

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

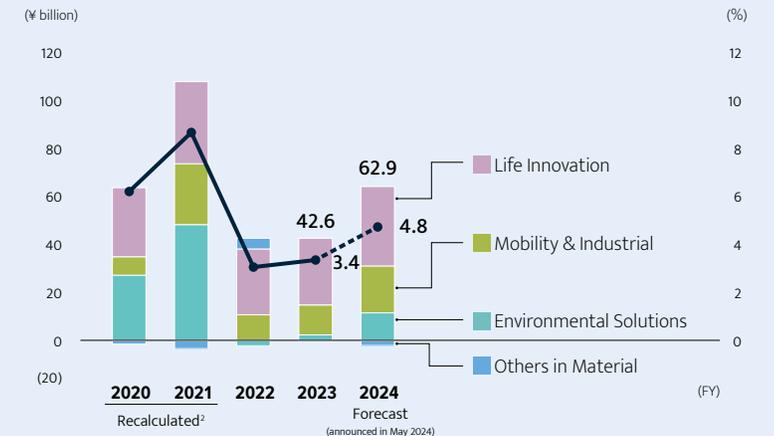
Executive Officer for
Material Business Sector
President & Representative Director,
Presidential Executive Officer,
Asahi Kasei Corp.

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 ¹	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)

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

² Figures have been recalculated to reflect the revision of business categories in fiscal 2022.

Strategies by Sector **Material sector**

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 CO₂ Chemistry, we are actively licensing process technology using CO₂ 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 CO₂ 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 CO₂ as raw material.

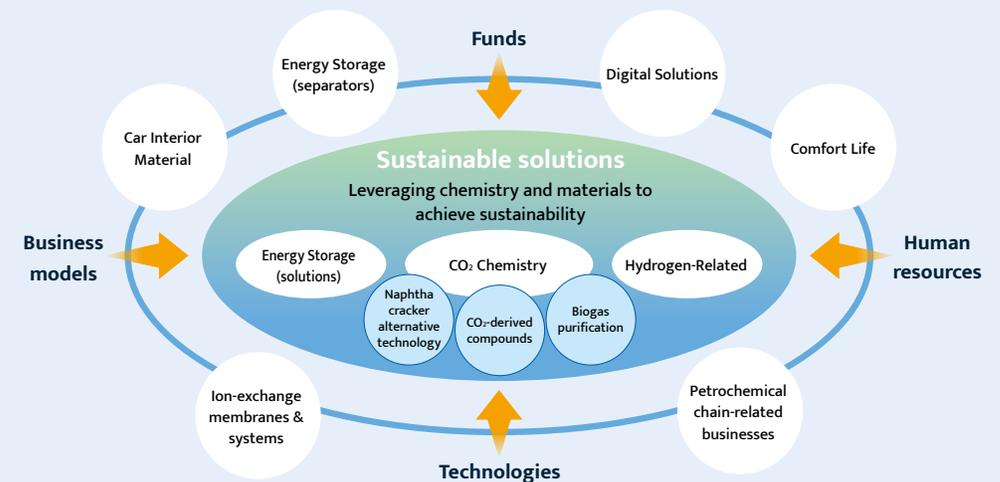
Creating new business models

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>Challenging investment for growth (including plans)</p>	<p>Energy Storage (separators)</p> <ul style="list-style-type: none"> Construction of integrated plant in North America and addition of new coating facilities in U.S., Japan, and South Korea for automotive LIB separators
	<p>Digital Solutions</p> <ul style="list-style-type: none"> Construction of new plant for Pimel™ photosensitive polyimide
	<p>Hydrogen-Related</p> <ul style="list-style-type: none"> Development of large-scale alkaline water electrolysis system for hydrogen production
	<p>CO₂ Chemistry</p> <ul style="list-style-type: none"> Utilization of CO₂ as feedstock in manufacturing processes
<p>Cash generation from structural transformation and strengthening of existing businesses (including plans)</p>	<p>Structural transformation</p> <ul style="list-style-type: none"> Establishment of joint venture for spunbond nonwoven fabric business Divestment of businesses of Asahi Kasei Pax and photomask pellicles Promotion of short-term viable projects in petrochemical chain-related businesses
	<p>Strengthening of existing businesses</p> <ul style="list-style-type: none"> Promotion of high-performance coreless current sensors for automotive applications Expansion of low-dielectric glass fabric for AI servers, switches, and routers



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.

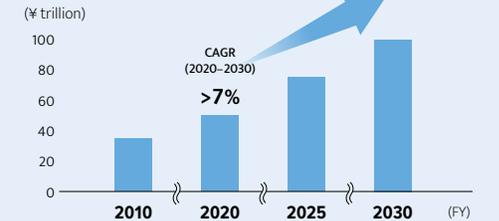


Operating environment

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 ¹	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 ²	27.1%	27.1%	26.4%

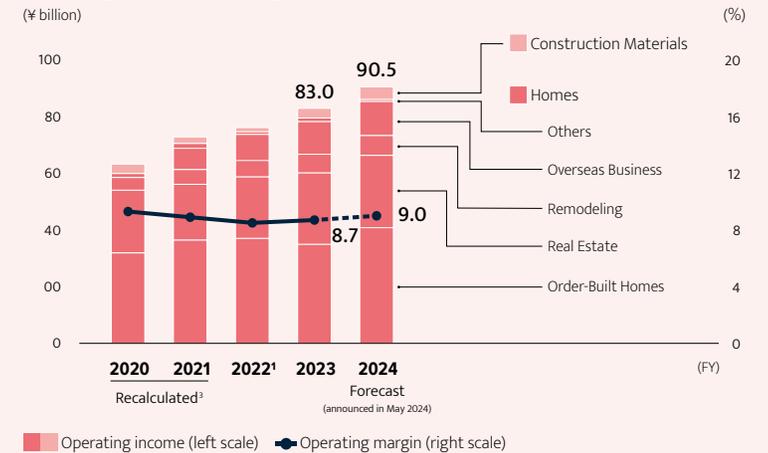
Note: White background indicates management KPIs in the Homes sector.

