



**AsahiKASEI**

**Medium-term  
Management Plan 2024  
“Be a Trailblazer”  
Progress and Outlook**

May 20, 2024

**Asahi Kasei Corporation**

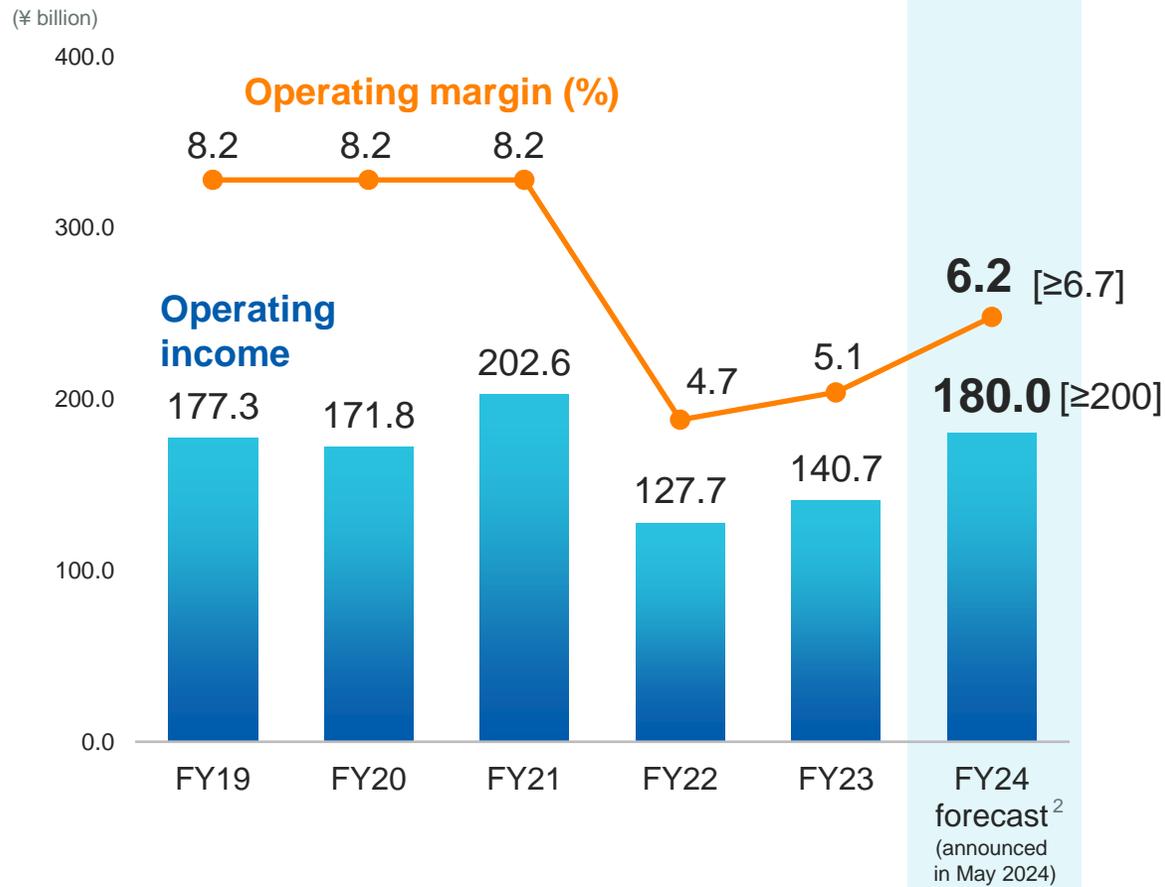
## Outline

- 1. Financial status of the MTP**
2. Business portfolio transformation
3. Status of growth strategies
4. Medium-term trajectory

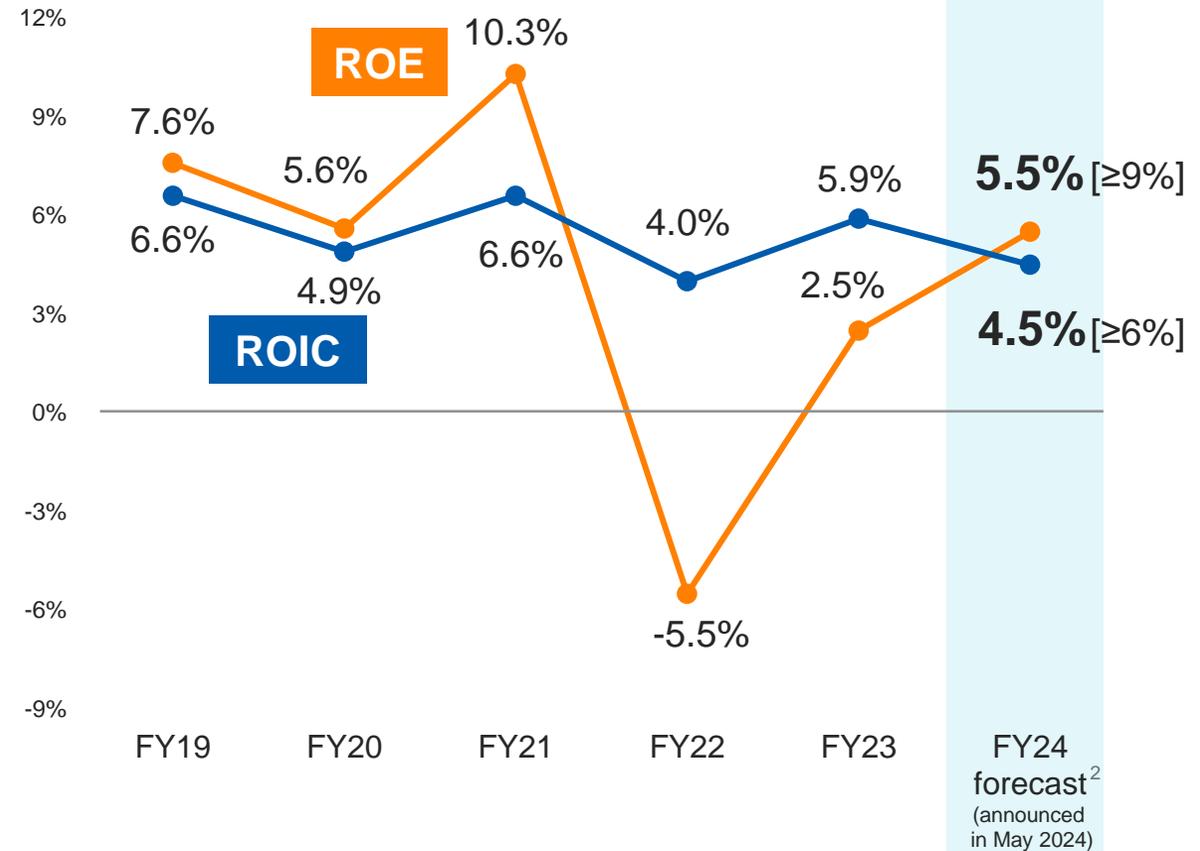


In FY23, income was sluggish due to weak performance of Material and impairment loss (ROIC improved due to tax effect at North American subsidiaries); although income is expected to recover steadily in FY24, each indicator is expected to fall below the medium-term targets

## Operating income and operating margin



## ROIC<sup>1</sup> and ROE



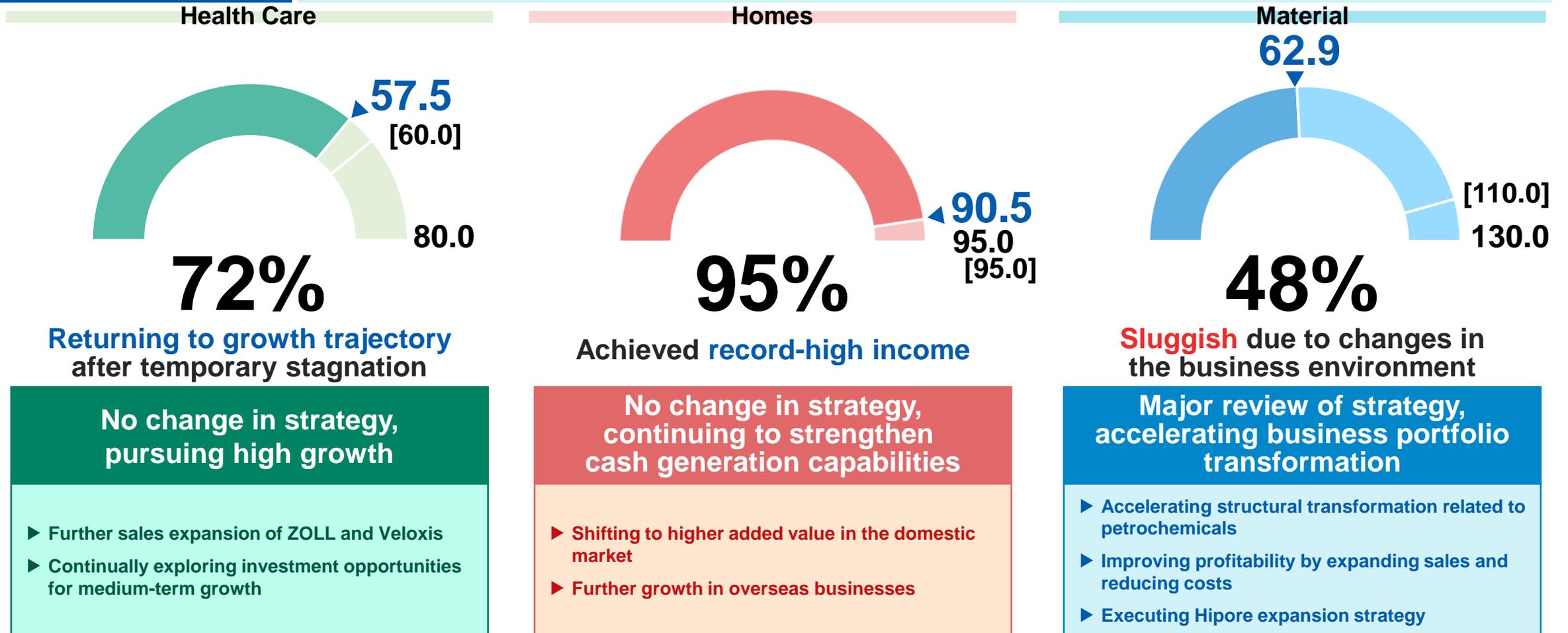
<sup>1</sup> Overall ROIC = (operating income – income taxes) ÷ average annual invested capital; same on following pages. <sup>2</sup> Figures in brackets are targets announced in April 2023.

# Progress of the medium-term management plan (MTP) by sector

Health Care returned to growth trajectory after slight pause, and Homes generally progressed as planned; reviewing strategy and accelerating structural transformation in Material

## FY24 operating income attainment forecast

Blue figures indicate forecast in May 2024, black figures indicate MTP targets in April 2022, [brackets] indicate revised targets in April 2023



The following three main factors have resulted in sluggish performance compared with the time of formulating the MTP

### 1. Deterioration of the petrochemical market environment

- Demand slowdown, particularly in the Chinese market
- Decline in market prices due to expansion of capacity for ethylene etc.

Perceived as irreversible

- ▶ **Accelerating studies of structural transformation in petrochemical chain-related businesses**

### 2. Changes in the environment for EVs

- Expanded presence of Chinese companies in the automotive battery supply chain

Taking new challenges after identifying markets to address

- ▶ **Strengthening relationships with customers, including through capital alliances**
- ▶ **Large-scale investment in the North American market**

### 3. Post-pandemic changes in demand

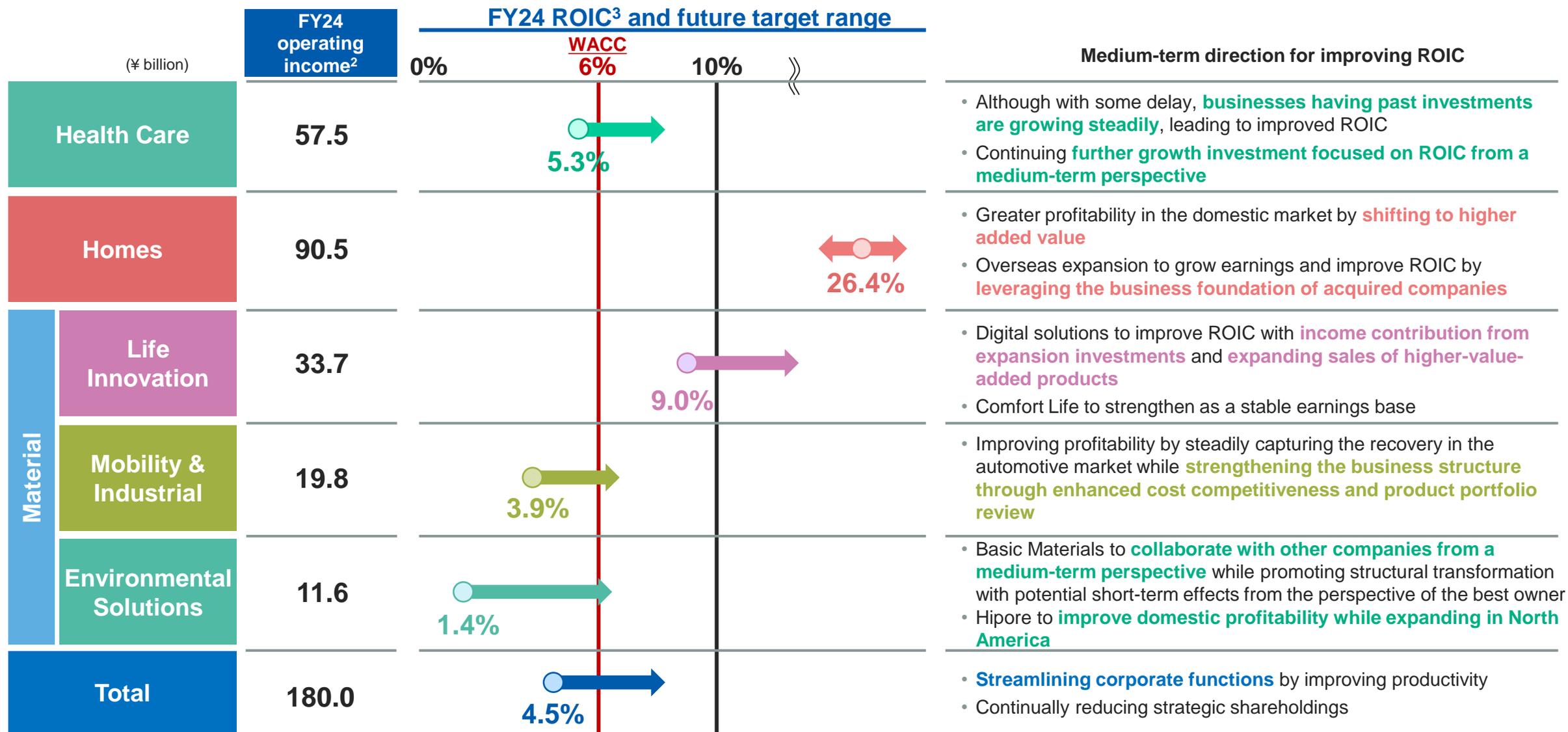
- Deteriorated conditions in the electronics market
- Sluggish growth of the automotive market
- Intensified competition in general-purpose products

Market conditions improving, but need to enhance ability to pass on increased costs

- ▶ **Increasing capacity for advanced products and shifting from general-purpose products to high-value-added products**
- ▶ **Strengthening platform-based businesses centered on points of contact with customers**

