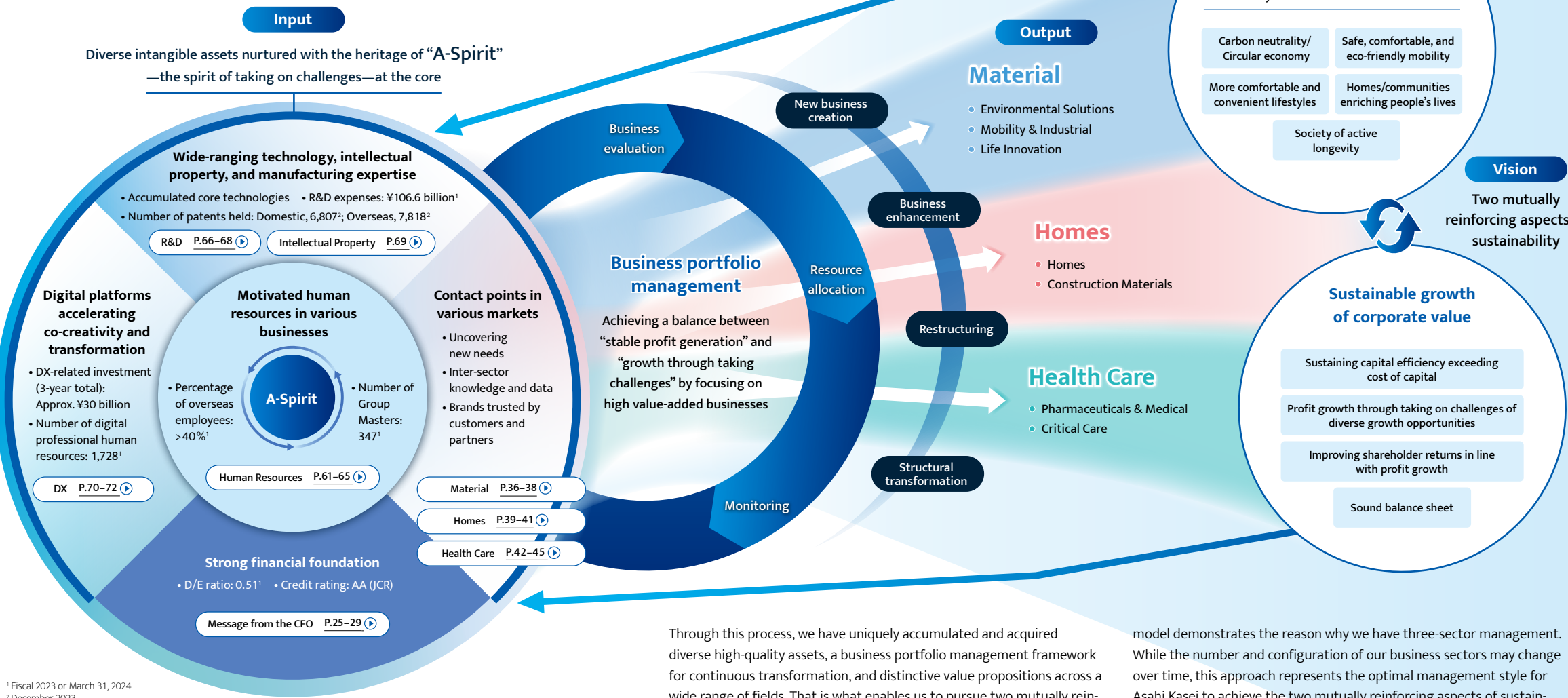


Value Creation Model

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.



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

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.

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.

