> <li>“Human” production risks</li> <li>Deterioration of working environment and productivity at construction sites</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of heatstroke countermeasures at construction sites</li> <li>Promotion of industrialization and utilization of IT in housing construction</li> </ul>

\* In fiscal 2023, the Asahi Kasei Group's GHG emissions (Scope 1 and Scope 2) totaled 3.18 million t-CO<sub>2</sub>e (preliminary figure). Our internal carbon pricing is set at ¥15,000/t-CO<sub>2</sub>e emissions, based on the CO<sub>2</sub> price level in 2030 in WEO2023's NZE scenario.

For more detailed information, please see [Climate Change Initiatives \(Disclosure based on the TCFD Recommendations\)](#) 

## Risk management

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

### ▶ Monitoring GHG emissions

Asahi Kasei obtains reliable performance data for Scope 1, Scope 2, and Scope 3 (major categories) every year with third-party assurance. Progress made toward achieving emission reduction targets is shared with the Sustainability Committee and its sub-committee, the Global Environment Committee, and future initiatives are discussed and confirmed.

When formulating or reviewing business plans, we check the status of GHG emission reduction efforts and link them to business strategies and measures. We also ascertain the relevant situation on a monthly basis and share that information with management.

### ▶ Internal carbon pricing (ICP)

To promote actions toward carbon neutrality, we use ICP to evaluate the profitability of capital investments and apply it in investment decisions. ICP is set taking into consideration carbon price forecasts of the International Energy Agency (IEA), market prices, and our own cost forecasts for advancing carbon neutrality.

## Metrics and targets

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

	Targets and results	Significance of metric
GHG emissions	Target By 2030: Reduce by 30% or more (compared with fiscal 2013) By 2050: Achieve carbon neutrality Result Fiscal 2023: 3.18 million t-CO <sub>2</sub> e (preliminary figure)	Indicates reduction status of Scope 1 and Scope 2
GHG emissions/ operating income	Result Fiscal 2023: 2,300 t-CO <sub>2</sub> e /¥100 million	Decline signifies reduction of carbon tax risk
ROIC	Target Around 2030: Achieve ROIC of 10% or more Result Fiscal 2023: 5.9%	Increase indicates progress toward becoming high earnings enterprise capable of adapting to change
GG10 operating income (ratio)	Target Around 2030: 70% or more Result Fiscal 2021: 35%	Signifies growth of related businesses capable of contributing to addressing climate change
ICP	Make investment decisions based on ¥15,000/t-CO <sub>2</sub> e and utilize in awards program	
Reflection of climate change issues in executive remuneration	Reflect the level of achievement of sustainability promotion, including initiatives related to climate change, in performance-linked remuneration	

In addition, we have set the goals of increasing the portion of sales of Environmental Contribution Products, which are products and services that contribute to reducing society's GHG emissions from the perspective of the entire value chain, and of more than doubling our contribution to GHG emission reduction by Environmental Contribution Products by 2030 compared with fiscal 2020.

Green Transformation (GX)

**Contributing to reductions in society’s GHG emissions**

Our diverse technologies and businesses have wide-ranging potential for contributing to the reduction of society’s GHG emissions. We are committed to creating technologies and developing products that contribute to GHG emission reduction throughout the entire value chain, thereby providing new value to society.

**Targets**

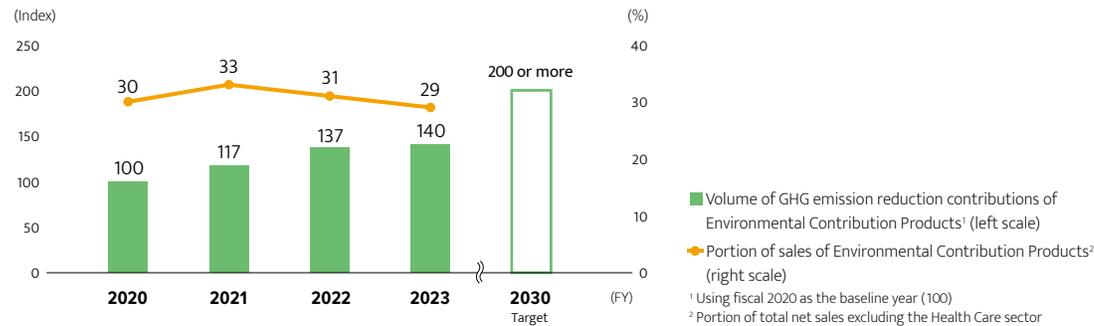
We have two targets for achieving both environmental contribution and sustainable business growth. The first is to more than double the volume of GHG emission reduction contribution by Environmental Contribution Products by 2030 compared with fiscal 2020, and the second is to increase the portion of sales of Environmental Contribution Products. We quantitatively ascertain the progress towards our targets and are advancing with initiatives.

**Results and initiatives**

To date, a total of 25 products and technologies have been certified as Environmental Contribution Products. Their contribution to reduced GHG emissions has risen to 1.4 times the fiscal 2020 level, and their sales have reached 29% of total sales. We will continue to further expand environmental contributions through our business, including by placing even greater emphasis on environmental contribution in our research and development.

**Targets and results**

**GHG emission reduction contributions through Environmental Contribution Products**

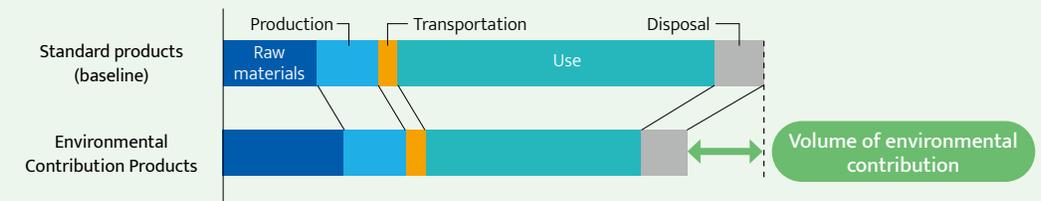


Note: GHG emission reduction contribution in fiscal 2023 was approximately 18 million tons. Baseline setting and methodology for contribution rates included in calculations for individual products are considered to be appropriate for each individual product. Therefore, a simple aggregate of each product’s total contribution or a comparison between companies may not necessarily be the most reasonable means of calculation.

**About Environmental Contribution Products**

Environmental Contribution Products are products and technologies that have been internally certified as contributing to environmental improvement and reducing environmental impact throughout their entire life cycle. When conducting the certification process, we receive advice from external experts on the validity of our calculation methods for, and definitions of, environmental contributions and confirm their rationality.

**Conceptual diagram of Environmental Contribution Products and the volume of their environmental contribution**



**Volume of environmental contribution**

Our calculation and certification of the volume of environmental contribution from our Environmental Contribution Products is based on our own original guidelines which take into consideration guidelines such as those published by the Institute of Life Cycle Assessment, the Japan Chemical Industry Association, the Ministry of Economy, Trade and Industry, and the World Business Council for Sustainable Development (WBCSD). We ensure the rationality of our definitions of the environmental contribution of individual products by having them reviewed by external experts. Further, reviews from academic perspectives have led to improvements in employee knowledge regarding environmental contributions and employee understanding of the promotion of environmental contribution businesses.

Asahi Kasei recognizes reduced environmental impact value and is actively participating in the GX League<sup>3</sup> initiative to establish related standards. We participated as one of the founding companies in the Green Product Value-Added Study Working Group, which published “Proposal on Adding Value to Green Products.”

<sup>3</sup> GX League is a framework that brings together companies taking on the challenge of economic and societal reform to achieve carbon neutrality by 2050 to lead GX through dialogue and the formulation of rules.

Green Transformation (GX)

Environmental Contribution Products and key points of their environmental contribution

	Environmental Contribution Products	Key points of environmental contribution
Production processes	Acrylonitrile production process	High yield (catalyst)
	Cyclohexanol production process	High yield
	Adipic acid production process	High efficiency in N <sub>2</sub> O decomposition
	Polycarbonate production process	Use of CO <sub>2</sub> as raw material
	Dimethyl carbonate production process	
Weight reduction	Xyron™ modified-polyphenylene ether (mPPE) resin for battery components	Lightweight battery case for HEVs
	Elastomer for asphalt modification	Improved road durability
Longer service life	Hebel Haus™ unit homes	Usable for 60 to 100 years / ZEH, energy-saving
	Hebel Maison™ apartment buildings	
Energy-saving	Ion-exchange membrane process for chlor-alkali electrolysis	Low power consumption in electrolysis
	CO <sub>2</sub> sensors	Reduction of unnecessary ventilation
	Hipore™ and Celgard™ lithium-ion battery separators	Essential for electric vehicle lithium-ion batteries
	Solution-polymerized styrene-butadiene rubber (S-SBR) for fuel-efficient tire tread	Improved tire rolling performance
	UVC LED for water sterilization	Energy-saving (mercury free processes)
	Hall elements and Hall ICs (for residential air conditioners)	Energy-saving through conversion to inverter motors
	Current sensors (for commercial air conditioners)	
	Temperature compensated crystal oscillator (TCXO) ICs for telecom base stations	Reduced power consumption via non-use of heaters
Resource-saving	Neoma Foam™ insulation panel	Fewer resources required for equivalent insulation performance
	Asaclean™ purging compound for molding machines	Resource saving in purging of molding machines
	Microza™ hollow-fiber filtration membranes	Resource-saving high membrane durability
	Xyron™ modified-polyphenylene ether (mPPE) resin solar cell connector material	Reduction in number of modules and amount of resin used by withstanding high voltage
	AWP™ photosensitive resin for flexographic printing plates	Highest printing quality and productivity, zero use of solvents
	Dinamica™ artificial suede	Increased use of recycled PET and reduced use of solvents (dimethylformamide)
	Duranol™ polycarbonatediol for soft-feel coatings	Reduction in solvent (butyl acetate) usage
	Low-viscosity grade Duranate™ curing agent for polyurethane coatings	Reduction in solvent usage by paint manufacturers
	Ecoloop™ OPS film	Higher rate of recycled material usage

Example of calculation of GHG emission reduction contribution

Hall elements and Hall ICs for air conditioners

About Hall elements and Hall ICs

Hall elements and Hall ICs are sensors that detect magnetism using the principle known as the Hall effect.\* Although extremely small, the components are characterized by the precision with which they are able to detect magnetic fields, and they are used in everyday products such as air conditioners, washing machines, and smartphones.

Stage of contribution during the product life cycle



Contribution to reduced power consumption in residential air conditioner usage

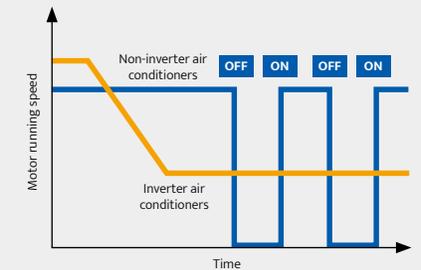
\* The Hall effect is a conduction phenomenon which occurs when a magnetic field is applied perpendicular to the electric current of a material (such as a semiconductor) and an electromotive force emerges in a direction perpendicular to both the current and the magnetic field.

Uses and reasons for contribution

Energy-saving residential air conditioners

Hall elements and Hall ICs are essential for controlling brushless DC motors and inverters (for energy-saving operation) in air conditioners, and contribute to higher efficiency, improved control, and reduced size.

Brushless DC motors are free from the wear and friction noise that are drawbacks of conventional brushed DC motors. Also, they are quieter and have a longer service life. Air conditioners that are capable of motor inverter control run the motor at high speed until the set temperature is reached and then adjust the motor to a lower speed. This significantly reduces power consumption compared to non-inverter air conditioners, which maintain the set temperature by simply turning the motor on and off.



Calculation method

$$\begin{aligned}
 & \text{Annual operating time (hours/year)} \times \text{Amount of power consumption reduction per hour (power consumption of control group - power consumption of assessment group)} \times \text{Electricity CO}_2 \text{ emission factor} \\
 & \times \text{Contribution rate of Hall elements and Hall ICs} \times \text{Air conditioner sales volume} \times \text{Years of use} = \text{Approximately 500,000 t-CO}_2
 \end{aligned}$$

Assumptions

- Control Group: Non-inverter induction motor air conditioner
- Contribution rate: Percentage of Hall elements and Hall ICs in cost of major components in residential air conditioners
- Sales volume: Estimate based on sales volume of Asahi Kasei products
- Years of use: Number of years of use of air conditioners (13.7 years: Cabinet Office Consumer Confidence Survey Results [2022])

Green Transformation (GX)

Reducing our own GHG emissions

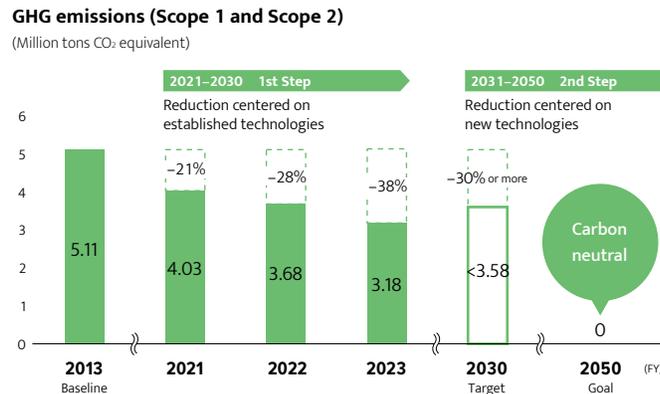
As part of our effort to become carbon neutral, we are working to reduce GHG emissions in our business activities. For the period up to 2030, which we have positioned as the first step, we are focusing on reducing emissions using established technologies. This initiative involves two approaches: reductions across the entire Asahi Kasei Group and reductions on a product-by-product basis through carbon footprint of products (CFP) calculations, and other such means.

Targets

Targeting Scope 1 (direct GHG emissions by the company) and Scope 2 (indirect GHG emissions associated with the use of electricity, heat, and steam supplied by other companies), we have adopted the goals of reducing emissions by more than 30% compared with fiscal 2013 by 2030 and achieving carbon neutrality (net zero emissions) by 2050. In addition, for fiscal 2023, we decided on new domestic GHG emission reduction targets in accordance with the GX League framework and new targets for the non-fossil ratio of electricity under the Revised Energy Conservation Act of Japan.

Results and initiatives

In fiscal 2023, Asahi Kasei reduced GHG emissions by 38% compared with fiscal 2013 thanks to progress in various energy-related measures, fluctuations in production volumes, and other factors. The Executive Officer for Green Transformation and the Carbon Neutrality Project are overseeing efforts of the entire Asahi Kasei Group and are studying specific measures to reduce GHG emissions as well as scenarios for achieving our 2030 and 2050 targets.



Note: Preliminary figures shown for fiscal 2023; subject to revision as a result of third-party verification.

Activities for achieving carbon neutrality

The achievement of carbon neutrality by 2050 is a major challenge for Asahi Kasei. In this endeavor, we recognize the essential need not only for steady energy conservation activities and ongoing efforts to reduce GHG emissions but also for fundamental technological innovation and changes in business models.

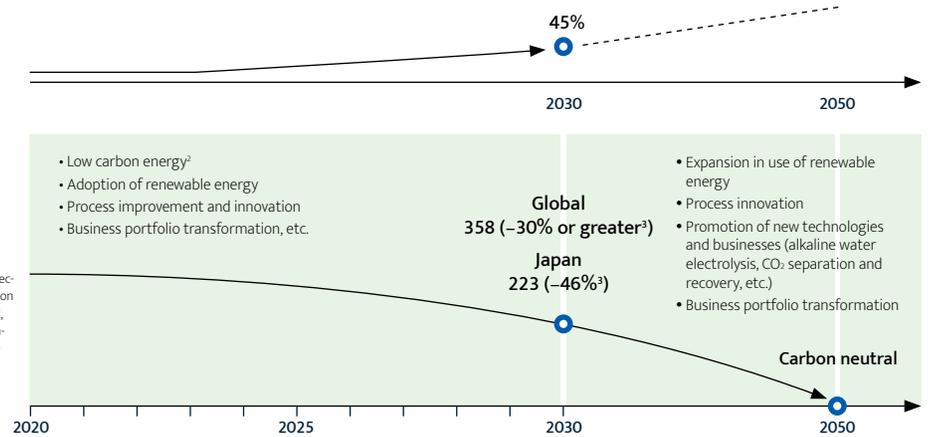
In fiscal 2024, we will continue to look into every possible GHG emission reduction measure and study specific measures and reduction scenarios from various perspectives, including low-carbon and decarbonized energy as well as efficiency gains and innovation in production processes. With regard to our petrochemical chain-related businesses, we will work with other companies to study options such as raw material conversion as a means toward achieving future decarbonization.

Roadmap to achieving carbon neutrality

Non-fossil ratio of electricity used in Japan<sup>1</sup>

Scope 1 + Scope 2 (10,000 t-CO<sub>2</sub>e)

<sup>1</sup>Asahi Kasei Corporation  
<sup>2</sup>Maximum use of existing hydroelectric power plants, low-carbonization of thermal power generation fuel, investment in solar power generation, switching of purchased electricity to renewable energy, etc.  
<sup>3</sup>Reduction rates compared with fiscal 2013



Investment	GG10 businesses: approx. ¥700 billion
	Decarbonization: approx. ¥60 billion
Funding	CVC: US\$ 100 million
	¥10 billion in green bonds
	¥20 billion in green bonds
	Green Innovation Fund

Project name: Large-scale Alkaline Water Electrolysis System Development and Green Chemical Plant Demonstration  
 Implementation framework: Asahi Kasei Corporation, JGC Holdings Corporation  
 Project scale: approx. ¥75 billion  
 Government support scale: approx. ¥47 billion

Utilization of renewable energy

Asahi Kasei owns nine hydroelectric power plants, mainly in Miyazaki Prefecture, which cover a portion of our electricity consumption. Using green bond financing, we are gradually proceeding with construction to upgrade and raise the efficiency of our hydroelectric power generation facilities for long-term use.

Asahi Kasei Homes installs and leases solar power generation equipment on the roofs of its Hebel Maison™ apartment buildings, and the electricity generated and purchased from customers is used at manufacturing plants, Asahi Kasei Corporation headquarters, and other facilities. At our plants both in Japan and overseas, we are also working to reduce GHG emissions by utilizing certificates and credits for purchased electricity.

Implementation of CFP calculations

Asahi Kasei is implementing carbon footprint of products (CFP) calculations with the aim of achieving carbon neutrality and meeting the requirements of our business counterparties. We conduct calculations in each business unit in the Material sector, and we are introducing a newly developed group-standard CFP calculation system to improve the efficiency of those calculations. Going forward, we plan to utilize data obtained through this new system when studying measures to reduce group-wide GHG emissions, with a view to linking the new CFP calculation system with our core systems.

Green Transformation (GX)

# Initiatives for transitioning to a circular economy

Transitioning to a circular economy is essential to the achievement of a sustainable society. A circular economy, which makes sustainable use of limited resources, is also important because it leads to reduced GHG emissions. Asahi Kasei is working on projects such as recycling used plastics, using biomass raw materials, and improving the service life and recyclability of products.

## Challenges and future initiatives

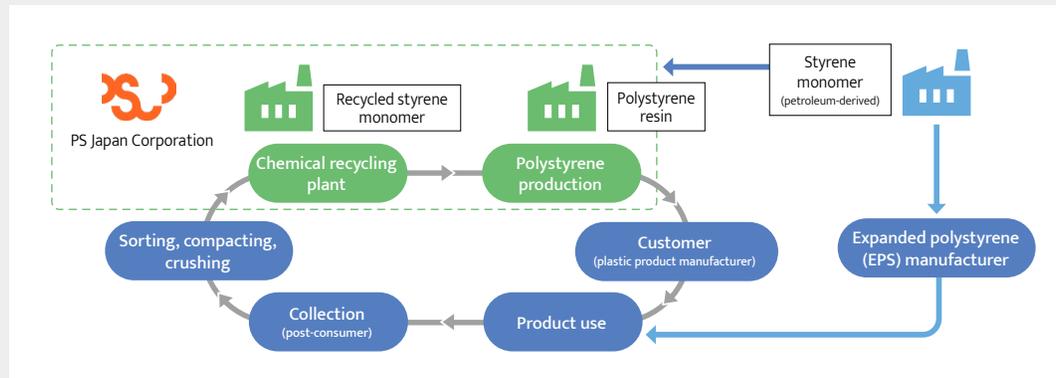
Asahi Kasei has long been committed to undertaking environmentally conscious manufacturing. However, as society increasingly expects a shift toward the realization of a circular economy, as illustrated by the European Union's Green Deal policy, we view this as a challenge that we must address and we are more proactive than ever before in our efforts to advance the circular economy.

In April 2024, we launched the new company-wide Circular Economy Project. This project oversees the individual projects being undertaken in each business as well as technological developments, working to raise the level of efforts group-wide toward the transition to a circular economy.

### Example initiatives

#### Verification trials for chemical recycling of polystyrene

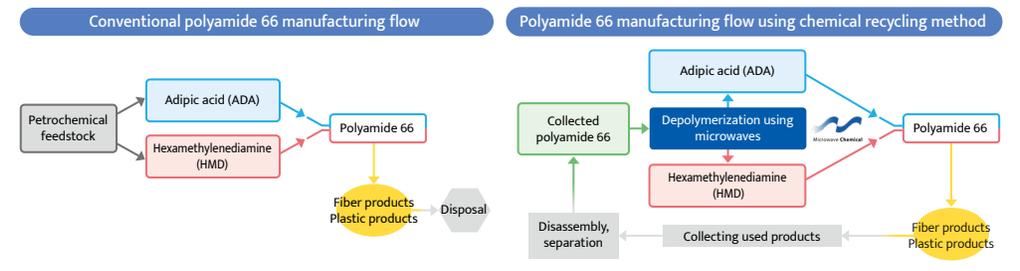
Polystyrene is used in food trays and other such products and is one of the most widely used plastics the world over. PS Japan, a polystyrene manufacturer and a subsidiary of Asahi Kasei, commenced operations in 2023 at a chemical recycling demonstration facility to convert used polystyrene back into styrene monomer. The recycled polystyrene can even be used in food contact applications, which have strict product safety requirements, thus making a significant contribution to the promotion of recycling. We plan to move from verification trials at the facility to practical application, thereby achieving waste reduction and effective use of resources.



#### Verification trials for chemical recycling of polyamide 66 from scrapped vehicles

In July 2023, the European Commission announced a new regulation for end-of-life vehicles (ELVs), which would require that at least 25% of plastic used to produce a new vehicle to be recycled, of which 25% must come from ELVs. These new requirements are symbolic of the growing need for automobiles that have a low environmental impact, from design and production to disposal and recovery, and that are highly recyclable. In light of this, Asahi Kasei, in collaboration with Microwave Chemical Co., Ltd., has begun verification trials toward the practical application of a chemical recycling process that uses microwave technology to depolymerize post-use waste material of polyamide 66 for airbags and automobile parts. This technology has the potential to achieve polymer monomerization using less energy, as well as potential as a recycling technology that reduces GHG emissions.

#### Polyamide 66 manufacturing flow (conventional method vs. chemical recycling method)



Note: Chemical recycling is the process of chemical decomposition of waste plastic (polymers) to turning it back into substances (monomers) that can be used as raw materials to produce new plastic. Chemical recycling allows the consumption of limited resources to be reduced.



## Q5

# How will you use intangible assets to improve corporate value?

**A** With mindsets changing throughout the company, employees are more keenly aware of the value of intangible assets, and business models are increasingly based on intangible assets as the central source of value.

- 58** **Special Feature**  
A-Spirit: Contributing to the Maximization of Intangible Assets
- 60** Maximizing Use of Intangible Assets
- 61** Transformation of HR
- 66** Research and Development
- 69** Intellectual Property
- 70** Digital Transformation
- 73** Viewing Asahi Kasei's Intangible Assets from an External Perspective  
Yuko Maeda, Outside Director

## Special Feature

## A-Spirit: Contributing to the Maximization of Intangible Assets

# The A-Spirit of Team Pimel: The force behind the adoption of Pimel™ in the world's most cutting-edge technology

Intangible assets are the source of value creation for Asahi Kasei. Our greatest intangible assets are our human resources who enthusiastically take on a variety of businesses. They are driven by the “A-Spirit,” a spirit of undertaking challenges that is the core of our corporate culture. The flagship product of our electronic materials business, Pimel™ illustrates the strengths of our intangible assets fostered in an open-minded and dynamic organization as we took challenges at the world's cutting-edge of technology.

## Pimel™ as a product characteristic of Asahi Kasei's high technological capability

Pimel™ is a photosensitive polyimide used to protect the surface of the chips on which the fine electronic circuits inside semiconductor devices are formed, and to insulate the redistribution layer that connects the chip to external terminals. When applied as a protective film on the surface of a chip, the film thickness is 5 to 10 μm, approximately one-tenth the diameter of a human hair. Because it needs to provide the specified performance under various conditions, this is an extremely challenging product in all aspects of technological development, manufacturing, and quality control.