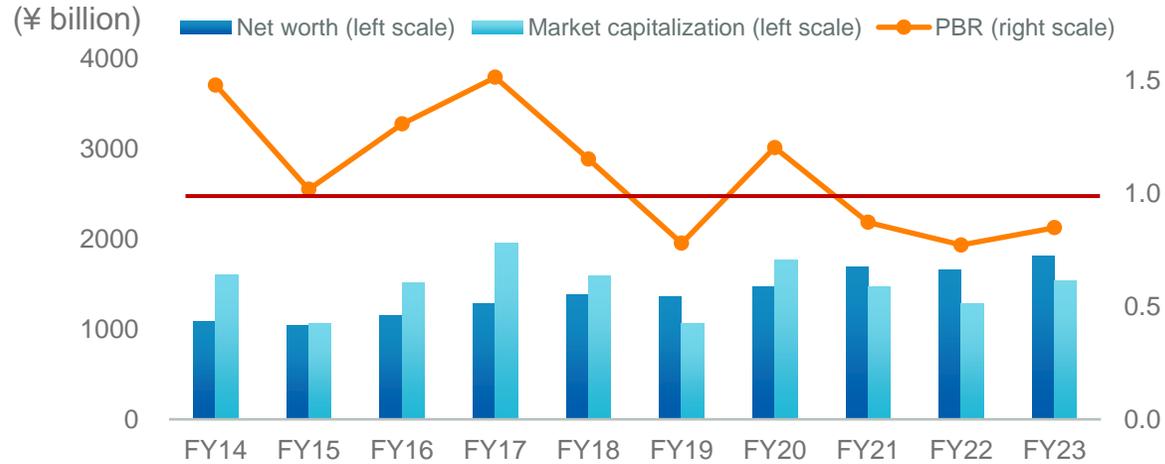
**Accelerating business portfolio transformation in the final year of the MTP with greater focus on targeted markets/regions and strategic initiatives with customers**

Working to quickly achieve overall ROIC levels exceeding WACC<sup>1</sup> through measures to improve investment efficiency



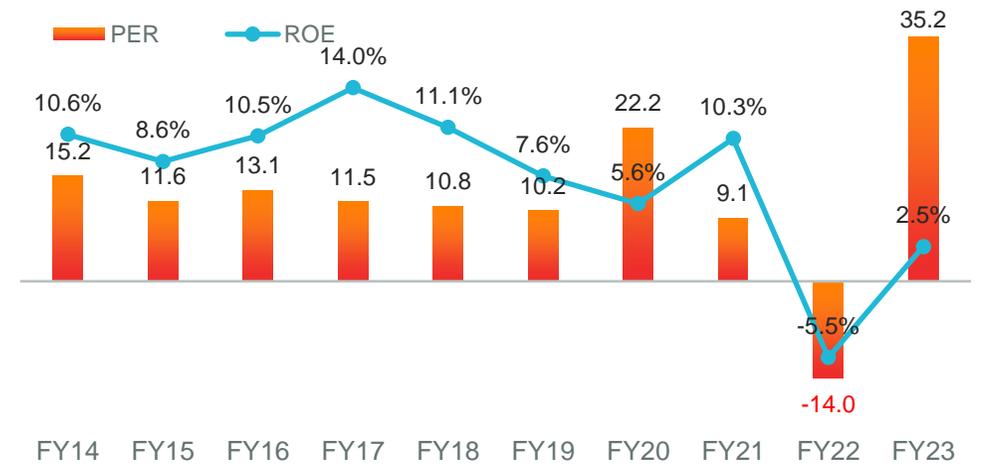
<sup>1</sup> Weighted average cost of capital. <sup>2</sup> Forecast announced in May 2024. <sup>3</sup> By business unit, ROIC = operating income (1 - tax rate) ÷ (fixed assets + working capital, etc.); same on following pages.

## PBR (price to book value ratio)



PBR has been below 1.0 since FY21, but has recently improved; net worth has increased due to foreign currency translation adjustment by the weakening of the yen

## ROE and PER (price to earnings ratio)



Weak net income due to sluggish earnings and impairment losses, and ROE below the assumed cost of equity of 8%

### Accelerating business portfolio transformation

Accelerating structural transformation of low-capital-efficient businesses whose ROIC has remained below WACC

### Enhancing profitability

In addition to group-wide cost reduction activities, thorough profit-enhancing measures through appropriate price increases and reduction of general-purpose products



### Enhancing investment management

More sophisticated investment decisions with stricter management of hurdle rates along with thorough post-investment follow-up

### Reducing the cost of capital

Enhancing disclosure of investment strategies, business strategies, and initiatives to strengthen management foundations

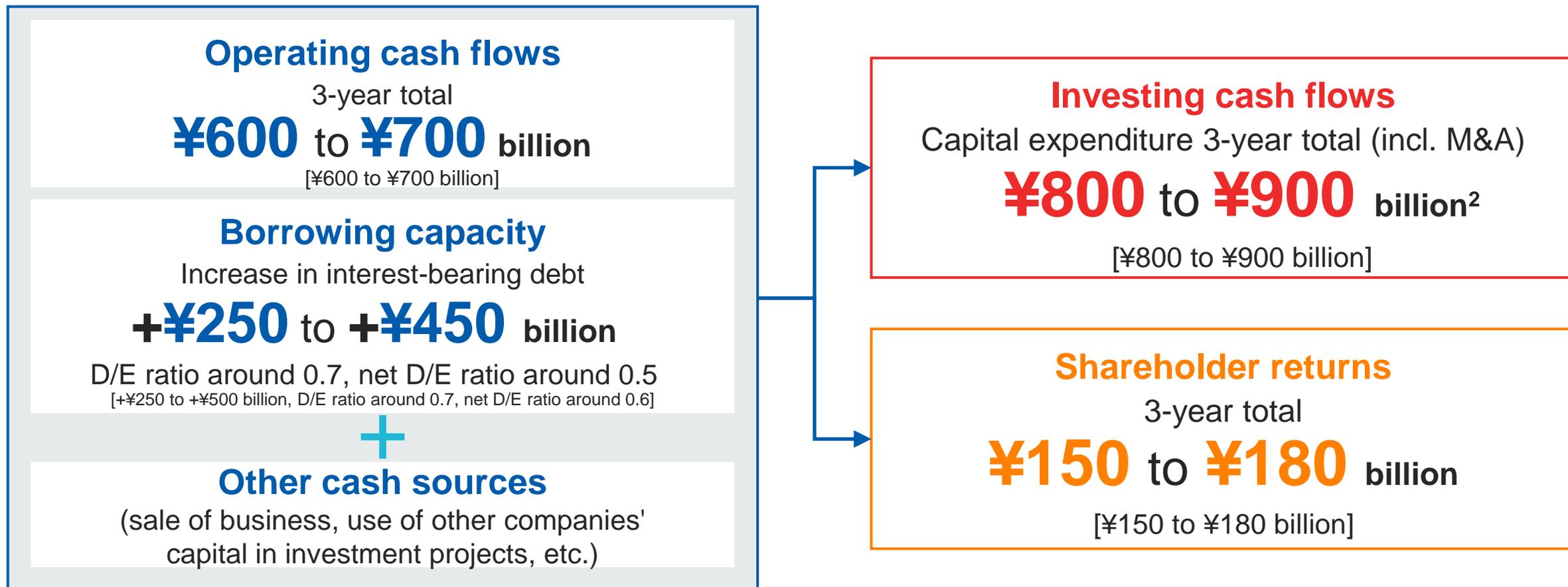
### Optimizing capital policy

Raising shareholder returns and reducing strategic shareholdings based on the perspective of capital adequacy

**Focusing on "accelerating business portfolio transformation" and "enhancing profitability" to improve PBR levels**

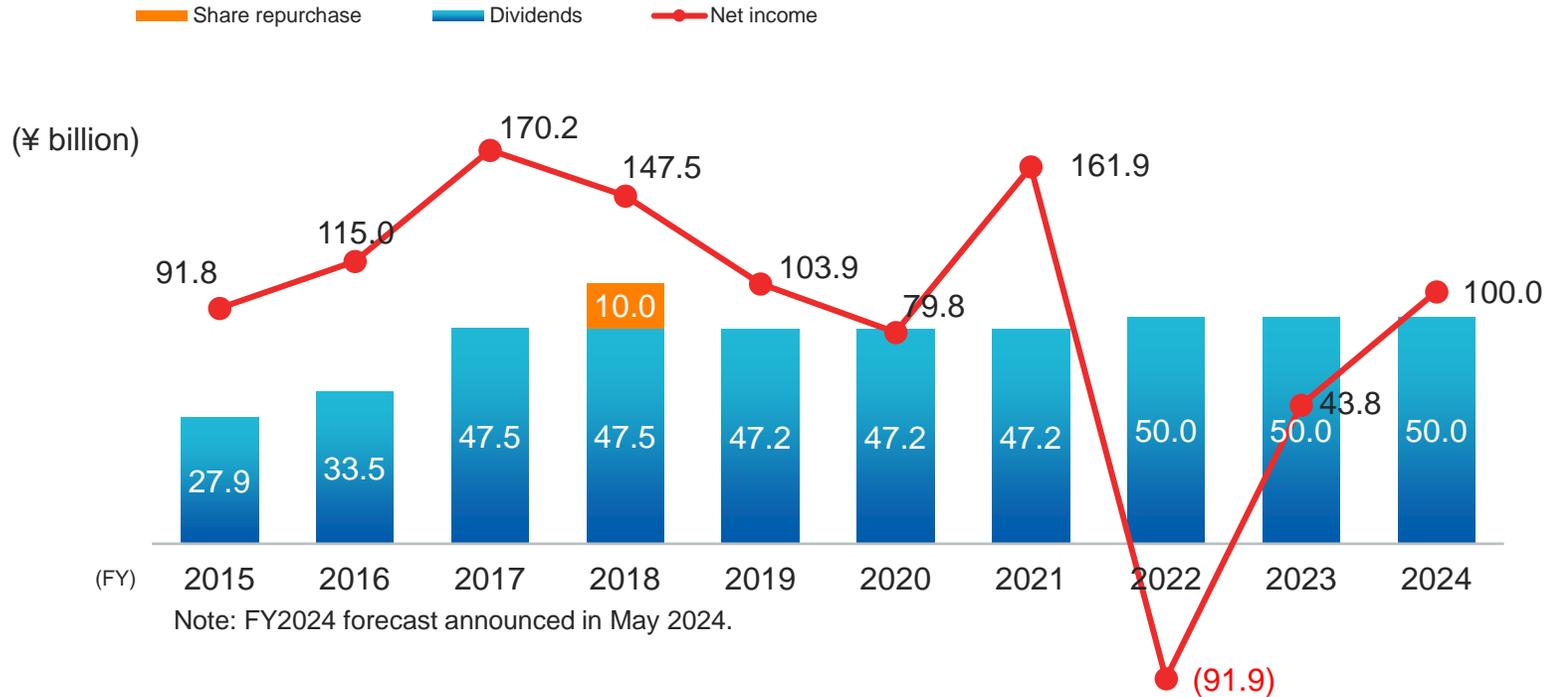
While both operating cash flow and investing cash flow are expected to meet planned levels, consideration given to "other cash sources" from the sale of businesses, etc., in light of lower-than-planned business earnings

## Framework for capital allocation (3-year period FY2022–2024)<sup>1</sup>



<sup>1</sup> Bracketed items indicate outlook at time of management briefing in April 2023. <sup>2</sup> Cash-outflow basis (different from decision-adopted basis)

Shareholder returns basically through dividends, increasing the level of returns in line with profit growth



## Shareholder returns policy

- 1) Determining level of shareholder returns based on medium-term FCF outlook
- 2) Shareholder returns basically by dividends, aiming to maintain or increase dividends per share
- 3) Aiming for payout ratio of around 30–40% (3-year total), aiming to steadily increase level of shareholder returns
- 4) Share repurchases as appropriate based on comprehensive consideration of optimal debt/equity level, investment items, and share price

Payout ratio	30.4%	29.1%	27.9%	32.2%	45.4%	59.1%	29.1%	—	113.9%	49.9%
Dividends per share (¥)	20	24	34	34	34	34	34	36	36	36

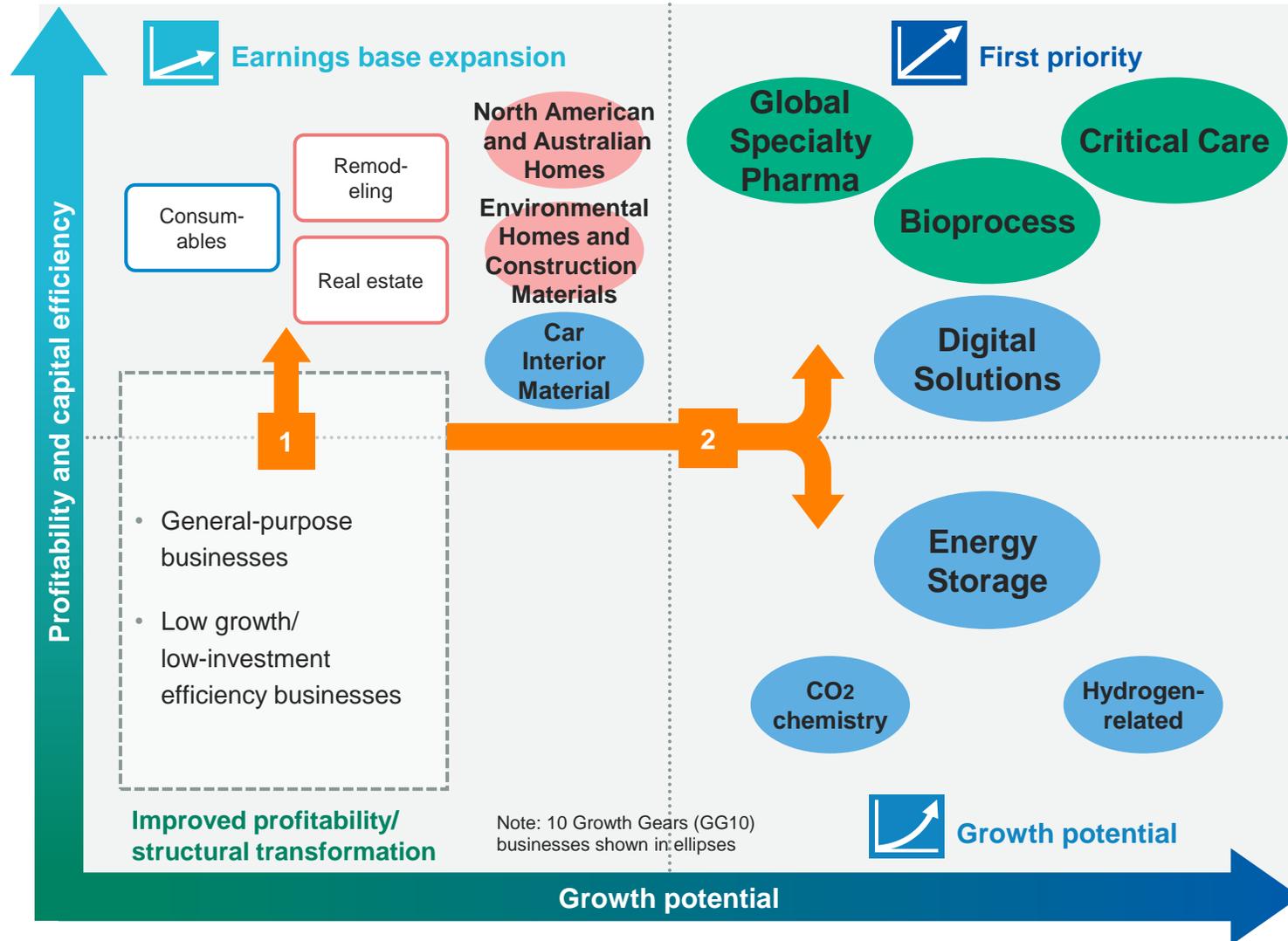
**Dividends per share will be maintained or increased from FY24 onward, with particular emphasis on 2) progressive dividends**

## Outline

1. Financial status of the MTP
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Promoting actions in accordance with clearer positioning of each business



## 1 Raising business productivity

- More robust business structure
- Maximum use of accumulated know-how, customer base, etc.

