

# **“Cs for Tomorrow 2018”**

## Medium-term management initiative FY 2016–2018

April 25, 2016  
Hideki Kobori, President  
Asahi Kasei Corporation

## Review of “For Tomorrow 2015”

1. Performance results
2. Actions advanced

## New management initiative “Cs for Tomorrow 2018”

1. Recognition of operating climate and main areas of focus
2. Basic concept of “Cs for Tomorrow 2018”
3. Financial targets
4. Basic strategy
5. Main performance metrics
6. Future path for each sector
7. Financial and capital strategy

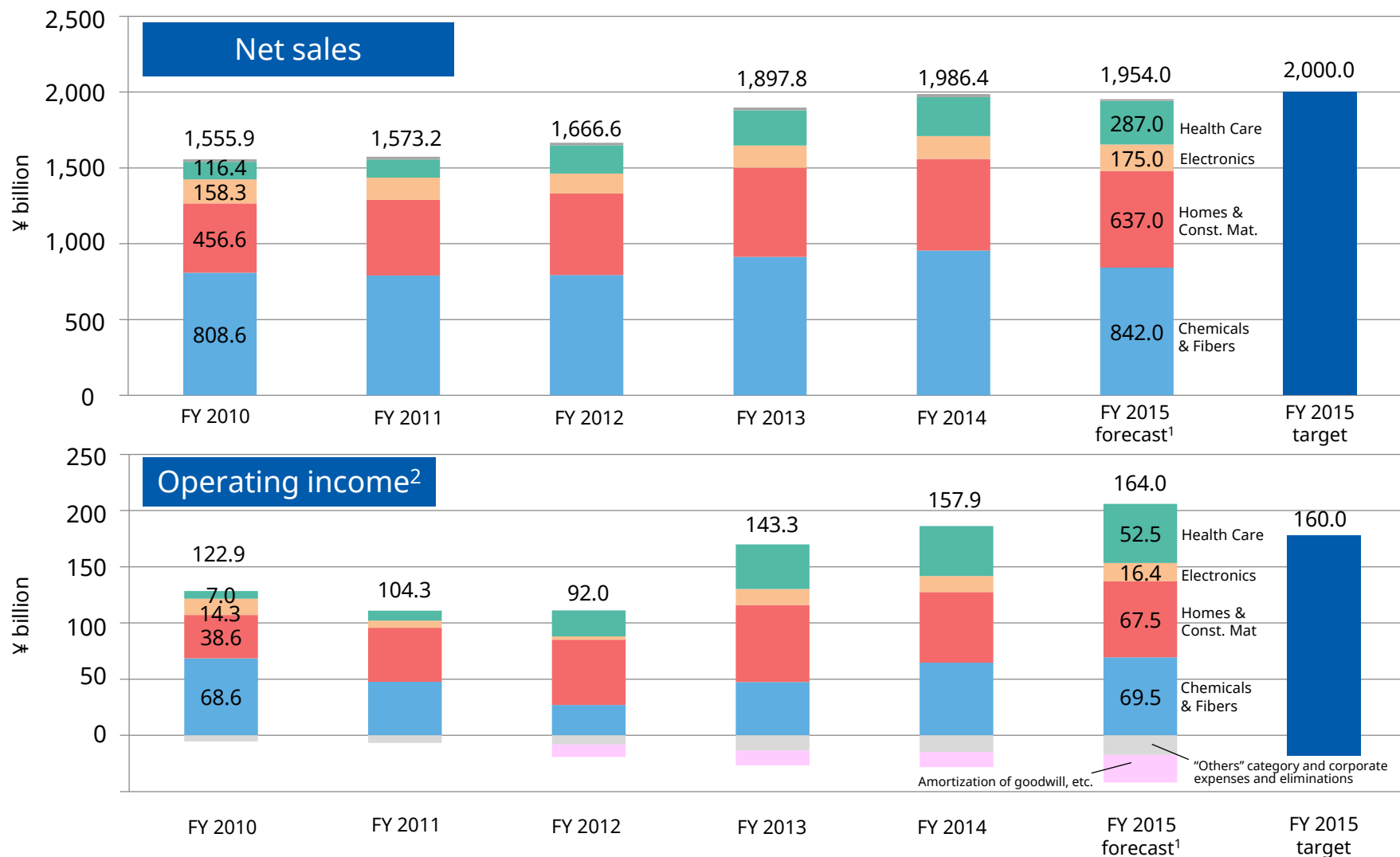
Disclaimer:

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

# Review of “For Tomorrow 2015” (2011–2015)

# 1. Performance results (1)

Both net sales and operating income proceeded as planned

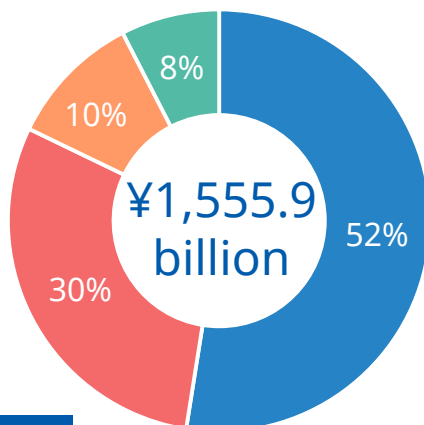


# 1. Performance results (2)

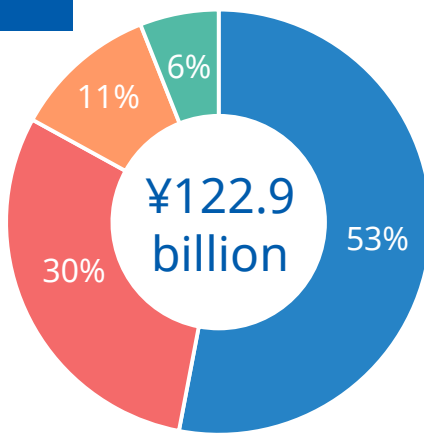
More balanced structure

Net sales<sup>1</sup>

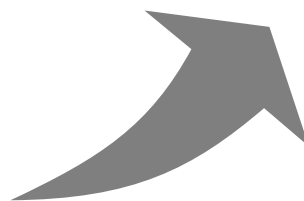
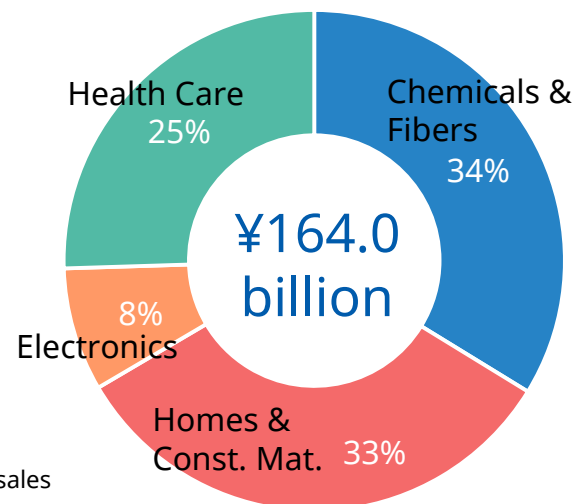
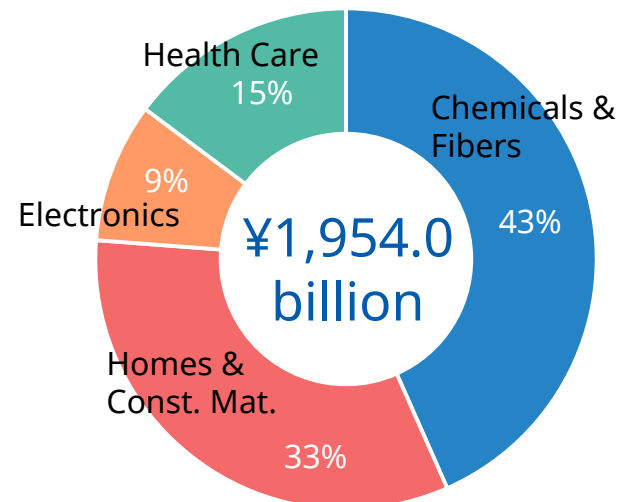
FY 2010



Operating income<sup>3</sup>



FY 2015 forecast<sup>2</sup>



<sup>1</sup> Percentages calculated by dividing each segment's net sales by consolidated net sales less net sales in the "Others" category

<sup>2</sup> Forecast in February 2016

<sup>3</sup> Percentages calculated by dividing each segment's operating income by consolidated operating income less operating income in the "Others" category and corporate expenses and eliminations; operating income in Health Care and Electronics excluding amortization of goodwill, etc. related to acquisition of ZOLL and Polypore is used for this calculation

# 1. Performance results (3)

## Trend after transition to holding company configuration

Holding company configuration adopted in 2003 improved decision speed, cash flow management, and financial results. "For Tomorrow 2015" brought greater earnings ability and consolidated financial strength.