Pimel™ was developed in 1988 utilizing Asahi Kasei's unique technologies, such as photosensitive resins and polymer chemistry. Having overcome severe changes in the external environment, such as the bursting of the dot-com bubble and the global financial crisis, in recent years the Pimel™ unit has seen its business performance grow steadily with the spread of smartphones and data centers. Pimel™ plays an integral role in the evolution of cutting-edge semiconductor devices for smartphones, which require miniaturization, high integration, and high speed. This is truly a product that creates new value for tomorrow.

In materials business such as electronic materials, once a customer has chosen to use a given material, it

takes a long time to convince them to switch to another. Hence, one of the materials business' defining characteristics is building relationships of trust over the long term and continuing to improve products collaboratively. “Taking on challenges swiftly, decisively, and ambitiously for the sake of our customers” is a culture that permeates the company. As a chemical company, this is a formidable strength of Asahi Kasei, and we have differentiated ourselves through our communication with customers and ability to make proposals.

## Adoption by a major global foundry, and frustration at inability to meet customer needs

In 2015, Pimel™ was adopted by a global leader in semiconductor contract manufacturing. However, Asahi Kasei's true strength was put to the test in August 2017, when the company was approached about being a candidate for a “key material” to protect cutting-edge semiconductor chips for use in completely new applications.

“We want to do whatever it takes to meet our customers' expectations.” This was the sentiment shared by all members of the Pimel™ team at Asahi Kasei, including

Shunji Ooi  
Head of Electronic  
Materials Plant

Reiko Mishima  
Marketing Department

Isao Sakata  
Quality Control Section

Masaki Honda  
Production Technology Section

Chihiro Sakakibara  
Quality Assurance Section

Takahiro Sasaki  
Head of Technology Development  
Department

Yoshito Ido  
Technology Development  
Department



## Special Feature

## A-Spirit: Contributing to the Maximization of Intangible Assets

those in charge of marketing, technology development, quality control, and manufacturing. However, the quality inspection details required by the customer exceeded Asahi Kasei's conventional standards. Although the team came extremely close to meeting those standards, they were unable to clear the final performance criterion, and their development by trial-and-error continued for several years.

Their success or failure to seize this opportunity would have a major impact on future business growth for Pimel™. The department head at the time gave a rousing speech to the team members, convincing them to do whatever it took to win the project.

### A-Spirit as the source of customer service capabilities

Members of the Technology Development Department visited the customer's plant overseas and made continual improvements to prototypes. Every day, from morning to night, questions and requests from the customer were immediately shared with team members in Japan. Asahi Kasei was able to bring together its technical capabilities and manufacturing expertise to provide prompt answers and solutions to problems. By repeating this process, department members finally completed a lab prototype that met all requirements.

"I just wanted to make a difference in some way," says Isao Sakata of the Quality Control Section, looking back on those turbulent days. When asked how the Pimel™ team were able to win out over their competitors, Shunji Ooi, Head



of the Electronic Materials Plant, remarks, "We all endured those tough times together and banded together to keep moving forward, which is why we have strong lateral ties that go beyond our individual duties. The driving force behind our speedy response to our customers is an organizational culture that naturally allows people to share what they need to do and what they require at a given time."

Actual mass production also presented challenges. Test production was started, but there were slight quality discrepancies between the prototype and the product. "After we have all worked so hard to get this far, we can't fail now." With that pinpoint focus, Masaki Honda of the Production Technology Section pushed through the establishment of manufacturing conditions and the creation of rules for work processes, and together with numerous on-site staff, he managed to complete a supply system capable of meeting the necessary quality standards. Regarding the many colleagues he worked with, Honda says, "No one ever said anything negative, and everyone earnestly provided constructive opinions."

As the Pimel™ team neared the end of the product adoption process, the inspection phase at the plant was also a constant source of challenges. Not only did inspection preparation, which usually takes more than three months, have to be completed in just one week, but the list of inspection criteria numbered in the hundreds, more than double the number that would normally be required. Sakata from the Quality Control Section and Chihiro Sakakibara from the Quality Assurance Section introduced new inspection equipment and significantly revised work processes and personnel deployment. Making matters worse was the outbreak of COVID-19, but progress forged ahead thanks to the flexible response and close communication of Reiko Mishima from the Marketing Department.

After that, the A-Spirit of the entire team in marketing, technology development, quality control, manufacturing, and the desire to meet customer needs have continued to drive the company forward, allowing it to continue to respond promptly to the exacting demands of a major

global foundry. As a result, the team has been able to bring to market a new Pimel™ product with higher performance.

### Reinforcing technology, intellectual property, and brand strength together with the customer

In December 2020, Asahi Kasei was selected as an outstanding supplier by the major global foundry. This is a prestigious award that is only given to a dozen or so companies out of the hundreds that do business with that foundry.

"It's rewarding precisely because it's difficult. That is the prevailing view among the engineers and other human resources at Asahi Kasei. Each individual has a great deal of discretion, and they aren't bound by fixed methods. This allows us to exceed customer expectations," says Takahiro Sasaki, head of the Technology Development Department. Yoshito Ido, also from the Technology Development Department, further adds confidently, "Our strength lies not only in our technology and knowledge, but that the trust we have for our colleagues extends to the mindsets we hold. That teamwork will surely be conveyed to customers and help build trust." Asahi Kasei's human resources have the curiosity to not flinch from the challenges of the unknown. The curiosity of each individual creates an enterprising spirit, leading to unconventional, flexible thinking and the ability to take action, which in turn leads to high commendation from Asahi Kasei's customers.

Furthermore, what "Team Pimel" has achieved is not just a temporary recognition as an outstanding supplier. Being selected by the team's customers as a business partner means being able to quickly listen to their rapidly changing needs and constantly develop cutting-edge technology. By leading the electronic materials market in this



way, we will be able to accumulate further expertise and knowledge and obtain patents ahead of the competition. Competitiveness leads to customer trust and brand strength, which form a powerful multi-layer of intangible assets, and will lead to the next challenge to be undertaken as well as greater value for other businesses.

### Further strengthening competitiveness through DX

Going forward, DX will form the driving force behind the Digital Solutions business including Pimel™. The company is now working to strengthen its quality competitiveness and customer responsiveness through a unique shared communications platform that centrally manages manufacturing information, quality control information, and customer inquiries from its various global sites. In addition, existing issues are also being resolved, such as by using generative AI to streamline business processes.

In these transformations as well, "human resources are everything." This is why Asahi Kasei, which attracts highly motivated human resources, is sure to be able to achieve a major transformation through DX.

**Marketing, technological development, manufacturing, quality control, and quality assurance—these inimitable intangible assets, and the "A-Spirit" that underpins them, all contribute to the growth of the Pimel™ business.**

Maximizing Use of Intangible Assets

# Overview of Asahi Kasei's intangible assets

The intangible assets of Asahi Kasei, the source of its growth, comprise 1) motivated human resources involved in various businesses, 2) wide-ranging technology, intellectual property, and manufacturing expertise, 3) contact points in various markets, and 4) digital platforms accelerating co-creativity and transformation.

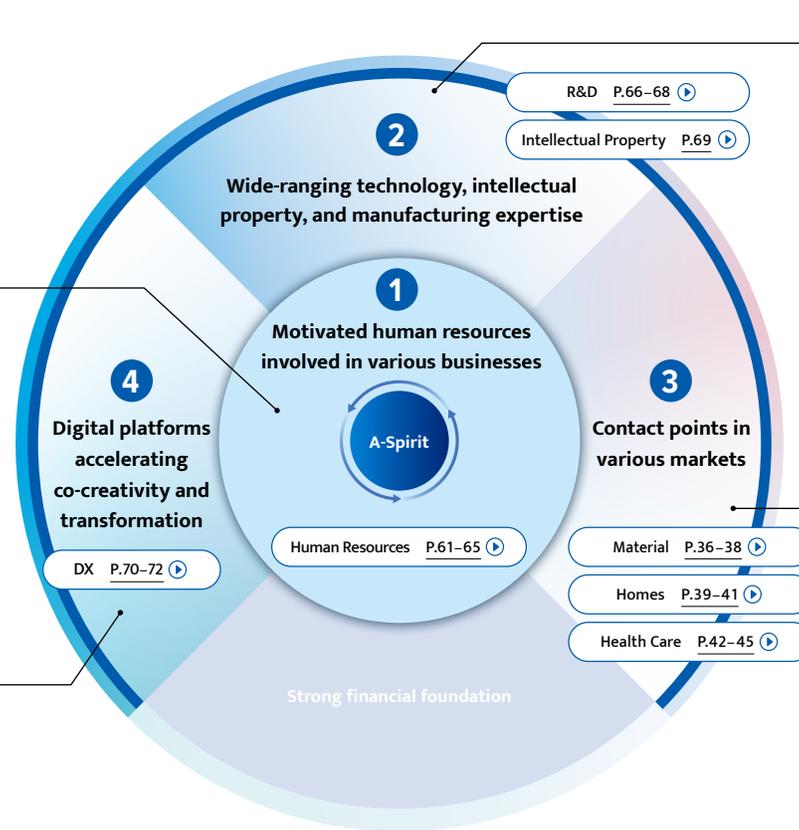
The motivated human resources involved in a diverse range of businesses around the world guided by “A-Spirit”—the spirit of taking on challenges that is at the core of the culture of Asahi Kasei—are our greatest intangible asset. The stimulation and co-creation arising from different cultures within the Asahi Kasei Group, including the rotation of human resources across sectors, connects these extensive intangible assets, thereby facilitating the creation of new value.

## 1 Motivated human resources involved in various businesses

<b>Strengths</b>	<ul style="list-style-type: none"> <li>Global human resources (percentage of overseas employees: &gt;40%)</li> <li>Highly specialized human resources (number of Group Masters: 347<sup>1</sup>)</li> </ul>
<b>Policy and Strategy</b>	<ul style="list-style-type: none"> <li>Lifelong growth and co-creativity → Discovering the future with lifelong growth and co-creativity of diverse individuals</li> </ul>

## 4 Digital platforms accelerating co-creativity and transformation

<b>Strengths</b>	<ul style="list-style-type: none"> <li>Management innovation through DX (DX-related investment [3-year total]: Approx. ¥30 billion)</li> <li>Number of digital professional human resources: 1,728<sup>1</sup></li> </ul>
<b>Policy and Strategy</b>	<ul style="list-style-type: none"> <li>All members × on-site initiative × co-creation → Continuously sparking transformation through on-site initiative in using digital technology</li> </ul>



## 2 Wide-ranging technology, intellectual property, and manufacturing expertise

<b>Strengths</b>	<ul style="list-style-type: none"> <li>Accumulated core technologies and patents (number of patents held: domestic, 6,807<sup>2</sup>; overseas, 7,818<sup>2</sup>)</li> <li>Strong R&amp;D capabilities (R&amp;D expenses: ¥106.6 billion<sup>1</sup>)</li> </ul>
<b>Policy and Strategy</b>	<ul style="list-style-type: none"> <li>Intellectual property: Safeguard business profit and contribute to maximizing business value through collaboration between Corporate IP and the Intellectual Property Intelligence Department</li> <li>R&amp;D: Create new value by integrating tangible and intangible assets</li> </ul>

## 3 Contact points in various markets

<b>Strengths</b>	<ul style="list-style-type: none"> <li>Uncovering new needs</li> <li>Inter-sector knowledge and data</li> <li>Brands trusted by customers and partners</li> </ul>
<b>Policy and Strategy</b>	<ul style="list-style-type: none"> <li>Create new business models and customer experience by utilizing expertise and marketing knowledge from diverse industries group-wide</li> </ul>

<sup>1</sup> Fiscal 2023 or March 31, 2024  
<sup>2</sup> December 2023

## Transformation of HR

Message from the  
Executive Officer for HR

# “Leveraging Asahi Kasei’s strengths to empower diverse individuals”



**Satoshi  
Nishikawa**

Lead Executive Officer  
Executive Officer for  
Human Resources,  
Deputy Oversight for Health  
& Productivity Management

## Asahi Kasei’s heritage of “outstanding individuals and team strength”

To me, “A-Spirit,” which is the heritage of Asahi Kasei, is fully realized when each and every person’s individuality stands out and there is a strong sense of unity in taking on challenges. Since our founding, we have developed through the power of technology and people without the backing of any major conglomerate. Our organizational culture is steeped in the formative experiences of overcoming numerous challenges by maximizing the capabilities of individuals and bringing them together. This heritage has been passed down in everything from the commitment and tenacity of our people who developed the homes business and the semiconductor-related business, once new ventures for us, into their current prominent positions in industry; to the tireless spirit of inquiry shown by Honorary Fellow Akira Yoshino when he invented the lithium-ion battery; and to the “bold spirit of challenge” that resonated with overseas companies who have joined us through M&A—and we have these accomplishments as a springboard to aggressively expand our business.

I have performed various duties other than those related to human resources, with a particularly long post in the electronic materials business. Through my time in business planning, the operation of overseas manufacturing bases, and sales,

among other areas, I gained experience in overcoming many challenges by working together with diverse teams of colleagues to rapidly respond to market expansion and meet customer requests to the greatest extent possible. Everyone’s individuality truly stood out, and I would say that the more difficult the challenge, the stronger our bond became. I am sure that I would have felt the same sense of challenge that comes from working together with colleagues even if I had been involved in other areas of business.

When I talk to people outside the company, I often hear them say, “Asahi Kasei has a strong frontline presence.” I feel this comment refers to the fact that our frontline people think and act with initiative rather than waiting for instructions from above, as well as that senior management listens carefully to them when making decisions. It is precisely because of our frontline strengths, that is, by combining the power of individuals and using it to improve teamwork, that we have been able to respond quickly to changes in the business environment, and rapidly and effectively take on challenges in new business fields.

## Discovering the future through lifelong growth and co-creativity of diverse individuals

As the underlying business and working environments undergo major changes, the key to our further development is whether we can demonstrate Asahi Kasei’s heritage and respond appropriately to such changes, and I believe that is the essence of our human resource strategies. The challenges and risks that companies face are becoming more complex and multifaceted, and companies are being called upon not only to face the realities on the ground head on, but also to respond in a way that takes into account a variety of perspectives, such as the SDGs and ESG. Given such circumstances, there is a danger that companies will become less ambitious out of fear of risk. A few years ago, when we had a company-wide discussion about the ideals of our human resources, it was pointed out that of Asahi Kasei’s values of “sincerity,” “challenge,” and “creativity,” the spirit of challenge was fading. Therefore, in our current MTP focused on the theme “Be a Trailblazer,” we included the term “A-Spirit” to reawaken the spirit of taking on challenges that is woven into our heritage. In addition, the values and behavior we expect from our employees have been redefined to reflect the new business environment and outlook on work: “lifelong growth and the co-creativity of diverse individuals.”

The term “lifelong growth” was coined with an awareness of how it dovetails with “lifetime employment.” Our goal is to evolve the static “employer-employee” relationship between the company and its personnel into an active relationship where the company supports the autonomous growth of its personnel and the company itself grows as its personnel grow, thereby creating a win-win relationship in this new era.

Our diverse business operations give us access to a wide variety of technologies and markets. In addition, the proportion of overseas markets and human resources has risen significantly, and the number of mid-career hires in Japan has increased dramatically. To be able to quickly seize opportunities while minimizing risks at each workplace, and to continue to generate innovations that address new social issues, we must maximize the potential of this diversity and apply it to our business.

To that end, we are boldly and steadily pushing ahead with diversity in attributes such as nationality and gender while working closely with our frontline personnel to implement a variety of measures to strengthen “co-creativity” that connects and sparks chemistry among qualitatively diverse human resources.

Transformation of HR

# Human resource strategies for corporate value enhancement

Our “A-Spirit,” the heritage of Asahi Kasei passed on for generations, is the source of our transformative power, which is essential for driving our value creation. In order to reawaken the “A-Spirit,” our human resource strategies are based on “lifelong growth,” where each individual seeks out challenges and autonomous growth, and “co-creativity,” which encourages diversity.



Human resource strategies	Main personnel initiatives	KPIs and FY2023 results*
<b>Lifelong growth</b> P.63 ▶ We encourage each employee to take on new challenges and develop their own careers, and we work to strengthen our management capabilities to make the most of our ambitious human resources.	<b>Autonomous career development and realization of growth</b> <ul style="list-style-type: none"> <li>Autonomous learning platform “CLAP”</li> <li>Open position posting system</li> <li>Promotion of active participation of senior personnel, extension of retirement age</li> <li>Enhancement of career development programs</li> </ul>	Action driving growth (KSA survey score) ..... 3.72 Amount invested in human resource development ..... <b>Results are available here</b> ▶ Number of open position posting transfers ..... Total of approximately 500 employees
	<b>Improvement of management capabilities to draw out the strengths of individuals and teams</b> <ul style="list-style-type: none"> <li>Cultivation of executives and next-generation leaders</li> <li>Development of managerial staff</li> <li>Executive remuneration linked to Human Resource KPIs</li> <li>Organizational development activities at individual workplaces</li> </ul>	Group Executive succession preparation rate ..... 260% Workplace dialogue implementation rate ..... 73.9%
<b>Co-creativity</b> P.64–65 ▶ We have positioned diversity, equity & inclusion (DE&I) as one of our management strategies, and we are promoting the development and utilization of diverse human resources from the perspective of “expanding” and “connecting” diversity.	<b>Expanding diversity</b> <ul style="list-style-type: none"> <li>Nurturing of professional human resources as “Group Masters”</li> <li>Promotion of active participation of women</li> <li>Cultivation of digital professional human resources P.71 ▶</li> <li>Strengthening of mid-career recruitment</li> <li>Flexible workstyles not bound by time and place</li> <li>Acquisition of human resources through overseas M&amp;A</li> </ul>	Number of Group Masters ..... 347 Percentage of women in the total number of managers and the Group Masters program ..... 4.4% Number of women working as managers ..... 313 Number of digital professional human resources ..... <b>P.95</b> ▶ Mid-career hiring rate ..... 45%
	<b>Connecting diversity</b> <ul style="list-style-type: none"> <li>Personnel transfers across business sectors</li> <li>Visualization of human resources “CaMP”</li> <li>Employee (expert) recommendation system</li> <li>Active recruitment of outstanding overseas human resources</li> </ul>	Number of personnel transfers across business sectors ..... Total of approximately 370 employees Diversity and psychological safety score (according to KSA survey) <ul style="list-style-type: none"> <li>Diversity ..... 3.97</li> <li>Psychological safety ..... 3.65</li> </ul>



\* Results for employees of Asahi Kasei Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd., except for the number of digital professional human resources, which applies to all employees globally.

## Transformation of HR

## “Lifelong Growth” to take challenges for structural transformation and growth

To transform our business portfolio, which is the foundation of our value creation, it is essential that we create an environment that fosters human resources that are driven to grow and take on challenges, and that we utilize them in our business. By working toward lifelong growth from two perspectives—individual strength and team strength—we will enhance the corporate value of Asahi Kasei.

### Supporting autonomous growth and career development

#### Reform of learning methods: expansion of online learning platforms

We are currently taking on the challenge of reforming our methods of learning. Under the concept of learning together, we are supporting our employees' autonomous growth and career development by taking advantage of the open atmosphere that is unique to Asahi Kasei. It is said that Gen-Z employees, born between the late 1990s and the early 2010s, are characterized by their diversified career views and increasing anxiety about their careers due to sudden changes in the environment such as COVID-19. In June 2023, we opened Co-Learning Adventure Place (CLAP), an online autonomous learning platform, to support young employees in their autonomous career development. By having employees of the same generation interact through learning, younger employees have more time to study and less anxiety about their careers. We will continue to utilize the knowledge we have gained from this initiative to further reform the way we learn.

#### What is CLAP?

Co-Learning Adventure Place (CLAP) is an online autonomous learning platform that we introduced in 2022 to approximately 20,000 domestic employees. Users of the platform can choose the type of learning they need for their own expertise and career development from more than 10,000 content items from both inside and outside the company.



#### Expanding our open position posting system

To enable employees to autonomously develop their careers and grow, we have adopted an open position posting system that allows employees to take on new job challenges. Since introducing the system in fiscal 2003, a total of approximately 500 employees have voluntarily transferred across departments to take on new challenges in new environments. We plan to further improve the content of this program, for example by expanding the scope of in-house concurrent work, which allows employees to gain experience working in a department other than their own for a certain period of time.

### Building organizations that promote vitality and growth, and improving management skills

#### Building organizations that promote vitality and growth

In organization building, we focus on visualizing the status of individuals and the organization to encourage effective PDCA management and bring out the best in teams. Once a year, we conduct KSA, a work engagement survey assessing employee empowerment and growth, to monitor “supervisor–subordinate relationships and workplace environments,” “employee empowerment,” and “action driving growth.” Notably, “action driving growth” refers to independent learning behavior and behavior that contributes to the organization, which is the foundation of Asahi Kasei’s traditional team strength, and it has been set as a major human resource KPI.

#### Fiscal 2023 Results

Action driving growth (5-point scale from 1 to 5):

**3.72** (3.71 in FY2022, 3.69 in FY2021)

▶ About 70% of employees responded that they are taking actions conducive to growth.

#### Workplace dialogue as a source of vitality and growth

As an initiative unique to Asahi Kasei, which places importance on the capabilities of on-site personnel, we promote “workplace dialogue” in which each organization discusses its own challenges, what it aims to become, and initiatives going forward. An analysis of our internal data has shown that the quality of workplace dialogue and the quality of actions for improvement influence employee work engagement and empowerment. We view attentive listening as a fundamental management skill that improves the quality of these activities, and we work to strengthen this ability through measures such as hand-raising facilitation classes, one-on-one classes, and coaching. Courses in coaching were first offered to executives in fiscal 2017 and are now available to all those eligible for the newly appointed general managers training program.

#### Fiscal 2023 Results

Workplace dialogue implementation rate: **73.9%**,  
**51.9%** of dialogue participants initiated actions  
for improvement

#### Systematic training of executives

In parallel with our activities to improve on-site capabilities, we are also working to cultivate and acquire executive management personnel, who are key to organizational management. Since fiscal 2017, we have been implementing training program to strengthen leadership and teamwork in order to promote the development of next-generation leader candidates. Candidates are selected from among general managers and division heads, and several people enter these training programs each year and are promoted to Group Executive\* positions.

#### Fiscal 2023 Results

Group Executive succession preparation rate:

**260%**

**91** candidates selected for 35 Group Executive posts

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

Transformation of HR

# Enhancing “Co-creativity” by leveraging diversity

Our greatest strength in terms of value creation is the diversity of our intangible assets, including the technologies, human resources, and market contacts we obtain in our three business sectors. We will expand this diversity, encourage connections, and thereby foster strong chemistry which drives the transformation of our business portfolio to increase corporate value.

## Enhancing professional human resources

### Personnel with doctoral degrees

As of April 2024, Asahi Kasei has 373 personnel with doctoral degrees, mainly in technical fields, working in a variety of positions, not only in R&D but also in business planning, technical services, and human resources. They contribute to business advancement by utilizing their specialized knowledge as well as their universal abilities and behavioral characteristics, such as logical thinking skills cultivated in doctoral courses, the ability to carry out fundamental research, advanced language skills, and the ability to encourage engagement. For example, technical doctoral human resources who work in HR departments make use of their high level of expertise in many different ways by recruiting talent and helping to find outstanding talent who can lead to value creation.

### Mid-career recruitment

Amid dramatic changes in the business environment, it is extremely important for a company like ours that engages in many different businesses to be organizationally alert to and able to quickly pick up on business opportunities. Based on this understanding, we actively recruit human resources with diverse experience and backgrounds.

**Fiscal 2023 Results**  
 Mid-career hires (mid-career hire rate): **362** (45%)  
 Percentage of managerial positions held by full-time employees\* in Japan: **16.3%**

\* Full-time employees at Asahi Kasei, Asahi Kasei Microdevices, Asahi Kasei Homes, Asahi Kasei Construction Materials, Asahi Kasei Pharma, and Asahi Kasei Medical

### Personnel transfers across sectors and talent management system to visualize human resources

We actively transfer personnel across business sectors to enhance co-creativity. In 2023, approximately 370 employees were transferred, excluding transfers resulting from organizational changes and the like. To further advance these efforts, we have introduced Career Management Place, or CaMP, a talent management system that visualizes human resources and centrally manages information on employee careers, expertise, and other details. Going forward, we will continue to utilize CaMP to ensure appropriate allocation and training of human resources to leverage co-creativity through interaction among diverse human resources.