## 2 Shifting resources to growth business

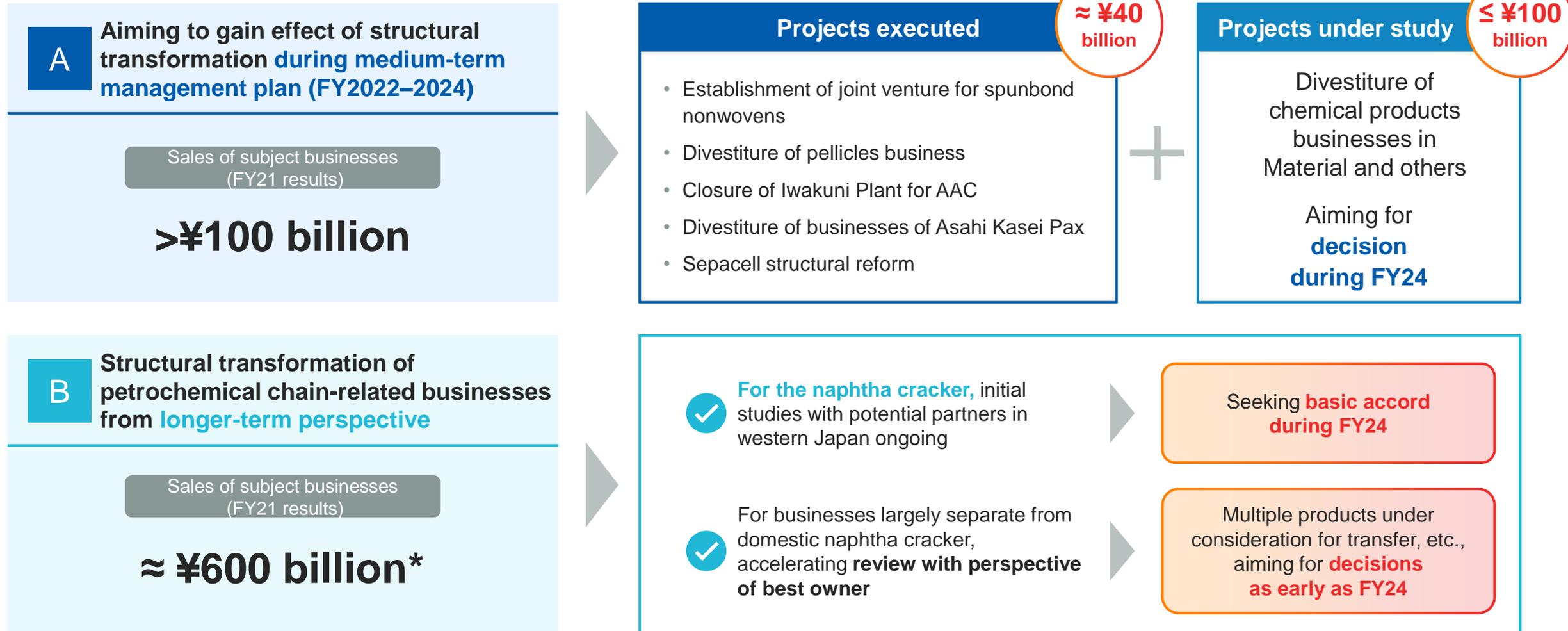
Human resources

Funds

Technology and business foundations

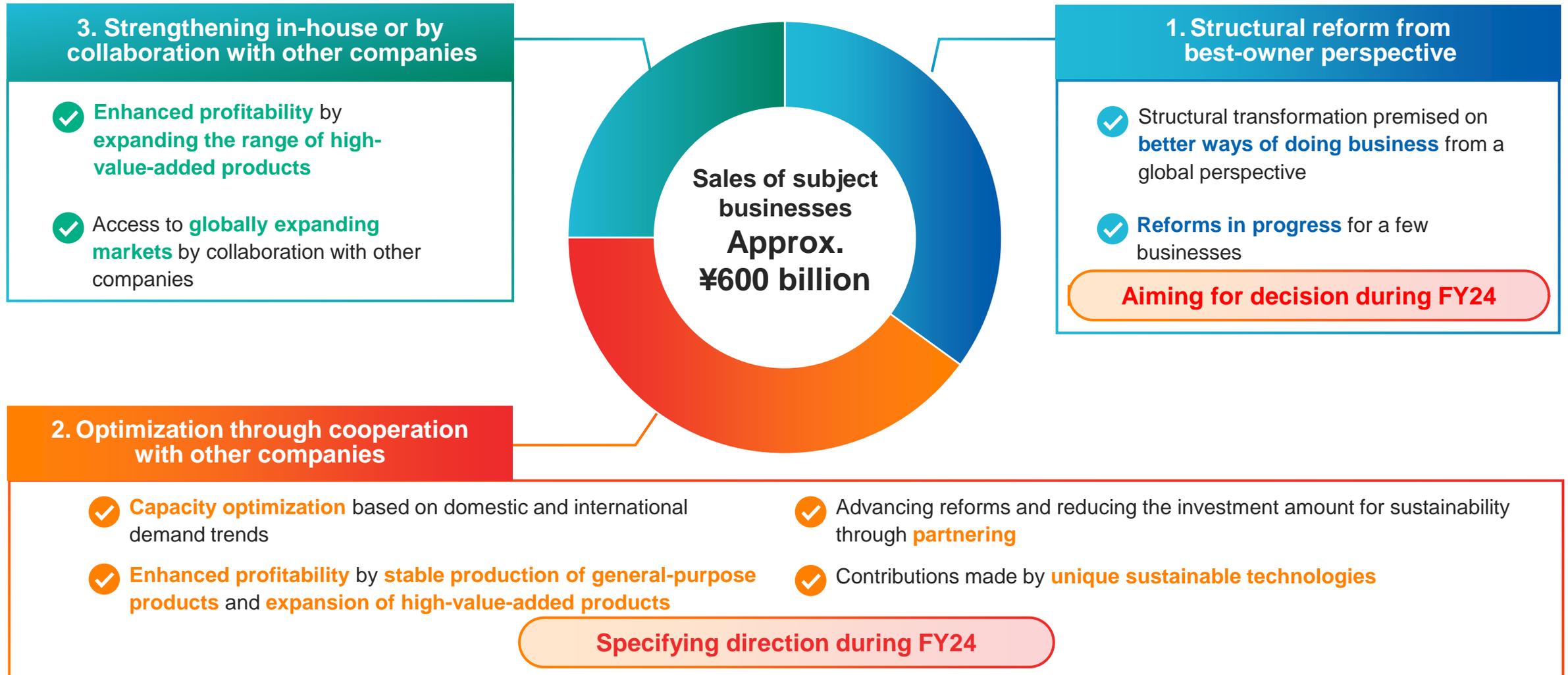
\* Schematic illustration, not exhaustive of all operations

Some uncertainties regarding negotiations with counterparties, but generally on track for decision during FY24

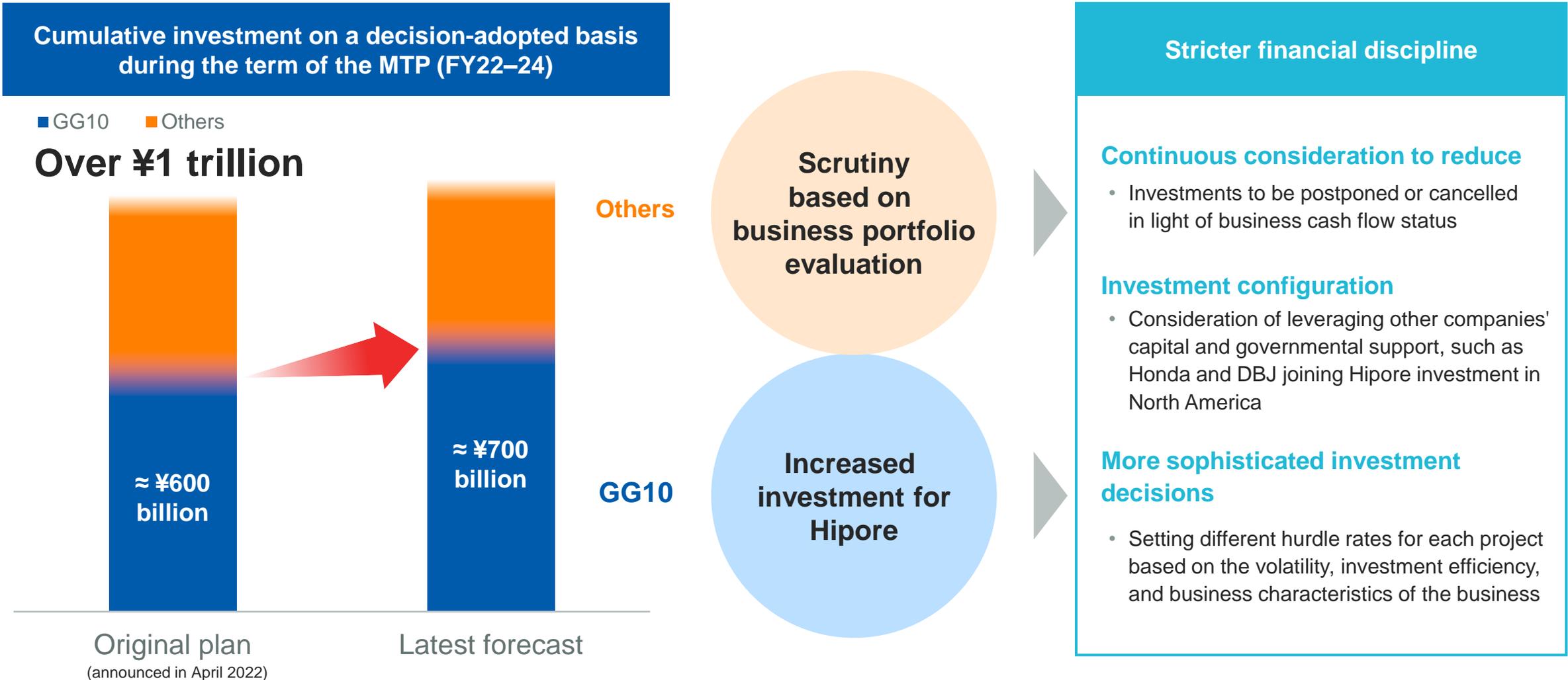


\* Some overlap with category A.

Category B "Structural transformation of petrochemical chain-related businesses" is being promoted through three approaches; earliest effects are sought by "Structural reform from best-owner perspective"



As the scale of investment in GG10 was enlarged by decision for North American investment in Hipore, investment in other businesses is restrained; continuing to thoroughly implement financial discipline in investment judgements



Accelerating business process innovation centered on the BT Project to promote group-wide productivity enhancement; generated some ¥10 billion of cost reductions in FY23, aiming for cumulative effect of some ¥20 billion through ongoing concrete action



## Promoting group-wide productivity innovation

### Short-term perspective

Generating income through measures to improve profitability and thorough discipline



### Medium- to long-term perspective

Considering the management system and foundation best suited for sustainable growth

### Cost-reducing effect of short-term measures

Higher efficiency of shared fixed costs

Reduced expenses for indirect goods

Review of outsourcing costs

FY23  
≈ ¥10 billion

FY24  
High single-digit ¥ billions



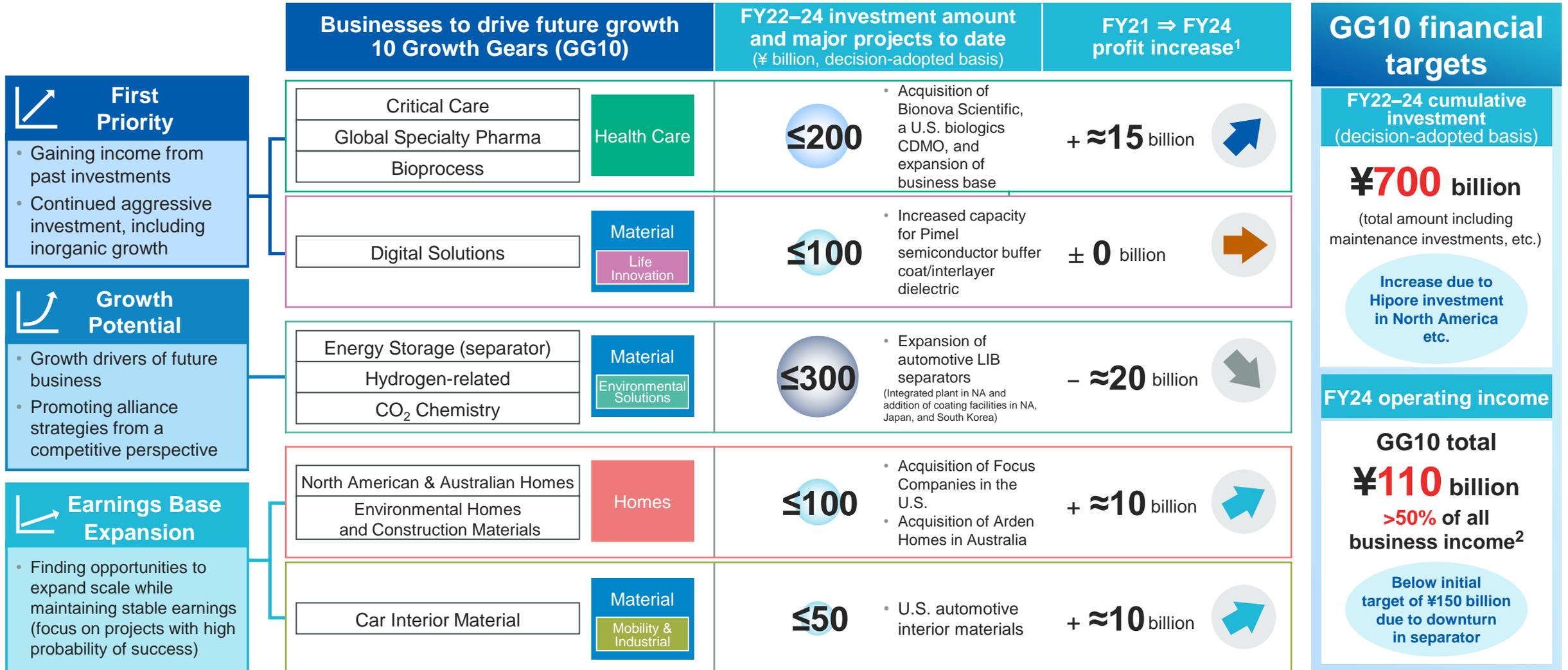
**Aiming for a cumulative reduction of ≈ ¥20 billion**

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Health Care and Homes are expected to achieve profit growth in line with targets, and plan to invest in expansion as assumed; Environmental Solutions is increasing investments based on clearer growth opportunities from a medium-term perspective in Hipore

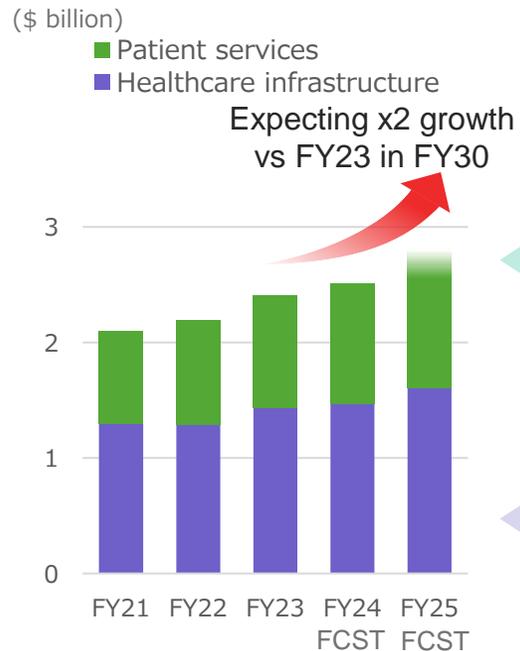


<sup>1</sup> Operating income + amortization from PPA

<sup>2</sup> Proportion of business income, excluding corporate expenses

## Pursuing further growth in the area of serious cardiopulmonary conditions (Organic growth of existing businesses + Reaping fruits of past investments + Pursuit of new business)

### Sales growth concept



Recent Developments and Strategic Directions of Major Businesses

#### Patient services

LifeVest wearable defibrillator, Cardiac diagnostics and management, Sleep apnea diagnostics and treatment, etc.

#### Healthcare infrastructure

Defibrillators, AED, Cardiopulmonary resuscitation, Temperature management system, Software solutions, etc.



LifeVest wearable defibrillator

- Sales in North America growing due to **steady medical orders** and **higher reimbursement rate**.
- As a market pioneer, continue to focus on **strengthening relationships with cardiologists** and **promoting clinical value**. Accelerate market penetration, and pursue sales and profit growth.



Implantable central sleep apnea (CSA) treatment device

- Struggle with identifying CSA patients to be treated and delay to the original market development plan
- **No change in clinically differentiated technology and growth potential of the treatment**
- Aim to expand the number of cases by **educating hospitals about the diagnosis and prescription process** and **increasing awareness to target patients**



Defibrillator for healthcare professionals



AEDs, cardiopulmonary resuscitation, etc.