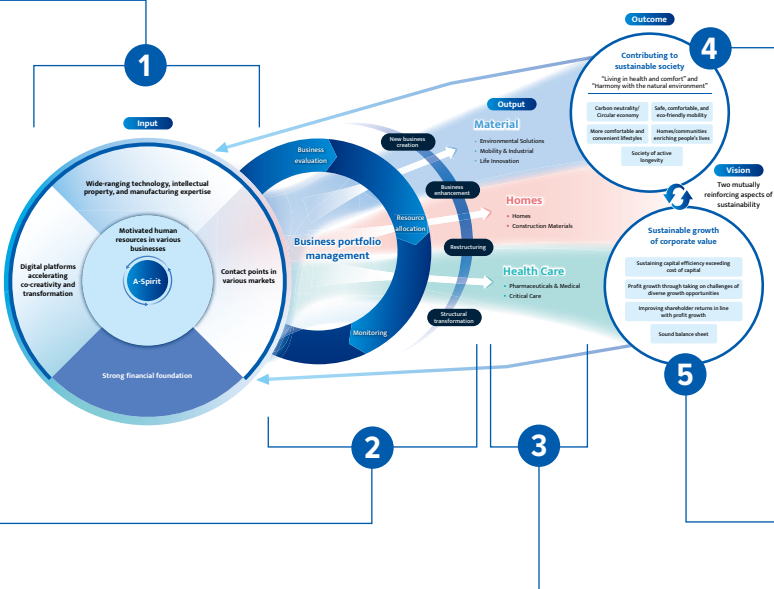
The motivated human resources involved in a diverse range of businesses worldwide guided by “A-Spirit”—the spirit of taking on challenges that is at the core of the culture of Asahi Kasei—are our greatest intangible asset. The stimulation and co-creation arising from different cultures within the Asahi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

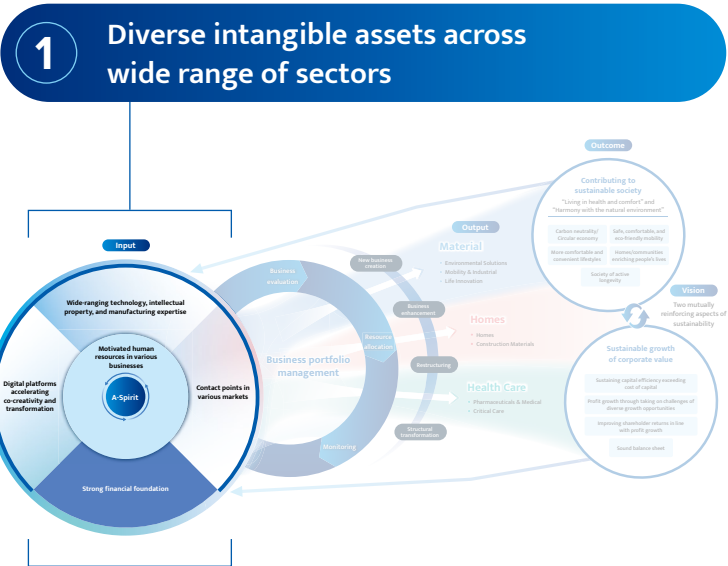
With wide-ranging business sectors, Asahi Kasei is uniquely qualified to make such diverse contributions to sustainability.

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



**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

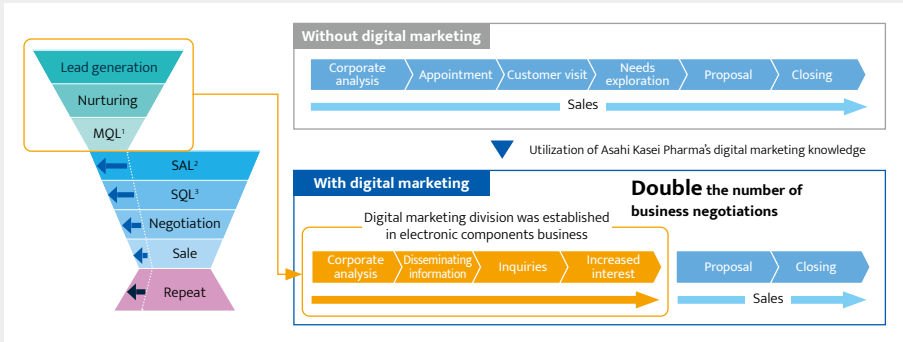
Applying innovations in marketing from pharmaceuticals to the Material sector