### Expanding the Group Masters program

For Asahi Kasei, which has a diverse range of businesses, the development and acquisition of many experts in fields such as technology, marketing, sales, manufacturing, environmental protection, and intellectual property will lead to effective synergies

that will accelerate the creation of new businesses and the strengthening of existing businesses. Under the Group Masters program, we appoint, train, and treat as Group Masters human resources who are expected to not only deepen and demonstrate their own expertise but also contribute to a sector’s business, including nurturing the next generation of professionals. In this way, we build a pool of highly specialized human resources who are useful both inside and outside the company. The program originally started with R&D specialists in our Material sector, but now it includes highly specialized human resources in each of our three business sectors and in recent years has expanded to include clerical departments such as marketing. We will continue to review and enhance our areas of expertise every year in line with our business policies. The number of Group Masters, which we are closely monitoring as a major KPI, has steadily increased since the program began, reaching 347 in fiscal 2023, with a target of 360 in fiscal 2024.

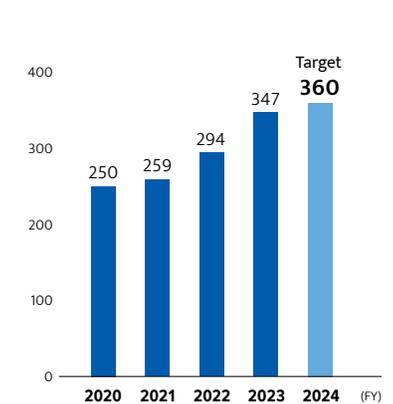
### Group Master ranks and roles



### Group Masters fields



### Number of Group Masters



## Transformation of HR

## Pleasant and rewarding workplaces

### Active participation of women

We believe that promoting women's participation in the workplace leads to the utilization of diverse human resources regardless of attributes such as gender or age. As such, we are working to create an environment in which it is easy for women to continue working as an important element of DE&I. Starting from fiscal 2022, we set a goal of increasing the percentage of women in management positions with leadership responsibilities and Group Master positions to more than 10% by fiscal 2030 as a KPI for measuring the performance of diverse human resources. As of June 2023, the percentage of women (number of women) in the total number of managers and the Group Masters program was 3.9% (309 women), and this figure increased to 4.4% (351 women) in June 2024.

As a means to continuously foster female leaders, we are implementing various initiatives to build a pool of candidates. Our mentor program, which provides newly appointed female managers with opportunities to proactively consider their career development together with superiors who do not report directly to them, has been participated in by a total of 132 women since we launched the initiative in 2013. We also hold roundtable discussions between female executives and managers to encourage female managers to aspire to further autonomous growth, broaden their perspectives, and change their mindset and behavior to take on future challenges and succeed.

### A culture where diverse human resources thrive further

Given that understanding and cooperation in the workplace are important for leveraging the diversity of each employee, and to harness this diversity for organizational strength, we are working to promote employee understanding of diversity and to improve psychological safety.

#### 1. Engagement monitoring

We use the KSA employee engagement survey to monitor the understanding of diversity and the permeation of psychological safety in the workplace. Diversity is measured in terms of whether the opinions of people from all standpoints are respected, and psychological safety is measured in terms of whether people feel comfortable discussing their concerns and differences of opinion and asking for help.

#### KSA diversity and psychological safety score (out of 5)

	2020	2021	2022	2023
Diversity	3.87	3.91	3.95	3.97
Psychological safety	3.60	3.62	3.64	3.65

#### 2. Unconscious bias training for executives and managers

Considering that for improving psychological safety in the workplace it is important to be aware of, and learn how to control, the unconscious biases inherent in every individual, we have implemented unconscious bias training for executives and managers since fiscal 2023. In fiscal 2024, the program will be expanded to include all section managers, with the aim of further enhancing psychological safety in the workplace and cultivating managers who can appropriately support employee success.

### 3. Partial Role Models

As a measure to support diverse working styles and career development, we launched a "Partial Role Model" intranet site, which introduces diverse human resources active within the company, such as female managers and men taking childcare leave. By introducing a variety of role models, the aim is to help employees with various lifestyles and career aspirations to visualize their medium- to long-term career development and increase their motivation to take on the challenge of career advancement.

### Global human resources

As our overseas business expands, the ratio of overseas employees has increased to more than 40%, and the active participation of overseas human resources is essential to our value creation efforts. We are expanding the promotion of locally hired human resources to key positions at our overseas bases and nurturing outstanding human resources who can contribute to the entire Asahi Kasei Group.

In the United States, we have established a two-year program to develop the next generation of leaders. Under the program, candidates engage in a variety of endeavors, including global networks of personal connections and holding discussions with headquarters management.

In addition, we are actively promoting talented human resources who joined the company through overseas M&A to important positions and encouraging them to participate in group-wide management. As of March 31, 2024, Asahi Kasei Corp. has six non-Japanese Executive Officers.

### Discussing "A-Spirit" with overseas colleagues

As a result of proactive overseas M&A in recent years, many overseas human resources have joined our organization, which presents a challenge in sharing our strengths and corporate culture and promoting increased engagement. In December 2023, we held an online event called "Asahi Kasei is..." for employees from around the world, asking participants "What is Asahi Kasei?" and providing them with the opportunity to contemplate this question. The event was a great opportunity to realize that even though our colleagues are of different nationalities and work in different businesses, we all share Asahi Kasei's value creation and challenging spirit.



"Asahi Kasei is..." online event  
The event was viewed by over 4,000 employees from 29 countries and regions around the world, more than 30% of whom were outside Japan.

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

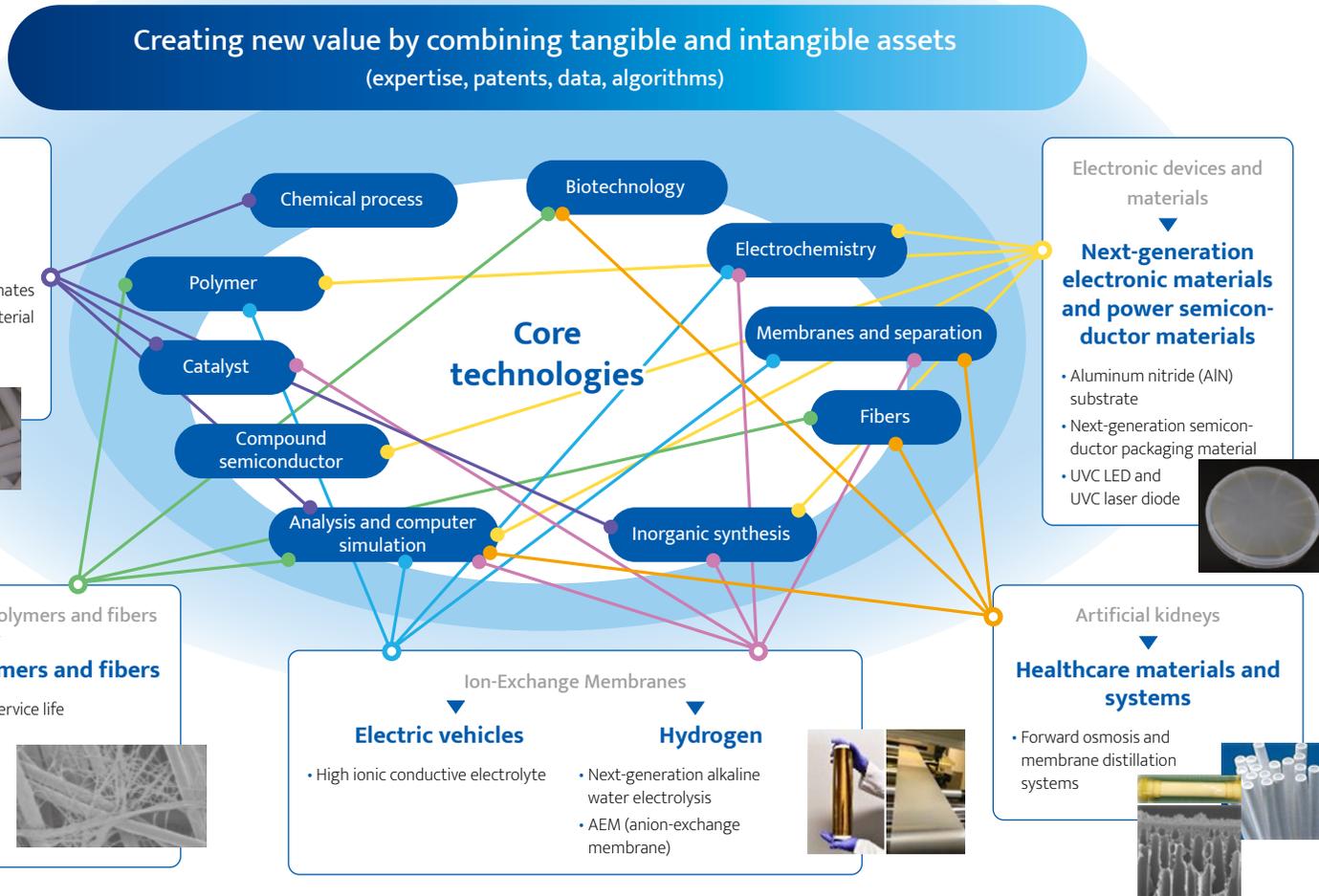
Research and Development

# Driving business portfolio transformation by combining diverse core technologies

Asahi Kasei's unique technology portfolio, centered on the diverse core technologies developed over long years of business, has supported manufacturing and the creation of many new businesses.

We will continue to pursue this unique characteristic of Asahi Kasei while effecting major evolution in the manufacturing industry. The key is creating new value by combining tangible and intangible assets.

## Examples of new business creation in the Material sector driven by core technologies



### Business portfolio transformation driven by combinations of diverse core technologies

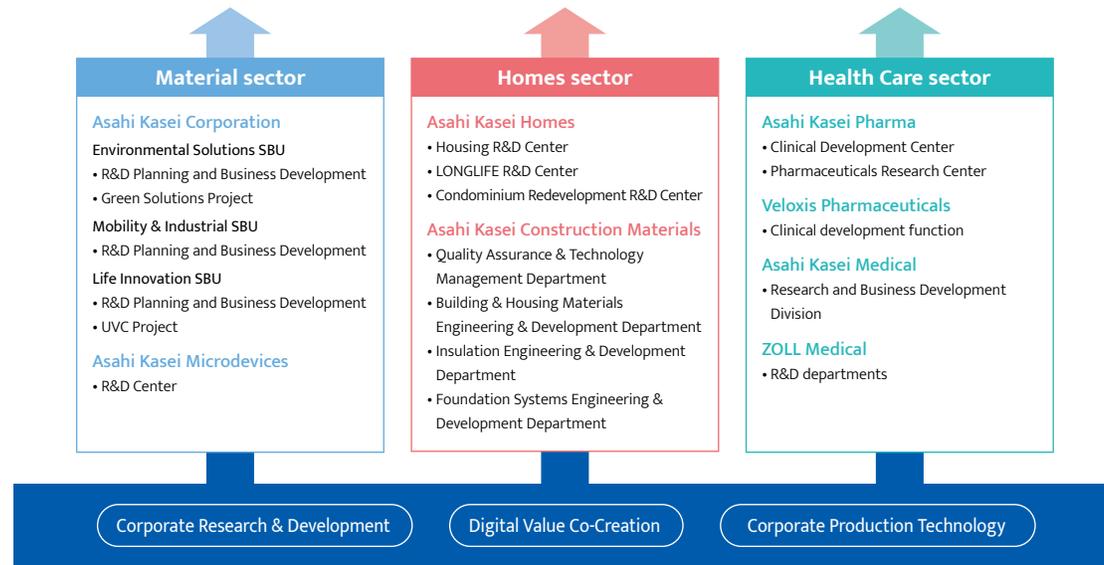
Over the course of more than 100 years of business activities, Asahi Kasei has flexibly transformed its business portfolio in response to changes in society's needs and the market environment. This is supported by its unique technology portfolio, cultivated through continuous business operations, by which combinations of diverse core technologies has led to the creation of businesses unique to Asahi Kasei. As society moves forward at an ever-increasing rate of change, the value that Asahi Kasei should provide through its business will also change. One engine that will enable us to quickly deliver higher added value is the high-level combinations of technologies from different fields based on Asahi Kasei's unique technology portfolio.

In addition, Asahi Kasei will effect major evolution in the way of manufacturing in the future. Our vision for the manufacturing industry is to proactively utilize intangible assets such as the expertise, patents, data, and algorithms used to create products in unprecedented ways, and to provide new value by combining tangible and intangible assets. In order to continue to be a company that remains essential to society, we will continue to take on the challenge of transforming our business portfolio by creating businesses that are unique to Asahi Kasei.

Research and Development

**Strengthening existing businesses and creating new businesses for the future of society**

At Asahi Kasei, R&D is conducted seamlessly between corporate R&D (cross-sectional functions), which explores medium-to-long-term projects group-wide with the aim of creating new businesses, and the research and technology development functions of each individual business (deep delving function), which delve deeper into subjects necessary to enhance business competitiveness.



**Corporate R&D Mission**

Asahi Kasei defines the mission of corporate R&D as follows, and our ideal vision is to transform various societal issues into opportunities that we can leverage to drive our sustainable growth.

<b>Nurturing, acquiring, and cultivating core technologies</b>	Deeping core technologies, and acquiring and cultivating external technologies to develop highly differentiated and superior products and services
<b>Creating new businesses through innovation</b>	Accelerating collaboration with external parties, including by corporate venture capital (CVC) and open innovation, in addition to strengthening our own R&D management
<b>Platform technology functions</b>	Further strengthening the platform technology functions that support the company

**Strategic priority areas and key R&D activities of corporate R&D**

We have established four key strategic areas for corporate R&D: 1) **Carbon neutrality (decarbonization and hydrogen)**, 2) **Circular economy**, 3) **Healthcare**, and 4) **Digital solutions**, and are focusing resource allocation on related subjects. The main subjects in each field are as follows:

**1) Carbon neutrality (decarbonization and hydrogen)**

**Verification of basic chemical production from bioethanol**

We are currently developing and designing a process for producing basic chemicals from bioethanol, and are studying a 40,000–50,000 ton/year plant targeting start-up in 2027.

**Development of alkaline water electrolysis system**

We are currently developing an alkaline water electrolysis system that uses renewable energy to produce hydrogen (see [page 49](#)). In addition, we are also working on the development of membranes for anion-exchange water electrolysis equipment. This should yield next-generation membranes with the potential to bring about significant improvements in both performance and cost.

**Development of CO<sub>2</sub> chemistry technology and CO<sub>2</sub> separation/recovery system**

Asahi Kasei was the first in the world to establish a polycarbonate manufacturing process using CO<sub>2</sub> as raw material. We are applying the basic technology to develop a diphenyl carbonate manufacturing process using CO<sub>2</sub> as raw material and an isocyanate manufacturing process that uses CO<sub>2</sub> derivatives. We are also conducting verification trials on a CO<sub>2</sub> separation/recovery system using a zeolite adsorbent.

**2) Circular economy**

**Development of cellulose nanofiber (CNF) composite materials**

We aim to make highly functional biomass materials a reality by creating nanocomposites of bio-derived CNF and engineering resins. Leveraging our strengths in having an integrated manufacturing process from CNF to composites, we are working to develop and commercialize products that are low-cost, have low environmental impact, and are highly functional.

**3) Healthcare**

**Forward osmosis (FO) membrane and membrane distillation (MD) for pharmaceutical manufacturing**

We are working with multiple potential customers on demonstration trials on an innovative process to concentrate pharmaceutical ingredients using a hybrid system of FO membranes and MD. By achieving concentration without heating or pressurization, the system prevents denaturation of the ingredients, while allowing shorter freeze-drying time which further reduces the energy requirement.

## Research and Development

## 4) Digital solutions

## UVC LED and UVC laser diode

In addition to developing deep-ultraviolet (UVC) LEDs that can produce high-output UVC light with a wavelength of 265 nm, which is highly effective for sterilization and virus inactivation, we are also working on research to further increase output and to increase the diameter and quality of substrates. We are also developing UVC laser diodes in collaboration with Nagoya University, and in November 2022 the project achieved the world's first continuous room-temperature operation of a UVC semiconductor laser diode.

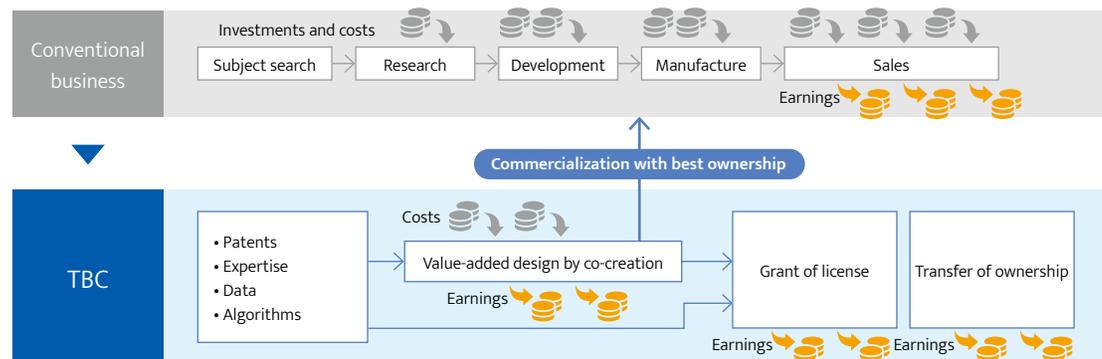
## Aluminum nitride (AlN) substrate

AlN-based devices combine low power loss with high voltage resistance and have the potential to achieve higher energy efficiency than silicon carbide (SiC) and gallium nitride (GaN) devices. As such, they are expected to be used in next-generation power devices and radio frequency (RF) applications. In August 2023, our subsidiary Crystal IS, Inc. successfully manufactured a 4-inch diameter AlN single crystal substrate.

## Creating new earnings models utilizing intangible assets

Asahi Kasei views intangible assets as important management resources and aims to increase corporate value through the organic combination of intangible assets. We are already seeing an increasing number of cases of successful monetization using intangible assets such as licenses and data, and in order to further accelerate our efforts, we established the Technology-value Business Creation (TBC) Project. This is a pioneering initiative that aims to add value to the vast amount of intangible technology assets (patents, expertise, data, algorithms, etc.) accumulated within the Asahi Kasei Group and generate revenue by providing them in various forms that are not limited to ordinary licenses.

## TBC: Technology-value Business Creation



Through the company-wide promotion of digital transformation, we are digitizing the vast amount of information and expertise that we have accumulated across a wide range of businesses, while also developing digital talent and fostering a culture of co-creation. Expertise that has been formalized in the form of data, AI, and other formats enables speedy, high value-added co-creation. By offering licenses and services that take advantage of these features, the TBC Project aims to enable early monetization through co-creation with minimal capital investment, and to respond quickly and accurately to increasingly complex and diverse needs and an uncertain business environment.

We are currently pursuing licensing activities for a variety of technologies, including lithium-ion capacitors, which combine a long service life with low cost, and high ionic conductive electrolytes, which enable low-cost, high-capacity lithium-ion batteries.

We are also advancing activities to make broad use of our patents in our three business sectors. We are taking our expertise in the Health Care sector, where we are a leader in the licensing business, and in the Homes sector, where our strength lies in our business model for intangible assets, and applying it to the Material sector. We are also accelerating our activities by appointing Dr. William R. LaFontaine, Jr., a pioneer in the IP business, as a Senior Advisor.



**Dr. William R. LaFontaine, Jr.**  
Senior Advisor,  
TBC Project

## Co-creation to add value to diverse intangible assets

After serving as General Manager of Intellectual Property and Vice President of Research Business Development at IBM, and I began working for Asahi Kasei in 2024. At IBM Research Business Development brought in US\$1 billion in annual revenues by contributing to our partners' businesses through joint development, technology transfer, and licensing, as well as by continually enhancing IBM's own technologies. At Asahi Kasei I am leveraging this experience to propel business transformation using intangible assets in asset-light ways.

When I came to Asahi Kasei, I was surprised by the wide range of technologies and patents it has. These intangible assets not only strengthen the company's own competitiveness, but also have the potential to create new value for its partners. Currently, together with members of Asahi Kasei, I am thoroughly evaluating such value from the customer's perspective, and designing value from new perspectives.

It can be difficult for Asahi Kasei to quickly realize value using its own technology alone, so it is important for us to join with partners at an early stage to co-create value. Working with business units to spread the culture of co-creation, we are helping to integrate management strategy and technology strategy, which is essential for such efforts, as we develop next-generation businesses and foster specialists in the area of licensing.

Intellectual Property

# Enhancing corporate value with intellectual property

Corporate IP and the Intellectual Property Intelligence Department work together as intellectual property (IP) experts who provide ongoing support to increasingly sophisticated businesses, protecting the interests of our businesses and working to maximize corporate value.

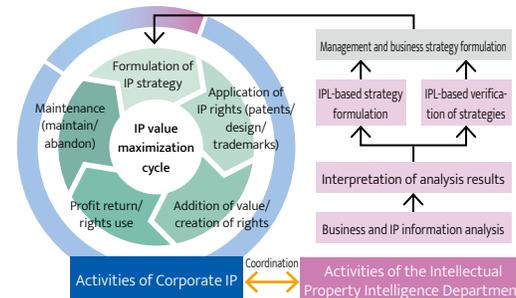
## Asahi Kasei's IP organization

Our IP organization comprises two bodies: Corporate IP, which is part of Corporate Research & Development, and the Intellectual Property Intelligence Department, which reports to the Executive Officer for Corporate Strategy. The mission of these organizations is as follows.

Mission of Corporate IP	Mission of the Intellectual Property Intelligence Department
<p>Corporate IP aims to strengthen the following five key activities that have been performed conventionally:</p> <ol style="list-style-type: none"> <li>1) Construction of an IP network that contributes to businesses based on a scenario for IP rights utilization</li> <li>2) IP clearance to assure business execution</li> <li>3) Implementation of IP activities to support globalization of businesses</li> <li>4) Contribution to business innovation, from the perspective of IP, by digital transformation</li> <li>5) Implementation of systematic human resource development plans over the medium-to-long term</li> </ol>	<p>The Intellectual Property Intelligence Department focuses on contributing to management and business strategy formulation through activities related to IP and intangible assets (IP activities), under the theme of "achieving further increases in corporate value through intangible assets." Using IP landscaping (IPL) as a tool, the department focuses on 1) contributing to management and business strategy formulation from an intellectual property perspective by proposing strategies for utilizing intangible assets, and 2) strengthening relationships with stakeholders through the disclosure of intellectual property information.</p>

## Maximizing the value of intellectual property

The Intellectual Property Intelligence Department uses IPL to analyze the business environment from a technical perspective, and thereby contribute to management and business strategy formulation, and by providing new perspectives to management, it further contributes to more elaborate decision-making. Furthermore, by providing strategies for utilizing intellectual property and intangible assets, the department supports the formulation of business strategies that are predicated on such utilization.



Corporate IP formulates IP strategies necessary to contribute to the accomplishment of business strategies and to the maximization of the value of IP and intangible assets by implementing an "IP value maximization cycle" together with the business divisions to steadily implement these IP strategies.

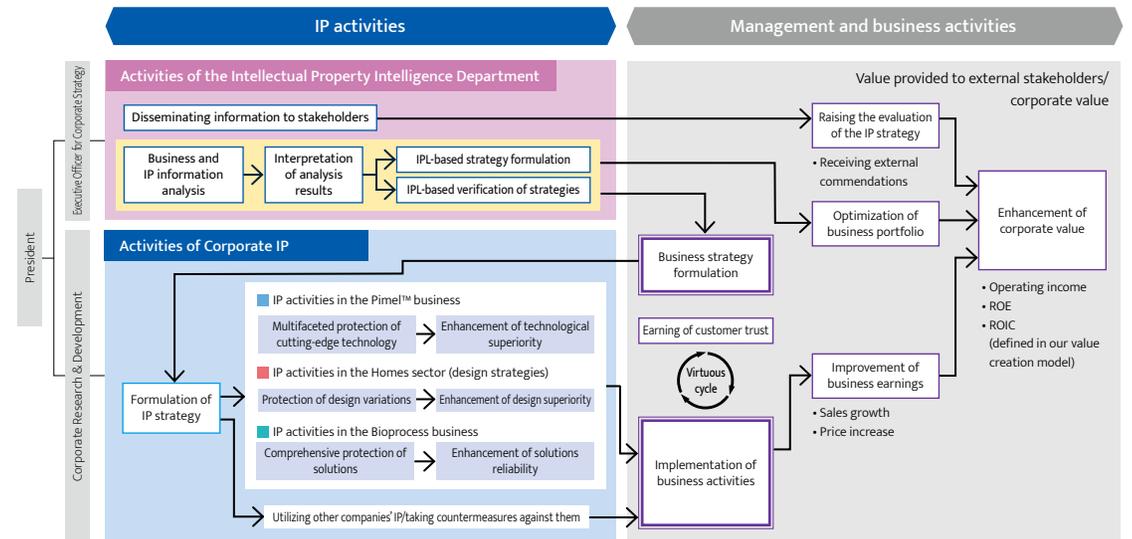
## Process of corporate value enhancement through IP activities

To clarify how our mission-based IP activities lead to and contribute to enhanced corporate value through various business activities, we depicted the process of corporate value enhancement. Through examination of this depiction, it became clear that our IP activities have a structure that contributes to corporate value enhancement through management decisions and business activities. The content and effects of IP activities in this process also vary depending on the project. Our Intellectual Property Report 2024 presents the process of corporate value enhancement in our three business sectors.