(¥ billion, except where noted)	FY 2003	FY 2010	"For Tomorrow 2015"				FY 2015 forecast <sup>1</sup>	FY 2015 target
			FY 2011	FY 2012	FY 2013	FY 2014		
Net sales	1,253.5	1,555.9	1,573.2	1,666.6	1,897.8	1,986.4	1,954.0	2,000.0
Operating income	60.9	122.9	104.3	92.0	143.3	157.9	164.0	160.0
Operating margin	4.9%	7.9%	6.6%	5.5%	7.6%	7.9%	8.4%	8.0%
Net income	27.7	60.3	55.8	53.7	101.3	105.7	90.0	
Overseas sales ratio	19%	29%	27%	29%	32%	34%	36%	32%
Total assets	1,249.2	1,425.9	1,410.6	1,800.2	1,915.1	2,014.5		
Net worth <sup>2</sup>	450.5	663.6	706.8	812.1	912.7	1,082.7		
Interest-bearing debt	278.3	253.9	184.1	381.4	303.9	269.0		
Net income per share (¥)	19.6	43.1	39.9	38.4	72.5	75.4	64.2	
Dividends per share (¥)	6	11	14	14	17	19	20	
Payout ratio	30.6%	25.5%	35.1%	36.4%	23.5%	25.2%	31.0%	30%
Net income per shareholders' equity (ROE) <sup>3</sup>	6.4%	9.3%	8.1%	7.1%	11.7%	10.6%	8.1%	10%
Net income per shareholder's equity and interest-bearing debt (ROIC) <sup>3</sup>	5.0%	7.9%	6.9%	4.8%	7.3%	7.5%	6.4%	7%
D/E ratio	0.62	0.38	0.26	0.47	0.33	0.25	0.45	

**A need to facilitate greater coordination among different businesses remained**

## 2. Actions advanced (1)

### Basic framework

#### Megatrends

Creating for Tomorrow—the Asahi Kasei Group is creating new things for the future based on the perspectives of “living in health and comfort” and “harmony with the natural environment.”

#### Group Mission and Values

#### Basic Strategy

##### 1. Business strategy

###### Pursuit of growth

1. Expansion of world-leading businesses
2. Creation of new value for society

**Promotion of businesses based on  
*living in health and comfort and  
harmony with the natural environment***

- 1) Environment & Energy
- 2) Residential Living
- 3) Health Care

##### 2. Reformation of corporate systems

###### Promotion of “one AK” management

1. Global business expansion
2. Creation of new businesses
3. Propagation of our mission, values, and vision
4. Human resource policies
5. Management control, resource allocation

**Streamlining for improved profit structure**

## 2. Actions advanced (2)

### Major items

#### **1. Expansion of world-leading businesses**

Capacity expansion and sales increase for:

Acrylonitrile (Korea, Thailand), S-SBR (Singapore), Roica (Thailand), Bemberg, spunbond (Thailand), Hipore (Korea, China), photosensitive dry film (China), Planova, etc.

#### **2. Creating new value for society**

##### 1) Environment & Energy

- Reinforcing battery separator business (acquisition of Polypore)
- Commercializing UVC-LEDs
- Advancing CO<sub>2</sub> chemistry business (R&D)
- Expansion and growth of Neoma phenolic foam insulation panels

##### 2) Residential Living

- Group-wide effort to pursue new value for society with HH2015 demonstration house
- Offering products tailored to different family compositions and lifestyles
- Promotion of business rebuilding older condominiums

##### 3) Health Care

- Entering and expanding in acute critical care with acquisition of ZOLL
- Business expansion with new drugs such as Teribone and Recomodulin

#### **3. Improved earnings structure**

- Strengthening domestic petrochemical business
- Company-wide application of streamlining project

## 2. Actions advanced (3)

### Investments<sup>1</sup> under “For Tomorrow 2015”

**Non-linear growth**  
**¥460 billion**

- Acquisition of Crystal IS
- Construction of initial production plant for UVC-LEDs, etc.

Total ≈¥20 billion

Acquisition of ZOLL  
≈¥180 billion

Acquisition of Polypore  
≈¥260 billion

**Existing businesses**  
**¥540 billion**

#### **FY 2011**

- Capacity increase for S-SBR in Singapore
- Capacity increase for acetonitrile in Korea
- Capacity increase for high-performance insulation panels
- Research complex for pharmaceuticals, etc.

#### **FY 2012**

- Capacity increase for Bemberg
- Overseas expansion of Hipore, etc.

#### **FY 2013**

- Acquisition of full ownership of Tenac JV in China
- Capacity increase for polycarbonate diol (new plant in China)
- Overseas expansion of Hipore, etc.

#### **FY 2014**

- Capacity increase for spunbond in Thailand
- Capacity increase for Roica in Thailand
- New plastic compound plant in the southern US
- New production facility for the active ingredient of Recomodulin, etc.

**FY 2015 forecast**  
≈¥110 billion

**¥1 trillion  
over  
5-year period**

<sup>1</sup> Decisions adopted

## Pile installation data issue

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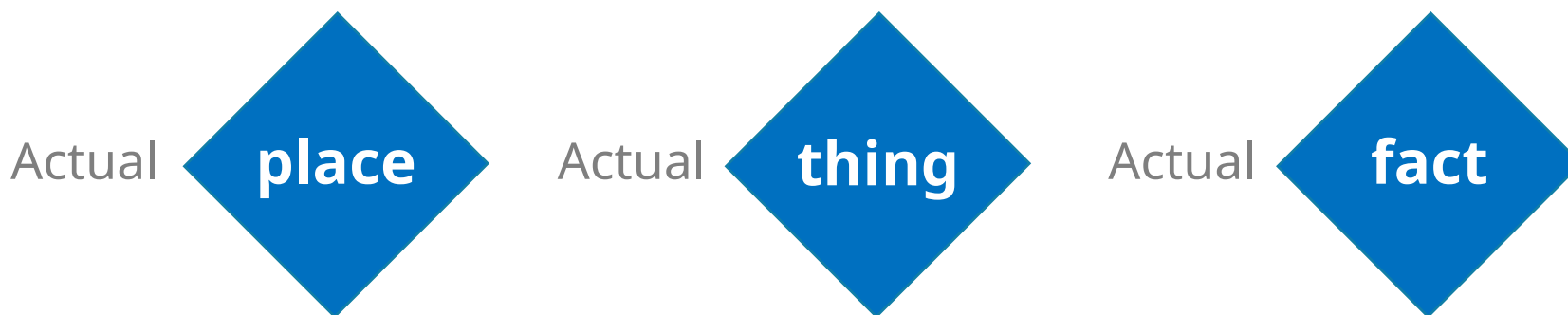
Regarding the occurrence of data manipulation in the installation of precast concrete piles by Asahi Kasei Construction Materials Corp., we deeply apologize to our customers and other related parties who placed their trust in us.

Taking this issue with the utmost gravity, the Asahi Kasei Group is performing necessary investigation both internally and externally, and will reinforce efforts to achieve thorough legal compliance and to prevent any recurrence as we work to restore the trust of our stakeholders.

# Restoring trust

**Heighten awareness for compliance, restore the trust of society/customers together as one, based on the “three actuals”**

The “three actuals”



**Focus on the facts, act sincerely in accordance with them**

The “three actuals” are an indispensable step in quality improvement: go to the actual place in person, see the actual thing with your own eyes, and know the actual facts.

# Measures to enhance compliance



## Top down

Enacting compliance policy;  
thorough identification of risks  
from birds-eye view

- Preparing Global Code of Conduct
- Disseminating policy and performing education



## Bottom up (on-site perspective)

Inspection for risks; continuous  
implementation of measures

- Reinspection for latent risks in each business
- Assigning priority to risks
- Studying and implementing countermeasures in accordance with priority

## Structure

- Newly established Risk Management & Compliance section for centralized aggregation of risk information and cases related to compliance
- Person responsible for risk management and compliance assigned in each business division, obtaining thorough compliance and thoroughly identifying risks within each organization

# New management initiative “Cs for Tomorrow 2018”

# “Cs for Tomorrow 2018” (CT2018)

Building the base for the next phase with various Cs

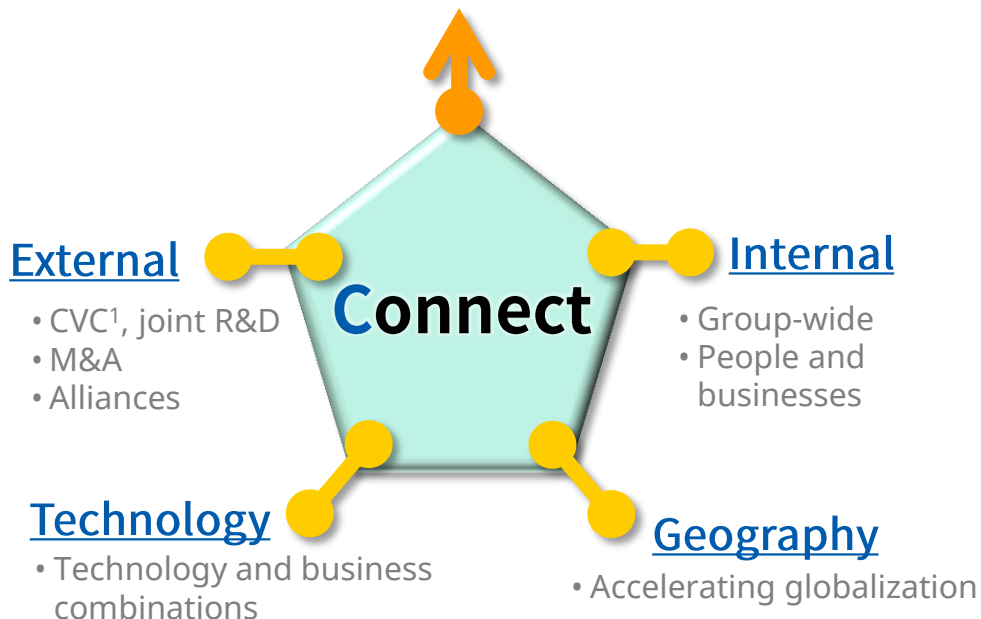
Group Slogan

## Creating for Tomorrow

Create new markets through connections

Restore trust based on three Cs

New stage of growth



### Compliance

Thorough compliance based on the “three actuals”