- Recovery of profit margins as procurement issues recede, sales growing by leveraging the benefit of **the diversified product mix for hospitals/EMS/public safety**.
- Aim for solid growth by expanding product lineup and promoting sales expansion outside of North America.



Home sleep apnea testing solution

- **Growing globally and we are the global leader in home sleep diagnostics space**
- Aim to increase sales and contribute to profit by **exploiting the potential market of undiagnosed patients particularly in cardiology leveraging LifeVest team**

## Transformation into Global Specialty Pharma focused on immunology/transplantation and adjacent disease areas

### Niche therapeutic areas

Focus on specialty areas such as immunology/transplant, renal diseases, and severe infection in immuno-compromised population

### Global business expansion

Implementation of additional M&A to strengthen business platform and pipelines

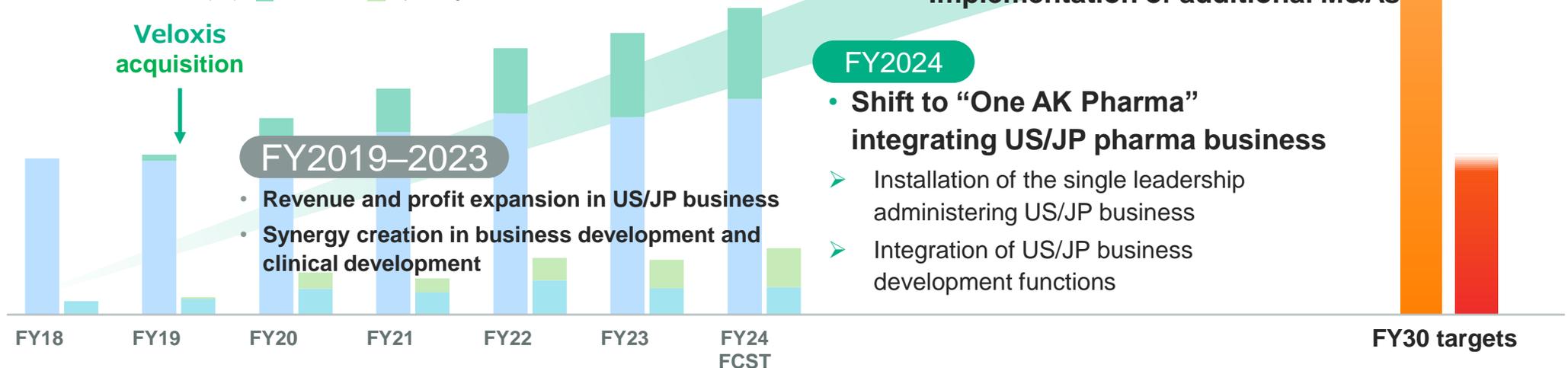
### Global management style

Transition to "One AK (Asahi Kasei) Pharma"

#### FY2018–FY2024 CAGR (2 companies total)

Net Sales ————— **13%**  
 Operating income (before PPA amortization) ————— **30%**

Asahi Kasei Pharma (Japan): Revenue (light blue), Operating income (medium blue)  
 Veloxis (US): Revenue (teal), Operating income before PPA amortization (light green)



Providing high-quality homes suited to each local area through efficiency improvement and productivity improvement by industrialization

North America

Industrialization of North American home building with core strategy of management of the construction process



North American holding company

Promoting industrialized construction by integrating core processes (plumbing, concrete, framing, electrical, and HVAC) in the building process



Supplier of framing  
**Erickson**  
Consolidated in 2018



Supplier of concrete, electrical, and HVAC  
**Austin**  
Consolidated in 2020



Supplier of plumbing  
**Brewer**  
Consolidated in 2021



Supplier of concrete, plumbing, framing, and electrical  
**Focus**  
Consolidated in 2022

Considering expansion into new areas

Australia

Providing diverse value leveraging business scale based on cooperation between Japan and Australia



Australian holding company

Operating in five states, building nationwide network – risen to 3rd place among Australian builders by number of construction starts



Competitive advantage of diverse value provision

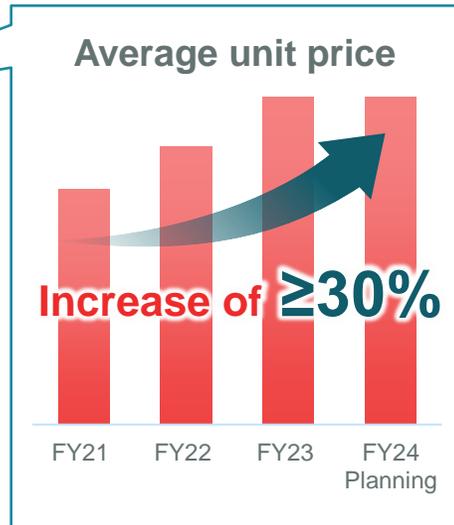
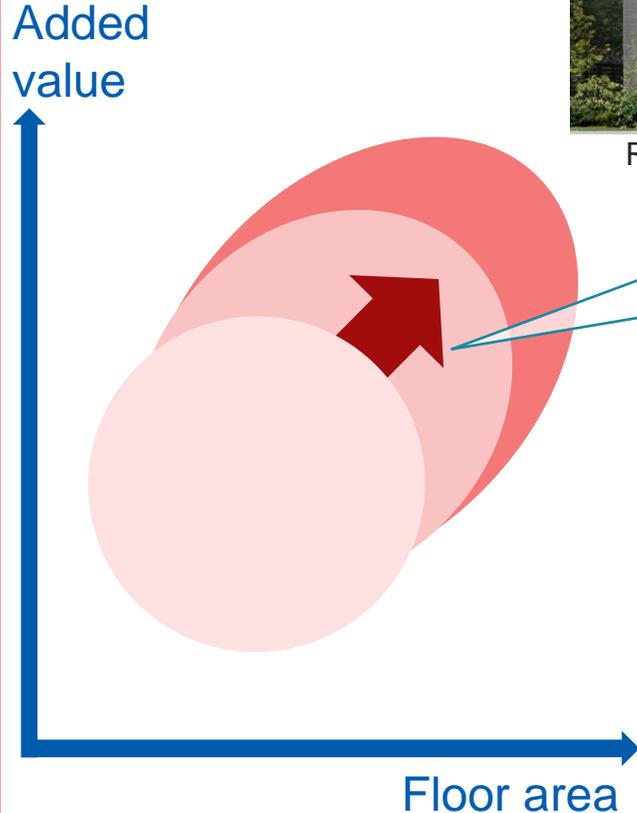
## Contributing to sustainability with homes together with customers

Earnings generation by significant increase in average unit price

### Promoting larger and higher value-added units



RATIUS GR heavy-gauge steel-frame home with large roof

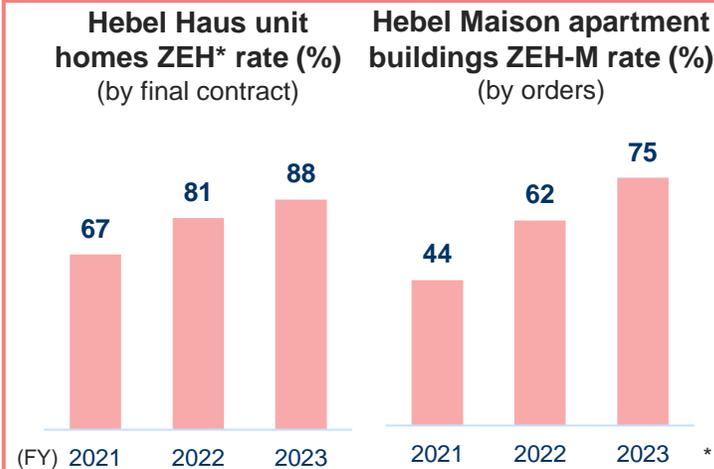


Achieving shift to higher added value with industry-leading HR potential and high-quality services



Oricon Customer Satisfaction Survey  
**Ranked No. 1 for 9 years (2016–2024)**  
 in steel-frame order-built homes category

Advancing as a leading environmental company, achieving RE100 and promoting “net-zero emissions” homes



**On track to achieve in FY23**

(scheduled to file application in July)

Asahi Kasei Homes joined the RE100 Initiative for 100% use of renewable energy in 2019

\* Net zero-emissions home.

Hipore targeting growth in North America and Japan where EV market expansion is expected, North American expansion strategy utilizing quick decision-making and various means

## Capital expenditure

### 1) Expansion of coating capacity

Installing new coating lines in the U.S., Japan, and South Korea, with total investment of some ¥40 billion (announced October 2023)



### 2) Construction of integrated plant in North America (Canada)

Constructing integrated plant for base film and coated separator in Canada, with total investment of some ¥180 billion (announced in April 2024)

## Vertical collaboration and utilization of external funds

**HONDA**



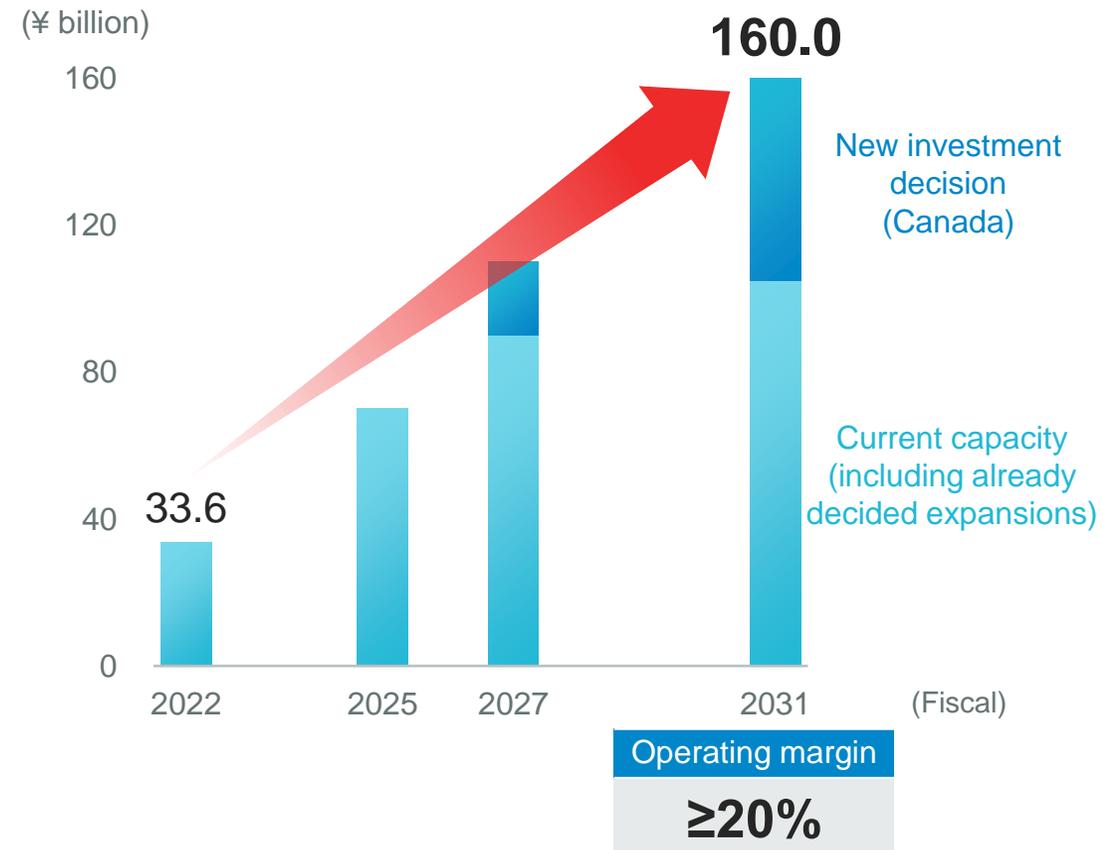
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Considering alliance  
with Honda Motor Co., Ltd.



Investment from the  
Development Bank of Japan

## Sales outlook for Hipore business



Leveraging the strengths of electronic components and electronic materials, accelerating expansion and growth to become a major earnings pillar of the Material sector



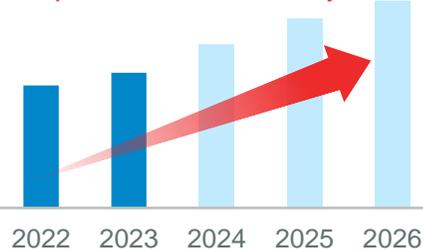
## Pimel semiconductor buffer coat/ interlayer dielectric (advanced semiconductors)

- ✓ Expanding supply of products for the most advanced semiconductor processes

New plant in Fuji scheduled to start operation in 2024  
(production capacity doubled)



**Sales concept**  
Expected to **double** by 2030



**Market CAGR**  
**7% or more**  
(2022–2028)



## Glass fabric for printed wiring boards/package substrates (multi-layered/thinner)

- ✓ Expanding sales of low dielectric glass fabric for AI servers, switchers, and routers  
(expanding in next-generation applications)

**Current generation**

- 400 GbE switches/routers
- AI servers

FY23

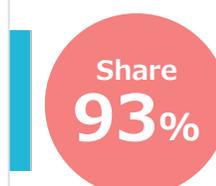


Share  
**54%**

**Next generation**

- 800 GbE switches/routers

FY23



Based on growth in next-generation markets, **sales are expected to triple by 2030**

**Market CAGR**  
**20% or more**  
(2022–2028)

(Asahi Kasei estimates of share by sales volume)

Planning to invest **¥100 billion** in expansion by 2030 aiming at the most advanced and next-generation markets

Growing number of examples of earnings generation utilizing intangible assets such as licensing and data; new promotion organization established, further enhancing initiatives

**P-PaaS (Product-based Platform as a Service)** Providing platforms that increase customer value based on the added value of Asahi Kasei's materials and products

## Specific examples of earnings generation

### Licensing

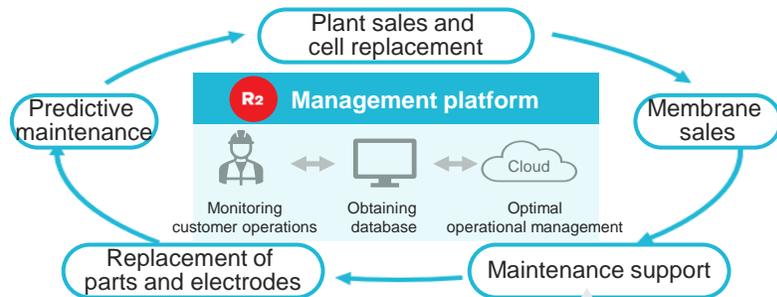
- High-purity carbonates manufacturing technology
- Neoma Foam thermal insulation

#### Features of Neoma Form



### New business model

- Providing new services in ion-exchange membrane business

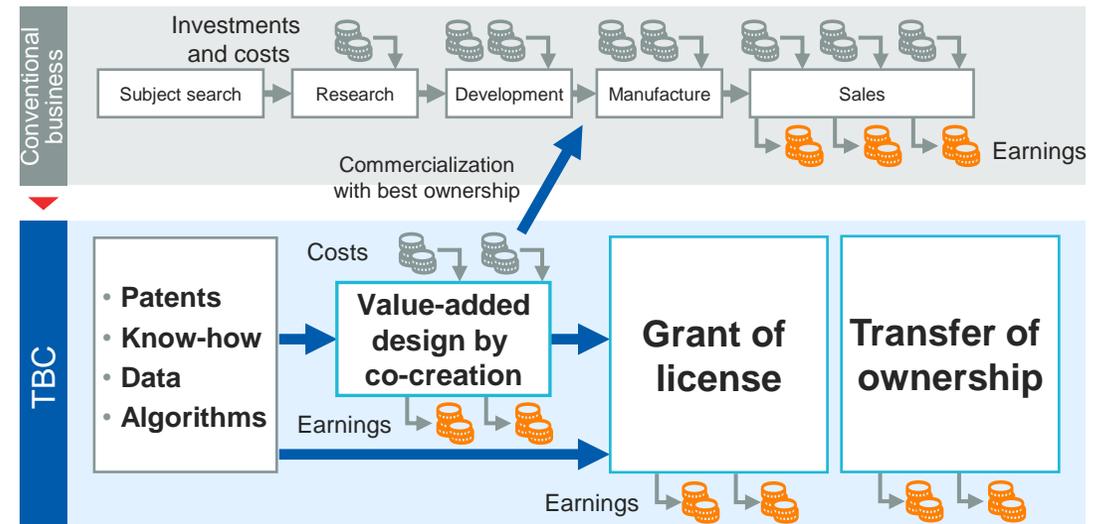


- Chlor-alkali electrolysis cell rental service  
Demonstration trial of rental service for replacement during maintenance of cells in Europe