## Validating the process of corporate value enhancement through case studies

To deepen understanding of the corporate value enhancement process, we examined actual business case studies and specifically the contribution of our IP activities.

Asahi Kasei enhances the value it provides to its customers by formulating and executing business strategies, which creates a virtuous cycle that increases customer satisfaction and trust in our company, leading to the acquisition of further business opportunities. IP activities contribute to maintaining and expanding this virtuous cycle by protecting and utilizing intellectual property and intangible assets.



Digital Transformation

Message from the Executive Officer for DX

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



Noriaki Harada

Lead Executive Officer  
Executive Officer for DX  
Senior General Manager,  
Digital Value Co-Creation

The mission of DX in value creation for Asahi Kasei is to transform our business structure and accelerate the growth of GG10 businesses to drive future growth. A major key will be whether we can maximize the use of the vast amount of data we have accumulated, and master the use of digital technology, while we accelerate development, streamline production, and create new businesses to respond promptly to customer needs.

So far, we have advanced digital transformation from three perspectives: people, data, and organizational culture. One of the methods we have employed is a personnel training curriculum that utilizes the Asahi Kasei DX Open Badge Program. Asahi Kasei’s strength lies in the power of its human resources, which comes from its bottom-up organization. We believe that investing in people and continually improving the skills of each individual is the key to transformation. In fiscal 2021 we launched a plan to train and develop 40,000 personnel as digital human resources, and we are targeting 2,500 digital professionals globally.

To transition to the Digital Normal Period, a state in which reforms using digital technology can be continuously implemented through on-site initiative, we introduced three new key phrases for fiscal 2023: participation by all members, on-site

initiative, and co-creation. Now in the fourth year since we began developing digital human resources, we are beginning to see clear results as digital technology is used in a variety of areas and those human resources play an active role. The contribution of DX to profits growth has already reached a cumulative total of ¥7 billion as of fiscal 2023.

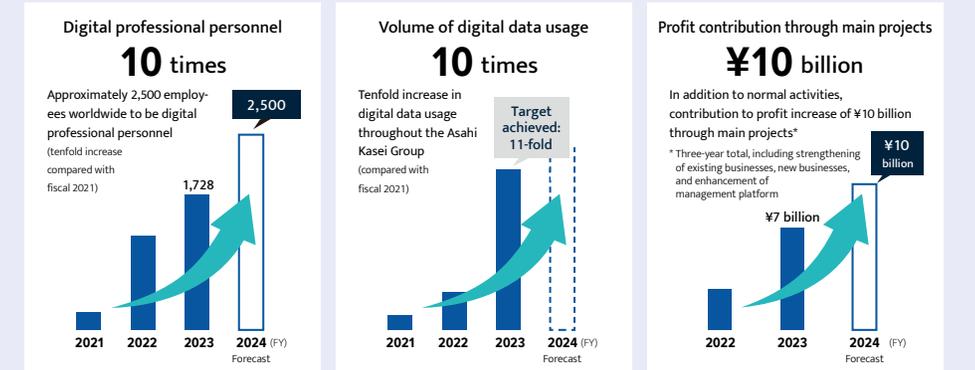
The business environment surrounding Asahi Kasei is changing rapidly, and the transformation of our business portfolio is now imperative. We must shift management resources to growth businesses as quickly as possible, with rapid decision-making and an agile approach. Furthermore, we will expand our solutions-based business by making the most of our abundant intangible assets through the Product-based Platform as a Service (P-PaaS) concept, which contributes to enhanced value for customers based on the added value of our materials and products. This is a new challenge that will not only advance the Asahi Kasei Group, but also the entire supply chain, which I see as the embodiment of our DX vision of “making borderless connections enhanced by digital innovation.” Asahi Kasei’s DX is evolving, deepening, and moving to a stage where it can demonstrate its true value and effect societal change.



Key DX initiatives

Enhancing management	
Group-wide projects	<ul style="list-style-type: none"> <li>DX for visualizing business conditions and carbon footprints</li> </ul>
Shared value chain subjects	<ul style="list-style-type: none"> <li>DX related to sales, marketing, and customer support</li> <li>DX related to research and development, such as promoting materials informatics (MI)</li> <li>DX related to production and manufacturing, such as smart factories</li> <li>DX related to quality assurance</li> </ul>
Reinforcing digital foundations	
HR/organizations	<ul style="list-style-type: none"> <li>Planning and operation of program to foster digital personnel</li> <li>Building mechanisms and organizational culture to accelerate DX</li> </ul>
Data/security	<ul style="list-style-type: none"> <li>Development and operation of core systems</li> <li>Configuration of company-wide security platform</li> </ul>

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



Note: Total DX-related investment of approximately ¥30 billion planned (IT investments and cloud usage fees for digital transformation)

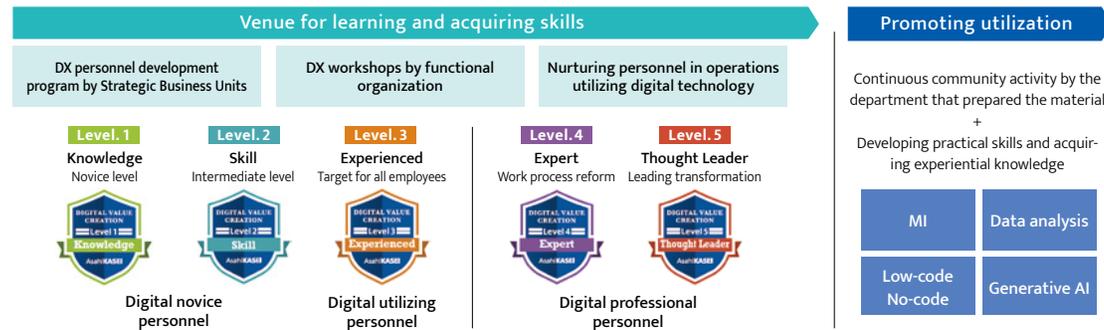
Digital Transformation

# Digital Normal Period with participation by all, on-site initiative, and co-creation

The “digital normal” we aim for is a state in which transformation using digital technology can continue to be driven by on-site initiative. In addition to developing all employees worldwide into “digital-utilizing personnel,” we are providing on-site support to develop digital professional personnel who can use advanced digital technologies and data to solve business issues and create business models.

## Asahi Kasei DX Open Badge Program Personnel training

Since fiscal 2021 we have offered the Asahi Kasei DX Open Badge Program to all employees. In fiscal 2023 we established a new course on generative AI in response to the rapid spread of the technology. We are also working on opening new courses to cultivate digital professionals. Community activities that bring together employees eager to put what they have learned into practice are also gaining momentum, with some communities having more than 1,000 participants. Lively communication that transcends organizational boundaries is leading to business transformation and individual growth.



## Future Digital Personnel Club External collaboration

The Future Digital Personnel Club, which commenced full-scale activities in December 2023, shares and discusses digital human resource development efforts among member companies. Through mutual cooperation and partnership, the club aims to achieve advanced digital human resource development and, in the future, contribute to the development of digital human resources throughout society.

## Results of fostering power users

As we aim to turn out 2,500 digital professionals globally, we have prioritized the development of human resources that can lead practical data analysis at individual workplaces within the company, rather than simply attending courses.

Hence, we are focusing particular attention on our program to foster “power users” which was launched in fiscal 2019. Since previously, Asahi Kasei has provided materials informatics (MI) training to researchers in the fields of chemistry and materials, and data analysis training to engineers in the fields of production and manufacturing. Now, to promote group-wide data utilization, we are training employees in a wide range of functions, including quality assurance, logistics, sales, and intellectual property, to foster power users who can analyze and utilize data. This program is a six-month course in which on-site engineers who are potential power users work to analyze data on actual on-site issues on a three-party basis under the coaching of a data scientist from Digital Value Co-Creation who is an expert in data analysis, and an advisor on rules and principles who is well versed in on-site matters. The aim is to develop problem-solving skills through data analysis by identifying the causes of problems and taking action to improve them based on analysis results.

### Further efforts to fostering power users

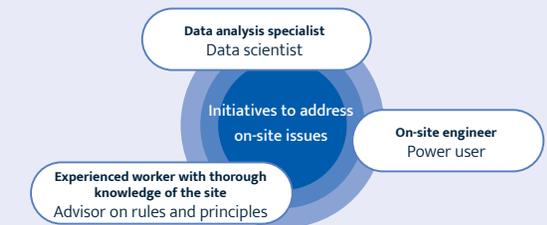
**Nakajima** We trained approximately 300 power users on 288 projects from fiscal 2019 to fiscal 2023, with approximately 80 people in fiscal 2023 alone, and we have expanded the scope of the program to accept participants from overseas subsidiaries. In addition, through the implementation of improvement actions, the cumulative benefits expected from the departments to which the power users belong amount to approximately ¥2 billion. It’s a wonderful experience to compare historically accumulated insight and knowledge with the data we analyze, and to work together to solve problems from various fundamental perspectives. Above all, this three-party structure is the most important element.

**Ueda** Initiatives aimed at reducing quality defects, improving yields, and raising operating rates have produced particularly significant results. Power users in individual departments take action within their departments, and, with our help, get even their superiors involved. In fiscal 2024, to solve the issues of creating data suitable for analysis and data processing, we plan to create training materials on key points of data processing and digitization using Excel, and launch courses aimed at a wider range of people.



Digital Value Co-Creation (data scientists) Shinya Nakajima (left), Hiroyuki Ueda (right)

### 3-party data analysis activity



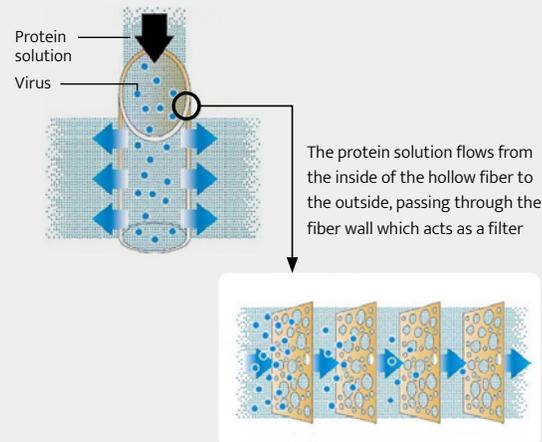
Example of R&D-based DX

# Use of MI to improve performance of Planova™ virus removal filter

Asahi Kasei is implementing a wide variety of DX initiatives in the value chain, such as smart factories, marketing automation, and IP landscaping. Here is an example of how MI accelerated development and contributed to profits, enabled by improved on-site digital literacy through digital personnel training.

## Difficulties of filter development

The development of virus removal filters for use in the manufacturing processes of biotherapeutics requires both excellent filtration flux and high virus removal performance. However, there is generally a trade-off between the two performance characteristics. Larger pore size results in increased flux, decreased ability to capture selected viruses. There were more than 20 manufacturing process conditions to explore in our search for potential means of improving these two characteristics in tandem, and even if we chose only three variations of each condition, the number of experiments required to confirm the results would be more than three to the power of 20—far too many to be practical.



## Utilization of MI

In cases like this, MI can be extremely effective. We designed over 500 experiments for more than 20 process conditions, and discovered combinations of manufacturing process conditions that would not have been found through experimentation alone. This enabled us to develop a filter that offers more than twice the filtration flux while providing high virus removal performance.

The reason we were able to utilize MI was that there was a large amount of unbiased experimental data in important

areas, which data scientists were able to analyze efficiently. The use of MI in this development produced remarkable results, significantly reducing the time spent on experiments compared to conventional methods.

Furthermore, clogging, which was not a target for MI, was also significantly improved, leading to the development of the highly competitive, high-performance Planova™ membrane.

## Comment from an engineer involved

At the time of this development, DX was still something new that had not yet been widely adopted in the company, and expectations for MI were not very high, so we were astonished by the surprisingly good results. There are a lot of digital tools available these days, and I think the most important thing is to give them a try. There are limits to what humans can think of when combining explanatory variables, and this project clearly showed that MI vastly expands possibilities.

We quickly got results that exceeded our expectations, and I am convinced that MI-driven development will become mainstream throughout society over the months and years ahead. There was a lot of interest within the department in this new product developed using cutting-edge MI technology, so we swiftly established an environment, including personnel training, to facilitate the use of MI in other development projects as well. MI has now become an indispensable part of development.

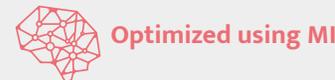


Shota Nakashima  
Bioprocess Division  
Asahi Kasei Medical Co., Ltd.

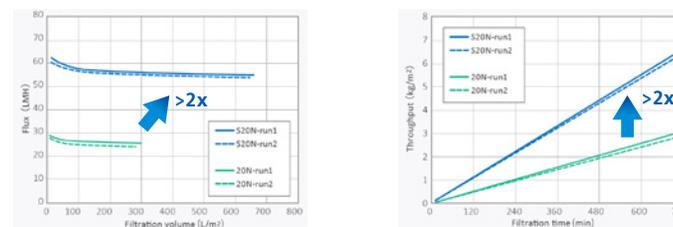
### Experiments based on knowledge and experience

Experiments with over 500 patterns among over 20 process conditions were repeated and data accumulated (targeted performance unobtainable without MI)

### MI



### New product Planova™ S20N was created with more than double the flux of conventional products



## Viewing Asahi Kasei's Intangible Assets from an External Perspective Yuko Maeda, Outside Director

## Co-creation across different fields leveraging three-sector management



Yuko Maeda

Outside Director

## Asahi Kasei's corporate culture of valuing people creates outstanding intangible assets

I would like to describe what I see as two particular strengths of the Asahi Kasei Group. The first is that it is a company where valuing people is deeply ingrained. Having witnessed a variety of initiatives that leverage the company's intangible assets to a high level in different fields since becoming an Outside Director, I am even more aware of this strength. The idea of valuing people is also epitomized by Honorary Fellow Dr. Akira Yoshino, laureate of the 2019 Nobel Prize in Chemistry for his invention of lithium-ion batteries, who has contributed to Asahi Kasei for many years.

The second is that Asahi Kasei has abundant intangible assets, which stem from its history of operating a diverse array of businesses. Its core technologies are an example. The polymer material technology developed in its Material sector is employed for various products in the medical business in the Health Care sector, where this technology helps strengthen the competitiveness of the business.

Continuous enhancement of core technologies and proactive use of them in different fields are only viable with the enthusiastic involvement of human

resources in each of these endeavors. The same can be said of all the company's intangible assets. Asahi Kasei's culture of valuing people serves as the basis for developing and maintaining these human resources, and I believe that its three-sector management allows them to promote intangible assets in different fields to make full use of the company's technologies.

A prime example of this culture serving as a powerful tool for strengthening intangible assets is the development of digital personnel. Asahi Kasei operates a digital personnel development program for all employees to enable them to acquire the skills necessary for promoting digital transformation (DX). Today, frontline employees leverage digital technology autonomously to engage in R&D, process control, productivity improvement, and other activities. Simply developing human resources in dedicated departments to promote DX will not advance DX on the front lines. I sense that Asahi Kasei is raising the level of the entire company by developing all employees as digital personnel based on its deeply ingrained idea of valuing its people.

## Expanding intangible assets by combining different perspectives

I believe that these efforts make it all the more important for Asahi Kasei to promote strategies that better enable its abundant intangible assets to contribute to corporate value, fully leveraging its strengths going forward to transition from product sales—where the superiority of products determines results—to a solutions business that helps address issues from a customer-oriented perspective. For instance, I view the provision of data-driven services using the monitoring system of Recherche 2000 Inc., of Canada, which Asahi Kasei acquired in fiscal 2020, in the field of ion-exchange membrane chlor-alkali electrolysis, as a positive example of how transitioning to a solutions business produces results.

I know from my long experience of acting as a bridge between companies and universities that such interactions with different fields are the key to gaining fresh business perspectives. Original ideas, unconstrained by specialist knowledge, are indispensable to the creation of new businesses from different perspectives other than the pursuit of technology. In industry-academia collaboration, the involvement of academics in design thinking in the exchange of ideas can create unprecedented innovations, for example.

I believe that to capitalize fully on the advantages of operating businesses in three sectors, Asahi Kasei must collaborate with external parties more proactively while boldly invigorating the mobility of human resources within the company. For instance, I think that providing employees with the opportunity to gain new perspectives, such as enabling human resources from R&D to return there after gaining the experience of establishing businesses in business divisions, would further advance the strengthening and integration of intangible assets and the creation of new business models.

With that said, these initiatives are only possible thanks to other strengths of Asahi Kasei, such as its ongoing refinement of high-level basic research and technological capabilities. I look forward to seeing the company further utilize the advantages of its three-sector management to create new value by heightening efforts to promote co-creation and integration among human resources who contribute to continuous technological advancement by exhaustive research and those who spur business innovation through original ideas.



## Q6

# How does your corporate governance function?

**A** Trusting Outside Directors to make objective judgements and raise penetrating questions regarding proposals encourages bold and challenging proposals by company executives, which leads to active discussions toward the value creation that reflects Asahi Kasei's unique identity.

**75** Corporate Governance

**78** **Special Feature**

Effectiveness of the Board of Directors

**81** Viewing Asahi Kasei's Governance from an External Perspective

Tsuyoshi Okamoto, Outside Director

**85** Message from New Outside Director

Yoshinori Yamashita, Outside Director

**86** Risk Management

**88** Environmental Protection

**89** Respect for Human Rights / CSR Procurement

**90** Compliance / Information Security

**91** Health and Productivity Management

**92** Communication with Stakeholders

Corporate Governance

# Board of Directors



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

## Corporate Governance

## Directors and Audit &amp; Supervisory Board Members (as of June 25, 2024)

## Directors

 <p><b>Hideki Kobori</b> Chairman &amp; Director</p>	 <p><b>Koshiro Kudo</b> President &amp; Representative Director Presidential Executive Officer</p>	 <p><b>Kazushi Kuse</b> Director Vice-Presidential Executive Officer</p>	 <p><b>Toshiyasu Horie</b> Representative Director Primary Executive Officer</p>	 <p><b>Hiroki Ideguchi</b> Director Senior Executive Officer</p>
<p>April 1978 Joined Asahi Kasei April 2008 Asahi Kasei Microdevices Director, Senior Executive Officer April 2009 Asahi Kasei Microdevices Director, Primary Executive Officer April 2010 Asahi Kasei Microdevices President &amp; Representative Director, Presidential Executive Officer April 2012 Asahi Kasei Senior Executive Officer June 2012 Asahi Kasei Director (position held at present) April 2014 Asahi Kasei Representative Director, Primary Executive Officer April 2016 Asahi Kasei President and Director, Presidential Executive Officer April 2022 Asahi Kasei Chairman and Director (position held at present)</p>	<p>April 1982 Joined Asahi Kasei April 2013 Asahi Kasei Fibers Executive Officer April 2016 Asahi Kasei Lead Executive Officer April 2017 Asahi Kasei Senior Executive Officer, SBU, Senior General Manager, Osaka Office April 2019 Asahi Kasei Senior Executive Officer, President of Performance Products SBU June 2021 Asahi Kasei Director (position held at present) April 2022 Asahi Kasei Representative Director (position held at present), President and Director (position held at present), Presidential Executive Officer (position held at present)</p>	<p>April 1987 Joined IBM Japan April 2005 IBM Japan Executive Officer January 2008 IBM Vice President January 2017 IBM Japan Chief Technology Officer July 2020 Joined Asahi Kasei, Asahi Kasei Executive Officer, Asahi Kasei Executive Fellow April 2021 Asahi Kasei Senior Executive Officer, Asahi Kasei Digital Value Co-Creation Senior General Manager April 2022 Asahi Kasei Primary Executive Officer June 2022 Asahi Kasei Director (position held at present) April 2024 Asahi Kasei Vice-Presidential Executive Officer (position held at present)</p>	<p>April 1985 Joined Asahi Kasei April 2015 Asahi Kasei Chemicals Corporate Planning &amp; Coordination Senior General Manager April 2016 Asahi Kasei Petrochemicals SBU Planning &amp; Coordination Senior General Manager April 2019 Asahi Kasei Executive Officer April 2020 Asahi Kasei Lead Executive Officer April 2022 Asahi Kasei Senior Executive Officer June 2022 Asahi Kasei Director (position held at present) April 2023 Asahi Kasei Representative Director (position held at present) April 2024 Asahi Kasei Primary Executive Officer (position held at present)</p>	<p>April 1985 Joined Asahi Kasei April 2016 Asahi Kasei Pharma Corporate Planning &amp; Coordination Senior General Manager April 2017 Asahi Kasei Pharma Executive Officer April 2019 Asahi Kasei Executive Officer Asahi Kasei Corporate Strategy Senior General Manager April 2020 Asahi Kasei Lead Executive Officer April 2022 Asahi Kasei Senior Executive Officer (position held at present) June 2023 Asahi Kasei Director (position held at present)</p>
 <p><b>Masatsugu Kawase</b> Director Senior Executive Officer</p>	 <p><b>Tsuyoshi Okamoto</b> Outside Director</p>	 <p><b>Yuko Maeda</b> Outside Director</p>	 <p><b>Chieko Matsuda</b> Outside Director</p>	 <p><b>Yoshinori Yamashita</b> Outside Director</p>
<p>April 1990 Joined Asahi Kasei April 2016 Asahi Kasei Chemicals Basic Chemicals Division Senior General Manager April 2018 Asahi Kasei Production Center Planning &amp; Coordination Senior General Manager April 2020 Asahi Kasei Senior Managing Executive April 2021 Asahi Kasei Lead Executive Officer Asahi Kasei Production Center Senior General Manager April 2023 Asahi Kasei Senior Executive Officer (position held at present) June 2023 Asahi Kasei Director (position held at present)</p>	<p>April 1970 Joined Tokyo Gas Co., Ltd. June 2002 Tokyo Gas Co., Ltd. Executive Officer April 2004 Tokyo Gas Co., Ltd. Senior Executive Officer June 2004 Tokyo Gas Co., Ltd. Director April 2007 Tokyo Gas Co., Ltd. Representative Director, Executive Vice President April 2010 Tokyo Gas Co., Ltd. Representative Director, President April 2014 Tokyo Gas Co., Ltd. Director, Chairman April 2018 Tokyo Gas Co., Ltd. Director, Senior Corporate Advisor June 2018 Asahi Kasei Director (position held at present) July 2018 Tokyo Gas Co., Ltd. Senior Corporate Advisor June 2023 Tokyo Gas Co., Ltd. Honorary Counselor (position held at present)</p>	<p>April 1984 Joined Bridgestone Corporation September 2003 Tokyo Medical and Dental University Director of Technology Transfer Center and Intellectual Property Manager of Intellectual Property Right Department October 2009 Tokyo Medical and Dental University Visiting Professor October 2011 Kyoto Prefectural University of Medicine Specially Appointed Professor May 2013 Bridgestone Corporation Executive Officer April 2014 Japan Agency for Marine-Earth Science and Technology Auditor January 2017 CellBank Corp. Director (position held at present) October 2020 Kyushu University Executive Vice President (position held at present) June 2021 Asahi Kasei Director (position held at present)</p>	<p>April 1987 Joined The Long-Term Credit Bank of Japan, Limited October 1998 Joined Moody's Japan K.K. September 2001 Corporate Directions, Inc. Partner October 2006 Booz &amp; Company, Inc. Vice President (Partner) April 2011 Tokyo Metropolitan University Faculty of Economics and Business Administration Professor (position held at present) Tokyo Metropolitan University Graduate School of Management Professor (position held at present) June 2023 Asahi Kasei Director (position held at present)</p>	<p>March 1980 Joined Ricoh Company, Ltd. February 1995 Ricoh UK Products Ltd. Business Planning Division General Manager April 2008 Ricoh Electronics, Inc. President April 2010 Ricoh Company, Ltd. Group Executive Officer April 2011 Ricoh Company, Ltd. Corporate Senior Vice President Ricoh Company, Ltd. Corporate Planning Division General Manager June 2012 Ricoh Company, Ltd. Director Ricoh Company, Ltd. Corporate Executive Vice President April 2014 Ricoh Company, Ltd. Business Solutions Group General Manager April 2015 Ricoh Company, Ltd. In charge of core business June 2016 Ricoh Company, Ltd. Deputy President April 2017 Ricoh Company, Ltd. Representative Director (position held at present) Ricoh Company, Ltd. President Ricoh Company, Ltd. CEO April 2020 Ricoh Company, Ltd. CHRO April 2023 Ricoh Company, Ltd. Chairperson (position held at present) June 2024 Asahi Kasei Director (position held at present)</p>

Corporate Governance

Audit & Supervisory Board Members



**Yutaka Shibata**  
Audit & Supervisory Board Member

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



**Takuya Magara**  
Audit & Supervisory Board Member

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



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

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



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

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



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

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

Fields in which expectations of Directors and Audit & Supervisory Board Members are particularly high

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

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

To further enhance the monitoring function of the Board of Directors, Inside Directors are primarily Executive Officers responsible for corporate functions.