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



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

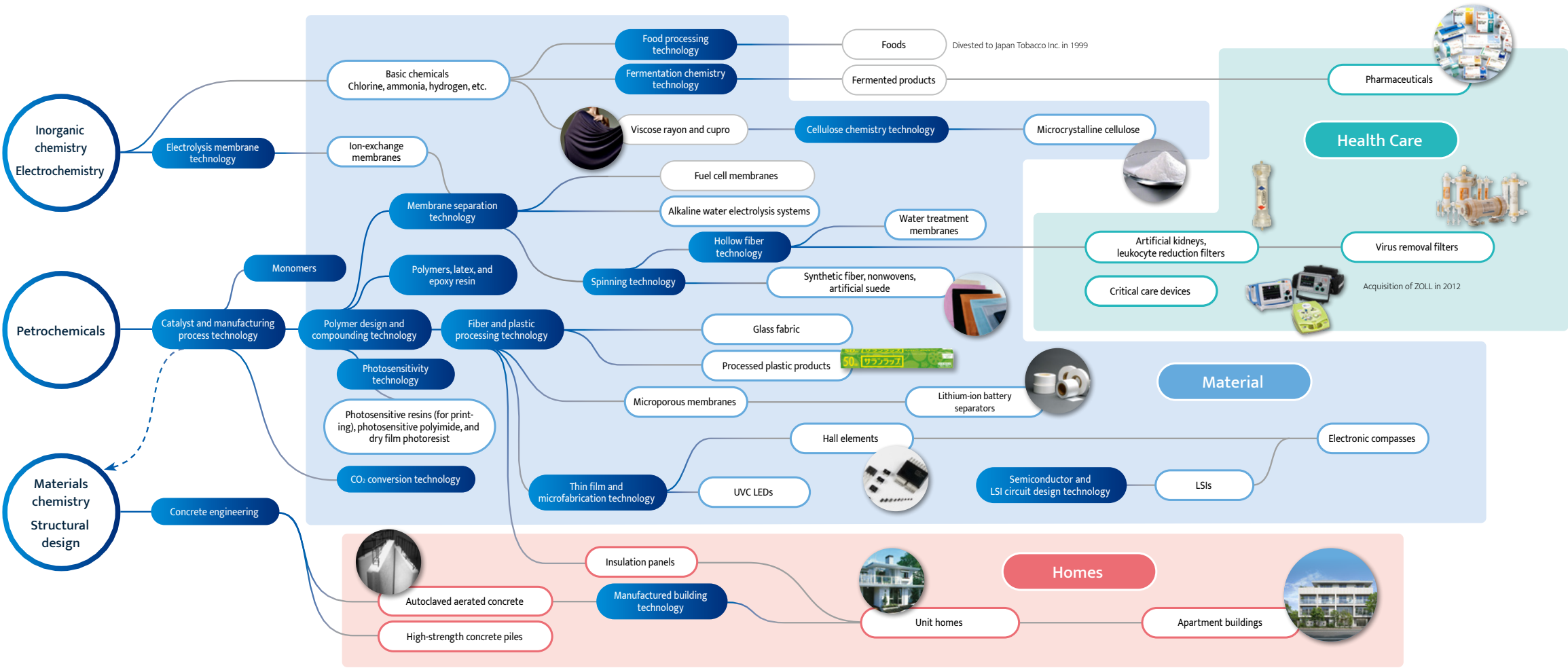
Value Creation Mechanism

Technological heritage in extensive intangible assets

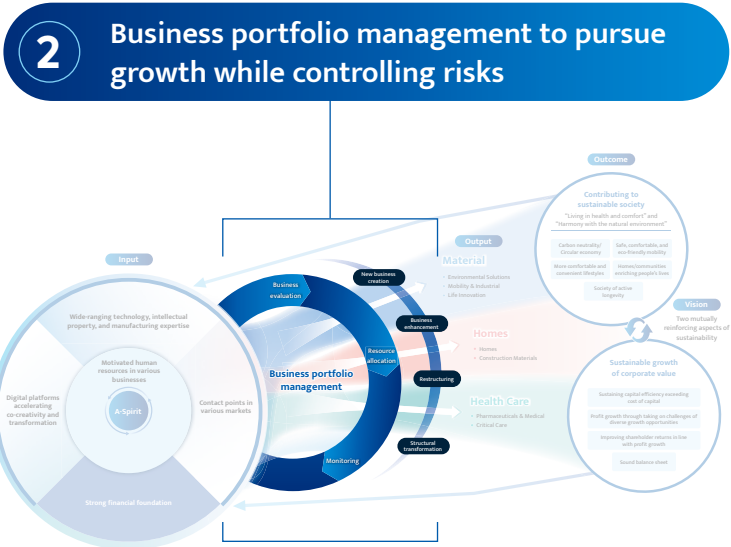
Extensive core technologies are one of the elements comprising Asahi Kasei’s intangible assets—the source of its value creation. These technologies, pioneered by our predecessors in their efforts to address societal issues of the times, have enabled the creation of many businesses. Our successful production 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