## Framework to further accelerate initiatives

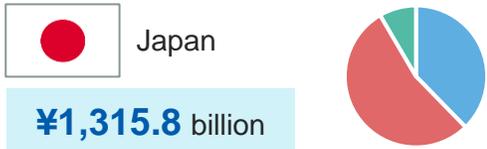
### Accelerating through “TBC Project” established in Corporate Research & Development

#### TBC: Technology value Business Creation



Advancing business based on positioning of each region; steady growth in the United States through continuous measures for expansion

## FY23 sales by region



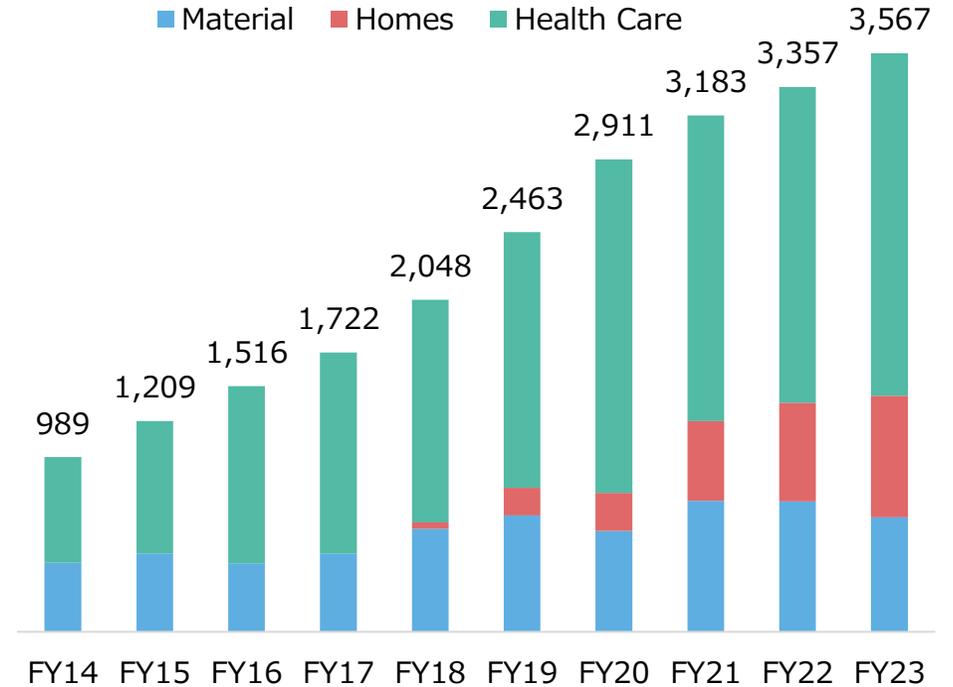
Legend: Material Homes Health Care

## Positioning of each region

- Focusing on businesses that contribute to sustainability
- Locus of core technology
- The center and largest growth market for the Health Care sector
- New growth opportunities for the Homes sector and separator
- Creating business opportunities by capturing growth markets
- Advancing based on the characteristics of each country, including India and Australia
- Creating new value by partnering with leading local companies
- More localized business activities to adapt to the fast-changing environment
- Developing sustainability-related businesses such as hydrogen
- Developing advanced technology in partnership with local companies in the field of mobility

## Sales in the U.S. (US\$ million)

(approximate value calculated by the average exchange rate for each year, excluding businesses in "Others" category)



Continuous expansion through M&A and organic growth

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## Positioning of major businesses by sector (GG10 in bold)

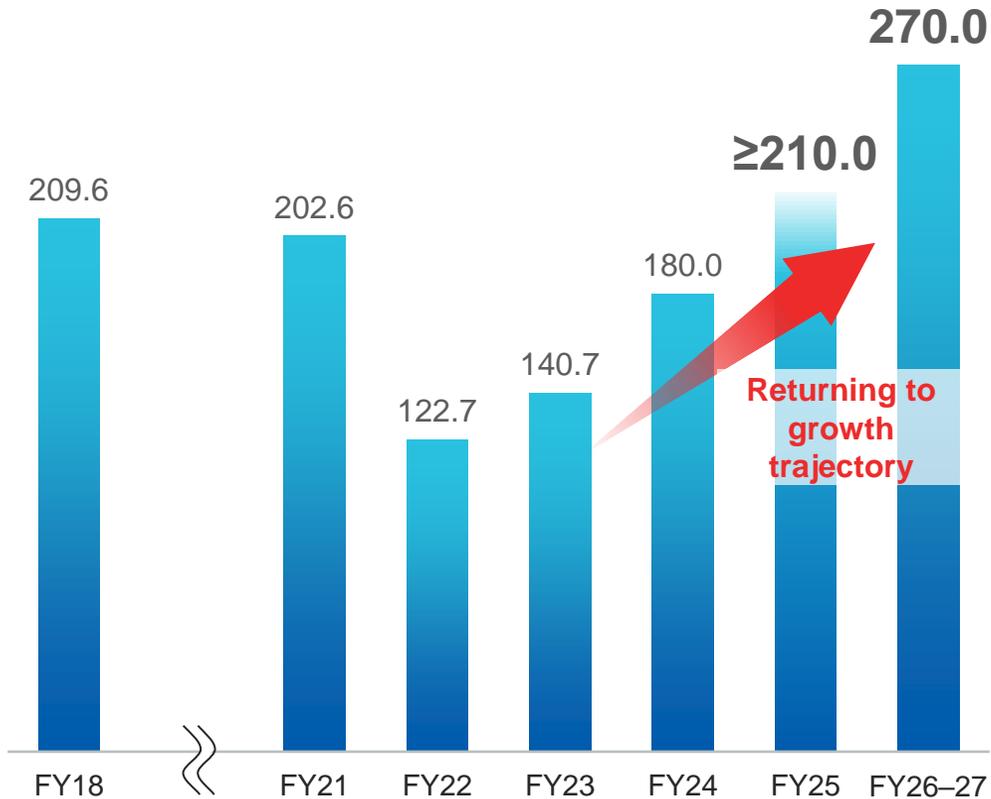
	 <b>First Priority</b>	 <b>Growth Potential</b>	 <b>Earnings Base Expansion</b>	<b>Profitability improvement, structural transformation</b>
<b>Health Care</b>	<ul style="list-style-type: none"> <li>▶ <b>Critical Care</b></li> <li>▶ <b>Global Specialty Pharma</b></li> <li>▶ <b>Bioprocess</b></li> </ul>			<ul style="list-style-type: none"> <li>▶ Domestic business (Sepacell, etc.)</li> </ul>
<b>Homes</b>			<ul style="list-style-type: none"> <li>▶ <b>North American and Australian Homes</b></li> <li>▶ <b>Environmental Homes and Construction Materials</b></li> <li>▶ Remodeling</li> <li>▶ Real estate</li> </ul>	<ul style="list-style-type: none"> <li>▶ AAC business</li> </ul>
<b>Material</b>	<ul style="list-style-type: none"> <li>▶ <b>Digital Solutions</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Energy Storage</b></li> <li>▶ <b>CO<sub>2</sub> Chemistry</b></li> <li>▶ <b>Hydrogen-related</b></li> </ul>	<ul style="list-style-type: none"> <li>▶ <b>Car Interior Material</b></li> <li>▶ Consumables</li> </ul>	<ul style="list-style-type: none"> <li>▶ Petrochemical chain-related</li> <li>▶ General-purpose products</li> <li>▶ Low-growth, low-investment efficiency businesses</li> </ul>

**FY24 operating income**  
**≈ ¥60 billion**

Current MTP is a three-year phase to form the basis for the next stage of growth through **investments for growth with clear priorities** and **acceleration of structural transformation**

- ✓ Capital efficiency being improved through profit generation by business portfolio transformation and growth investments, aiming to achieve record-high profit in FY25
- ✓ Targeting FY26–27 operating income of ¥270 billion, the original MTP target

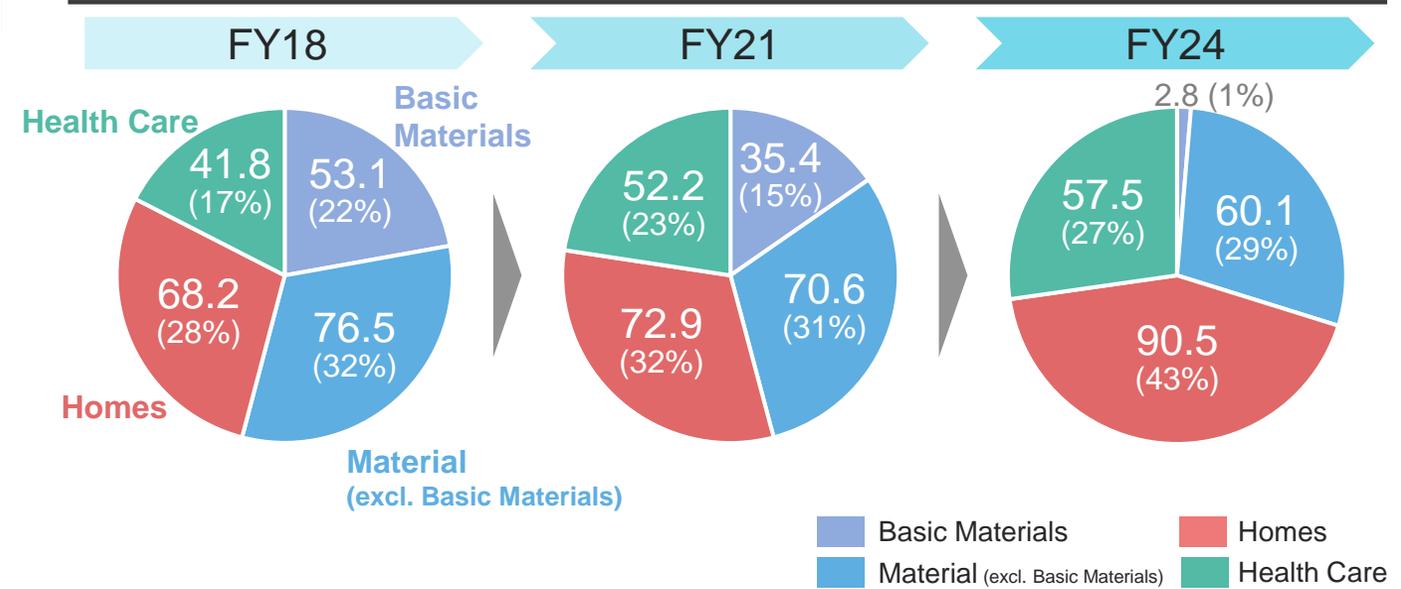
## Operating income (¥ billion)<sup>1</sup>



<sup>1</sup> Results up to FY23 and forecast for FY24 (announced in May 2024)

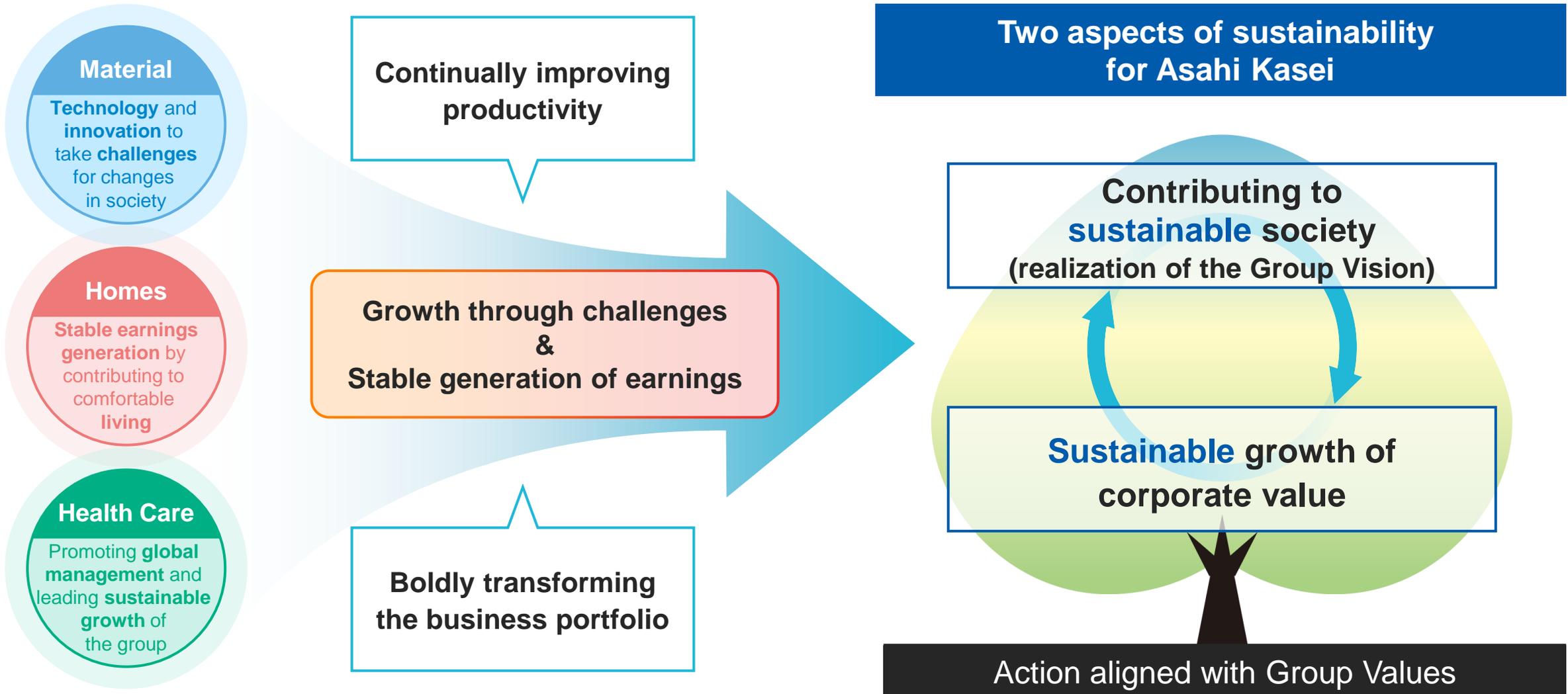
<sup>2</sup> Percentage of total operating income of business units

## Change in composition of operating income (¥ billion)<sup>2</sup>



## Concept for FY25 operating income by sector





While maintaining financial soundness based on stable business earnings, continuing to take challenges for "business portfolio transformation" and "diverse growth opportunities in three sectors"

# Appendix



## Financial KPIs

[Brackets indicate forecast announced in April 2023]

### Profit growth

Operating income

FY24 forecast

**¥180 billion**  
[≥ ¥200 billion]

around FY30

**¥400 billion**

### Capital efficiency

ROE

FY24 forecast

**5.5%**  
[≥9%]

around FY30

**≥15%**

ROIC

**4.5%**  
[≥6%]

**≥10%**

### Business portfolio transformation

Operating Income from GG10

FY24 forecast

**About 50%**  
[≥50%]

around FY30

**≥70%**

### Proportion of patents in force for GG10

FY30

**≥50%**  
(FY21: ≥30%)

### Digital professionals

FY24

**10 times**  
(vs. FY21)

### Number of Group Masters

FY24

**360**  
(FY21 : 259)

### Our own GHG emissions reduction

FY30

**≥30%**  
(vs. FY13)

### GHG reduction by Environmental Contribution Products

FY30

**2X or more**  
(vs. FY20)

## Non-Financial KPIs

		FY2022	FY2023	FY2024 forecast (announced in May 2024)	FY2024 plan (announced in April 2023)	Long-term outlook (around 2030)
		(¥ billion)				
<b>Profitability</b>	Net sales	2,726.5	2,784.9	2,912.0	3,000.0	
	Operating income	127.7	140.7	180.0	≥200.0	400.0
	Operating margin	4.7%	5.1%	6.2%	≥6.7%	
	Operating income before amortization of goodwill	165.4	170.3	208.7		
	EBITDA <sup>1</sup>	305.0	322.9	356.0	≥370.0	
	EBITDA margin	11.2%	11.6%	12.2%	≥12.3%	
	Net income attributable to owners of the parent	(91.9)	43.8	100.0	≥140.0	300.0
	EPS (yen)	(66.3)	31.6	72.1	≥101	216
<b>Capital efficiency</b>	ROIC <sup>2</sup>	4.0%	5.9%	4.5%	≥6%	≥10%
	ROE	-5.5%	2.5%	5.5%	≥9%	≥15%
<b>Financial health</b>	D/E ratio	0.57	0.51			
	Net D/E ratio	0.41	0.32			
	Equity ratio	48.1%	49.5%			
Exchange rate (yen/\$)		135.5	144.6	145	130	

<sup>1</sup> EBITDA = operating income + depreciation and amortization (tangible, intangible, and goodwill). <sup>2</sup> ROIC = (operating income - income taxes) / average invested capital.