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

Skill Matrix (configuration from June 25, 2024)

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

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

## Special Feature

## Effectiveness of the Board of Directors

## Enhancing the effectiveness of the Board of Directors

## Summary of evaluation of effectiveness of the Board of Directors

The Board of Directors of Asahi Kasei regularly evaluates its own effectiveness every fiscal year. In fiscal 2023, the Board of Directors used a third-party institution to conduct a more objective evaluation of the appropriateness and effectiveness of its initiatives to date. The evaluation enabled all attendees of Board of Directors meetings to share a clear recognition of the status of, and issues in relation to, the effectiveness of the Board of Directors, thereby further strengthening efforts to enhance its effectiveness. The Board of Directors will continue to use third-party institutions on a regular basis when evaluating its own effectiveness.

Major initiatives to date  
(past three fiscal years)

- Reviews of the composition of the Board of Directors and executive remuneration
- Efforts to improve the operation of the Board of Directors
- Other initiatives for cooperation and information sharing

## Future initiatives

The Board of Directors defined issues to be addressed based on the analysis of the third-party institution and decided to conduct the following initiatives.

## (1) Maintain and enhance discussions from a medium-to-long-term perspective at meetings of the Board of Directors

Asahi Kasei promotes business portfolio management and the strengthening of its business foundations in accordance with its goal of achieving two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value. To ensure appropriate supervision of efforts toward realizing this goal, the Board of Directors will further enhance discussions of important management subjects, such as business portfolio transformation and management resource allocation, from the perspective of improving corporate value over the medium-to-long term. The company will also increase opportunities for dialogue at forums other than Board of Directors meetings to further strengthen discussions.

## (2) Enhance discussions at, and improve the operation of, meetings of the Board of Directors

To enhance discussions at meetings of the Board of Directors, we will examine ways to raise the level of deliberations at meetings of the Management Council, which conducts deliberations prior to Board of Directors meetings, while streamlining proceedings and increasing the efficiency of Board of Directors meetings. We will also enhance the provision of information to Outside Directors and Audit & Supervisory Board Members, and promote communication among them.

## (3) Continuously examine the composition of the Board of Directors

We will deepen discussion on the composition of the Board of Directors, continuously pursuing the optimal in the context of the company's management philosophy, management strategies, operating environment, and other considerations.

## Evaluation process

November 2023 to January 2024

- 1) Questionnaire administered to all Directors and Audit & Supervisory Board Members
- 2) Interviews of all Directors and Audit & Supervisory Board Members by the third-party institution based on questionnaire responses

Topics: State of composition, operation, and discussions, and support system and provision of information for Outside Officers of the Board of Directors, the Nomination Advisory Committee, and the Remuneration Advisory Committee, etc.

February 2024

Discussion on the content of the report from the third-party institution

March and April 2024

Deliberations on the response to issues identified

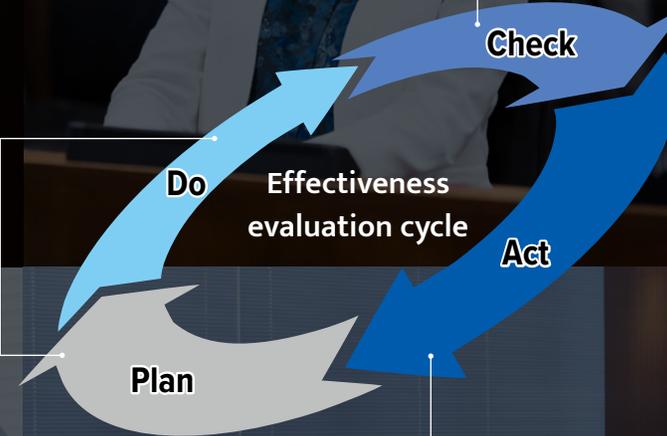
## Overview of evaluation results

Points where the Board of Directors was confirmed as particularly effective

- Directors and Audit & Supervisory Board Members fulfill their roles and functions properly and engage in open and lively discussions under an appropriately composed Board of Directors.
- The organization of discussion subjects and the key points of discussions at meetings of the Management Council are shared with the Board of Directors and are highly rated by Outside Directors and Audit & Supervisory Board Members.
- The Chair of the Board of Directors is well-regarded as fulfilling his role appropriately. Outside Directors and Outside Audit & Supervisory Board Members contribute to substantive discussions based on their experience and expertise.

Issues identified

- Amid business structure transformation and business portfolio transformation, there is room for improvement for further enhancing discussions at meetings of the Board of Directors on matters including management issues from a medium- to long-term perspective.
- There is recognition of the importance of further raising the level of discussions by company executives and of sharing information prior to meetings of the Board of Directors.
- There is a need to continuously examine the composition of the Board of Directors, giving consideration to aspects including the proportion of Outside Directors in the future, the role expected of Directors and Audit & Supervisory Board Members, and the size of the Board of Directors.



## Views of Officers

In the latest effectiveness evaluation, multifaceted views were received, including from Outside Directors and Audit & Supervisory Board Members, on the company's business portfolio transformation efforts, the composition of the Board of Directors, and the operation of Board of Directors meetings. Based on these views, the Board of Directors defined the issues that it faces and concluded that overall it is effective. Below are some of the views of Directors and Audit & Supervisory Board Members expressed in the effectiveness evaluation.

### Discussions at meetings of the Board of Directors

(business portfolio transformation)

Outside Director

Business portfolio transformation must be aligned with the changing times. In operating three-sectors with the same management, it is essential to consider what to focus on. We always think about the balance among the three sectors in accordance with the changing times.

Discontinuing businesses, by divestiture or closure, is an essential part of business portfolio transformation, but it can be hard for companies to decide to do so, partly due to emotional attachments. During discussions, if it seems better to discontinue a business, we should press for a decision. This is one role where Outside Directors can be of service, particularly when making hard decisions. It is vital to view matters from a different external perspective, with nothing off-limits.

Inside Director

The Board of Directors must engage in discussions incorporating the point of view of investors so that we can confidently explain regarding aspects that are inconsistent with management time frames.

Outside Director

The Board of Directors should thoroughly discuss key issues in the separator business, such as its

structure, and then focus on monitoring. This style is necessary in an era of dramatic change. Thorough monitoring is an important task of the Board of Directors.

With the new medium-term management plan to begin in fiscal 2025, discussions on what should be done in the separator business, for example, must incorporate perspectives not only on that business but also on what should be done in the Material sector and on the relationships of the separator business with other businesses. Individual projects should also be discussed in terms of their relationship with the overall business portfolio.

Inside Director

As the general direction of structural transformation has been decided and the actions to be taken have been clarified, all that is left now is to do what has been agreed upon. Meanwhile, the approach toward growth businesses will change, with the emphasis on cooperation with other businesses, rather than working separately. The Board of Directors must press on while proactively receiving views from Outside Directors and taking risks and opportunities in a well-balanced manner.

### Composition of the Board of Directors

(Director composition, proportion of Independent Outside Directors, etc.)

Outside Director

Outside Audit & Supervisory Board Member

The Nomination Advisory Committee discusses elements that require strengthening and other areas looking at the Board of Directors as a whole.

It is crucial to define the role expected of meetings of the Board of Directors. If the meetings are a venue for conducting discussions while offering critical viewpoints or adding new viewpoints

regarding proposals from company executives, then the number or proportion of Outside Directors is of little relevance.

Inside Director

I believe that the change in the composition of Inside Directors to comprise primarily Directors with corporate functions beginning in fiscal 2023 was an appropriate measure.

### Operation of meetings of the Board of Directors

(provision of information, determination of agendas, and discussions at forums other than meetings of the Board of Directors)

Outside Director

Outside Audit & Supervisory Board Member

A record of the discussions that took place at Management Council meetings is always included in the agenda items at meetings of the Board of Directors. The inclusion of such information makes the agenda items easier to understand and is a positive aspect.

At the start of the fiscal year, a list is made of the items to be discussed at Board of Directors meetings. It is helpful having this list to check what was discussed and what was not discussed.

It is important to discuss strategies and

individual projects based on a common understanding. In this light, it would be useful to have more opportunities for open discussion without taking minutes.

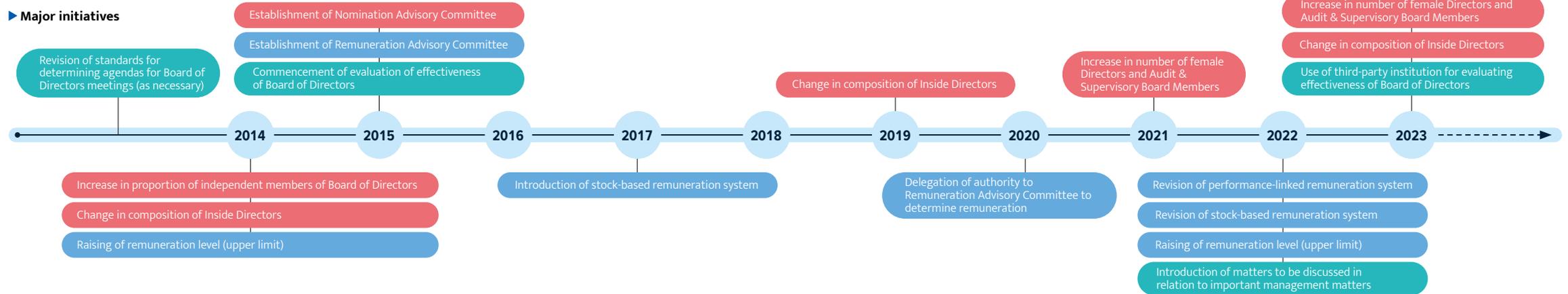
Inside Director

For Outside Directors to engage in discussions, they must fully understand the necessary information in a timely manner. It would be good to provide them explanations at unofficial forums. Although there are time restrictions, extra steps should be taken, such as providing explanations in the context of technology or regional circumstances.

## Recent history of changes in corporate governance

Asahi Kasei has continuously pursued the optimum form of corporate governance in accordance with changes in the operating environment. Over the past decade, we have worked as follows to revise the composition of the Board of Directors, the nomination of Officers, and the Officer remuneration system, and to refine and improve the operation of the Board of Directors.

### Major initiatives



### Composition of the Board of Directors and nomination of Officers

Asahi Kasei established the **Nomination Advisory Committee** to ensure transparency and objectivity in the nomination of Officers. Based on deliberations by the committee, the company is **gradually increasing the independence of and the proportion of independent and female Directors and Audit & Supervisory Board Members** to further enhance the monitoring function of the Board of Directors. At the same time, the company has revised the composition of Inside Directors from leaders of businesses to primarily **Executive Officers responsible for corporate functions**.

- Establishment of Nomination Advisory Committee (FY2015)
- Increase in proportion of Outside Directors (FY2014 and FY2023)
- Increase in number of female Directors and Audit & Supervisory Board Members (FY2021 and FY2023)
- Change in composition of Inside Directors (FY2014, FY2019, and FY2023)

### Officer remuneration system

Asahi Kasei established the **Remuneration Advisory Committee** to ensure objectivity and transparency in the remuneration of Officers, also **entrusting the determination of individual performance-linked remuneration to the committee**. Based on deliberations by the committee, the company has revised its Officer remuneration system to one that is **tied to management strategy**. Meanwhile, the company **introduced stock-based remuneration** to clarify the linkage between its share price and the remuneration of Directors. It has also **gradually raised the level of Officer remuneration**.

- Establishment of Remuneration Advisory Committee (FY2015)
- Delegation of authority to Remuneration Advisory Committee to determine remuneration (FY2020)
- Revision of performance-linked remuneration system (FY2022)
- Introduction and revision of stock-based remuneration system (FY2017 and FY2022)
- Raising of remuneration level (upper limit) (FY2014 and FY2022)

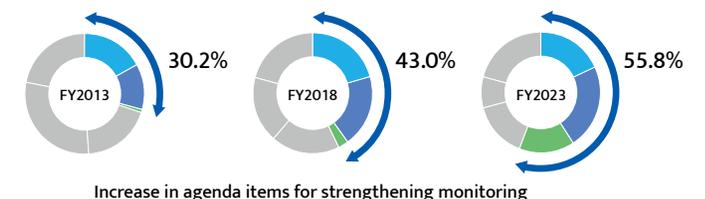
### Operation of the Board of Directors

Asahi Kasei continuously **revises the agenda of meetings of the Board of Directors**, such as expanding deliberations on medium-to-long-term management issues and sharing details on communications with shareholders and investors in its investor and shareholder relations activities. At the same time, the company raises standards for determining agendas in relation to investment projects and other matters. Also, the company has **introduced matters to be discussed**, thereby enabling attendees of Board of Directors meetings to devote time to deepening discussions on important management matters. In the evaluation of the effectiveness of the Board of Directors, the company began **using a third-party institution**, further strengthening improvement initiatives aimed at enhancing the effectiveness of the Board of Directors. In addition, the company has continuously **expanded the provision of information to Outside Directors and Audit & Supervisory Board Members**, including providing them with pre-meeting briefings and inviting them to visit operating sites and attend in-house events, while creating **opportunities for mutual cooperation among Outside Directors, Audit & Supervisory Board Members, and Independent Auditors**.

- Revision of standards for determining agendas for Board of Directors meetings (as necessary)
- Introduction of matters to be discussed in relation to important management matters (FY2022)
- Evaluation of effectiveness of Board of Directors (FY2015 onward)
- Use of a third-party institution in evaluation of effectiveness of Board of Directors (FY2023 onward)
- Expansion in provision of information to Outside Directors and Audit & Supervisory Board Members (FY2015 onward)

### History of agendas of meetings of the Board of Directors

- Business portfolio management, M&A, alliances
- Corporate governance
- Sustainability, risk management, intangible assets
- Regular agenda items, other matters



Viewing Asahi Kasei's Governance from an External Perspective Tsuyoshi Okamoto, Outside Director

## Where Asahi Kasei stands on the path to its future vision



**Tsuyoshi  
Okamoto**

Outside Director

### Appropriate governance with a healthy tension

During the six years that I've been an Outside Director of Asahi Kasei, I always worked to help improve the effectiveness of the Board of Directors. Asahi Kasei has a broad range of operations in highly specialized fields. It can be difficult for outsiders to grasp how each project fits into the overall picture. All of the Outside Directors continue delving deeper in discussions at meetings of the Board of Directors until we are satisfied. There is a healthy tension between us and the company executives. I think that's a sign of appropriately functioning governance.

One of the most memorable discussions in fiscal 2023 was on the Health Care sector—an extremely specialized field requiring deep expertise. Rick Packer, the Executive Officer for the sector, provided a general explanation on the growth strategy toward 2030. When we can clearly see the position of each project in the overall business portfolio, it's possible to have a more rigorous discussion regarding profitability and risks. I believe we were able to have insightful discussions on the Calliditas acquisition as a result. As an Outside Director, I raised many questions

about this acquisition. Rather than just confirming its superficial effects, I wanted to make sure that the essence of the strategy was clear and well-defined. I also find it highly significant that the Board of Directors has frank and detailed discussions on how to set hurdle rates for major investment projects.

Another good example is when we reexamined the North American investment project for the separator business after a temporary pause. The Board of Directors carefully discussed the global situation, technological trends, market conditions, pros and cons of external alliances, different ways of financing, and the position of the project in Asahi Kasei's envisioned future business portfolio. We spent some time getting explanations from the business unit before reaching a consensus and approving the plan. Sometimes the path to a conclusion is long and tortuous. But in this case as well, I believe that we benefited from the healthy tension between the Board of Directors and the managers of the business. It was through this process that the Board of Directors approved the first phase of the investment plan.

### Wide-ranging discussions on three-sector management

While swift structural transformation of the Material sector is essential, how to do so considering that people are valuable assets is a serious challenge. The Board of Directors continues to closely monitor progress. This is one reason I find it highly meaningful to visit plants, research laboratories, and other facilities, and to attend technological presentations. Some of the facilities I've visited are subject to structural transformation. Even during a brief visit, listening to employees firsthand gives me a keen sense of the impact that structural transformation has on them. It makes me firmly aware that employees must not be forgotten as we examine how to proceed.

Moving forward, the Board of Directors will continue to have high-level discussions on three-sector management. In light of Asahi Kasei's vision for the future, we will discuss how to reconcile each sector's unique characteristics with Asahi Kasei's uniform identity. Based on this, we will examine how the business portfolio should be.

Furthermore, while the Board of Directors has had extensive discussions on the best capital structure and appropriate shareholder returns in order to gain greater evaluation in the market, we must continue to further explore this issue.

Corporate Governance

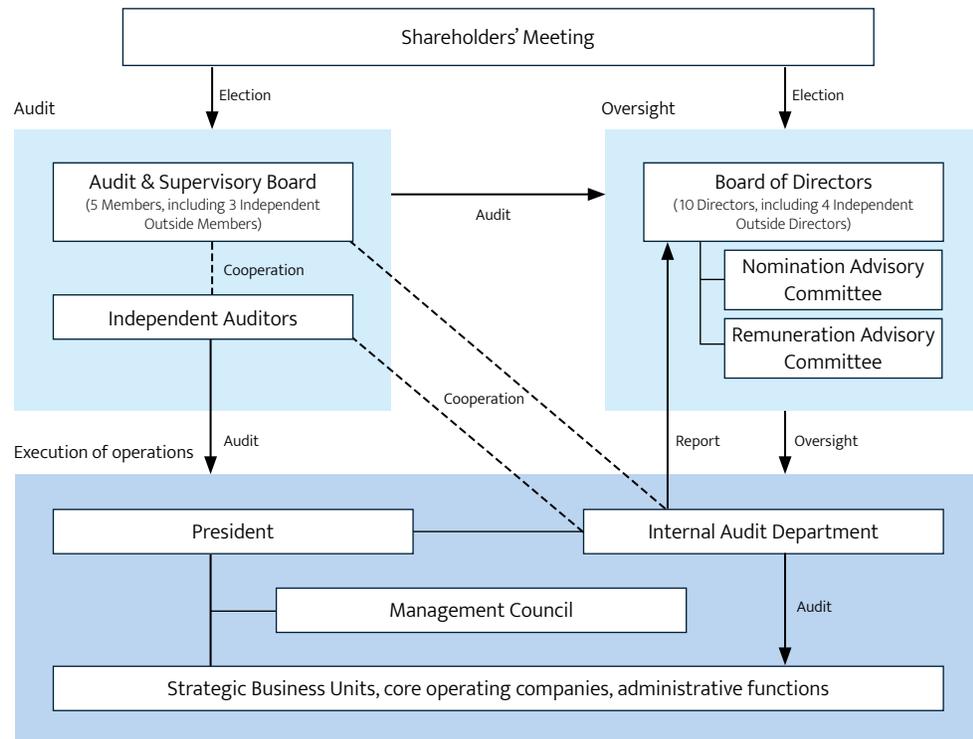
Overview of Corporate Governance

Basic policy

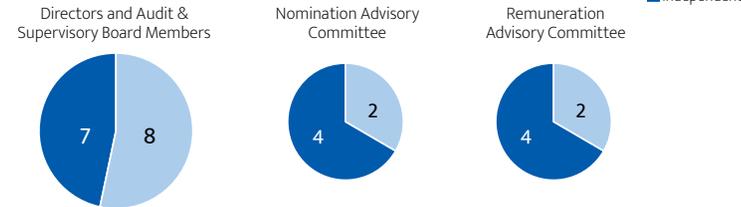
Guided by the Group Mission of contributing to life and living for people around the world, the Group Vision for Asahi Kasei is to provide new value to people throughout the world and help resolve social issues by enabling “living in health and comfort” and “harmony with the natural environment.” Based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

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

Corporate governance configuration (as of June 25, 2024)



Ratio of independent Officers



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

Ratio of women



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

Status of activities in fiscal 2023

Meeting	No. of meetings held	Average attendance	Main agenda items
Board of Directors Chair: Hideki Kobori	15	100% (Directors and Audit & Supervisory Board Members)	<ul style="list-style-type: none"> <li>Medium-term management direction and business portfolio</li> <li>Deliberations, decisions, and follow-ups on major investments, M&amp;A, and organizational restructuring</li> <li>Initiatives and disclosure on human capital</li> <li>Addressing of Significant Group Risks</li> <li>Evaluation of effectiveness of the Board of Directors</li> <li>Reports from Nomination Advisory Committee and Remuneration Advisory Committee</li> <li>Annual management plan, quarterly and annual results, nomination of Officers</li> </ul>
Nomination Advisory Committee Chair: Tsuyoshi Okamoto	6	100% (committee members)	<ul style="list-style-type: none"> <li>Confirmation of approach to composition and size of the Board of Directors, Director candidate nomination policy, criteria for independence of Outside Directors and Audit &amp; Supervisory Board Members</li> <li>Deliberations on requirements for selection of Director candidates and on specific Director candidates</li> <li>Succession plan for the President</li> <li>Nomination of Officers for fiscal 2024</li> </ul>
Remuneration Advisory Committee Chair: Tsuyoshi Okamoto	4	100% (committee members)	<ul style="list-style-type: none"> <li>Review of level of Officer remuneration</li> <li>Deliberation and review of issues related to the Officer remuneration system</li> <li>Decision on amounts of individual performance-linked remuneration</li> </ul>
Audit & Supervisory Board Chair: Yutaka Shibata	20	100% (Audit & Supervisory Board Members)	<ul style="list-style-type: none"> <li>Exchanges of views on important risks</li> <li>Exchanges of views on measures to improve effectiveness of the Board of Directors and the Audit &amp; Supervisory Board</li> <li>Exchanges of views with Outside Directors</li> <li>Information sharing and exchanges of views with the internal audit division, Corporate Auditors of subsidiaries, and Independent Auditors</li> <li>Revision of audit standards for internal control systems</li> </ul>

## Corporate Governance

## Officer remuneration

## Remuneration for Officers in fiscal 2023

## Amount of remuneration, etc., of Directors and Audit &amp; Supervisory Board Members in fiscal 2023

Classification	Amount Paid (Millions of Yen)	Breakdown by Remuneration Type (Millions of Yen)			Number of Directors and Audit & Supervisory Board Members Paid
		Basic Remuneration	Performance- linked Remuneration	Stock-based Remuneration	
Directors	601	452	85	65	12
of which, Outside Directors	68	68	—	—	4
Audit & Supervisory Board Members	158	158	—	—	7
of which, Outside Audit & Supervisory Board Members	54	54	—	—	4

## Composition of remuneration for Executive Directors in fiscal 2023

Basic Remuneration 62.8%	Performance-linked Remuneration 21.1%	Stock-based Remuneration 16.1%	Note: Outside Directors receive basic remuneration only.
(Paid monthly)	(Paid monthly)	(Paid at the time of retirement)	
• Performance-linked remuneration = commitment to results	• Stock-based remuneration = perspective of shareholders		

## Remuneration for Directors

## (1) Decision-making policy

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

## Basic policy

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

Remuneration for Non-executive Directors<sup>1</sup> including Outside Directors, who supervise the management of the Company, solely comprises fixed basic remuneration at a level determined in consideration of third-party survey data, in order to secure a high degree of independence unaffected by short-term earnings fluctuations.

Remuneration for Executive Directors combines performance-linked remuneration with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration, which serves a basic livelihood, in order to provide incentives tied to earnings and management strategy as senior management, with levels of remuneration amounts and proportions of types of remuneration adjusted as appropriate for each role according to management strategy and tasks, in consideration of third-party survey data.

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

<sup>1</sup> Non-executive Directors include the Chairman.

## (2) Basic design

## 1) Performance-linked remuneration

- Designed by combining both the achievement of financial targets, such as capital efficiency, to provide incentives tied to earnings and management strategy as senior management, together with the achievement of non-financial targets including individual targets, one of which is progress on sustainability
- Calculated by making a comprehensive judgment based on achievement of financial targets such as consolidated net sales, operating income, return on invested capital (ROIC), etc., together with achievement of individually set targets, including progress on sustainability
- Standards for financial incentives selected from the perspectives of appropriateness as clear and objective evaluation criteria based on earnings results as well as awareness for increased capital efficiency
- The formula required to calculate individual performance-linked remuneration is outlined as follows:

$$\text{Index calculated by evaluation}^2 \times \text{Basic amount by rank} = \text{Individual performance-linked remuneration amount}$$

<sup>2</sup> Coefficient comprehensively considering achievement of financial targets and non-financial targets

- Target figures / standard figures and actual figures of management indicators to be used for the calculation of performance-linked remuneration in fiscal 2023

	Fiscal 2023 Target Figure / Standard Figure	Fiscal 2023 Actual Figure
Consolidated net sales	¥2,865.0 billion	¥2,784.9 billion
Consolidated operating income	¥160.0 billion	¥140.7 billion
Consolidated ROIC <sup>3</sup>	6.0%	5.9%

<sup>3</sup> Consolidated ROIC = (operating income - income taxes) / average annual invested capital

## Corporate Governance

## 2) Stock-based remuneration

- Designed to reinforce a common perspective with shareholders, including both the benefits of share price increases and the risk of share price decreases, a stock-based remuneration system was adopted, and it was revised at the 131st Ordinary General Meeting of Shareholders held on June 24, 2022.
- A trust established by Asahi Kasei acquires shares of the Company and grants them to eligible Directors. Based on the Share Grant Regulations adopted by the Board of Directors, eligible Directors are conferred points in accordance with their ranks and degree of achievement of performance targets (maximum of 150,000 points per fiscal year) and the shares are granted to eligible Directors corresponding to the accumulated number of points at the time of their retirement as Director and as Executive Officer of the Group (one share of stock per point).
- The following table describes the status of the performance targets above, which are defined by the Board of Directors, for fiscal 2023.