### Communication

Open communication that fosters mutual understanding and trust

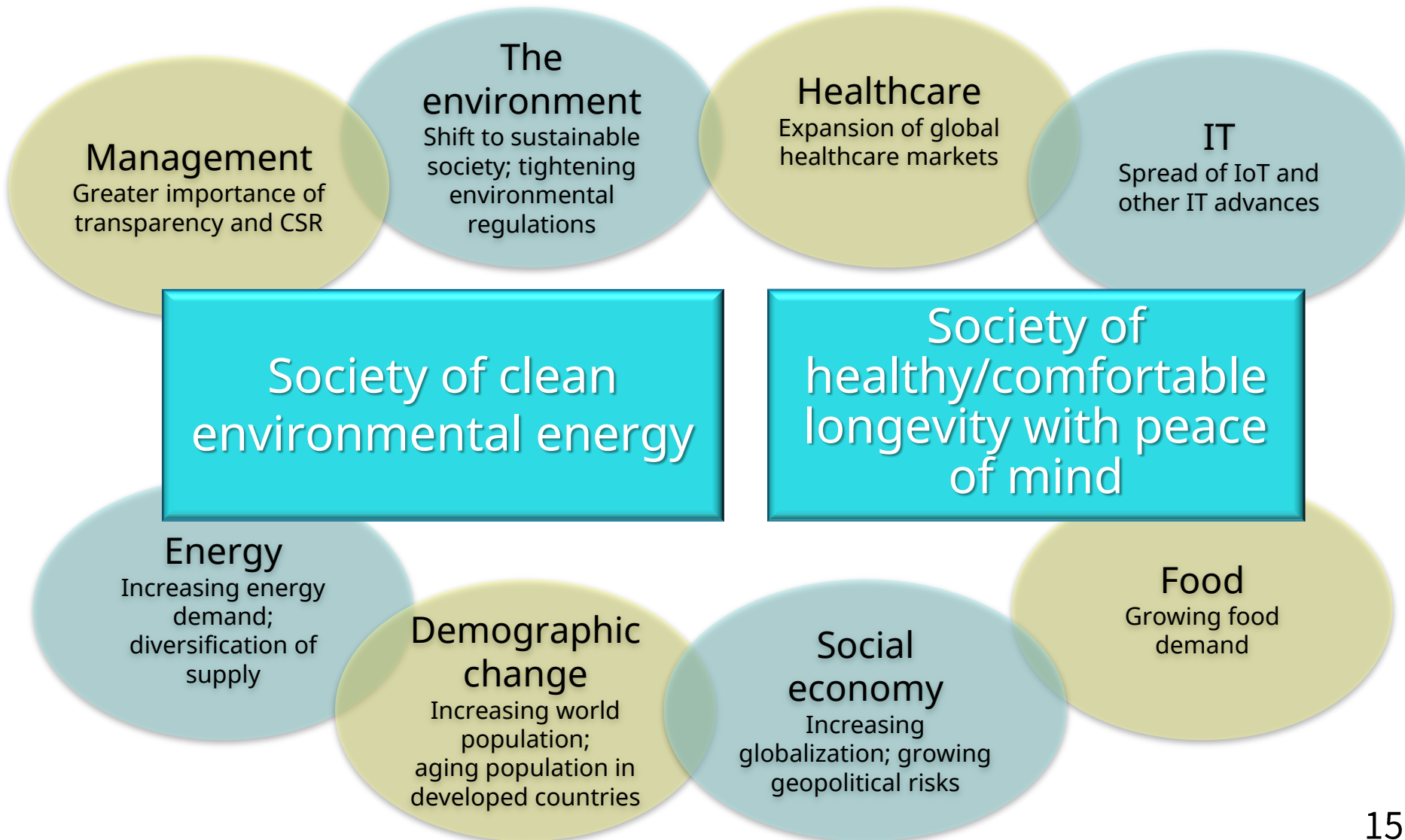
### Challenge

Relishing new challenges to advance and evolve

<sup>1</sup> Corporate venture capital

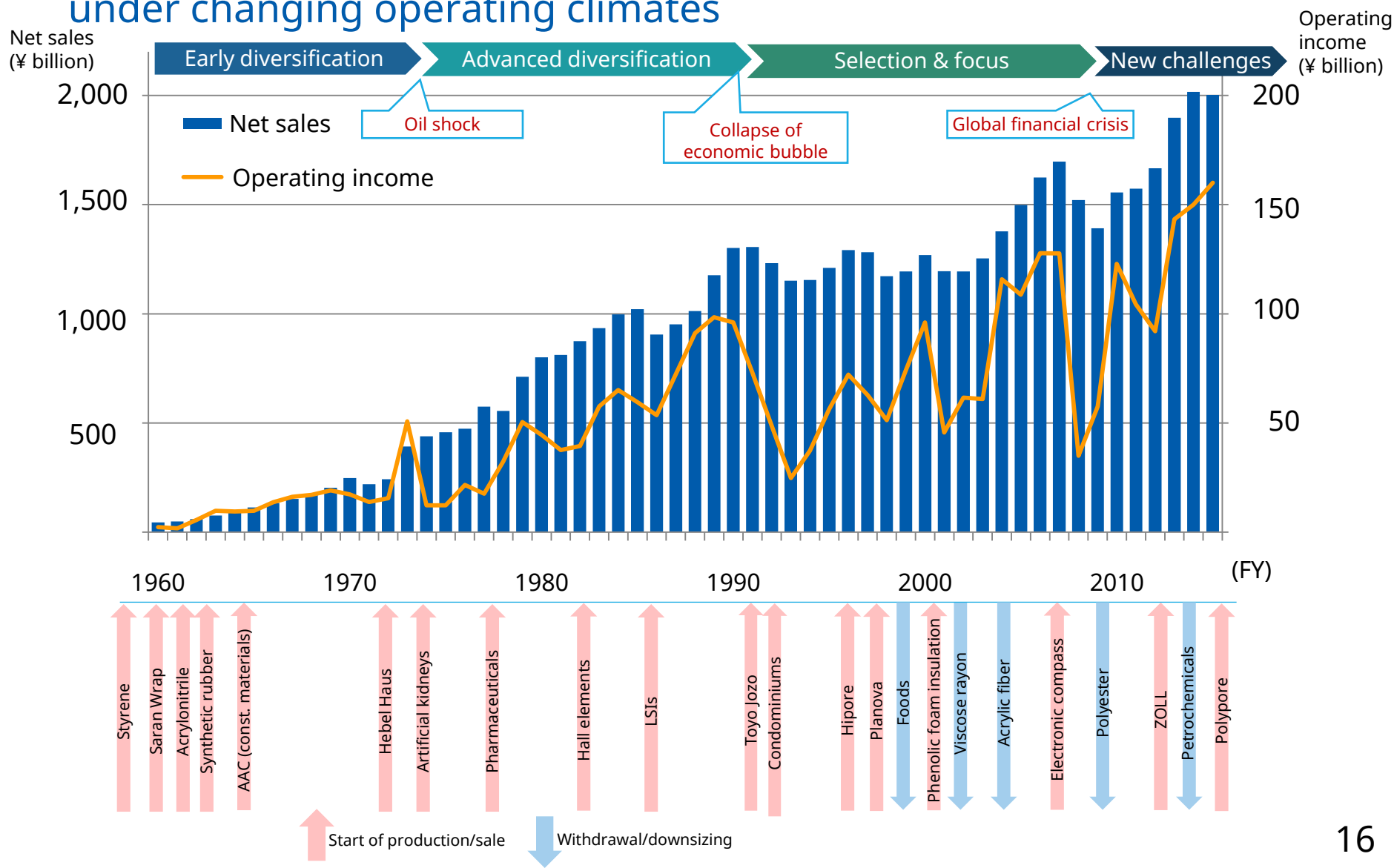
# 1. Recognition of operating climate and main areas of focus

Providing solutions to two important challenges faced by society with diversified businesses



# History of portfolio transformation

Boldly taking challenges with new businesses to achieve growth under changing operating climates



## 2. Basic concept of “Cs for Tomorrow 2018”

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Advancing toward 2025

Creating a portfolio of high-profitability, high value-added businesses



Focus of CT2018

Building the base for the next phase with connections among diverse businesses and diverse personnel