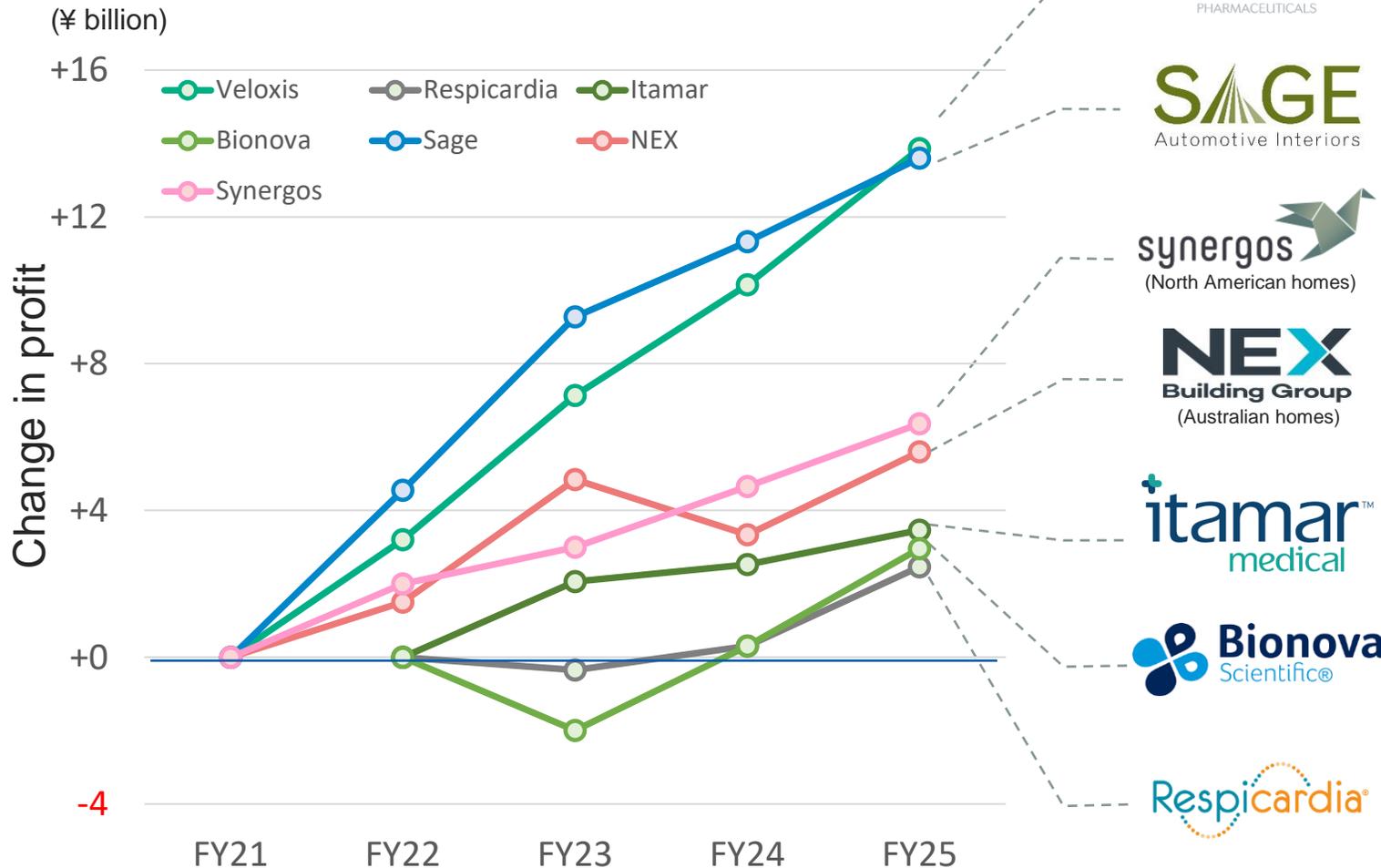
		(¥ billion)	FY2022 <sup>2</sup>	FY2023	FY2024 forecast (announced in May 2024)	FY2024 plan (announced in April 2023)
Health Care	Net sales (a)		496.9	553.8	578.0	590.0
	Operating income (b)		41.9	48.5	57.5	60.0
	Operating margin (b/a)		8.4%	8.8%	9.9%	10.2%
	EBITDA (c)		106.4	118.7	126.6	126.0
	EBITDA margin (c/a)		21.4%	21.4%	21.9%	21.4%
	ROIC		4.2%	4.5%	5.3%	6.0%
Homes	Net sales (a)		899.0	954.4	1,004.0	1,000.0
	Operating income (b)		75.4	83.0	90.5	95.0
	Operating margin (b/a)		8.4%	8.7%	9.0%	9.5%
	EBITDA (c)		93.4	104.3	111.7	115.0
	EBITDA margin (c/a)		10.4%	10.9%	11.1%	11.5%
	Free cash flow rate		1.3%	7.1%	2.7%	4.0%
	ROIC		27.1%	27.1%	26.4%	24.0%
Material	Net sales (a)		1,316.6	1,261.7	1,312.0	1,530.0
	Operating income (b)		41.0	42.6	62.9	110.0
	Operating margin (b/a)		3.1%	3.4%	4.8%	7.2%
	EBITDA (c)		128.5	119.9	134.2	187.0
	EBITDA margin (c/a)		9.8%	9.5%	10.2%	12.2%
	ROIC		2.4%	2.6%	3.6%	6.0%

<sup>1</sup> Management KPIs by sector highlighted. As figures in this table are results, forecasts and plans for each sector, their sums do not equal the total consolidated figures.

<sup>2</sup> Adjusted to reflect PPA allocation, completed Q1 of FY23, on Focus Companies of the U.S., acquired on October 31, 2022.

Sales of Sage and Veloxis have grown steadily after the pandemic, and overseas homes businesses have achieved profit expansion as expected; Respicardia and Bionova, in contrast, are at early stages of business and thus affected by market launch delays

## Profit growth during MTP for major M&A deals\*



Impacted by COVID-19, but profits are steadily increasing 1–2 years behind the original plan



Impacted by sluggish growth in the automotive market, but now growing steadily as demand recovers



By applying Asahi Kasei Homes' expertise for high quality and industrialization, growing steadily with measures to promote industrialized construction in North America



Despite impact of deteriorating order environment and rising cost of materials, securing profits by raising prices, streamlining processes, and deploying expertise to improve efficiency



Sales continue to grow, although 1–1.5 years later than originally projected; aiming for further growth globally as a market leader in the area of home diagnosis of sleep apnea



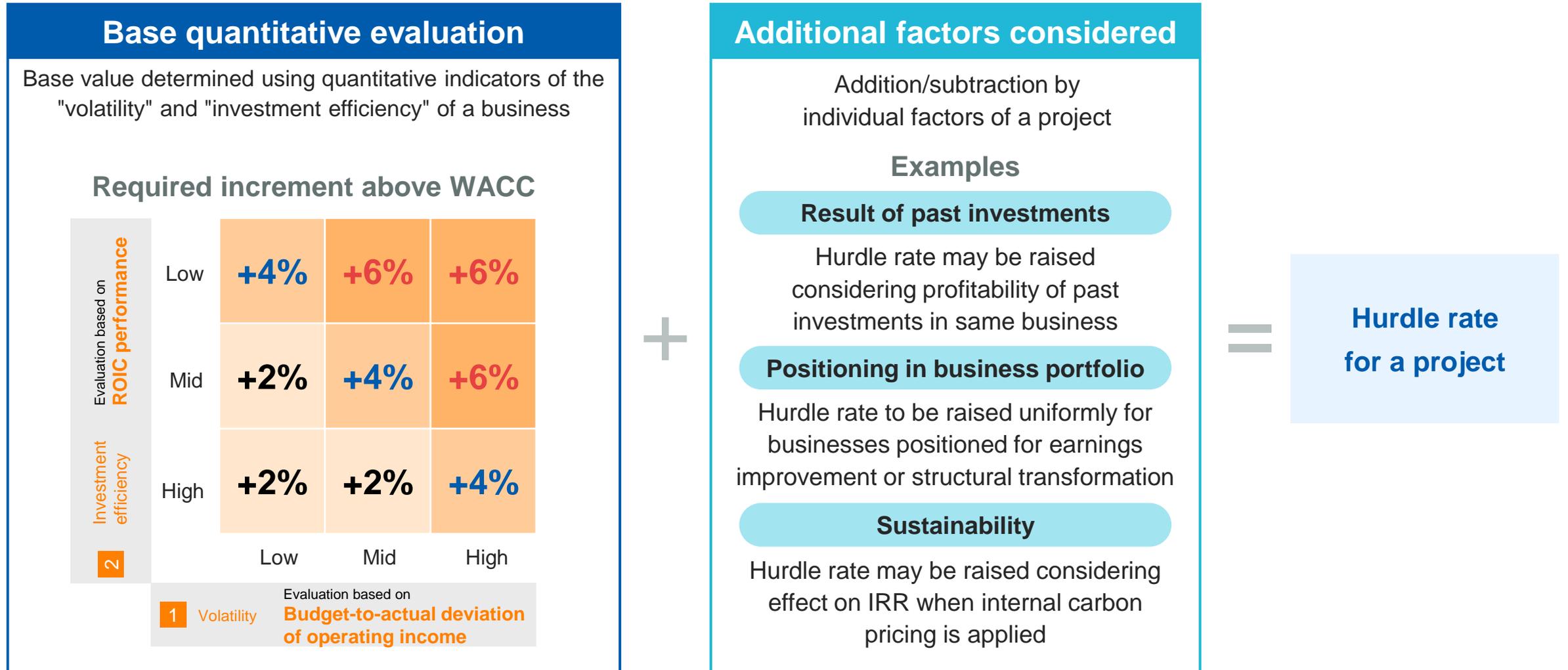
Orders from biotech startups declined due to abrupt change in their funding environment; business environment recovering, and capacity expansion advancing to meet future demand growth



Moderate sales growth being a new medical device, impacted by COVID-19 restrictions on activity; aiming for medium- to long-term market expansion by accumulating a track record

\* Changes in operating income plus PPA amortization; FY21 baseline except Bionova, Itamar, and Respicardia. FY24 and FY25 are forecasts.

For investments that exceed a certain amount, decisions are made after setting a hurdle rate for each project



Sustainable growth of EBITDA, recovering from delay due to impact of COVID-19; continuing proactive investment for medium-term growth

## Challenging investment for growth (including plans)

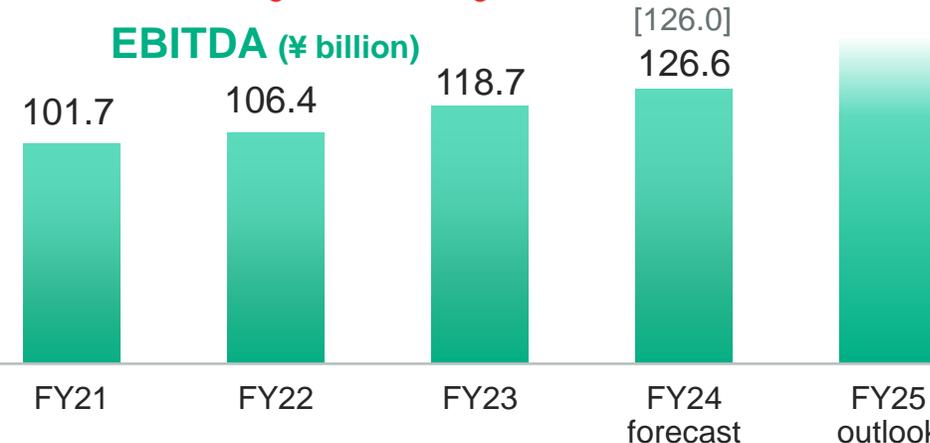
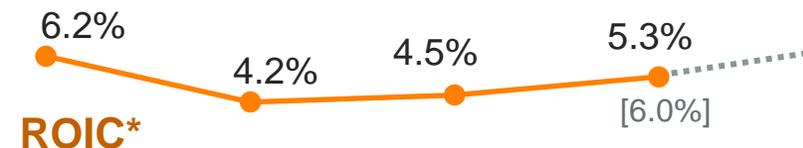
Critical Care	<ul style="list-style-type: none"> <li>Entry into field of sleep apnea leveraging business platform and expertise in cardiovascular disease</li> </ul>
Global Specialty Pharma	<ul style="list-style-type: none"> <li>Successful expansion in U.S. market after addition of Veloxis, reinforcing pipeline (VEL-101 etc.), and broadening areas of therapeutic interest</li> </ul>
Bioprocess	<ul style="list-style-type: none"> <li>Entry into biologics CDMO (acquisition of Bionova) and investment in capacity expansion</li> </ul>

## Cash generation from structural transformation and strengthening existing businesses (including plans)

Structural transformation	<ul style="list-style-type: none"> <li>Restructuring of Sepacell business (portfolio review underway covering all business)</li> </ul>
Strengthening existing businesses	<ul style="list-style-type: none"> <li>Sales growth of Envarsus XR, Teribone AI, 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 the bioprocess business platform (e.g. opening of China Bioprocess Technical Center)</li> </ul>

## Management KPIs

[Figures in brackets are FY24 targets announced in April 2023]



**Pursuing EBITDA growth while considering ROIC**

Advancing overseas expansion and new business creation with focus on investment efficiency to further increase cash generation in addition to strengthening the profitability of existing businesses

## Challenging investment for growth (including plans)

### North American and Australian Homes

- Obtaining business platform through successive M&A and further expansion leveraging expertise of Asahi Kasei Homes

### Others

- Creating new value through CVC activity
- Exploring new business opportunities through in-house ventures  
(Connect Platform Co., Ltd. established in 2022; expanding provision of community platform for residents)

## Cash generation from structural transformation and strengthening existing businesses (including plans)

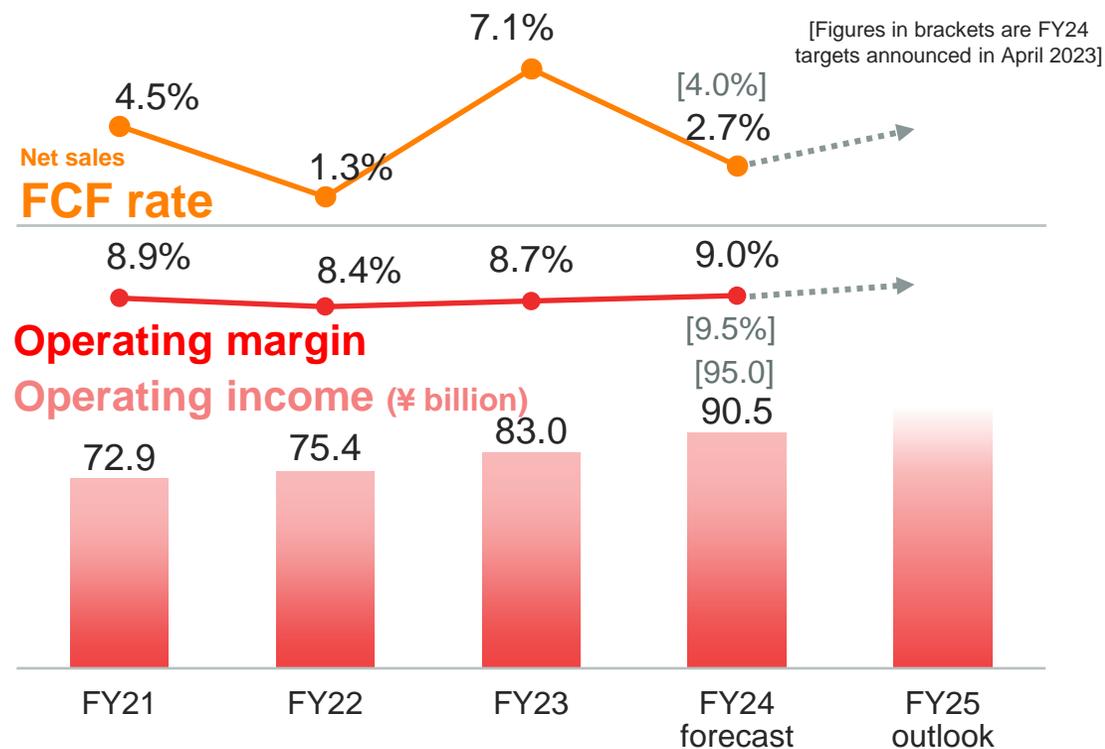
### Structural transformation

- Closed Iwakuni Plant for AAC

### Strengthening existing businesses

- Enhancing earnings with shift to high-value-added order-built homes business
- Licensing of Neoma Foam insulation material
- Further enhancing resilience  
(Japan Resilience Award for 5 consecutive years, Grand Prize twice)
- Promoting GHG reduction in overall business activities  
(on track to achieve RE100, obtained SBT certification, endorsement of TCFD recommendations)