Indicator	Indicator calculation method	Fiscal 2023 target figure / standard figure	Fiscal 2023 actual figure
Job satisfaction	Percentage of employees with serious lifestyle-related illnesses	0.70%	1.16%
DX	Number of digital professional human resources	1,750	1,728
Diversity	Percentage of women in the total number of managers and Group Masters	4.4%	4.4%

## (3) Decision-making process

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

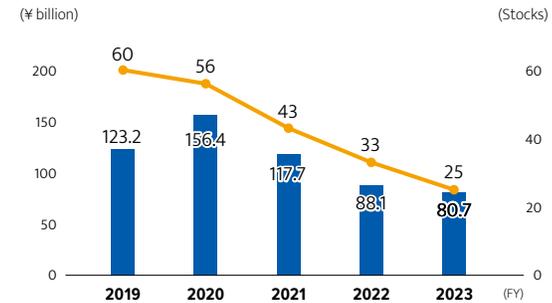
## Strategic shareholdings

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

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

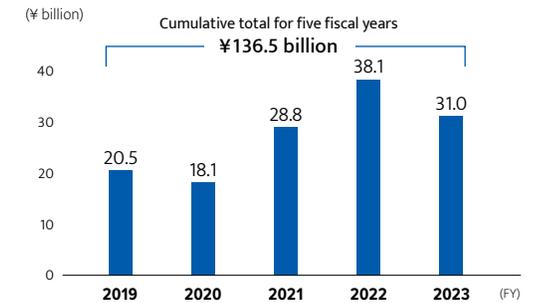
As a result of the verification, the Company reduces, through sales or other means, holdings of shares judged to be no longer compatible with the purpose of holding them or deemed to have costs and risks that outweigh the benefits of holding them, taking into consideration the conditions of the company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

## Strategic holdings of listed shares



■ Fiscal year-end amounts of strategic shareholdings on the balance sheets (left scale)  
 ◆ Number of stocks (right scale)

## Sales of strategic shareholdings



## Message from New Outside Director Yoshinori Yamashita, Outside Director



**Yoshinori Yamashita**

Outside Director

After graduating from the School of Engineering at Hiroshima University in 1980, Mr. Yamashita joined Ricoh Company, Ltd. in the same year. He served as the president and CEO for six years from April 2017, becoming chairperson in April 2023. Currently also serving as the co-chair of the Japan Climate Leaders' Partnership, Mr. Yamashita became an Outside Director of Asahi Kasei in June 2024.

### Q What is your current impression of Asahi Kasei?

I joined Ricoh in 1980 and now serve as its chairperson. I feel a strong affinity with Asahi Kasei for the circumstances it faces in that both Ricoh and Asahi Kasei are manufacturers, and both must make major changes to achieve future growth. In terms of my impression, looking first at R&D, I have long recognized that Asahi Kasei prides itself on its strong technological capabilities, which are underpinned by its accumulated research, including the achievements of Honorary Fellow Dr. Akira Yoshino. Second, with a portion of the businesses in its three major sectors engaged in B2C activities, I think that it has a well-balanced portfolio, in the sense that these businesses allow Asahi Kasei to have direct contact with end users.

Meanwhile, businesses in the Material sector are facing challenging circumstances. It is my hope that Asahi Kasei will embrace business portfolio transformation positively, navigating challenges while evolving by carefully identifying a path

for transitioning to sustainable businesses. I expect that the major decisions made in the separator business in April 2024 will prove to be a significant turning point for the business. As for the current MTP, I believe that adopting the 10 Growth Gears (GG10) businesses to drive future growth and communicating this to all employees will effectively enable the Asahi Kasei Group to work as one with the aim of achieving continued growth. I am keen for Asahi Kasei to better clarify the relevance of the MTP and short-term business plans to its vision so that it achieves further growth.

I have the impression that Asahi Kasei is firmly strengthening its corporate governance—such as the composition of the Board of Directors and evaluations of its effectiveness, as well as dialogue with shareholders and investors—at an increasing pace. As I must deepen my understanding of Asahi Kasei as an Outside Director to further enhance these efforts, I aim to communicate proactively with employees working on the front lines.

### Q Given your experience, how do you aim to contribute as an Outside Director?

At meetings of the Board of Directors, I will offer opinions that draw on my experience of managing a company and my experience of activities that help address social issues, including those in relation to the global environment, which I view as my lifework.

There are two places that could be said to be the basis of my life. One is Telford in the United Kingdom, where I was stationed for seven years from the age of 36, and the other is Daichuji, a temple in Numazu, Shizuoka Prefecture, which I visited for Zen meditation training.

In the United Kingdom, I had many experiences where what I had previously thought was conventional felt as if it was unconventional, with discontinuous events occurring almost daily. Since realizing that my definition of what is usual exists only within myself, I have set great value on approaching matters from unusual, discontinuous, and unconventional perspectives. Daichuji represents the starting point of my lifelong journey in pursuit of excellence. In my encounters with various leading people, I act with an awareness that I must constantly improve myself as an individual.

Based on these beliefs, I am keen for Asahi Kasei to be a company where employees can pursue the essence of their daily work and discuss their work in their own words. When employees are able to ask questions of themselves—including about the kind of lives they want to lead, the kind of society they want to see to enable them to lead such lives, what Asahi Kasei can offer to such a society, and the purpose of their daily work—and to express their answers in their own words, they will be able to take pride in their work and engage in it autonomously. The actions of every employee create value that contributes to life and living for people around the world, which is the Group Mission of Asahi Kasei. To put it another way, Asahi Kasei will not be able to create value that contributes to life and living unless every employee takes pleasure and satisfaction in their work.

Going forward, I will seek to further deepen my understanding of Asahi Kasei. With a focus on management approaches from unusual, discontinuous, and unconventional perspectives, I am committed to offering opinions that will enable Asahi Kasei to take a further step toward realizing its vision for the world.

## Risk Management

### Strengthening of risk management in view of business diversity

Asahi Kasei has a diverse range of business sectors—Material, Homes, and Health Care—and the business environment surrounding each of these sectors is undergoing rapid change. To raise the effectiveness of its risk management given such an environment, we are working to implement both group-wide activities led by individual corporate administrative departments as well as activities tailored to the characteristics of each individual business unit.



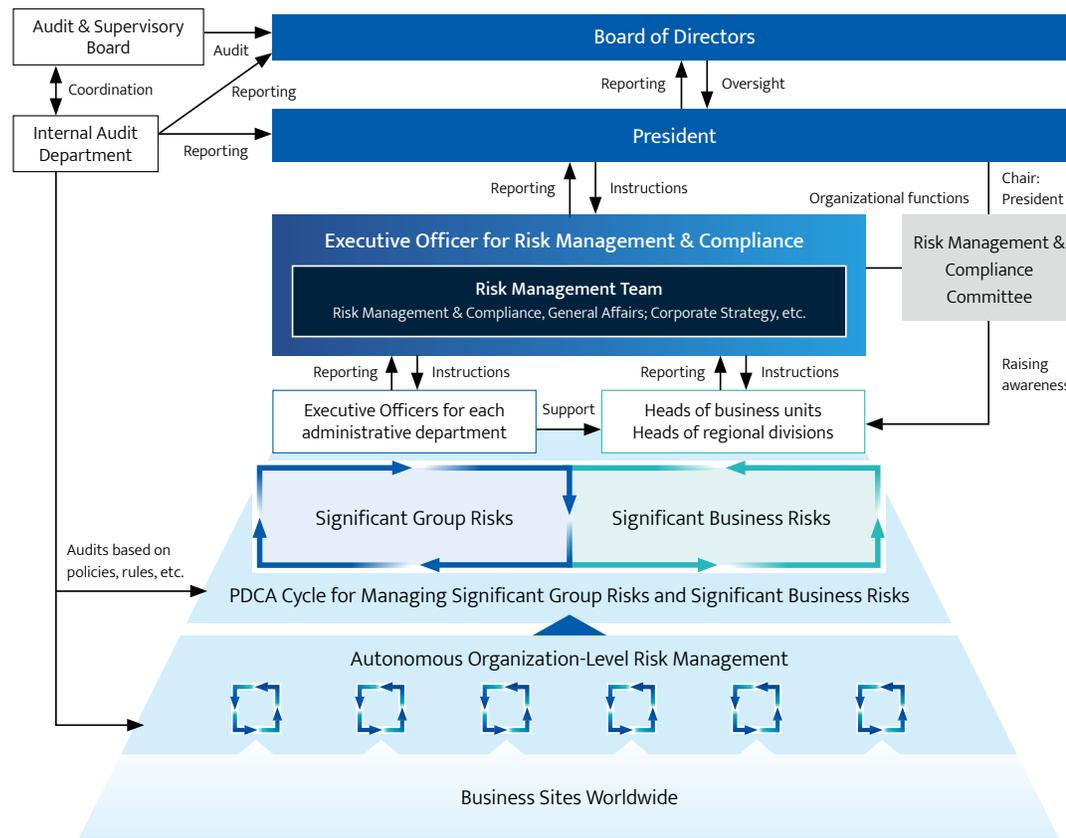
Nobuhiro Yamaguchi  
Executive Officer for Risk Management & Compliance

### Reducing risks through both group-wide activities and activities in each business unit

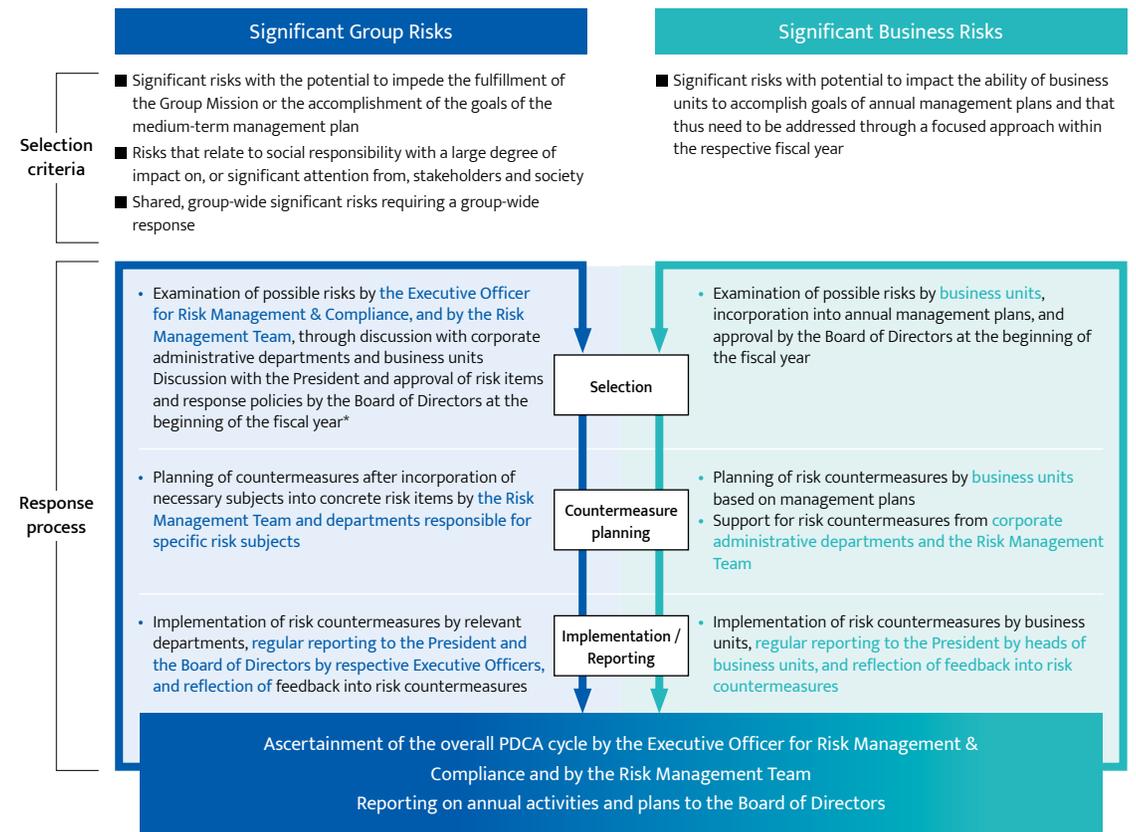
We categorize risks that affect the entire Asahi Kasei Group and could significantly impact management as Significant Group Risks, and risks that could have a significant impact due to the nature of a business or that could impede the achievement of the annual plans of a business unit as Significant Business Risks.

Corporate administrative departments are responsible for managing and mitigating Significant Group Risks, while individual business units are responsible for managing and mitigating Significant Business Risks. The company-wide Risk Management Team leads coordination between them, and the status of respective activities is monitored by the Board of Directors.

#### Risk management framework and roles of constituents



#### Risk management PDCA cycle (Significant Group Risks and Significant Business Risks)



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

## Risk Management

## Fiscal 2024 Significant Group Risks and thrust of main initiatives

Significant Group Risks		Thrust of main initiatives	
Risks related to accidents at production sites (environmental abnormalities, industrial accidents, injuries)		<ul style="list-style-type: none"> <li>Reinforcement and enhancement of Life Saving Actions (adherence to activity prohibitions for eliminating serious accidents)</li> <li>Improvement of fire prevention technology at individual production sites</li> <li>Reinforcement of workplace safety auditing functions and cultivation of environmental safety experts</li> <li>Identification of hazard sources at individual production sites, conveyance and education of process safety techniques, and thorough implementation of PDCA in response to abnormalities</li> </ul>	For more information, see <a href="#">P.88</a>
Risks related to quality-associated misconduct (data falsification, etc.)		<ul style="list-style-type: none"> <li>Enhancement of quality awareness and culture through regular communication between management and front-line workers</li> <li>Extensive circulation of information regarding quality risks through increased information communication from corporate quality assurance departments</li> <li>Reinforcement of governance through quality inspections and reinforcement of training for quality assurance personnel</li> </ul>	
Risks related to domestic and international laws, regulations, certification requirements, etc., regarding environment, safety, and quality assurance	Environment and safety	<ul style="list-style-type: none"> <li>Circulation of information regarding regulations and regulatory revisions, exhaustive education activities, appointment of experts, and strengthening of internal consultation frameworks</li> </ul>	
	Quality assurance	<ul style="list-style-type: none"> <li>Development of systems for improving compliance</li> </ul>	
Risks related to economic security and global supply chains	Risks related to tightening of economic sanctions and export restrictions (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Timely monitoring of regulatory trends and consultation with relevant organizations and experts as necessary before issues emerge</li> <li>Rigorous screening of customers through external screening systems</li> </ul>	
	Risks related to corporate activities due to geopolitics	<ul style="list-style-type: none"> <li>Setting of risk scenarios for geopolitical emergencies and studying of impacts on business activities such as employee safety, procurement, and sales</li> <li>Specification of initial responses and BCP to be carried out under task force in event of emergency</li> </ul>	
	Human rights risks (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Promotion of business activities in accordance with Asahi Kasei Group Human Rights Policy</li> <li>Fostering of an awareness and culture of respect for human rights through human rights due diligence, education and awareness activities, etc.</li> </ul>	For more information, see <a href="#">P.89</a>

Significant Group Risks		Thrust of main initiatives	
Risks related to economic security and global supply chains	Feedstock/material procurement risks	<ul style="list-style-type: none"> <li>Transparency for raw material procurement risks and countermeasure priorities for each business, strengthening of support systems on corporate side</li> <li>Diversification of procurement routes and maintenance of appropriate inventory levels for feedstocks used in major products and businesses</li> <li>Formation and maintenance of relationships with alternative suppliers for equipment components prone to unreliable supplies</li> <li>Revision of management procedures pertaining to delivery and upgrade timings for equipment components</li> </ul>	
Risks related to cybersecurity and technological information management	Risks related to cybersecurity and communications infrastructure	<ul style="list-style-type: none"> <li>Implementation of swift and flexible countermeasures to combat ever-evolving cyberattacks through technical measures made possible by installing security systems and raising and reinforcing awareness regarding security via employee education, etc.</li> <li>Planning and implementation of BCP measures aimed at achieving minimum level of IT usage (communication, information access) in event of large-scale disaster</li> </ul>	For more information, see <a href="#">P.90</a>
	Risk of technological information leakage	<ul style="list-style-type: none"> <li>Formulation of technological information management rules and implementation of leak prevention measures based on those rules</li> <li>Strengthening of group-wide unified monitoring systems for leak prevention measures</li> </ul>	
Risks related to natural disasters, pandemics, and terrorism or conflicts	Headquarters and office districts (domestic and overseas)	<ul style="list-style-type: none"> <li>Recompilation of response policies and manuals based on past cases such as large-scale natural disasters and pandemics, implementation of training simulating risk actualization</li> </ul>	
	Production sites (domestic and overseas)	<ul style="list-style-type: none"> <li>Establishment of standards and systems for setting up emergency response headquarters and response manuals to prepare for acts of terrorism, conflicts, and other extreme circumstances that may occur overseas</li> </ul>	

The Board of Directors also monitors the following risks as they could have a significant impact on the management of the Company:

Other risks	Thrust of main initiatives	
Risks related to M&A	<ul style="list-style-type: none"> <li>Prudent due diligence of potential acquisitions</li> <li>Careful verification of post-merger integration plans</li> </ul>	For more information, see <a href="#">P.34–35</a>
Risks related to climate change	<ul style="list-style-type: none"> <li>Monitoring and formulation of measures based on annual analyses and investigations of climate change-related risks and opportunities</li> </ul>	For more information, see <a href="#">P.48–56</a>

## Environmental Protection

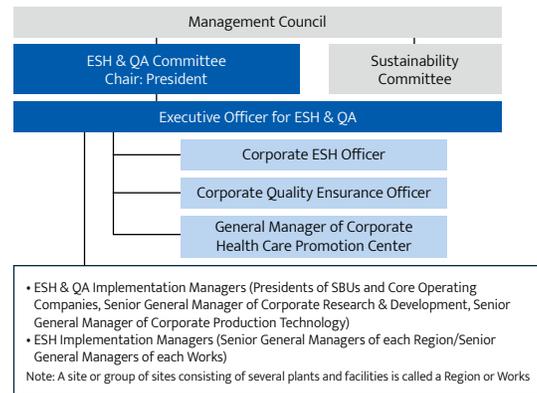
# Ensuring the safety of employees and communities

### Policy and management framework

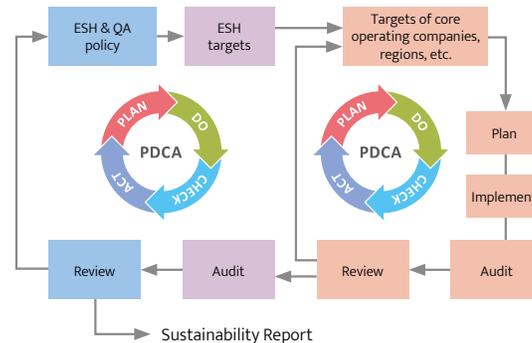
The Asahi Kasei Group Mission states that “we, the Asahi Kasei Group, contribute to life and living for people around the world.” Based on this mission, we implement environment, safety, and health (ESH) and quality assurance (QA) activities that recognize health maintenance, process safety, workplace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

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

#### Management framework



#### PDCA cycle for safety management

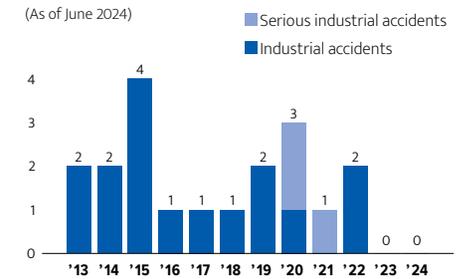


### Current status and fiscal 2024 improvement policy

In fiscal 2023, there were no industrial accidents or serious industrial accidents. However, there were 21 minor incidents involving small fires, smoke, and minor leaks of hazardous materials and other substances within plant grounds. In total, 19 industrial accidents, including serious ones, have occurred over the past 10 years.

In light of these circumstances, the ESH & QA Committee convened in July 2024, reaffirming the importance of measures to address industrial accidents and prevent the spread of fires. At the same time, the committee determined a policy to work toward understanding conditions at work sites and taking effective measures, given that there is no immediate remedy. In fiscal 2024, we will prioritize the following three measures based on this policy.

Occurrences of industrial accidents and serious industrial accidents (As of June 2024)



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

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

FY2024	Target	Priority initiatives and measures
ESH	Nurture a culture of safety	<ul style="list-style-type: none"> <li>• Promotion and ingrain of the Life Saving Actions program (thorough adherence to rules on prohibited behaviors to eradicate serious occupational accidents)</li> <li>• Strengthening of two-way communication between management and work sites</li> </ul>
	Develop human resources with expertise in ESH	<ul style="list-style-type: none"> <li>• Establishment of Group Masters in ESH and formulation and implementation of succession plans for them</li> </ul>
Process Safety	Achieve zero serious industrial accidents	<ul style="list-style-type: none"> <li>• Company-wide promotion of prioritized activities for imparting process safety technology</li> <li>• Implementation of highly effective expert audits of work sites</li> </ul>
	Prevent the spread of fires	<ul style="list-style-type: none"> <li>• Promotion of standards established with the participation of experts for installation of fire prevention and extinguishing equipment</li> <li>• Implementation of effective emergency drills in cooperation with public fire departments</li> </ul>

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



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

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

## Respect for Human Rights / CSR Procurement

### Responsible business practices throughout the value chain

#### Respect for Human Rights

##### Policy and management framework

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

**Asahi Kasei Group Human Rights Policy** (Approved by the Board of Directors in fiscal 2021)

Respecting the human rights of all stakeholders	Basic approach	Endeavoring with business partners to remediate and eliminate human rights violations that occur
<p><b>Addressing human rights issues (initiatives through business activities)</b></p> <ul style="list-style-type: none"> <li>• Compliance with laws and regulations (including on working hours, wages, safety and hygiene, and protection of personal information)</li> <li>• Prohibition of discrimination, harassment, and other unacceptable conduct</li> <li>• Respect for the human rights of all people in society (including customers and communities)</li> </ul>	<p><b>Promoting respect for human rights</b></p> <ul style="list-style-type: none"> <li>• Education</li> <li>• Implementation of human rights due diligence</li> <li>• Commitment to engage with affected stakeholders</li> <li>• Establishment and operation of grievance mechanisms</li> <li>• Disclosure</li> </ul>	<p><b>Promoting respect for human rights</b></p> <ul style="list-style-type: none"> <li>• Education</li> <li>• Implementation of human rights due diligence</li> <li>• Commitment to engage with affected stakeholders</li> <li>• Establishment and operation of grievance mechanisms</li> <li>• Disclosure</li> </ul>

The Asahi Kasei Group Human Rights Policy complies with the International Bill of Human Rights and the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work. The Asahi Kasei Group has also pledged its support for the Ten Principles of the United Nations (UN) Global Compact as well as the UN Guiding Principles on Business and Human Rights. Based on these policies and principles, we work to identify and appropriately address human rights issues.

Accordingly, we have established the Human Rights Committee to promote actions in accordance with the Asahi Kasei Group Human Rights Policy.

In fiscal 2023, we shared information about the state of the world’s human rights and organized our initiatives regarding respect for human rights. As human rights issues become more complex, society’s values regarding human rights have been changing, with individual countries enacting legislation accordingly. Against this backdrop, we will continue to share information about human rights and raise the level of our efforts through the Human Rights Committee.

##### Management framework



##### Human rights education and training

The Respect for Human Rights and Diversity section of the Asahi Kasei Group Code of Conduct clearly expresses a firm policy against all forms of discrimination and harassment. We provide education on human rights through in-house training, lectures by experts, e-learning, and other such means, and incorporate human rights cases into discussions on compliance at the workplace level.

#### CSR Procurement

In addition to our own company, we expect all parties across the supply chain to address social issues such as climate change and respect for human rights in order to achieve sustainability. We are working to promote CSR procurement together with our suppliers with the aim of building a sustainable supply chain.