Basic strategy

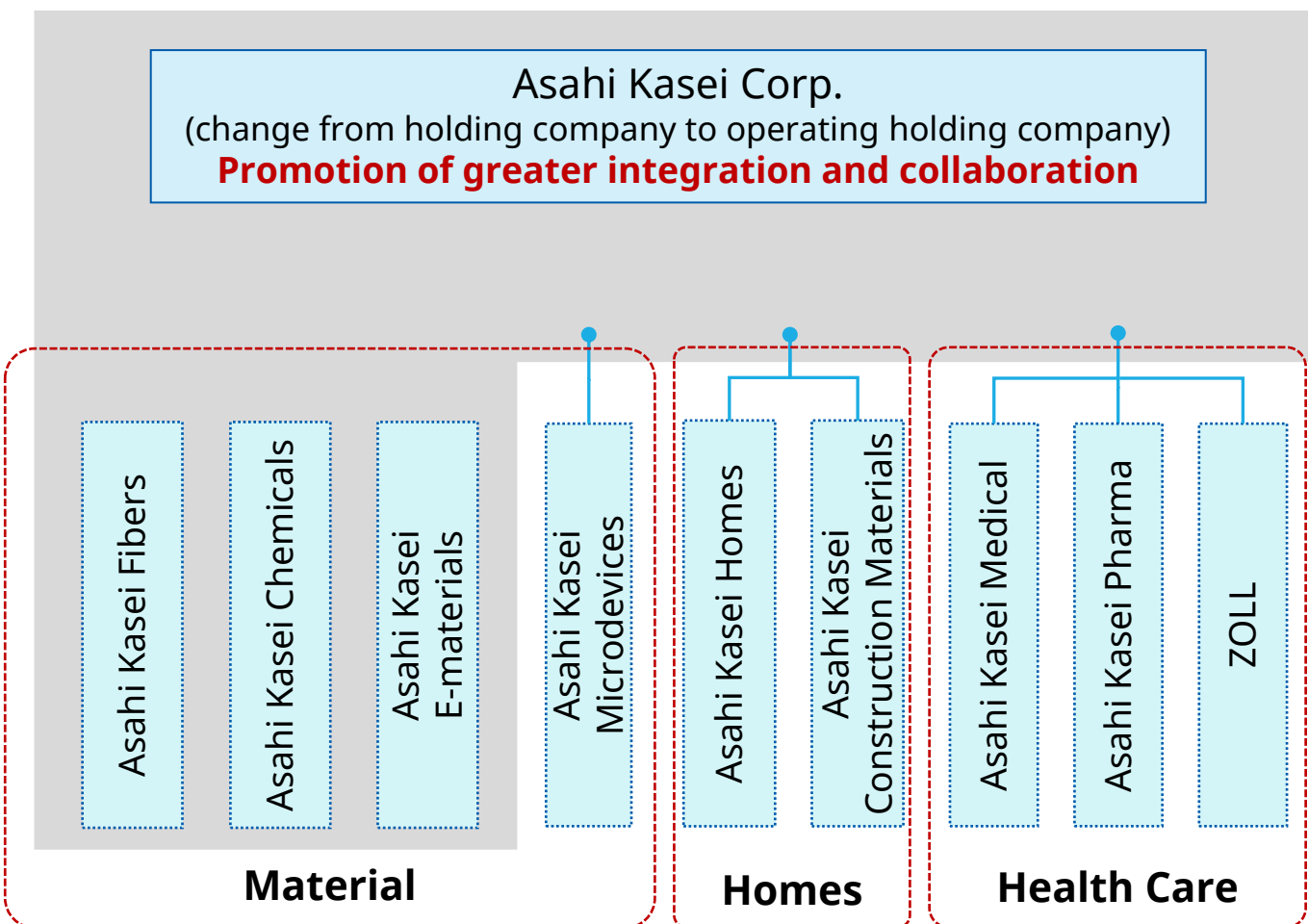
**Pursuit of growth  
and profitability**

**Creation of  
new businesses**

**Acceleration of  
globalization**

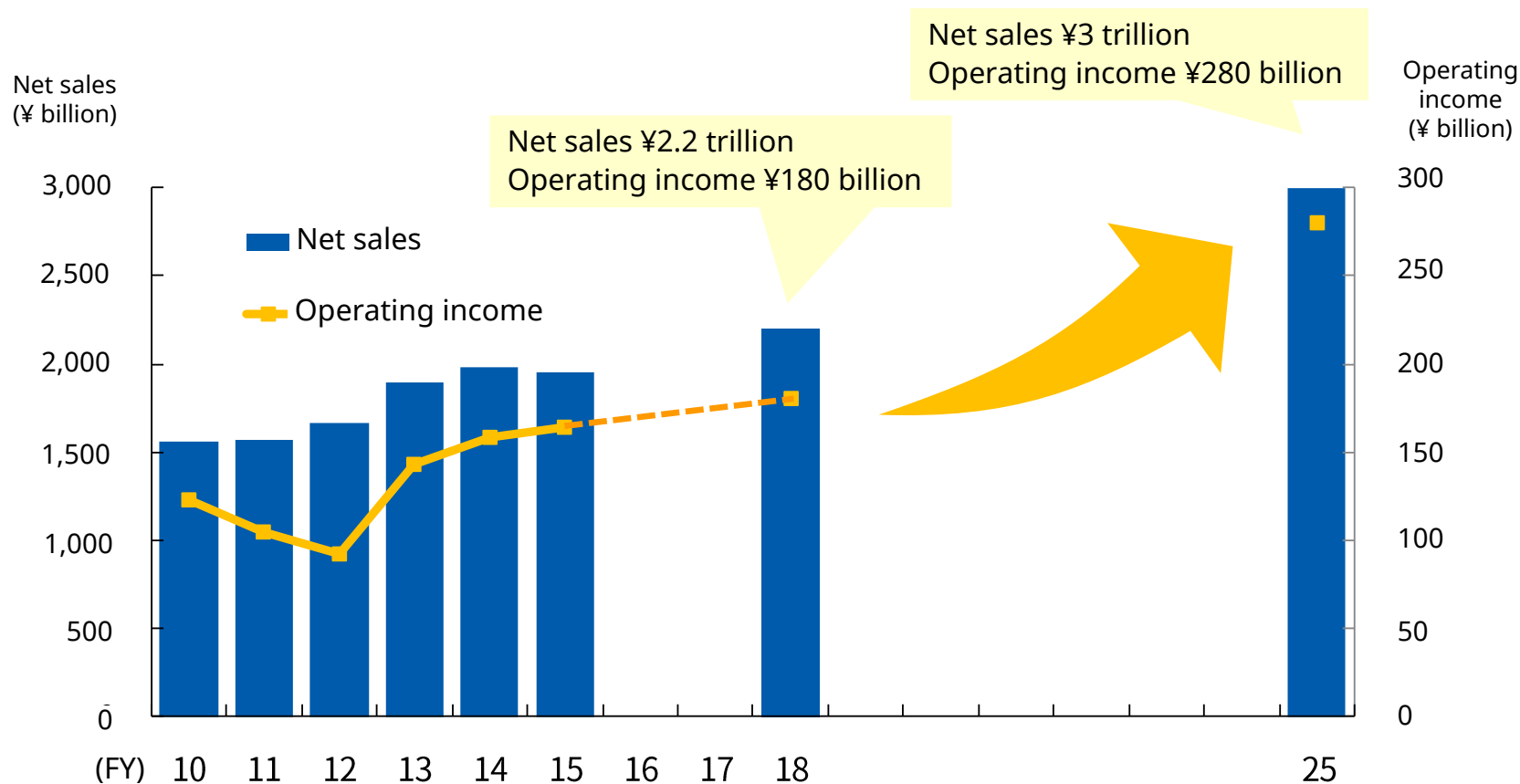
# Structure to enhance connections among businesses and human resources

Three business sectors and operating holding company configuration from April 2016