## Management KPIs



**Note on ROIC\*** FY24 forecast: 26.4% (April 2023 target for FY24: 24.0%)

**The cash-generating ability of the business is maintained, with FCF remaining positive even when investments such as M&A were made**

Accelerating structural reform in light of sluggish performance; investments for future growth advanced with strong awareness of capital efficiency, including the use of capital from other companies

## Challenging investment for growth (including plans)

### Energy Storage (separator)

- Constructing integrated plant in North America for automotive LIB separators and adding new coating facilities in the U.S., Japan, and South Korea

### Digital Solutions

- Adding new plant for Pimel photosensitive insulator

### Hydrogen-related

- Development of large-scale alkaline water electrolysis system for hydrogen production

### CO<sub>2</sub> Chemistry

- Development of technology to produce chemical products using biomass feedstock

## Cash generation from structural transformation and strengthening existing businesses (including plans)

### Structural transformation

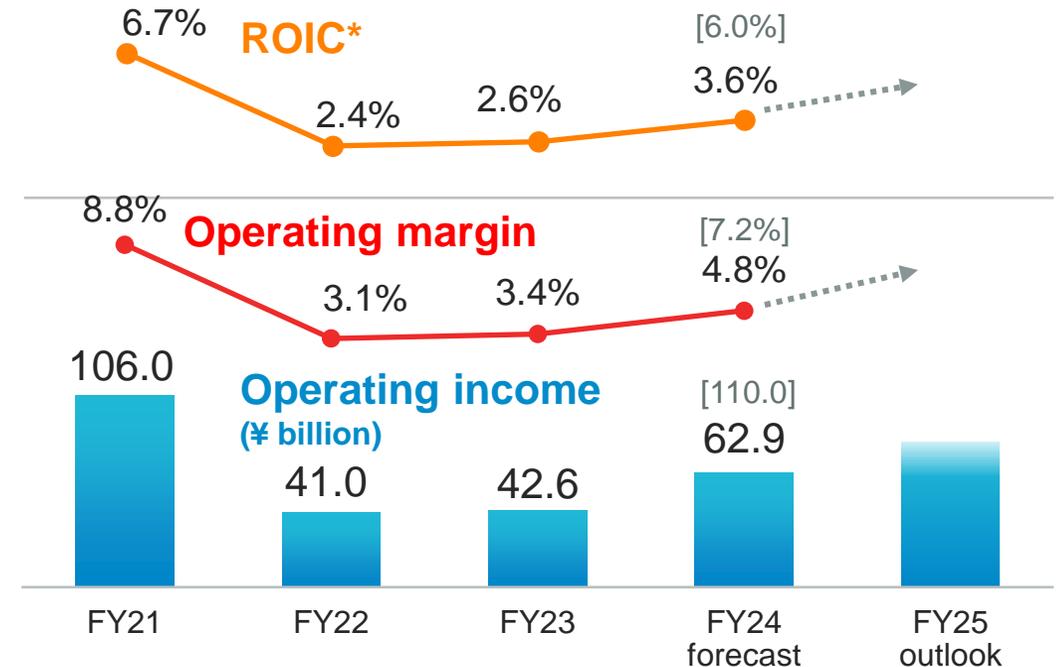
- Established joint venture for spunbond nonwoven fabric business
- Divested businesses of Asahi Kasei Pax and photomask pellicles
- Advancing short-term viable projects in petrochemical chain-related businesses

### Strengthening existing businesses

- Promoting high-performance coreless current sensors for automotive applications
- Expanding low dielectric glass fabric for AI servers, switches, and routers

## Management KPIs

[Figures in brackets are FY24 targets announced in April 2023]



Gaining improvement through strategic initiatives with customers and higher value-added product mix in addition to accelerating structural transformation

## Evolving into a premium partner for pharmaceutical companies, contributing to biologics safety and manufacturing efficiency

- Achieve growth by capturing the needs and business opportunities of the pharmaceutical market multilaterally through the development of diverse products and services

Recent situation

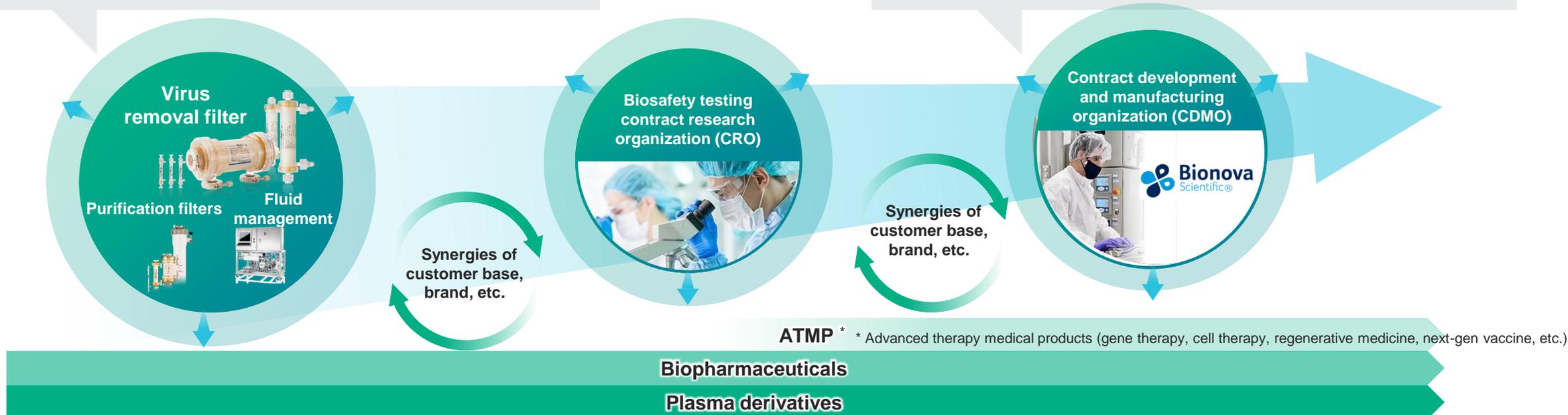
- Due to the end of COVID-19 related demand and the customers' safety stock adjustment, sales of Planova virus removal filter temporarily stagnated
- In the medium to long term, **no change in prospect of Planova demand increase** driven by pharmaceutical market growth
- To strengthen market leadership position, **continue to expand production capacity, improve production efficiency, and develop new products**

Future measures

Recent situation

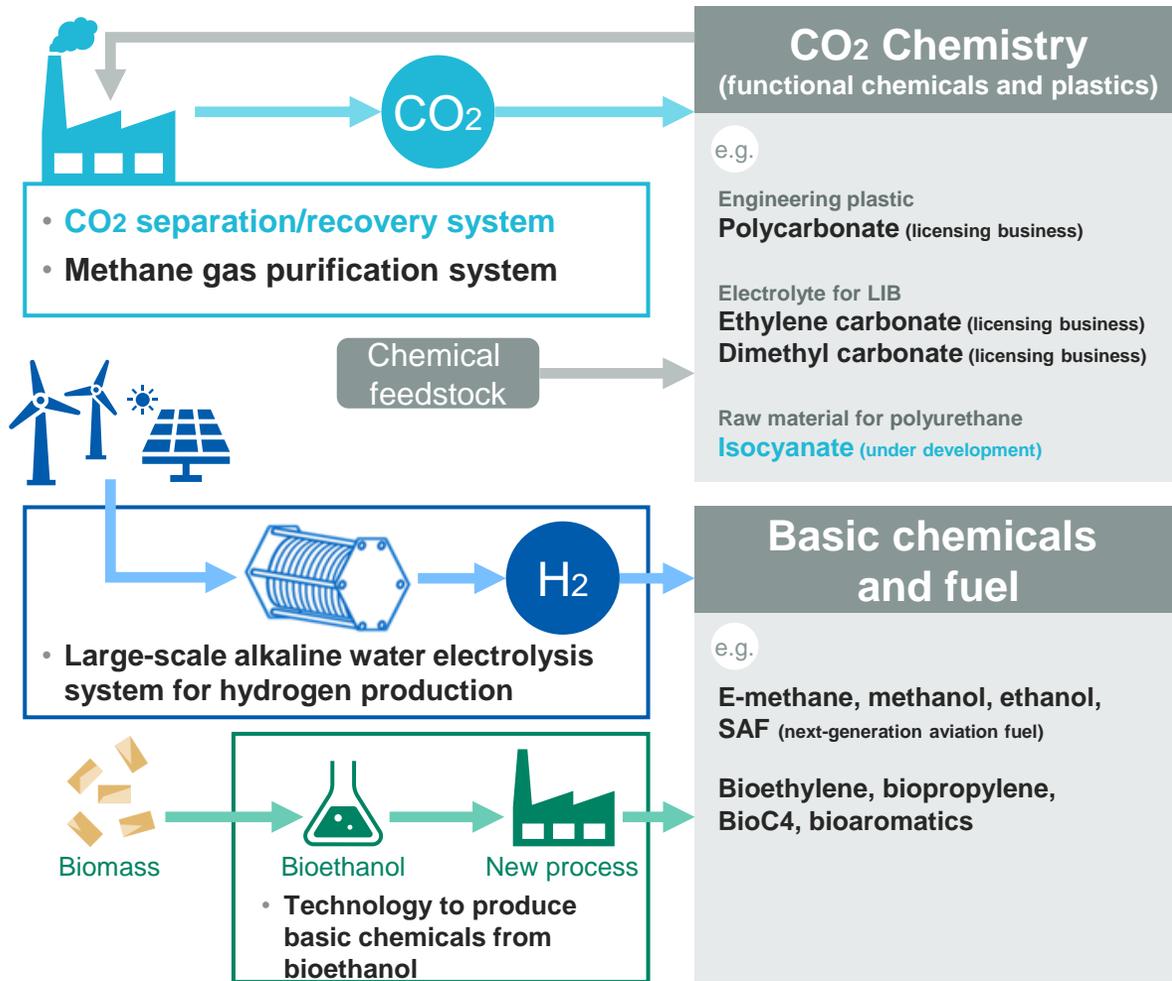
- Due to the abrupt change in the funding environment for biotech startups, the number of orders for antibody drugs temporarily stagnated
- **Implement investments in preparation for the funding environment recovery and next growth phase of the market**
  - Feb. 2023: Decided capacity expansion of process development and GMP manufacturing of antibody drugs
  - Investments to enter the gene therapy and cell therapy areas under discussion

Future measures



ATMP \* \* Advanced therapy medical products (gene therapy, cell therapy, regenerative medicine, next-gen vaccine, etc.)

While strengthening cooperation with government entities and partner companies, advancing commercialization based on the concept to provide a platform based on the added value of Asahi Kasei's materials and products



**Green Innovation Fund project**
Development of large-scale alkaline water electrolysis hydrogen production system and demonstration of green chemical plant

**Project scale**

**¥75 billion**

**Project period**

**FY21–30**

**Phase 2 overview**

- Supplying chemical plant with hydrogen from **60 MW alkaline water electrolysis system in Malaysia**

Demonstration by Asahi Kasei, JGC, and Gentari from 2027 to 2030

**Process demonstration and commercialization**
Commercial-scale demonstration of basic chemicals production with biomass feedstock

**Capacity**

**40–50 kt**

**Start of operation**

**FY27 target**

- Connection and integration with refining system of **a naphtha cracker**

Minimized capital investment and use of mass-balance approach

Lower carbon footprint of products

Certified traceability

Leveraging joint ventures, licensing, etc.

**Key technology of petrochemical industry consolidation that can contribute to sustainability**

Accelerating the group-wide deployment of digital professionals, with a dedicated DX organization taking the lead, and transitioning to Digital Normal Period in which all employees work with a mindset of digital technology utilization; making a greater contribution to earnings through business process innovation and business model creation



## FY24 KPI targets DX-Challenge 10-10-10

**10-times more digital professionals<sup>1</sup>**  
FY24 target 2,500 (3-year cumulative)  
FY23 result 1,728 (2-year cumulative)

**10-times more digital data usage<sup>2</sup>**  
FY24 target 10 times  
FY23 result 11 times

**¥10 billion profit contribution from main projects**  
FY24 target ¥10 billion (3-year cumulative)  
FY23 result ¥7 billion (2-year cumulative)

<sup>1</sup> Compared to 2021. <sup>2</sup> Compared to April 2022.

In a world moving toward carbon neutrality and a circular economy, aiming to be the “decarbonization partner” for various industries with a two-pronged approach of obtaining earnings opportunities and fulfilling social responsibilities

## Obtaining earnings opportunities related to carbon neutrality and circular economy

### Expansion of Environmental Contribution Products

- Certified 23 products as of fiscal 2023, sales proportion\* of 32% in fiscal 2022 (e.g., LIB separator, UVC-LED)

\* Proportion of total sales excluding Health Care

### "Care for Earth" investment framework

- Investment framework of \$100 million in five years

- ✓ As the first project, investment was made in the U.S. startup NFW developing non-petroleum-based leather alternative



MIRUM®

### New business and technology

- Hydrogen-related
- CO<sub>2</sub> chemistry
- Circular economy technology development

## Fulfilling social responsibilities (GHG emissions reduction)

### Low-carbon energy

- Low-carbon fuel for thermal power generation
- Renovating and maximizing use of hydroelectric power plants
- New investment in renewable energy, switching purchased electricity to renewable energy, etc.