##### Procurement Policy

We consider all suppliers to be important business partners, and our policy is to treat them with honesty and integrity. We have established the Procurement Mission and Vision, and we work to comply with the Asahi Kasei Group Procurement Policy to promote purchasing activities that prioritize CSR.

##### Supplier Code of Conduct

In 2024, we reformulated our Supplier Guidelines as the Supplier Code of Conduct to better promote CSR procurement initiatives. We plan to have all of our suppliers sign and submit a letter of consent to upholding this code of conduct. Through this measure, we will strive to gain the understanding and cooperation of our suppliers.

##### CSR procurement questionnaire

We conduct a survey of our suppliers every year and disclose the results. For suppliers who receive a rating of C or below, we deepen mutual understanding through dialogue and provide support for improvement. We also meet with suppliers whose evaluations have improved significantly compared with previous results to gain a better understanding about best practices for CSR promotion activities.

##### Conflict minerals survey

In fiscal 2023, we conducted a survey of suppliers regarding procured materials containing tantalum, tin, tungsten, gold, cobalt, and mica in response to the issue of conflict minerals, which have been identified as a possible source of funding for armed groups linked to inhumane acts. The results of the survey confirmed that none of the materials procured came under the category of conflict minerals.

##### CSR procurement questionnaire assessment

Rank	Materials suppliers		Raw materials suppliers	
	FY2020	FY2022	FY2021	FY2023
A	77	119	79	164
B	67	60	17	40
C	31	28	3	10
D	12	7	2	1
Total	187	214	101	215

##### CSR procurement questionnaire Average scores by category in fiscal 2023



## Compliance / Information Security

### Strengthening the foundations of integrity and security

#### Compliance

##### Policy and management framework

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

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

##### Awareness of the Code of Conduct

Group companies in Japan maintain an understanding of the status of compliance through questionnaires on the issue and regular exchanges of opinions in small groups—such as sections and subsections—using examples of compliance violations, which help promote awareness and understanding of compliance. In fiscal 2023, the compliance questionnaire response rate came to 93.3%, with 96.6% of respondents answering that they had read the Asahi Kasei Group Code of Conduct and approximately 80% that they understood it. Going forward, we will also expand and strengthen compliance activities globally.

##### Establishment of the Group Principles

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

the entire Asahi Kasei Group. Accordingly, Group companies around the world formulate rules suited to each business and region based on these common standards. The Group Principles form the basis of ongoing efforts to develop the optimal system of Group management.

##### Whistle-blowing system (Compliance Hotline)

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

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

Number of reports and operational status (fiscal 2023): **86 reports** (five of which were in relation to human rights issues, including harassment)

##### Prevention of bribery

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

#### Information Security

##### Policy and management framework

The Asahi Kasei Group considers information security to be a serious issue for management in promoting digital transformation (DX). Accordingly, we formulated the **Asahi Kasei Group Information Security Policy** [▶](#) with the aim of ensuring and further enhancing information security. Regarding the information security framework, we have established a specialized internal organization (the Security Center) for the implementation of information security measures at all Group companies in Japan and overseas from the perspectives of both corporate governance and technology.

##### Cybersecurity

Cybersecurity measures have become increasingly important due to the sharp rise and growing sophistication of cyberattacks. The Asahi Kasei Group has adopted the zero trust principle and strengthened plant security to mitigate serious risks, such as information leaks and production activity stoppages. The Asahi Kasei Group operates a security operation center (SOC)<sup>1</sup> utilizing advanced security systems, such as endpoint detection and response (EDR)<sup>2</sup> and security information and event management (SIEM).<sup>3</sup> We also focus efforts on employee awareness-raising activities, such as information security training, and conduct email drills several times a year to reduce the risk of cyberattacks originating from malicious emails.

<sup>1</sup> A SOC is an organization that monitors security. It receives alerts and other intelligence from security tools and investigates the impact scope and severity of attacks.

<sup>2</sup> EDR is a system for detecting advanced cyberattacks. The system can also respond to incidents in a variety of ways, such as by collecting logs required for analysis and isolating breached computers.

<sup>3</sup> SIEM is a system that collects and analyzes the logs of security, network, and other devices to detect incidents and initial signs of such incidents.

## Health and Productivity Management

### Vibrant human resources and workplaces rooted in the health of employees and their families

We view maintaining and improving the health of our employees and their families as a top management priority, and in fiscal 2020 we issued the Asahi Kasei Group Statement on Management for Health. Based on the idea that “people are everything” for sustainably increasing corporate value, we are strengthening our support for the physical and mental well-being of employees, aiming to create an environment where all employees can play active roles.

#### Overview of health and productivity management initiatives



#### Health and productivity management targets

As KPIs for health and productivity management, in order to increase individual productivity, we are promoting measures to reduce the number of days absent from work due to illness (Targets 1 to 4). In addition, a lack of quality sleep is said to be a major factor contributing to presenteeism, where employees go to work but are unable to perform due to circumstances related to physical or mental health. We are focused on addressing this issue, striving to help employees get more sleep of better quality (Target 5).

#### Company-wide KPIs and targets\*

KPIs	Results					Targets
	2019	2020	2021	2022	2023	2024
1) Percentage of employees on leave of absence for mental health purposes	0.91	0.98	1.00	1.07	1.16	0.64
2)-1 Percentage of employees with serious lifestyle-related illnesses	11.0	11.0	10.7	10.7	9.9	7.7
2)-2 Percentage of employees affected by metabolic syndrome	11.4	11.4	11.1	10.7	10.8	7.8
3) Number of days absent by employees due to cancer-related illnesses	79.2	68.1	87.5	88.6	75.7	67.3
4) Percentage of employees affected by smoking habits	25.8	24.7	23.5	22.5	21.8	15.5
5) Percentage of employees affected by insufficient rest from sleep	32.4	28.5	27.2	28.0	28.7	22.7

\* Applicable to employees of Asahi Kasei Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corp., Asahi Kasei Medical Co., Ltd., and certain subsidiaries and affiliates.

#### Priority measures

##### Measures to improve mental health

To enable our employees to promptly deal with stress and mental health problems, we provide “Mental Health Self-Care Education” to all employees (with 95.4% attendance in fiscal 2023). Three months following training, we conducted an additional

survey to confirm whether behavioral changes had occurred and to measure the degree to which the educational content had been retained (76.2% of respondents answered “It has already been useful” or “I think it will be useful in the future”). Furthermore, in fiscal 2024, we began conducting follow-up checks on employees who have been transferred or relocated. In many cases, the onset of mental health problems is due to work environment changes, such as joining a company or being transferred. For employees who have been handling new duties at work or changes in their living environment, we are strengthening our response to mental health disorders by checking on the state of their health and how they are adapting to their new environment, and we have occupational health staff intervene at an early stage if necessary.

We also conduct KSA surveys (engagement surveys assessing employee empowerment and growth), which enable more detailed analysis and visualization of work engagement among employees in terms of enthusiasm, immersion, and vitality. We conduct these surveys in conjunction with stress checks. We comprehensively utilize the KSA results in each workplace, and we are making efforts to improve work engagement, including by facilitating greater communication among employees.

#### Measures to address lifestyle-related illnesses

##### ► Specific health guidance and the Get Fit Challenge

To promote measures to address and prevent lifestyle-related illnesses among our employees, since fiscal 2022 we have made it mandatory, as a general rule, for employees diagnosed with metabolic syndrome to undergo specific health guidance. Also, we offer the Get Fit Challenge, a program that aims to prevent the onset or progression of metabolic syndrome and other lifestyle-related diseases and their complications.

##### ► Fitness videos to promote exercise habits

The Asahi Kasei Judo Club worked with a regional health and productivity management office to create stretching videos that employees who do a lot of desk work can use during breaks to help them refresh themselves and develop exercise habits.



#### Cancer awareness initiatives

We conducted “Education to Support Balancing Work with Cancer Prevention and Treatment” for all employees in order to promote accurate knowledge about cancer and increase cancer screening rates (95.7% participation in FY2023). A post-program survey revealed that 90.4% of participants said they wanted to undergo regular cancer screening and 91.3% said they planned to engage in lifestyle behavior related to cancer prevention, demonstrating the program’s contribution to improving literacy regarding cancer among employees.

#### Anti-smoking measures

In April 2024, we introduced a complete smoking ban during working hours (goal: elimination of indoor smoking areas) to help smokers quit and prevent employees from being exposed to unwanted second-hand smoke. In April 2025, we will implement a non-smoking policy on all premises and during banquets. We also provide support to smokers, including e-learning to help employees understand how smoking impacts their health (94.1% participation in fiscal 2023) and the Smoking Cessation Challenge in collaboration with the Asahi Kasei Health Insurance Society.

#### Sleep support measures

We have been conducting a trial to identify employees with severe insomnia through a sleep questionnaire and have piloted a sleep improvement program for those who wish to participate. In light of participants’ high level of satisfaction and the program’s effectiveness to a certain degree in improving sleep quality, we plan to deploy the program company-wide beginning in fiscal 2025.

## Communication with Stakeholders

### Internal and external dialogue for trustworthy corporate activities

Asahi Kasei's business is built on relationships of trust with a wide range of stakeholders, including customers, shareholders and investors, suppliers and other business partners, local communities, the general public, and employees. We provide various opportunities for communication with our stakeholders so that we can give heed to various opinions and expectations, and reflect them in our business activities.

#### Main stakeholders and communication opportunities

Main stakeholders	Main communication opportunities
Customers	<ul style="list-style-type: none"> <li>• Direct response by sales personnel</li> <li>• Provision of information on products and services via website</li> <li>• Addressing of telephone, website, and other inquiries</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>• General Meetings of Shareholders</li> <li>• Briefings and interviews for institutional investors and securities analysts</li> <li>• Briefings for individual investors</li> <li>• Information disclosure via website</li> <li>• Addressing of telephone, website, and other inquiries</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>• Safety discussion forums and other gatherings</li> <li>• CSR procurement questionnaire</li> <li>• Whistle-blowing system (Compliance Hotline)</li> </ul>
Local communities / the general public	<ul style="list-style-type: none"> <li>• Regular community networking events</li> <li>• Community contribution activities</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Various training programs and meetings</li> <li>• In-house magazine and intranet</li> <li>• Employee opinion surveys, etc.</li> <li>• Town hall meetings and roundtable discussions</li> <li>• Whistle-blowing system (Compliance Hotline)</li> </ul>

### Advancing dialogue for corporate value

To ensure that shareholders and investors both in Japan and overseas understand our vision for the future, our management strategy, and our path to ongoing enhancement of corporate value such as governance-related measures, we are committed to proactive information disclosure and two-way communication, including with our senior management.

In fiscal 2023, in addition to a management briefing and quarterly earnings results briefings, we held briefings on the Material sector and digital transformation strategy, the contents of which are disclosed on our website. Senior management is proactively advancing communication to enhance corporate value over the medium-to-long term through presentations at briefings, interviews, small meetings, and other venues. We strive to accelerate the transformation of our business portfolio

and improve various KPIs while also taking into account the expectations of the stock market expressed through dialogue, such as for further capital efficiency improvements.

We also put such dialogue to use in IR activities to promote understanding of our growth strategy. Specifically, we have enriched our disclosure based on feedback from investors and analysts by taking steps such as improving our earnings results briefing materials and including quantitative disclosure of profit growth trends for major M&A projects in our management briefing materials.

### Plant tours

To promote greater understanding of our technological capabilities and the high quality of our products at actual manufacturing sites, we provide opportunities for investors and analysts to tour our plants and offices. In July 2023, we conducted a tour of the Nobeoka/Hyuga area of Miyazaki Prefecture, our largest manufacturing base. Visitors were able to see manufacturing plants for major products such as separators and automotive interior materials, as well as a hydroelectric power plant that supplies electricity to such manufacturing plants. In June 2024, we conducted a tour of the Fuji area of Shizuoka Prefecture, our largest R&D base, and participants had the opportunity to tour the electronic components plant and other facilities of our digital solutions business.

### Dialogue between employees and management

We strive for workplaces where individual employees are respected, have a sense of fulfillment, and can fully utilize their capabilities. In addition to promoting communication within the workplace, we proactively convey messages from company executives through the in-house magazine and our intranet, and hold town hall meetings where the President himself visits various regions to directly discuss management policies. We believe that it is crucial for management to communicate our medium-term management plan and the focus of future initiatives to employees, and to have free and open dialogue to enhance employee engagement.

#### Major forums for dialogue with shareholders and investors in fiscal 2023

General Meeting of Shareholders	Once	Individual IR Interviews	273 times
Management Briefing	Once	Individual SR Interviews	22 times
Earnings Results Briefings	Four times	Overseas Road Shows	Twice
Business Briefings	Twice	Plant Tour	Once
Small Meetings	Twice	Briefing for Individual Investors	Once



July 2023 tour of Nobeoka/Hyuga area of Miyazaki Prefecture (visit to hydroelectric power plant)



June 2024 tour of Fuji area of Shizuoka Prefecture (electronic components plant tour)



Management briefing for employees in fiscal 2024

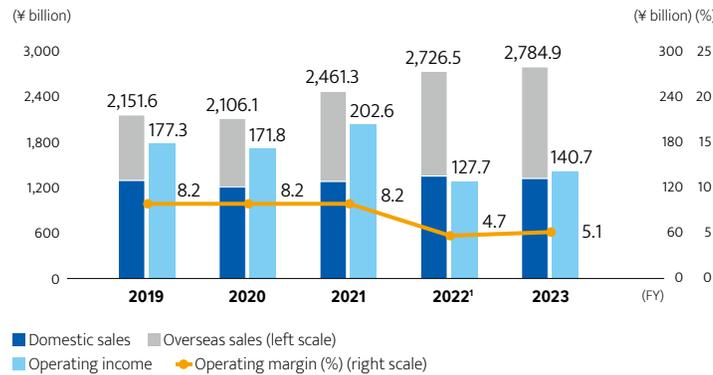


# Basic Information

- 94** Financial Highlights
- 95** Non-Financial Highlights
- 96** Consolidated Financial Statements
- 101** Corporate Profile / Stock Information
- 102** External Evaluation
- 103** The Asahi Kasei Group's Information Structure

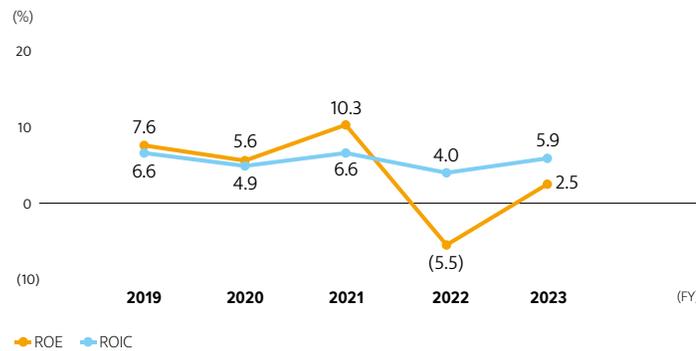
## Financial Highlights

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



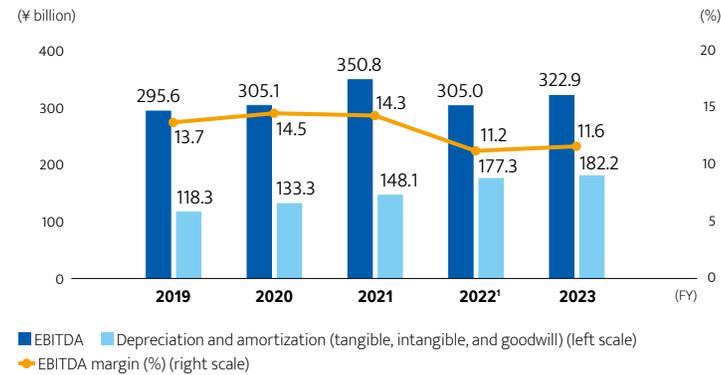
▶ In fiscal 2023, although challenging conditions continued in the Material sector, net sales and operating income increased with firm performance of real estate and growth of overseas business in the Homes sector, and improved results in the Health Care sector driven by critical care. Overseas sales increased due to expansion of overseas businesses, including by M&A, and the weakening yen, accounting for over half of total net sales.

### ROE<sup>3</sup>, ROIC<sup>4</sup>



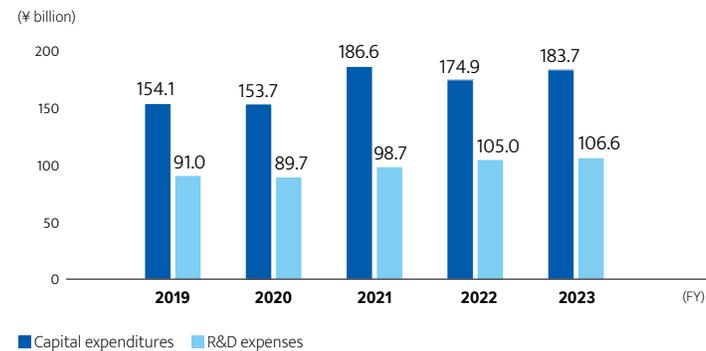
▶ The Asahi Kasei Group positions ROE and ROIC as major KPIs to indicate its efficiency in generating profits relative to shareholders' equity and invested capital. In fiscal 2023, despite the recording of an income tax gain on the transfer of shares between consolidated subsidiaries in the U.S., ROE and ROIC were low due in part to sluggish performance of the Material sector and the recording of impairment loss on certain assets in basic materials, etc.

### EBITDA<sup>2</sup>, depreciation and amortization, EBITDA margin



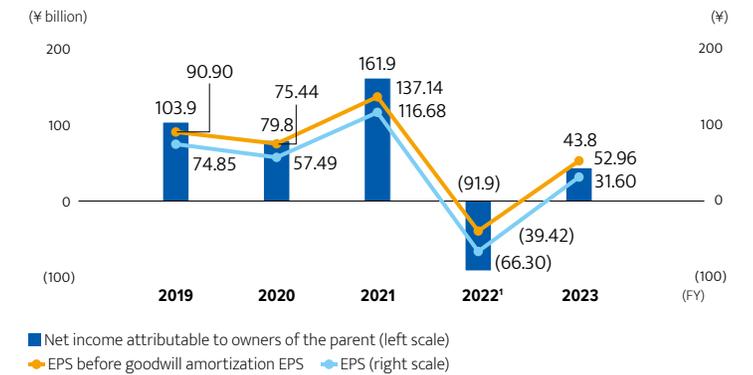
▶ Given the upward trend in depreciation and amortization due to proactive capital expenditure and M&A, the Asahi Kasei Group positions EBITDA as a major KPI signifying its ability to generate cash. In fiscal 2023, increase in depreciation and amortization was curtailed as a result of lower amortization of goodwill and other intangible assets due to the impairment on Polypore in the previous fiscal year.

### Capital expenditures, R&D expenses



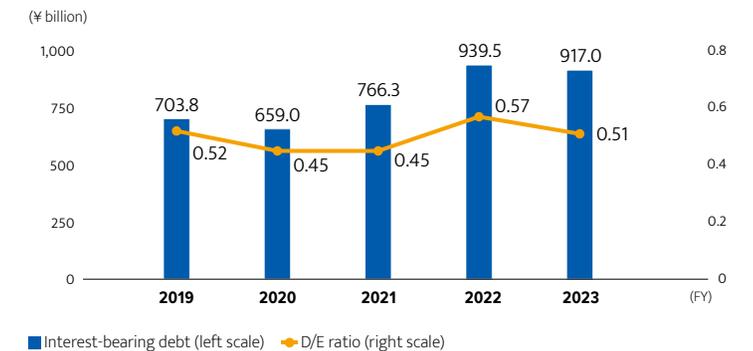
▶ The Asahi Kasei Group carries out proactive capital expenditures geared toward achieving growth over the medium-to-long term—including for expansion of growth businesses, and in relation to decarbonization and other areas to fortify its foundation—and R&D focused on the Health Care and Material sectors. While carefully examining profitability, capital expenditures increased in fiscal 2023 as a result of investments in growth businesses.

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



▶ In fiscal 2023, despite the recording of an income tax gain on the transfer of shares between consolidated subsidiaries in the U.S., net income was low due to the recording of impairment loss on certain assets in basic materials, etc. Nevertheless, net income improved significantly from the previous fiscal year, when an impairment loss was recorded on Polypore. As goodwill is amortized in accordance with Japanese accounting standards, EPS before amortization of goodwill is shown for reference.

### Interest-bearing debt, D/E ratio



▶ In fiscal 2023, interest-bearing debt decreased, reflecting reduced demand for working capital as a result of efforts to reduce inventories and the absence of major investment projects such as M&A. In addition, the D/E ratio declined on an increase in accumulated other comprehensive income due to the weakening yen, which led to an increase in net worth.

<sup>1</sup> Figures for fiscal 2022 have been adjusted retrospectively to reflect the completion of the purchase price allocation in the first quarter of fiscal 2023 for the acquisition of the Focus Companies of the U.S., which was completed on October 31, 2022.

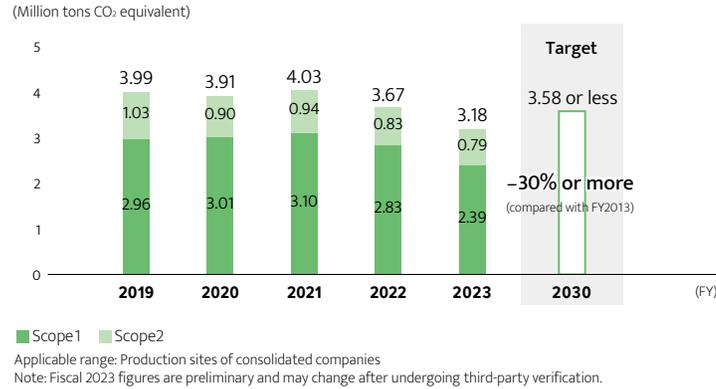
<sup>2</sup> Operating income, depreciation, and amortization

<sup>3</sup> Net income per shareholders' equity

<sup>4</sup> (Operating income – income taxes) / average annual invested capital

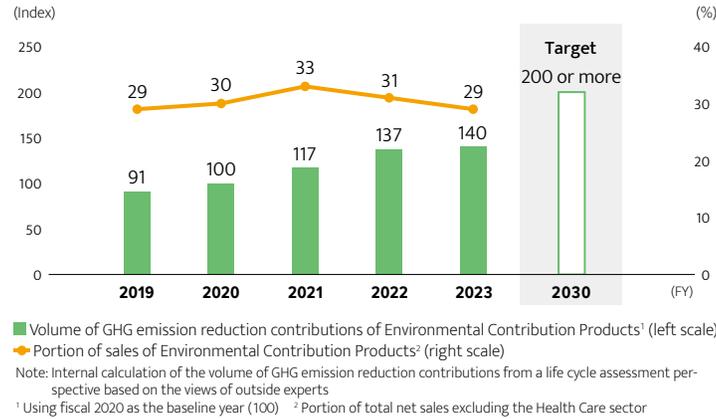
## Non-Financial Highlights

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



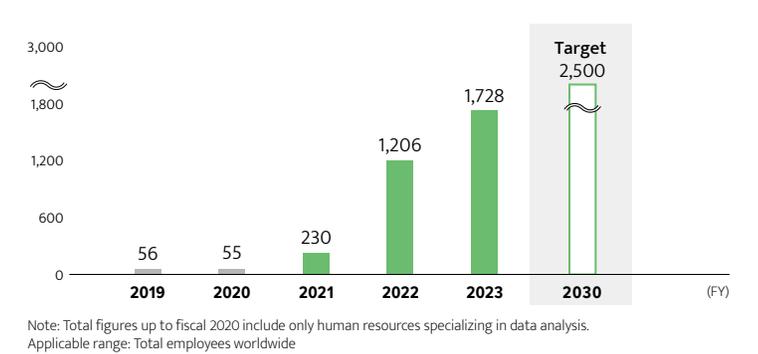
▶ The Asahi Kasei Group is targeting a GHG emission reduction of 30% or more by fiscal 2030 compared with fiscal 2013 to clarify its path toward carbon neutrality. In order to achieve this target, we engage in ongoing endeavors to reduce emissions.

### GHG emission reduction contributions through Environmental Contribution Products



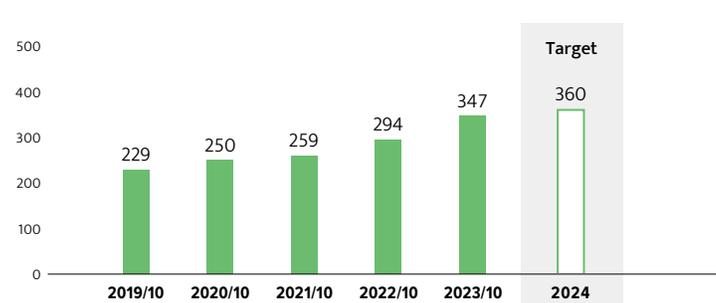
▶ Products and services of the Asahi Kasei Group that contribute to improving the environment across their entire life cycle are designated as Environmental Contribution Products. We will work to develop Environmental Contribution Products with the goal of reducing society's overall GHG emissions.