### 3. Financial targets<sup>1</sup>

Building a portfolio of high value-added businesses with high profitability



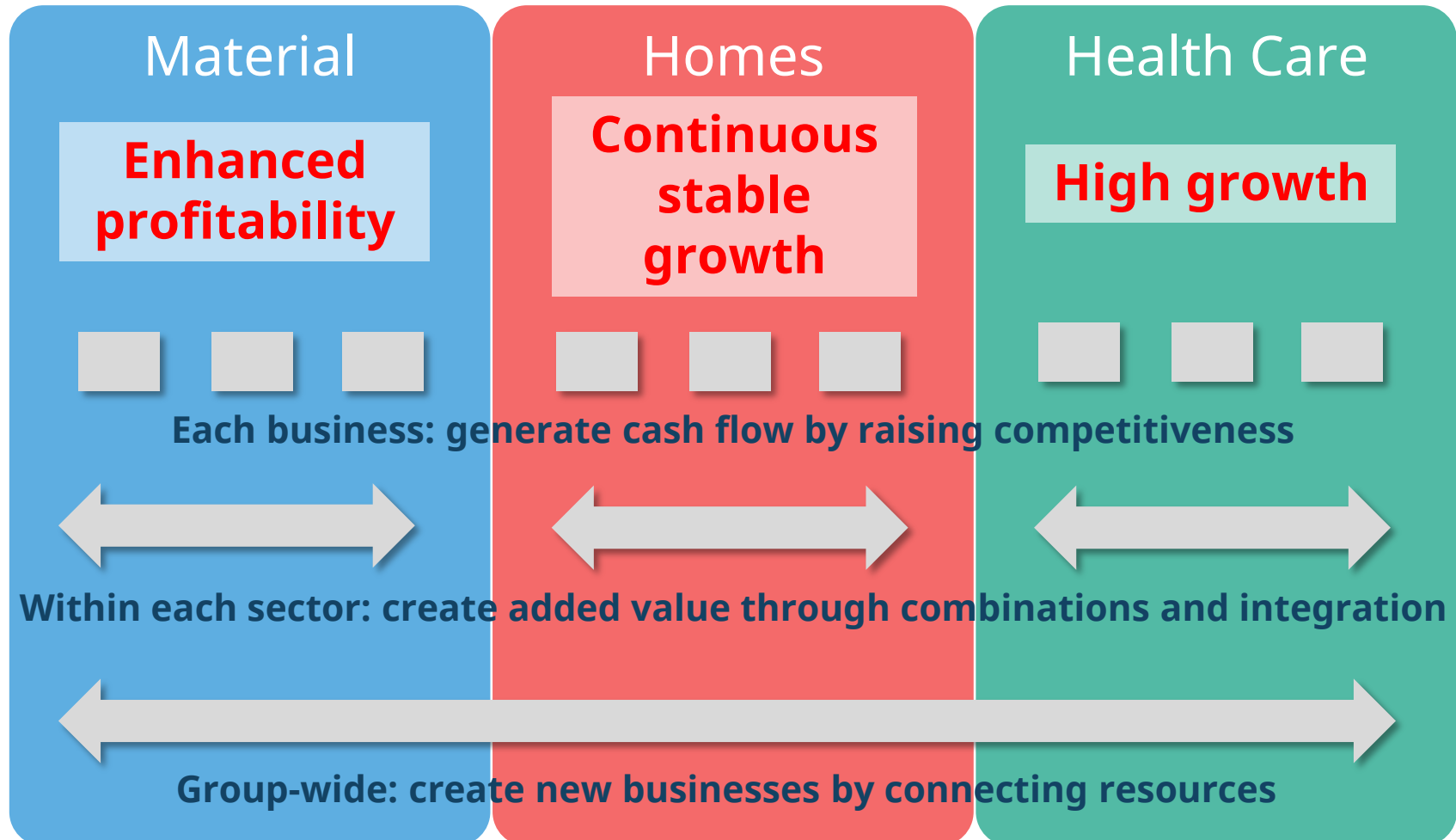
FY 2016–2018: Three years to build the base to achieve 10-year targets

<sup>1</sup> Formulated assuming exchange rates of ¥110/\$ and ¥120/€

## 4. Basic strategy (1)

### Pursuit of growth and profitability

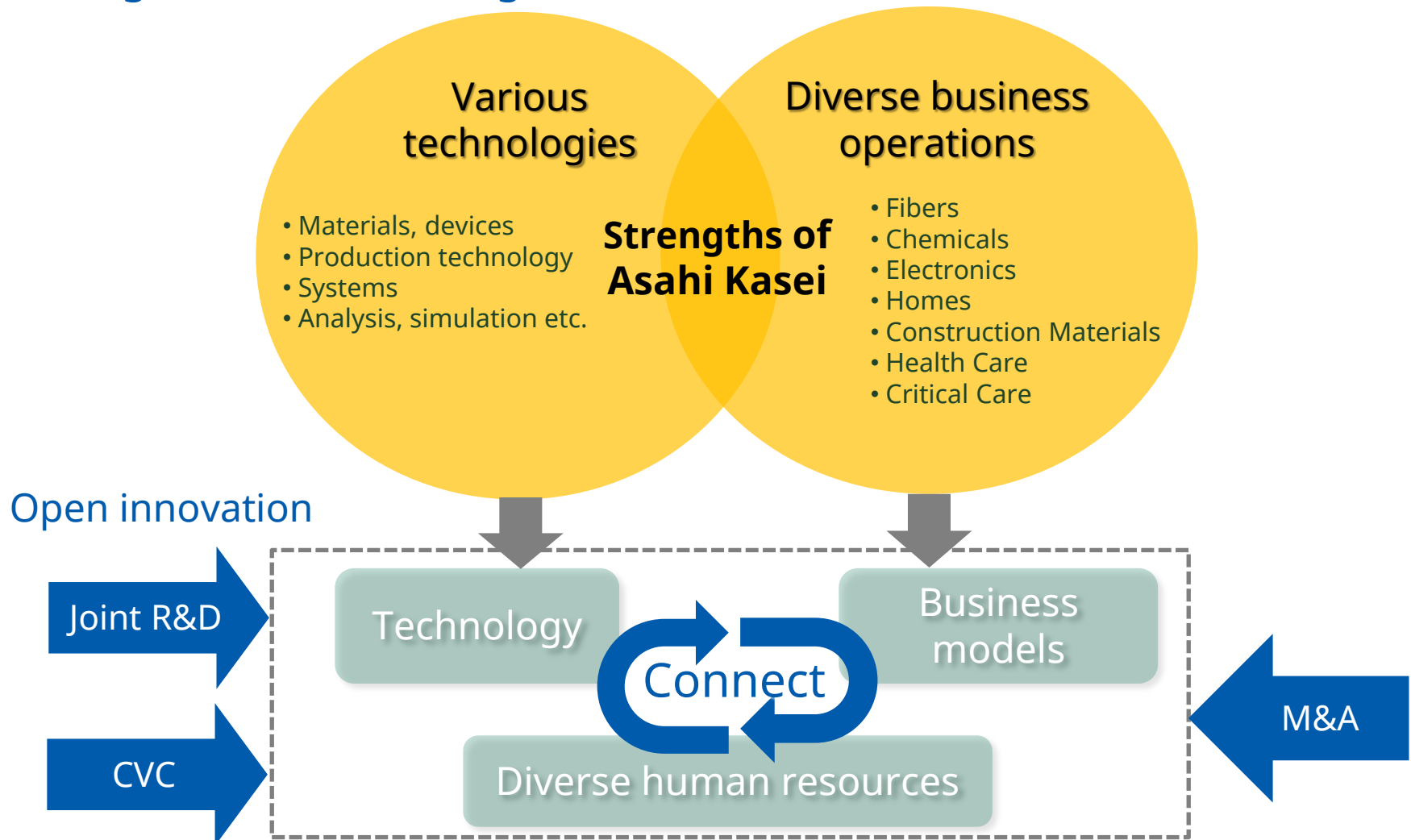
Each business sector plays its role under the new configuration, the Asahi Kasei Group as a whole provides value that contributes to society



## 4. Basic strategy (2)

### Creation of new businesses

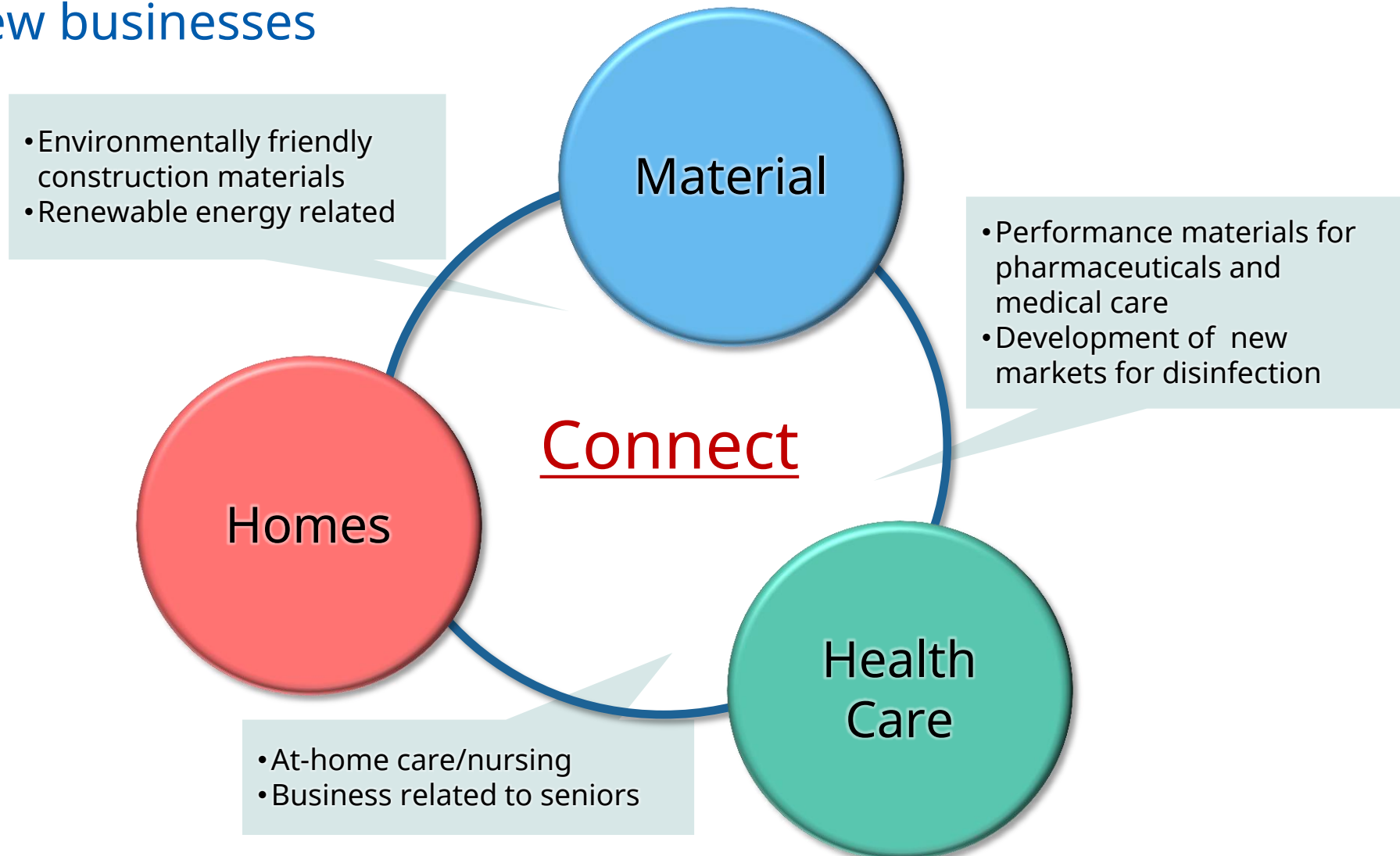
Leveraging Asahi Kasei's diversity to create value through combinations among various technologies and businesses