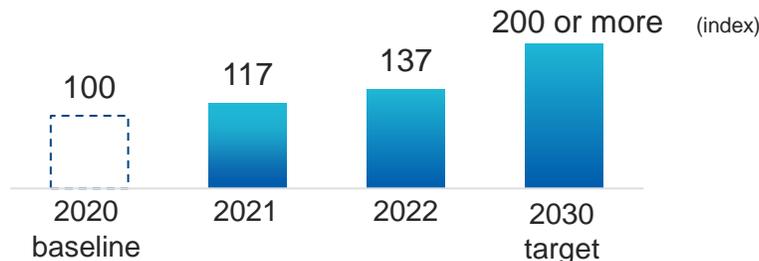
### Arrangements for low carbon

- Profitability assessment of capital expenditures incorporating internal carbon pricing (¥15,000/t-CO<sub>2</sub>)
- Carbon footprint calculation/systemization

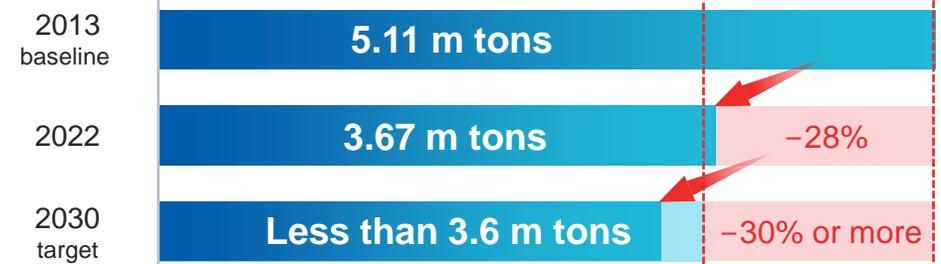
### Product and business portfolio transformation

- Evaluating profitability even with investment/cost burden (including carbon tax) required for carbon neutrality, and value provision to customers for carbon neutrality

### GHG emission reduction by Environmental Contribution Products



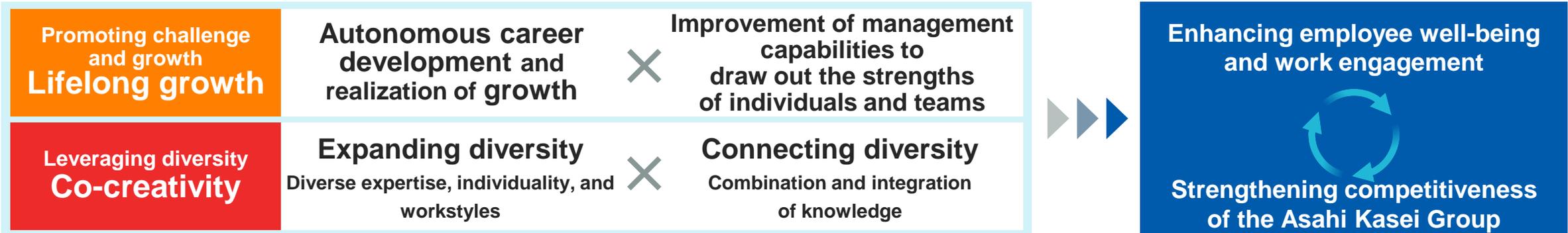
### Reduction of our own GHG emissions



Target for reducing domestic GHG emissions in 2030: 46%

KPI progress

“People are our most valuable assets – everything starts with people”  
 Discovering the future with  
 “Lifelong growth” and “Co-creativity” of diverse individuals



Maximizing the value of human capital through various initiatives to increase corporate value

## Support for challenge, learning and growth

- **Proprietary learning platform – CLAP**
  - More than 10,000 internal and external e-learning programs (free)
  - Enables employees to learn through tailoring to their occupations and building communities between them



## Support for autonomous career development

- **Talent management system – CaMP**
  - Visualization of human resources such as skills and expertise held
  - Used to review succession plans and transfers



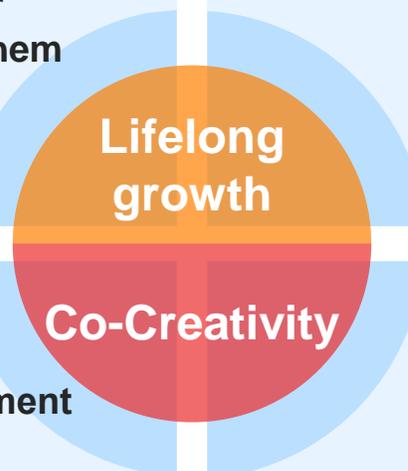
- **Open position system**
  - Operating for 20 years since its introduction in 2003
  - Cumulatively some 1,700 positions posted and 500 personnel transferred

- **Established DE&I Promotion Committee (FY2023)**

- Strongly promoting both top management's commitment and proactive efforts of each division

- **Initiatives to promote DE&I**

- Unconscious bias training for managerial posts
- Programs (training, mentoring, etc.) for female managerial posts
- Paternity leave for male employees



- **Miyazaki Prefecture Digital Talent Development Consortium (est. May 2023)**

- Collaboration among 5 organizations in industry, academia, and government including Asahi Kasei and Miyazaki Univ. (Yukihiko Uchi\* appointed as special professor)



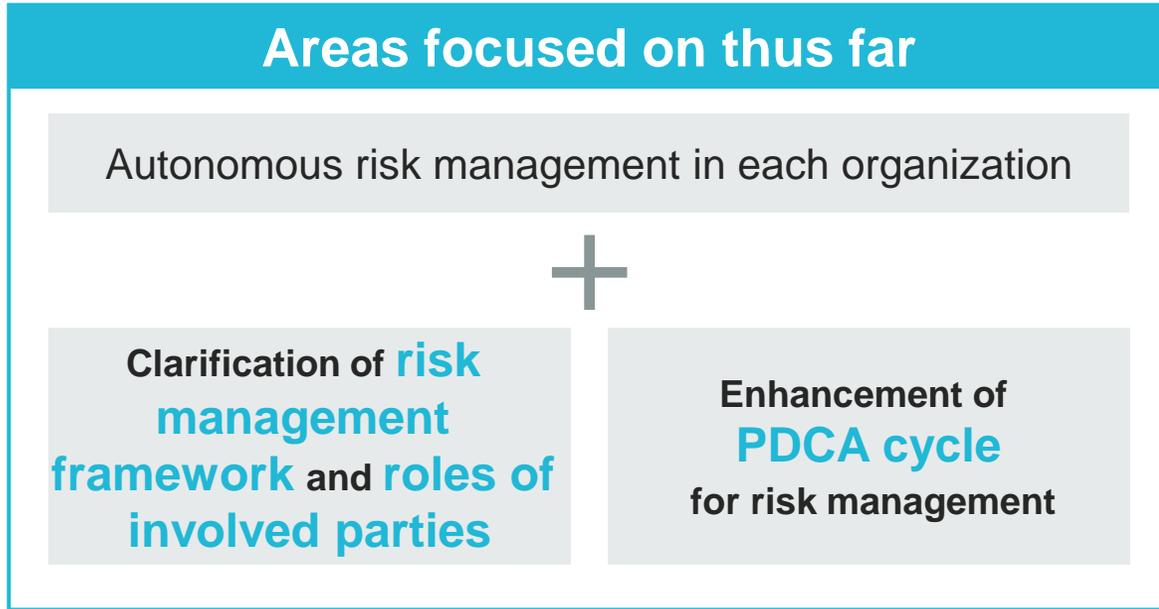
- DX talent development in Miyazaki Prefecture, the cradle of Asahi Kasei and a center of production

## Promotion of DE&I measures

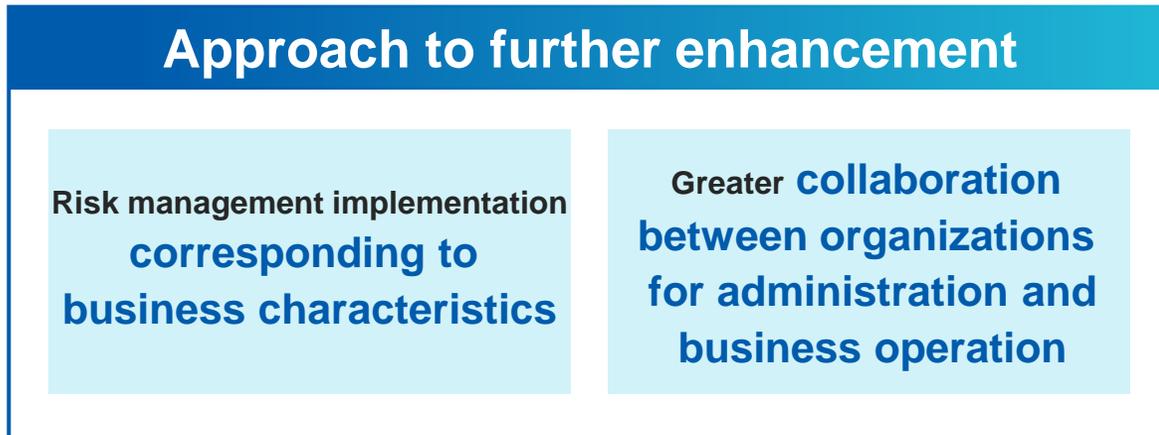
## Development of the next generation

\* Senior Fellow of Asahi Kasei's Digital Value Co-Creation

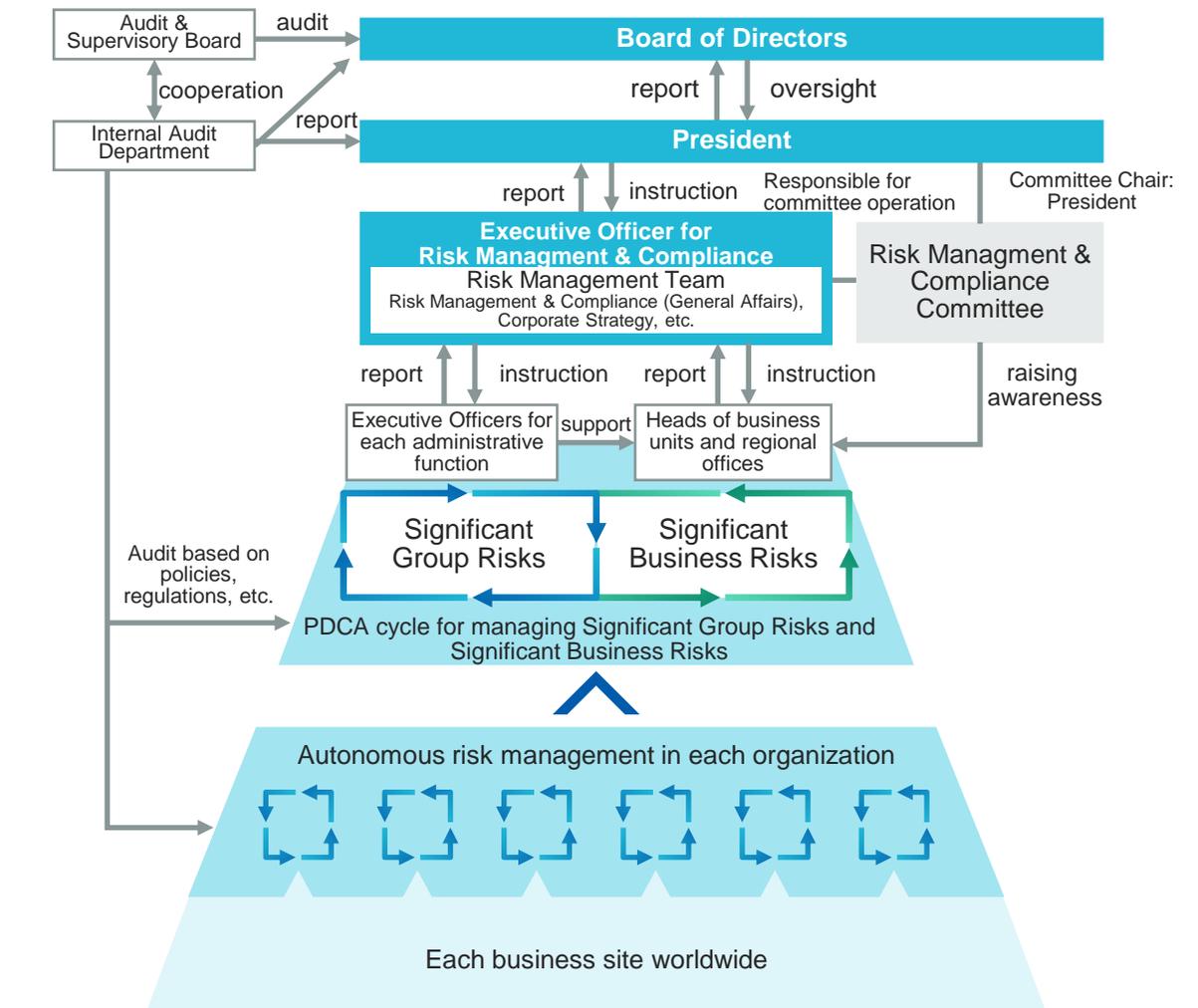
## Areas focused on thus far



## Approach to further enhancement



## Risk management framework and roles of constituents



Effectiveness of the Board of Directors confirmed through evaluation by a third-party organization; continuing measures for further improvement

PDCA cycle to improve the effectiveness of the Board of Directors

PLAN and DO (previous efforts)

- Revised composition of Board of Directors and executive remuneration system
- Enhanced operation of Board of Directors meetings
- Various cooperation and information sharing initiatives

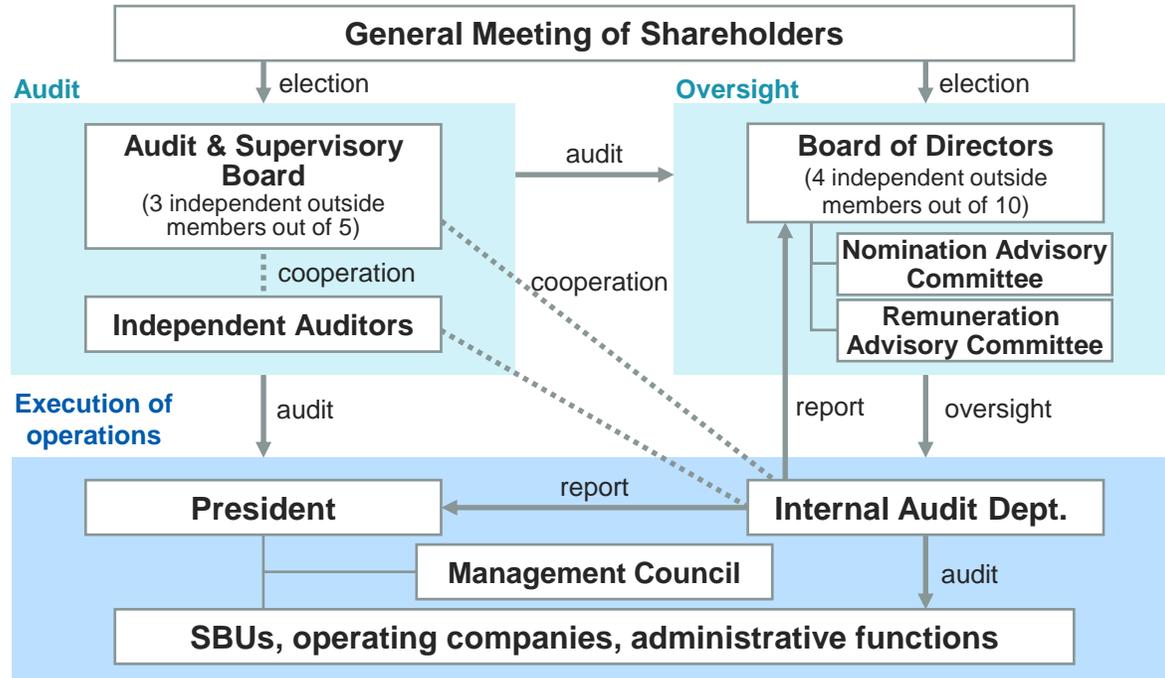
CHECK (third-party evaluation)

- Evaluated as **"Ensuring sufficient effectiveness"**
  - Composition of the Board of Directors
  - Role and function of Directors, Audit & Supervisory Board Members, and Board of Directors
  - Contribution of Outside Directors and Audit & Supervisory Board Members etc.

ACT (future efforts)

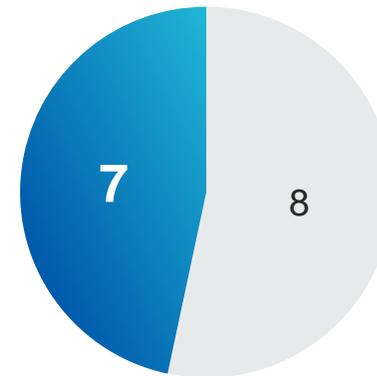
- Further enhancement of **discussions on medium- to long-term perspectives**
  - Business portfolio transformation, allocation of management resources, etc.
- Continuous review of composition of the Board of Directors, etc.

Corporate governance configuration



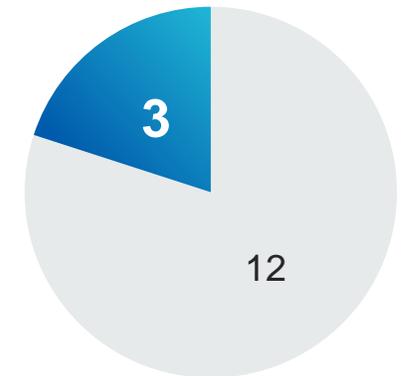
Composition of Board of Directors and Audit & Supervisory Board

Proportion of independent members



Note: 7 independent members out of 15 total members; among Directors, 4 independent members out of 10

Proportion of women



Note: 3 women out of 15 total members; among Directors, 2 women out of 10

# AsahiKASEI

## *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.”

#### Disclaimer

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