¹ 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.

² ROIC = operating income (1 - tax rate) / (fixed assets + working capital, etc.)

³ Figures have been recalculated to reflect the revision of business categories in fiscal 2022.

Operating income, operating margin



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

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

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

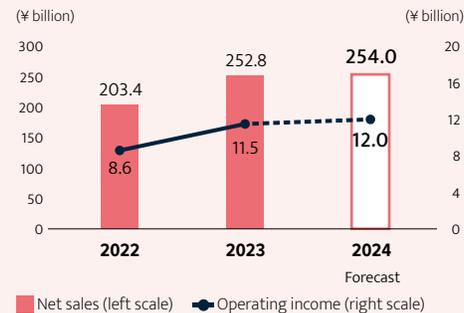
Offering products and services that capitalize on the business scale of the company with the third largest market share



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.

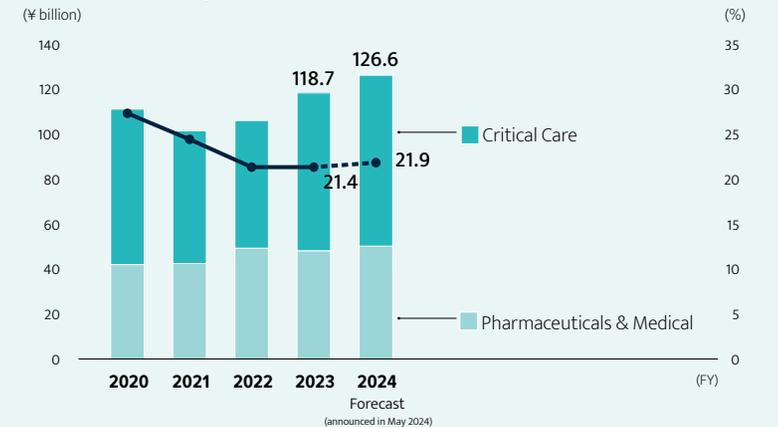
Looking ahead to fiscal 2024, we anticipate continued sales growth across all main product lines, expecting a return to a more robust growth trajectory.

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



GG10 Critical Care

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



Business strategies

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

Patient services

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

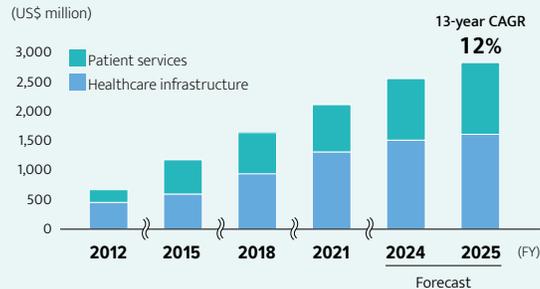
We have also expanded into the new field of sleep apnea, which often occurs in patients with heart disease, with our fiscal 2021 acquisitions of Respicardia and Itamar, which have innovative devices for treatment and diagnosis in this field. Approved by the United States Food and Drug Administration,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

Healthcare infrastructure

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

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

Revenue in Critical Care



	Business characteristics	Principal products
Patient services	<ul style="list-style-type: none"> Global potential market of over \$10 billion Current market penetration of less than 10% Business growth rate in mid-teens 70–80% gross profit margin 	<ul style="list-style-type: none"> LifeVest™ wearable defibrillator Heart failure management systems WatchPAT® at-home testing solution for sleep apnea remedē® System implantable neurostimulator device for central sleep apnea
Healthcare infrastructure	<ul style="list-style-type: none"> Global market potential of over \$5 billion Leading positions in multiple product categories Business growth in high single digit range 50–60% gross profit margin 	<ul style="list-style-type: none"> Defibrillators for professional use Automated external defibrillators (AEDs) Ventilators Automated CPR device Acute myocardial infarction treatment system Thermogard System™ temperature management system Software solutions

Operating environment

Substantial market opportunity in cardiopulmonary diseases

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

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

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

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

Strengths of Asahi Kasei

1. Unique product lineup that addresses unmet needs



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

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

GG10 Global Specialty Pharma

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

Business strategies

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

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

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

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

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

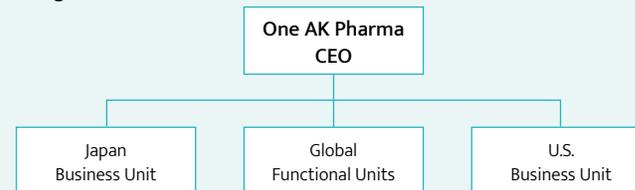
Through these measures, we aim to grow the net sales of pharmaceuticals to ¥300 billion, the business scale that we believe will enable us to invest in R&D and business development to achieve continuous growth.

Business model

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

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

Management structure



Operating Environment

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

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

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

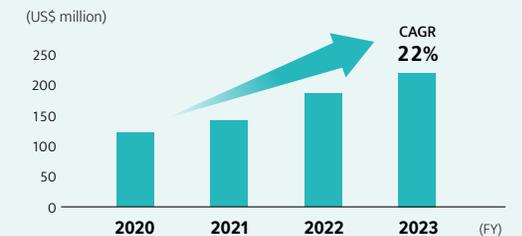
Source: National Institute of Diabetes and Digestive and Kidney Diseases

Strengths of Asahi Kasei

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

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

Envarsus XR™ Sales in the United States Market



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