## 4. Basic strategy (2)

### Creation of new businesses (combining strengths)

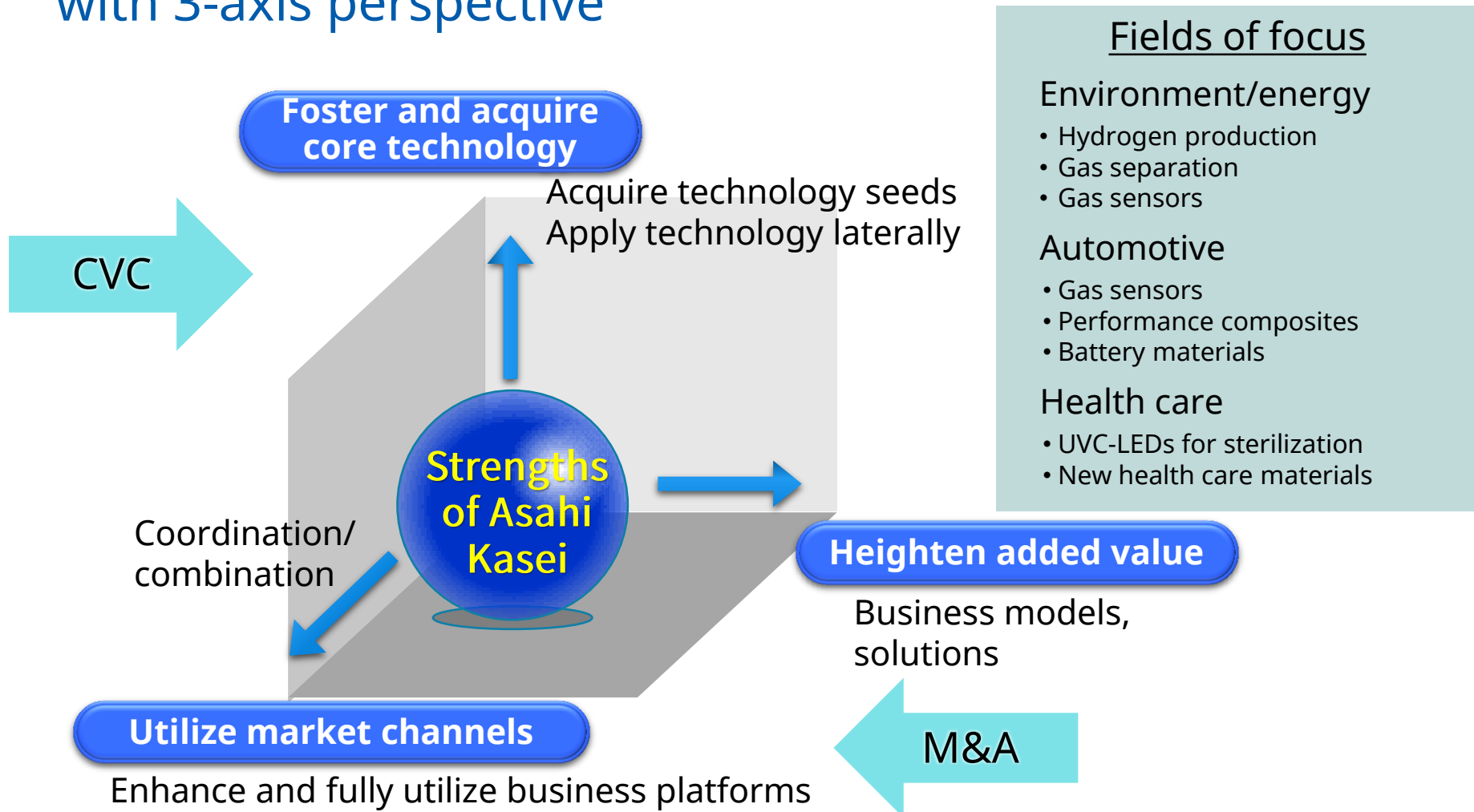
Connect the strengths of each business sector, create unique new businesses



## 4. Basic strategy (2)

### Creation of new businesses (approach to R&D)

New configuration gathers human resources to yield synergies; connecting R&D to new business creation with 3-axis perspective



## 4. Basic strategy (3)

### Acceleration of globalization

#### Europe

(mature markets; origin of standards and regulations)

- Enhance marketing functions in automotive/healthcare-related businesses

#### North America

(continuing growth; origin of innovation)

- Expand automotive/healthcare-related businesses
- Obtain leading-edge technology by utilizing CVC

#### Asia

(transitioning from manufacturing base to growth market)

- Raise competitiveness of manufacturing
- Serve markets in China and ASEAN

#### Japan

(continuing growth; origin of innovation)

- Lead R&D and create new businesses
- Heighten technology at “mother factories”

#### Globalization

- Develop business through M&A; create new business models
- Adapt to new trade arrangements such as TPP

## 5. Main performance metrics (1)

(¥ billion, except where noted)	FY 2003	FY 2010	FY 2015 forecast <sup>1</sup>	FY 15–18 annual growth	FY 2018 target	FY 2025 outlook
Net sales	1,253.5	1,555.9	1,954.0	4.0%	2,200.0	3,000.0
Operating income	60.9	122.9	164.0		180.0	280.0
Operating margin	4.9%	7.9%	8.4%		8.2%	9.3%
Net income	27.7	60.3	90.0		110.0	
EBITDA <sup>2</sup>	125.3	207.8	271.0		300.0	
Net income per share (¥)	19.6	43.1	64.2		78.0	
Payout ratio	30.6%	25.5%	31.0%		35.0%	
Net income per shareholders' equity (ROE) <sup>3</sup>	6.4%	9.3%	8.1%		9.0%	10.0%
Net income per shareholders' equity and interst-bearing debt (ROIC) <sup>3</sup>	5.0%	7.9%	6.4%		7.0%	8.0%
D/E ratio	0.62	0.38	0.45		0.50	0.50
Exchange rate (¥/\$)	113	86	120		110	110

### **FY 2016–2018 investment plan: ¥700 billion**

<sup>1</sup> Forecast in February 2016

<sup>2</sup> Operating income, depreciation, and amortization (tangible, intangible, and goodwill)

<sup>3</sup> FY 2015 forecast is approximate

# 5. Main performance metrics (2)

## Concept for growth of each business sector<sup>1</sup>

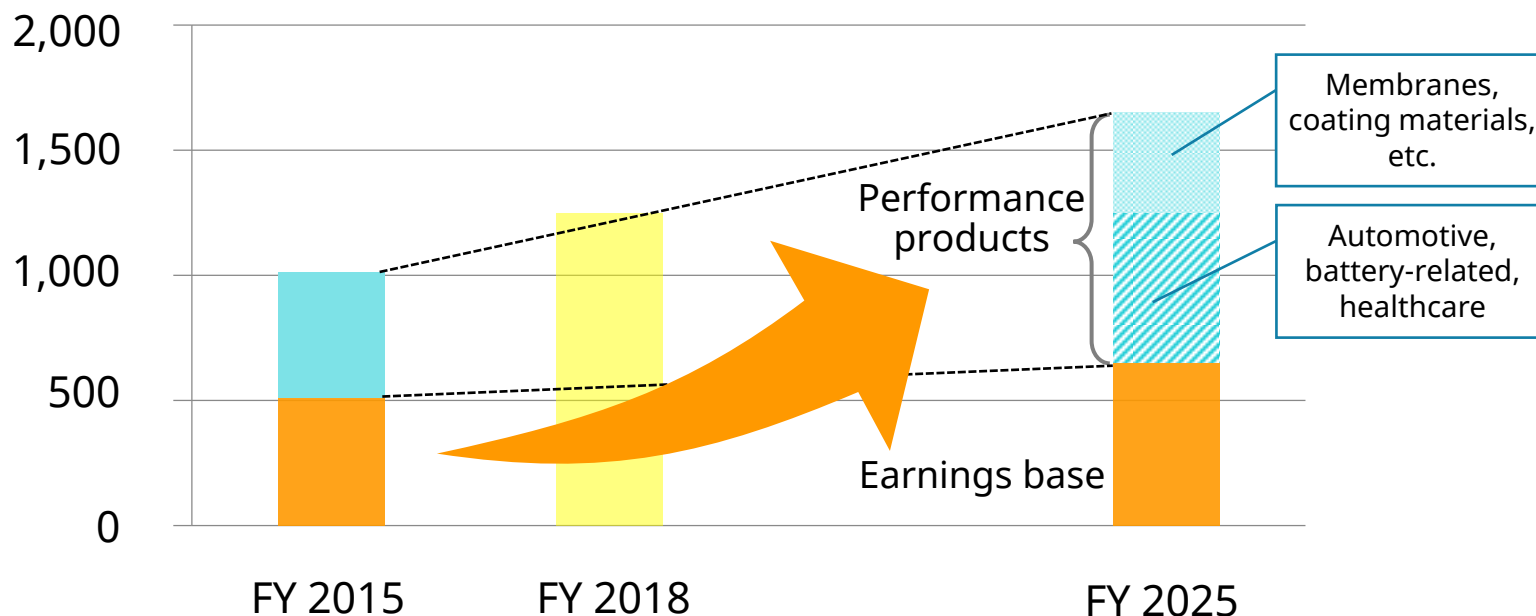
(¥ billion)		FY 2015 forecast <sup>2</sup>	FY 15-18 increase, growth rate	FY 2018 target	FY 18-25 increase, growth rate	FY 2025 outlook
Material	Net sales	1,017.0		1,250.0		1,650.0
	Operating income	76.5		100.0		140.0
	Operating margin	7.5%	+0.5 pt	8.0%	+0.5 pt	8.5%
Homes	Net sales	637.0		700.0		1,000.0
	Operating income	67.5		70.0		100.0
	Operating margin	10.6%		10.0%		10.0%
Health Care	Net sales	287.0	8.8%/year	370.0	7.2%/year	600.0
	Operating income	37.5		50.0		80.0
	Operating margin	13.1%		13.5%		13.3%