### Number of digital professional human resources



▶ We are cultivating digital professional human resources who utilize advanced digital technology and data to solve business issues and create business models. We have also begun offering certain training courses at overseas affiliates. As digitalization progresses rapidly in a wide range of fields, we have numerous digital professionals working actively around the world.

### Number of Group Masters



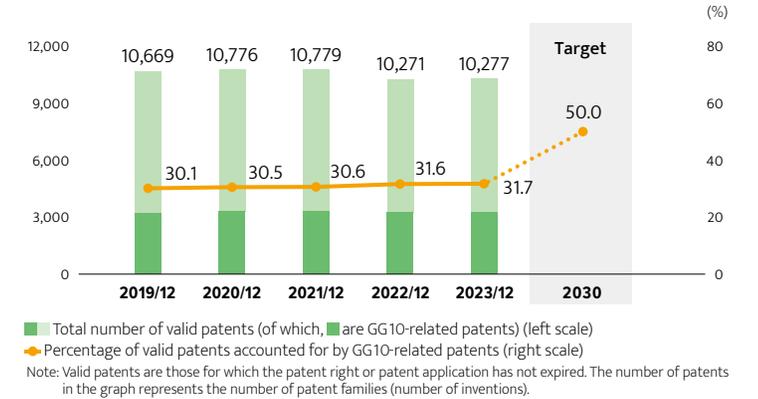
▶ The Asahi Kasei Group appoints, nurtures, and rewards as Group Masters human resources with the potential to proactively engage in and contribute to the creation of new businesses and the enhancement of established businesses. We aim to enhance our corporate value through the development and recruitment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

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



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

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



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

## Consolidated Financial Statements

## Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries  
March 31, 2024 and 2023Detailed Consolidated Financial Statements are available at the following link:  
[https://www.asahi-kasei.com/ir/library/financial\\_briefing/pdf/2403statements.pdf](https://www.asahi-kasei.com/ir/library/financial_briefing/pdf/2403statements.pdf)

ASSETS	Millions of yen		Thousands of U.S. dollars*
	2024	2023	2024
<b>Current assets:</b>			
Cash and deposits	¥ 338,108	¥ 251,181	\$ 2,234,243
Notes, accounts receivable—trade, and contract assets	485,941	442,692	3,211,135
Merchandise and finished goods	317,397	310,380	2,097,383
Work in process	171,645	162,255	1,134,243
Raw materials and supplies	189,794	169,918	1,254,173
Other	150,030	154,335	991,410
Allowance for doubtful accounts	(2,877)	(2,567)	(19,011)
Total current assets	1,650,037	1,488,195	10,903,568
<b>Noncurrent assets:</b>			
Property, plant and equipment			
Buildings and structures	669,119	663,642	4,421,589
Accumulated depreciation	(366,214)	(347,877)	(2,419,970)
Buildings and structures, net	302,906	315,765	2,001,626
Machinery, equipment and vehicles	1,621,333	1,611,495	10,713,890
Accumulated depreciation	(1,351,326)	(1,313,694)	(8,929,664)
Machinery, equipment and vehicles, net	270,007	297,801	1,784,227
Land	72,750	69,232	480,737
Lease assets	13,936	12,017	92,090
Accumulated depreciation	(7,010)	(6,457)	(46,323)
Lease assets, net	6,926	5,560	45,768
Construction in progress	132,051	120,299	872,603
Other	211,763	188,994	1,399,346
Accumulated depreciation	(143,113)	(125,950)	(945,701)
Other, net	68,650	63,045	453,644
Subtotal	853,289	871,701	5,638,598
Intangible assets			
Goodwill	360,676	348,561	2,383,374
Other	394,052	387,597	2,603,925
Subtotal	754,728	736,158	4,987,299
Investments and other assets			
Investment securities	188,288	212,611	1,244,221
Long-term loans receivable		8,466	113,646
Long-term advance payments—trade	26,692	28,267	176,383
Net defined benefit asset	41,876	25,836	276,720
Deferred tax assets	84,557	45,916	558,759
Other	46,638	37,248	308,187
Allowance for doubtful accounts	(574)	(498)	(3,793)
Subtotal	404,676	357,846	2,674,129
Total noncurrent assets	2,012,693	1,965,705	13,300,026
<b>Total assets</b>	<b>¥3,662,730</b>	<b>¥3,453,900</b>	<b>\$24,203,595</b>

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars*
	2024	2023	2024
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade	¥ 213,252	¥ 180,560	\$ 1,409,185
Short-term loans payable	178,091	196,032	1,176,839
Commercial paper	83,000	124,000	548,470
Current portion of bonds payable	30,000	40,000	198,242
Lease obligations	7,815	6,766	51,642
Accrued expenses	151,577	147,163	1,001,632
Income taxes payable	17,827	17,491	117,802
Advances received	88,415	72,948	584,253
Provision for grant of shares	70	80	463
Provision for periodic repairs	4,805	8,410	31,752
Provision for product warranties	4,369	4,240	28,871
Provision for removal cost of property, plant and equipment	6,511	3,788	43,025
Other	128,838	110,683	851,371
Total current liabilities	914,572	912,163	6,043,560
<b>Noncurrent liabilities:</b>			
Bonds payable	200,000	170,000	1,321,615
Long-term loans payable	425,926	409,424	2,814,551
Lease obligations	30,729	28,526	203,060
Deferred tax liabilities	20,184	27,767	133,377
Provision for grant of shares	545	339	3,601
Provision for periodic repairs	7,924	4,309	52,362
Provision for removal cost of property, plant and equipment	15,843	15,910	104,692
Net defined benefit liability	133,434	128,708	881,742
Long-term guarantee deposits	23,295	22,703	153,935
Other	41,654	38,671	275,253
Total noncurrent liabilities	899,534	846,355	5,944,188
Total liabilities	1,814,106	1,758,517	11,987,749
<b>Net assets:</b>			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,393,932,032 shares	103,389	103,389	683,202
Capital surplus	80,272	79,841	530,443
Retained earnings	1,135,533	1,141,690	7,503,687
Treasury stock (2024—7,761,893 shares, 2023—7,864,299 shares)	(7,316)	(7,426)	(48,345)
Total shareholders' equity	1,311,878	1,317,493	8,668,988
Accumulated other comprehensive income			
Net unrealized gain on other securities	51,269	52,310	338,789
Deferred gains or losses on hedges	(14)	72	(93)
Foreign currency translation adjustment	417,391	265,022	2,758,151
Remeasurements of defined benefit plans	32,867	25,397	217,188
Total accumulated other comprehensive income	501,513	342,802	3,314,036
Non-controlling interests	35,234	35,087	232,829
Total net assets	1,848,625	1,695,382	12,215,853
Commitments and contingent liabilities			
<b>Total liabilities and net assets</b>	<b>¥3,662,730</b>	<b>¥3,453,900</b>	<b>\$24,203,595</b>

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥151.33 = US\$1 prevailing on March 31, 2024, has been used.

## Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars*
	2024	2023	2024
<b>Net sales</b>	¥2,784,878	¥2,726,485	\$ 18,402,683
Cost of sales	1,968,909	1,952,709	13,010,698
<b>Gross profit</b>	815,969	773,776	5,391,984
Selling, general and administrative expenses	675,223	646,060	4,461,924
<b>Operating income</b>	140,746	127,716	930,060
Non-operating income:			
Interest income	7,684	3,896	50,776
Dividends income	3,504	4,021	23,155
Equity in earnings of affiliates	—	923	—
Other	6,504	5,210	42,979
Total non-operating income	17,693	14,050	116,917
Non-operating expenses:			
Interest expense	7,448	5,907	49,217
Equity in losses of affiliates	38,106	—	251,807
Other	22,766	14,959	150,439
Total non-operating expenses	68,320	20,867	451,464
<b>Ordinary income</b>	90,118	120,900	595,507
Extraordinary income:			
Gain on sales of investment securities	27,088	32,201	179,000
Gain on sales of noncurrent assets	527	729	3,482
Insurance income	15,346	8,814	101,408
Gain on business transfer	2,986	—	19,732
Settlement income	6,163	—	40,726
Total extraordinary income	52,110	41,744	344,347
Extraordinary loss:			
Loss on valuation of investment securities	1,773	2,805	11,716
Loss on disposal of noncurrent assets	8,044	12,517	53,155
Impairment loss	92,834	189,446	613,454
Loss on fire at plant facilities	—	7,092	—
Business structure improvement expenses	10,733	13,326	70,924
Total extraordinary loss	113,385	225,186	749,257
<b>Income (loss) before income taxes</b>	28,843	(62,541)	190,597
Income taxes — current	31,984	56,118	211,353
Income taxes — deferred	(49,469)	(28,654)	(326,895)
Total income taxes	(17,484)	27,464	(115,536)
<b>Net income (loss)</b>	46,328	(90,005)	306,139
Net income (loss) attributable to non-controlling interests	2,522	1,942	16,666
<b>Net income (loss) attributable to owners of the parent</b>	¥ 43,806	¥ (91,948)	\$ 289,473

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥151.33 = US\$1 prevailing on March 31, 2024, has been used.

## Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars*
	2024	2023	2024
<b>Net income (loss)</b>	¥ 46,328	¥ (90,005)	\$ 306,139
<b>Other comprehensive income</b>			
Net increase (decrease) in unrealized gain on other securities	(1,184)	(13,706)	(7,824)
Deferred gains or losses on hedges	(86)	414	(568)
Foreign currency translation adjustment	151,830	95,352	1,003,304
Remeasurements of defined benefit plans	7,369	30,593	48,695
Share of other comprehensive income of affiliates accounted for using equity method	1,925	2,544	12,721
Total other comprehensive income	159,854	115,197	1,056,327
<b>Comprehensive income</b>	¥206,181	¥ 25,192	\$ 1,362,460
Comprehensive income attributable to:			
Owners of the parent	¥202,517	¥ 22,825	\$ 1,338,248
Non-controlling interests	3,665	2,367	24,219

## Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2024 and 2023

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges*	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
<b>Balance at March 31, 2023</b>	¥103,389	¥79,841	¥1,141,690	¥(7,426)	¥1,317,493	¥52,310	¥ 72	¥265,022	¥25,397	¥342,802	¥35,087	¥1,695,382
Changes during the fiscal year												
Dividends from surplus			(49,962)		(49,962)							(49,962)
Net income (loss) attributable to owners of the parent			43,806		43,806							43,806
Purchase of treasury stock				(12)	(12)							(12)
Disposal of treasury stock		0		122	122							122
Change of scope of consolidation												—
Change of scope of equity method												—
Capital increase of consolidated subsidiaries		431			431							431
Net changes of items other than shareholders' equity						(1,042)	(86)	152,369	7,470	158,711	146	158,858
<b>Total changes of items during the period</b>	—	431	(6,157)	110	(5,615)	(1,042)	(86)	152,369	7,470	158,711	146	153,242
<b>Balance at March 31, 2024</b>	¥103,389	¥80,272	¥1,135,533	¥(7,316)	¥1,311,878	¥51,269	¥(14)	¥417,391	¥32,867	¥501,513	¥35,234	¥1,848,625

Millions of yen

	Shareholders' equity					Total accumulated other comprehensive income						Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
<b>Balance at March 31, 2022</b>	¥103,389	¥79,887	¥1,282,325	¥(6,219)	¥1,459,381	¥ 66,287	¥(341)	¥167,225	¥(5,142)	¥228,029	¥31,405	¥1,718,815
Changes during the fiscal year												
Dividends from surplus			(48,575)		(48,575)							(48,575)
Net income (loss) attributable to owners of the parent			(91,948)		(91,948)							(91,948)
Purchase of treasury stock				(1,414)	(1,414)							(1,414)
Disposal of treasury stock		0		208	208							208
Change of scope of consolidation			(139)		(139)							(139)
Change of scope of equity method			25		25							25
Capital increase of consolidated subsidiaries		(46)			(46)							(46)
Net changes of items other than shareholders' equity						(13,977)	414	97,798	30,538	114,773	3,682	118,455
<b>Total changes of items during the period</b>	—	(46)	(140,636)	(1,207)	(141,888)	(13,977)	414	97,798	30,538	114,773	3,682	(23,433)
<b>Balance at March 31, 2023</b>	¥103,389	¥79,841	¥1,141,690	¥(7,426)	¥1,317,493	¥ 52,310	¥ 72	¥265,022	¥25,397	¥342,802	¥35,087	¥1,695,382

## Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2024 and 2023

Thousands of U.S. dollars\*

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges*	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	
Balance at March 31, 2023	\$683,202	\$527,595	\$7,544,373	\$(49,072)	\$8,706,093	\$345,668	\$476	\$1,751,285	\$167,825	\$2,265,261	\$231,858	\$11,203,212
Changes during the fiscal year												
Dividends from surplus			(330,153)		(330,153)							(330,153)
Net income (loss) attributable to owners of the parent			289,473		289,473							289,473
Purchase of treasury stock				(79)	(79)							(79)
Disposal of treasury stock		0		806	806							806
Change of scope of consolidation												
Change of scope of equity method												
Capital increase of consolidated subsidiaries		2,848			2,848							2,848
Net changes of items other than shareholders' equity						(6,886)	(568)	1,006,866	49,362	1,048,774	965	1,049,746
Total changes of items during the period	—	2,848	(40,686)	727	(37,104)	(6,886)	(568)	1,006,866	49,362	1,048,774	965	1,012,635
Balance at March 31, 2024	\$683,202	\$530,443	\$7,503,687	\$(48,345)	\$8,668,988	\$338,789	\$ (93)	\$2,758,151	\$217,188	\$3,314,036	\$232,829	\$12,215,853

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥151.33 = US\$1 prevailing on March 31, 2024, has been used.

## Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars*
	2024	2023	2024
<b>Cash flows from operating activities:</b>			
Income (loss) before income taxes	¥ 28,843	¥ (62,541)	\$ 190,597
Depreciation and amortization	152,593	140,013	1,008,346
Impairment loss	92,834	189,446	613,454
Amortization of goodwill	29,603	37,273	195,619
Increase (decrease) in provision for grant of shares	196	(279)	1,295
Increase (decrease) in provision for periodic repairs	11	2,585	73
Increase (decrease) in provision for product warranties	(9)	198	(59)
Increase (decrease) in provision for removal cost of property, plant and equipment	2,649	2,951	17,505
Increase (decrease) in net defined benefit liability	2,348	(5,838)	15,516
Interest and dividend income	(11,189)	(7,917)	(73,938)
Interest expense	7,448	5,907	49,217
Equity in (earnings) losses of affiliates	38,106	(923)	251,807
(Gain) loss on sales of investment securities	(27,088)	(32,201)	(179,000)
(Gain) loss on valuation of investment securities	1,773	2,805	11,716
(Gain) loss on sale of property, plant and equipment	(527)	(729)	(3,482)
(Gain) loss on disposal of noncurrent assets	8,044	12,517	53,155
(Gain) loss on business transfer	(2,986)	—	(19,732)
(Increase) decrease in notes, accounts receivable–trade, and contract assets	(19,087)	8,405	(126,128)
(Increase) decrease in inventories	(16,303)	(84,053)	(107,731)
Increase (decrease) in notes and accounts payable–trade	18,630	(7,949)	123,108
Increase (decrease) in accrued expenses	(2,416)	(5,167)	(15,965)
Increase (decrease) in advances received	14,979	8,040	98,982
Other, net	3,907	(8,982)	25,818
Subtotal	322,360	193,563	2,130,179
Interest and dividend income, received	14,816	13,666	97,905
Interest expense paid	(7,042)	(5,859)	(46,534)
Income taxes (paid) refund	(34,834)	(110,565)	(230,186)
Net cash provided by (used in) operating activities	295,300	90,804	1,951,365
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(4,218)	(5,209)	(27,873)
Proceeds from withdrawal of time deposits	3,115	3,702	20,584
Purchase of property, plant and equipment	(147,705)	(151,973)	(976,046)
Proceeds from sales of property, plant and equipment	1,183	7,796	7,817
Purchase of intangible assets	(24,249)	(20,185)	(160,239)
Purchase of investment securities	(10,576)	(7,352)	(69,887)
Proceeds from sales of investment securities	37,559	43,200	248,193
Purchase of shares in subsidiaries resulting in change in scope of consolidation	—	(78,420)	—
Proceeds from business transfer	7,320	—	48,371
Payments of loans receivable	(13,887)	(6,661)	(91,766)
Collection of loans receivable	8,144	2,132	53,816
Other, net	715	(613)	4,725
Net cash provided by (used in) investing activities	(142,598)	(213,584)	(942,298)

	Millions of yen		Thousands of U.S. dollars*
	2024	2023	2024
<b>Cash flows from financing activities:</b>			
Net increase (decrease) in short-term loans payable	¥ (23,674)	¥ (29,778)	\$ (156,440)
Increase (decrease) in commercial paper	(41,000)	11,000	(270,931)
Proceeds from long-term loans payable	65,500	209,648	432,829
Repayment of long-term loans payable	(54,499)	(75,461)	(360,133)
Proceeds from issuance of bonds payable	60,000	50,000	396,485
Redemption of bonds	(40,000)	—	(264,323)
Repayments of lease obligations	(9,274)	(3,665)	(61,283)
Purchase of treasury stock	(12)	(1,415)	(79)
Proceeds from disposal of treasury stock	122	208	806
Cash dividends paid	(49,962)	(48,575)	(330,153)
Proceeds from share issuance to non-controlling interests	—	1,499	—
Cash dividends paid to non-controlling interests	(1,132)	(1,371)	(7,480)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(166)	(163)	(1,097)
Other, net	(233)	(149)	(1,540)
Net cash provided by (used in) financing activities	(94,331)	111,780	(623,346)
<b>Effect of exchange rate change on cash and cash equivalents</b>	29,662	15,744	196,009
<b>Net increase (decrease) in cash and cash equivalents</b>	88,034	4,744	581,735
<b>Cash and cash equivalents at beginning of year</b>	247,903	242,948	1,638,162
<b>Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation</b>	—	212	—
<b>Increase (decrease) in cash and cash equivalents resulting from corporate division</b>	(2,439)	—	(16,117)
<b>Cash and cash equivalents at end of year</b>	¥333,498	¥247,903	\$2,203,780

\* As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥151.33 = US\$1 prevailing on March 31, 2024, has been used.

## Corporate Profile / Stock Information (as of March 31, 2024)

### Corporate Profile

**Company name** Asahi Kasei Corporation

**Founding** May 25, 1922

**Establishment** May 21, 1931

### Asahi Kasei Group Offices

#### Asahi Kasei Corporation

##### Tokyo Head Office

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3000 Fax: +81-(0)3-6699-3161

##### Asahi Kasei (China)

8/F, One ICC Shanghai International Commerce Centre,  
No. 999 Huai Hai Zhong Road, Shanghai 200031 China  
Tel: +86-(0)21-6391-6111 Fax: +86-(0)21-6391-6686

##### Asahi Kasei America

800 Third Avenue, 30th Floor, New York, NY 10022, U.S.A.  
Tel: +1-212-371-9900 Fax: +1-212-371-9050

##### Asahi Kasei Europe

Fringsstrasse 17, 40221 Düsseldorf, Germany  
Tel: +49-(0)211-33-99-2000 Fax: +49-(0)211-33-99-2200

##### Asahi Kasei India

The Capital 1502B, Plot No. C-70, G-Block, Bandra Kurla Complex,  
Bandra (East), Mumbai 400051 India  
Tel: +91-22-6710-3962 Fax: +91-22-6710-3979

##### Asahi Kasei Asia Pacific

Room# 1705-1706, 17th Floor Singha Complex Building,  
1788 New Petchaburi Road, Bang Kapi,  
Huai Khwang, Bangkok 10310 Thailand  
Tel: +66-(0)21-634-944

**Paid-in capital** ¥103,389 million

**Employees** 49,295 (consolidated) 8,810 (non-consolidated)

#### Core Operating Companies

##### Asahi Kasei Microdevices

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3933

##### Asahi Kasei Homes

1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan  
Tel: +81-(0)3-6899-3000

##### Asahi Kasei Construction Materials

1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan  
Tel: +81-(0)3-3296-3500

##### Asahi Kasei Pharma

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3600

##### Asahi Kasei Medical

Hibiya Mitsui Tower  
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-0006 Japan  
Tel: +81-(0)3-6699-3750

##### ZOLL Medical

269 Mill Rd., Chelmsford, MA 01824-4105 U.S.A.  
Tel: +1-978-421-9655

##### Veloxis Pharmaceuticals

2000 Regency Parkway, Suite 500 Cary, NC 27518 U.S.A.  
Tel: +1-919-591-3090

### Stock Information

**Stock listing** Tokyo

**Stock code** 3407

**Authorized shares** 4,000,000,000

**Outstanding shares** 1,393,932,032

**Transfer agent** Sumitomo Mitsui Trust Bank, Ltd.

**Independent auditors** PricewaterhouseCoopers Japan LLC

**Number of shareholders** 212,114

<b>Largest shareholders</b>	Percentage of equity (%)
The Master Trust Bank of Japan, Ltd. (trust account)	16.18
Custody Bank of Japan, Ltd. (trust account)	6.52
JP Morgan Chase Bank 385632	3.04
Nippon Life Insurance Company	2.95
Asahi Kasei Group Employee Stockholding Assn.	2.78
State Street Bank West Client — Treaty 505234	1.97
JPMorgan Securities Japan Co., Ltd.	1.72
Sumitomo Mitsui Banking Corp.	1.54
Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Mizuho Bank account)	1.43
Trustee of sub-trust: Custody Bank of Japan, Ltd.	
Sumitomo Life Insurance Company	1.43

Note: Percentage of equity ownership after exclusion of treasury stock

## External Evaluation

### Inclusion in Socially Responsible Investment Indexes (as of 2024)

- FTSE4Good Index Series
- FTSE Blossom Japan Index
- FTSE Blossom Japan Sector Relative Index
- MSCI ESG Leaders Indexes
- MSCI Nihonkabu ESG Select Leaders Index
- MSCI Japan ESG Select Leaders Index
- MSCI Japan Empowering Women Index (WIN)
- Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)
- S&P/JPX Carbon Efficient Index



FTSE4Good

FTSE Blossom  
JapanFTSE Blossom  
Japan Sector  
Relative Index2024 CONSTITUENT MSCI JAPAN  
ESG SELECT LEADERS INDEX2024 CONSTITUENT MSCI NIHONKABU  
ESG SELECT LEADERS INDEX2024 CONSTITUENT MSCI JAPAN  
EMPOWERING WOMEN INDEX (WIN)

Note: The inclusion of the Asahi Kasei Group in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names does not constitute a sponsorship, endorsement, or promotion of the Asahi Kasei Group by MSCI or its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

### Major Evaluations and Awards

#### Highest Rank from Development Bank of Japan, Inc. (DBJ) Under DBJ Environmentally Rated Loan Program

In September 2024, Asahi Kasei received a Development Bank of Japan loan under the DBJ Environmentally Rated Loan Program, having obtained the system's highest rating as a "company with particularly advanced environmental programs."



#### DX Stock

In 2024, Asahi Kasei was selected as a Digital Transformation (DX) Stock, in an initiative conducted jointly by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange, for the fourth consecutive year.



#### "White 500" for 2024 (Large Enterprise Category)

Asahi Kasei was selected as a "White 500" enterprise under the 2024 Certified Health & Productivity Management Outstanding Organizations Recognition Program, conducted by the Ministry of Economy, Trade and Industry and Nippon Kenko Kaigi.



#### 2023 Asia IP Elite Award

Asahi Kasei received the 2023 Asia IP Elite Award from Intellectual Asset Management, an international intellectual property-related media organization, in strong recognition of its efforts to leverage its intellectual property to achieve business targets.



#### Highest AAA MSCI ESG Rating

MSCI ESG Ratings measure the ESG performance of companies on a seven-point scale. Asahi Kasei received a rating of AAA, the highest available.



#### B Rating for Climate Change and Water Security from CDP

Asahi Kasei obtained B ratings in the climate change and water security categories.



## The Asahi Kasei Group's Information Structure



### Period under review

The period under review is fiscal 2023 (April 2023 to March 2024). The report also contains some information on activities from April 2024.

### Organizational scope

The scope of the report is Asahi Kasei Corporation and its consolidated subsidiaries (in other cases, noted in the text). The titles and positions of corporate officers and other personnel as shown in this report are current as of September 2024.

### Disclaimer

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



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

A number of photos used in this report are winning entries from our “3rd Sustainability Photo Contest” held in fiscal 2023 among all Asahi Kasei Group employees and executives. More than 1,400 photos were submitted by 836 applicants from 20 countries and regions, a great many of which convey our commitment to “Care for People, Care for Earth.”