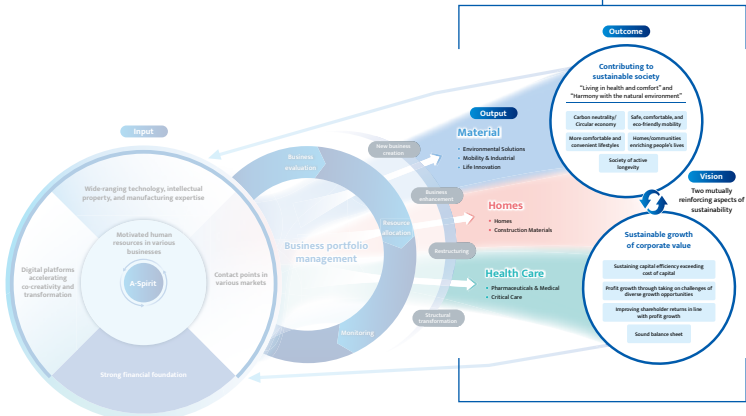
Past results of business to make investment (volatility and investment efficiency)				
Outline for setting range of premium to be added to WACC				
2 Investment efficiency	Low	+4%	+6%	+6%
	Mid	+2%	+4%	+6%
	High	+2%	+2%	+4%
		Low	Mid	High
1 Volatility Evaluation based on budget-to-actual deviation of operating income				

Investment stance in accordance with positioning within business portfolio			
Earnings base expansion	First priority		
Focusing growth investment on projects with a high degree of certainty on returns	Pursuing further growth through focused commitment of resources (including M&A)		
Improved profitability/structural transformation	Growth potential		
Prioritizing earnings improvement and structural transformation	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> <ul style="list-style-type: none"><li>Hydrogen-Related</li><li>CO<sub>2</sub> Chemistry</li><li>Energy Storage (separators, etc.)</li></ul>	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>
	<b>Mobility &amp; Industrial</b> <ul style="list-style-type: none"><li>Car Interior Material (fabric, artificial suede)</li></ul>	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>
	<b>Life Innovation</b> <ul style="list-style-type: none"><li>Digital Solutions (electronic components and electronic materials)</li></ul>	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>
Homes	<b>Homes, Construction Materials</b> <ul style="list-style-type: none"><li>North American and Australian Homes</li><li>Environmental Homes and Construction Materials</li></ul>	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>
Health Care	<b>Pharmaceuticals, Medical, Critical Care</b> <ul style="list-style-type: none"><li>Global Specialty Pharma</li><li>Bioprocess</li><li>Critical Care (wearable defibrillators, defibrillators for professional use, etc.)</li></ul>	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>

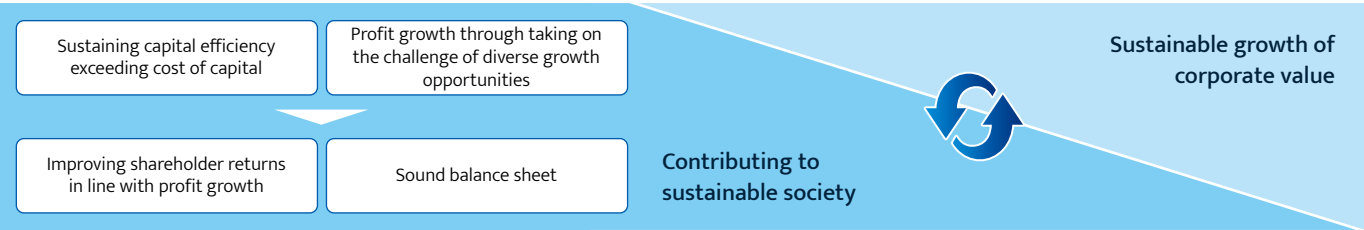
Carbon neutrality/  
Circular economy

Safe, comfortable, and  
eco-friendly mobility

More comfortable and  
convenient lifestyles

Homes/communities  
enriching people's lives

Society of active  
longevity



\* 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