<sup>1</sup> Total of net sales and operating income targets and outlooks shown here does not match that shown on the preceding page

<sup>2</sup> Forecast in February 2016

## 6. Future path for each sector: Material

Net sales (¥ billion)



### CT2018 Policy

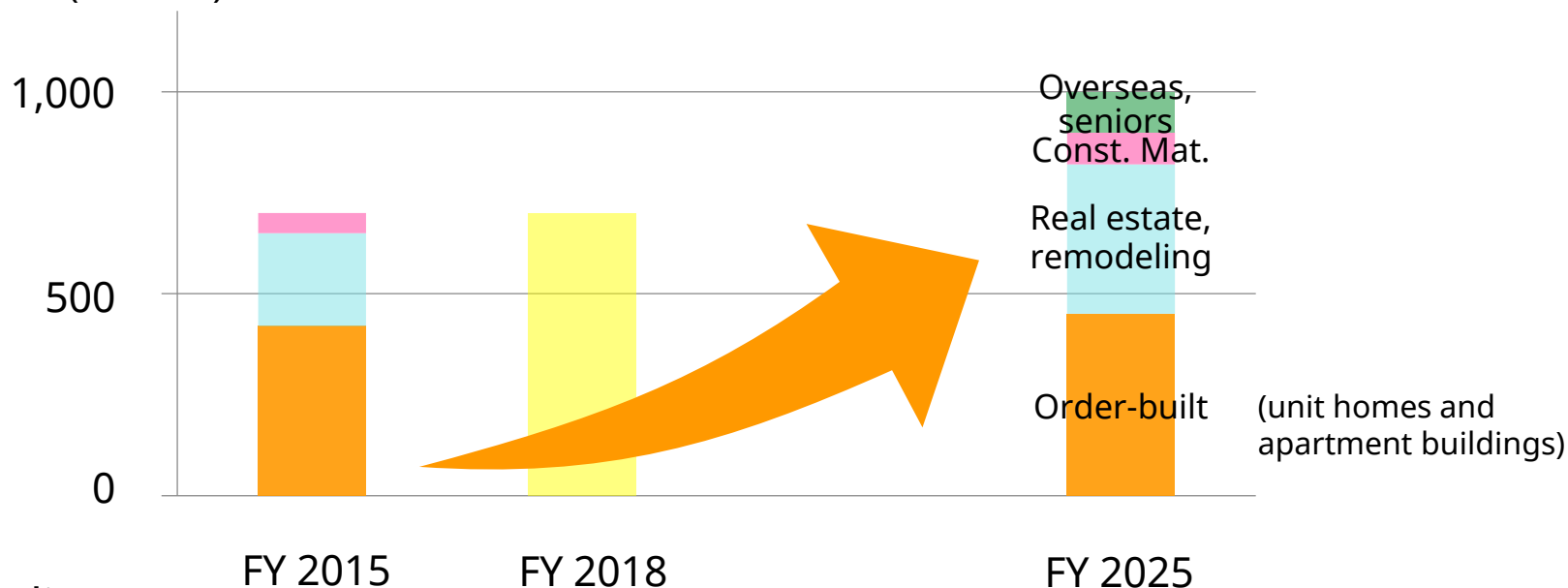
Enhance profitability by strengthening established businesses; advance measures for the future that span across the sector

### Policy advancing toward FY 2025

- Seek greater profitability by expanding in performance products
- Solidify No. 1 position of battery separator business
- Use combined strength to cultivate new markets for materials

## 6. Future path for each sector: Homes

Net sales (¥ billion)



### CT2018 Policy

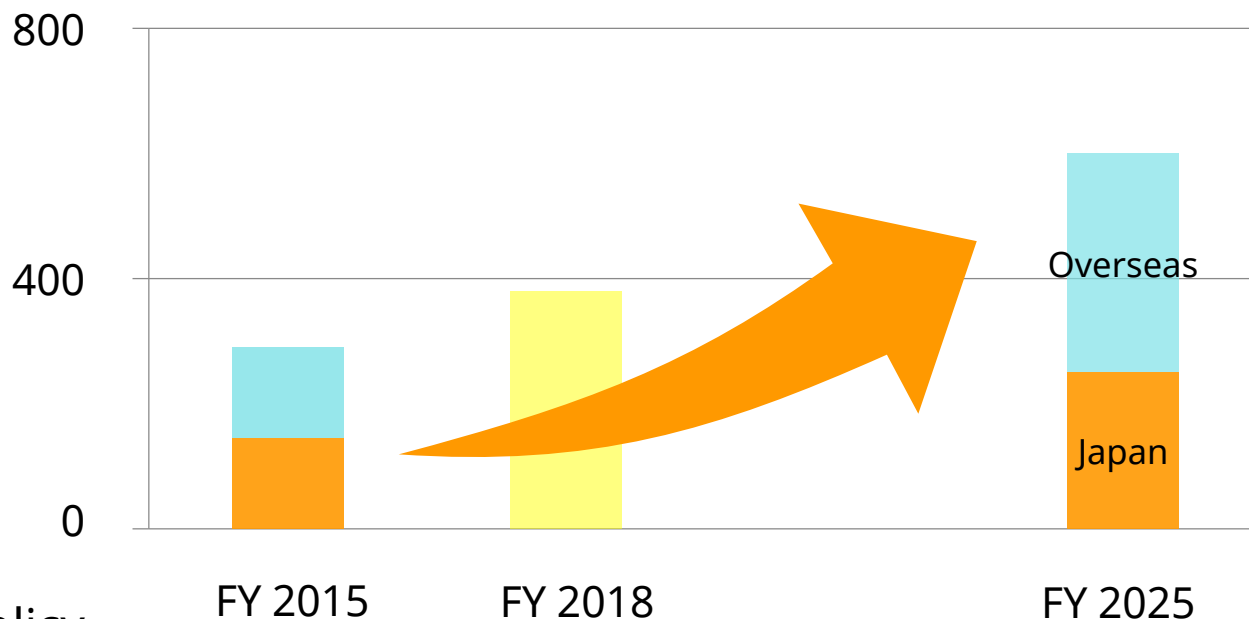
Secure stable earnings in main businesses (order-built homes, AAC); seek stable growth by expanding real estate, remodeling, and insulation materials

### Policy advancing toward FY 2025

- Secure stable earnings by raising market share for established businesses
- Advance new businesses focused on medium-rise homes, seniors, and overseas markets
- Create distinctive added value through connections with other sectors in Asahi Kasei

## 6. Future path for each sector: Health Care

Net sales (¥ billion)



### CT2018 Policy

Strengthen profitability of domestic businesses; build global business base for growth as 3rd major pillar of the Asahi Kasei Group

### Policy advancing toward FY 2025

- Increase overseas sales; operating income to reach 1/3 of Asahi Kasei Group total
- Pharmaceuticals: Recomodulin as the growth driver for global expansion
- Medical devices: grow by further utilizing and strengthening global platform

# Material (1)

Enhance connections among businesses, achieve high profitability through optimized business portfolio

## Sector-wide measures

### 1. Enhance connections among businesses in the sector

- Advance sector-wide marketing and approach to customers
- Identify projects and creating new businesses through deeper collaboration among businesses and R&D organs
- Utilize IT to build structure of global operations

### 2. Advance global strategy in each area

- Expand and network in US/Europe (engineering plastics, battery separators, electronics, etc.)
- Enhance Asian manufacturing sites (S-SBR, battery separators, compounds, Roica, nonwovens, acrylonitrile, Duranate, photosensitive dry film, photopolymers, etc.)
- Utilizing Polypore sites (US, Europe, China, India)

## Material (2)

### Key businesses

#### Expand environment/energy and automotive-related businesses

- Expand earnings from battery separator
- Expand automotive-related businesses (sensors, audio LSIs, weight-saving materials, battery materials, coating materials, application of electronics technology, etc.)
- Advance CO<sub>2</sub> chemistry, other environmental technology (isocyanates, polycarbonate, etc.)

#### Strengthen in healthcare/hygiene

- Expand earnings by enriching product lineup and expanding capacity (pharmaceutical additives, materials/components for medical devices, hygienic materials, filters, water treatment, films, pharmaceutical manufacturing-related products, etc.)
- Develop field of disinfection (UVC-LEDs)

### Others

#### Enhance profitability of other established businesses

- Enrich lineup of high value-added products, globalize
- Joint operation of naphtha cracker (from April 2016)
- Optimize domestic petrochemical derivatives businesses

# Material (3) Automotive

## Sector-wide comprehensive approach to automotive-related customers

- Strengthen regional strategy by establishing new bases and organic coordination among global sites
- Strengthen combined marketing function
- Comprehensive proposals of various key products with features for the environment, safety, comfort, and design



## Material (4) battery separators

### Integrate technology and marketing, deliver value to customers

- Shift from organizational integration to new value proposals for customers
- Utilize Asahi Kasei Group technology for materials, analysis, and manufacturing
- Optimum global manufacturing, marketing, and development configuration to meet customer needs



# HIPORE

Wet-process Li-ion  
battery separator

- Presence and development strength in consumer electronics
- Continuing growth of IT-related markets

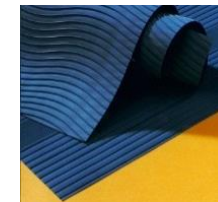
Solidify world-leading position through unique solution proposal ability having both wet and dry processes, with global manufacturing, marketing, and development configuration, meeting various customer needs



# CELGARD

Dry-process Li-ion  
battery separator

- Strength in automotive applications
- Rapid market expansion from stricter environmental regulation



# DARAMIC

Lead-acid battery  
separator

- World-leading presence
- Stable market growth centering in emerging countries
- Market inflection with spread of ISS\* vehicles

Strengthen customer support, capture demand in emerging markets, develop new products with group technology

**Pursue synergy between lead-acid and Li-ion battery separators**

# Homes (1)

## Vision for the Homes sector

- Continue as a core sector and the main pillar of earnings for the Asahi Kasei Group
- Continue to contribute to people's healthy and comfortable living
- Create new value in unique ways together with other sectors



## Adapt to changes in the management environment, meet the changing needs of society

lifestyle proposals to meet changing needs, international business, business alliances/acquisitions, new business models, demand boost from Tokyo Olympics



Declining birthrate  
and aging  
population

Changes in culture,  
lifestyles

Renewal of social  
infrastructure

Limitation of  
domestic economic  
growth

## Homes (2)

### Ascertain society's needs

- Further strengthen established businesses with comprehensive products, construction, and services
- Expand value chain through business development

### Business strategy

1. Stable growth of core businesses such as order-built homes, autoclaved aerated concrete (AAC)
2. Create new businesses

#### Homes operations

- Raise market share and cut costs in unit homes
- Expand apartment building business
- New phase for real estate and remodeling businesses
- Prepare base for seniors-oriented homes, medium-rise homes businesses
- Activate overseas business

#### Construction Materials operations

- Reconstruct configuration for compliance
- Rebuild foundation systems business
- Expand insulation materials business
- Secure earnings in AAC business

## Health Care (1)

Strengthen global business platform for growth as 3rd major pillar of the Asahi Kasei Group after Material and Homes while strengthening profitability of domestic businesses

### Enhance business infrastructure in US

- Locate part of Health Care sector strategic planning/execution function in the US, serve growing markets while accelerating innovation

### Leverage external resources

- Leverage external innovative technology and advanced business models for enhancing established businesses and accelerating the creation of new businesses

### Improve profitability in Japan

- Optimize pharmaceutical and medical device operations in Japan, build firm base of profitability to withstand challenging operating climate change

## Health Care (2)

### Pharmaceuticals

#### Advance globalization

- Accelerate global Phase III clinical study for Recomodulin
- Launch Recomodulin in the US and establish global business platform
- Expand pipeline for new products both in Japan and overseas

### Medical Devices

#### Achieve stable growth

- Expand market share for Planova virus removal filters in biopharmaceuticals market
- Capture growing demand for dialysis products in Chinese market

### Critical Care

#### Proactive expansion

- Expand intravascular temperature management (IVTM) system into area of acute myocardial infarction
- Increase market penetration of LifeVest wearable defibrillator
- Launch new AED 3 and achieve leadership in AED market

## New businesses

Moving toward the future, invest in disruptive technology which can change paradigms in the provision of care

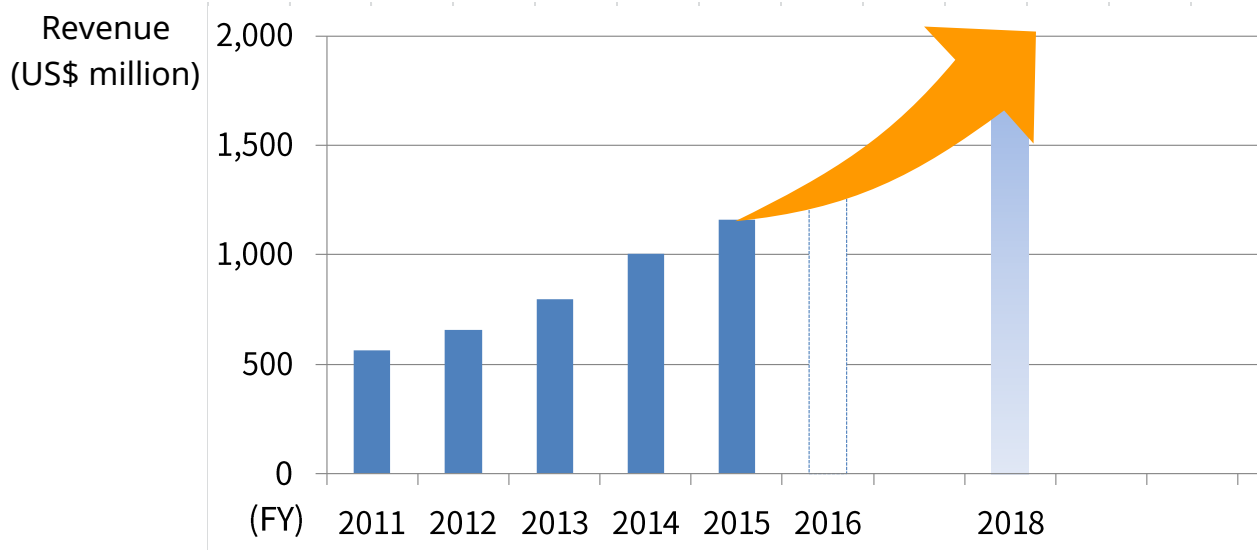
- Continue investments in medical ICT, regenerative medicine, diagnostics, etc.

# Health Care (3) ZOLL

## Major actions since acquisition by Asahi Kasei

Japan	Approval received	<ul style="list-style-type: none"> <li>• LifeVest wearable defibrillator</li> <li>• Emergency medical service defibrillator</li> <li>• Hospital defibrillator</li> <li>• New indication for Thermogard IVTM</li> </ul>
Worldwide	Businesses acquired	<ul style="list-style-type: none"> <li>• Portable ventilator business of Impact Instrumentation, Inc.</li> <li>• Temperature management system business of Philips</li> <li>• Advanced Circulatory Systems, Inc. (intrathoracic pressure regulation)</li> <li>• Kyma Medical Technologies, Ltd. (technologies to measure early signs of congestive heart failure)</li> </ul>

**Helping save more lives around the world by enhancing the quality of acute critical care and expanding operations within this domain**



Notable development  
**Establishment of the ZOLL Foundation**

Supporting resuscitation and acute critical care research and educational activities with a focus on new investigations

**The ZOLL Foundation**

## 7. Financial and capital strategy (FY 2016–2018 cash flow and allocation)

Execute strategy for future growth; perform return to shareholders while raising corporate value

Operating cash flow (3-year total): ¥600–700 billion

- Enhancing competitiveness of established businesses
- Creating new added value in each sector

Total investment (3-year total): ≈¥700 billion

- Proactively advance M&A and other new investment in addition to investment to maintain and expand established businesses

Target for total return ratio: 35% in FY 2018

- Flexibly perform share buybacks in addition to stable and continuous dividend increases

Funding policy

- In principal by borrowings while maintaining D/E ratio around 0.5

# Enhancing profitability

## SL2018 Project

(extension of SL200 Project for improved profit structure)

Activity based on the “three actuals”

Raising productivity and heightening specialization and efficiency of supporting functions

- Raise productivity within each business sector
- Heighten specialization and efficiency of supporting functions across the Asahi Kasei Group



Enhanced profitability

# CSR at Asahi Kasei Group

Our Group Mission is achieved by executing  
CSR Fundamentals and CSR in Action

Addressing social challenges through  
our business activities

## CSR Fundamentals

- Compliance
- Responsible Care
- Corporate Citizenship
- Respect for Employee Individuality

## CSR in Action

- Executing medium-term management initiatives
- Business operations

Group Mission  
**Contributing to life  
and living for people  
around the world.**

Raising  
corporate value  
for our various  
stakeholders

Thorough compliance, safety,  
environmental protection, and community  
fellowship as a corporate citizen



Nurturing the Next  
Generation (school visits)



Coexistence with the  
Environment (afforestation)



Promotion of Sports  
(distance running  
team, judo team)

# 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.”