

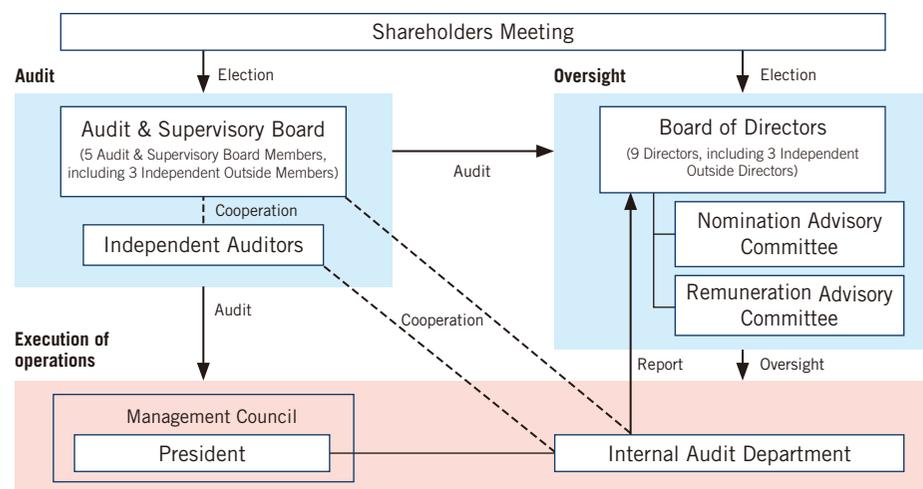
Corporate Governance

Basic Approach

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

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

Corporate Governance Configuration



Key points

- 1/3 of Directors are independent
- 1 female Director
- Directors have diverse backgrounds
- 3/5 of Audit & Supervisory Board Members are independent
- Audit & Supervisory Board Members Office to support Audit & Supervisory Board Members
- Internal Audit Department reports to both the President and the Board of Directors

Meetings of the Board of Directors, Advisory Committees, and Audit & Supervisory Board (fiscal 2020)

	No. of Meetings Held	Average Attendance	Main Subjects of Agenda
Board of Directors	14	98% (Directors and Audit & Supervisory Board Members)	<ul style="list-style-type: none"> • Business investment • Medium-term management initiative • Risk management and compliance
Nomination Advisory Committee	3	100% (All members)	<ul style="list-style-type: none"> • Optimum composition and size of Board of Directors • Policy for nomination of candidates to be Directors and Audit & Supervisory Board Members • Standards for judging independence of Outside Directors and Audit & Supervisory Board Members
Remuneration Advisory Committee	4	100% (All members)	<ul style="list-style-type: none"> • Policy and system for remuneration of Directors • Deciding on performance-linked remuneration of individual Directors
Audit & Supervisory Board	18	96% (Audit & Supervisory Board Members)	<ul style="list-style-type: none"> • Auditing state of performance of Directors' duties • Auditing state of operations and financial affairs • Evaluation of Independent Auditors

Diversity of Expertise and Experience of Outside Directors and Audit & Supervisory Board Members

In order to achieve sustainable growth and improve corporate value over the medium to long term, we consider the makeup of the Board of Directors, paying attention to the diversity of knowledge, experience, and abilities, so that it can supervise and audit the execution of operations at the Asahi Kasei Group, which runs a wide variety of businesses. In particular, in order to realize multifaceted deliberation at meetings of the Board of Directors by reflecting the high sensitivity that swiftly tracks changes in the social environment and the perspectives of external stakeholders, as well as the knowledge cultivated through the practice of corporate management, we believe that it is essential that there be diversity in the fields of expertise and experience of Outside Directors and Outside Audit & Supervisory Board Members, who have standpoints that are independent of the Asahi Kasei Group.

The distribution of the fields of expertise and experience among Outside Directors and Outside Audit & Supervisory Board Members is as follows:

	Corporate Management	Finance & Accounting	Legal Affairs & Intellectual Property	Environment & Society
Outside Directors	Tsuneyoshi Tatsuoka		★	★
	Tsuyoshi Okamoto	★	★	★
	Yuko Maeda		★	★
Outside Audit & Supervisory Board Members	Akio Makabe		★	★
	Tetsuo Ito		★	★
	Akemi Mochizuki		★	★

Results of Evaluation of Effectiveness of the Board of Directors (fiscal 2020)

The Board of Directors conducts regular evaluations of its own effectiveness through discussions at meetings of the Board of Directors, having collected questionnaires from Directors and Audit & Supervisory Board Members after the end of each fiscal year.

The main measures implemented in fiscal 2020 and issues recognized for the future are as follows:

Main measures implemented in fiscal 2020

The Board of Directors implemented the following measures in fiscal 2020 based on the evaluation of the previous fiscal year.

1) Enhanced agenda items

The Board of Directors more frequently discussed agenda items relating to medium- to long-term management issues, such as the management of the business portfolio, initiatives for promoting sustainability, and support for digital transformation, in an effort to ensure effective supervision of these issues by the Board of Directors.

2) Enhanced provision of information to Outside Directors and Outside Audit & Supervisory Board Members

The Board of Directors secured opportunities for visits to the Group's sites, which had been conducted regularly, while taking measures to prevent the spread of COVID-19. Meanwhile, preliminary briefings for the Board of Directors were expanded in order to facilitate deeper discussion on the days of Board meetings by utilizing online meetings.

3) Improved committee operations

The Board of Directors decided that Outside Directors shall chair the Nomination Advisory Committee and the Remuneration Advisory Committee. Furthermore, the Board of Directors entrusted the Remuneration Advisory Committee with deciding the individual performance-linked remuneration portion of remuneration for Directors. These changes have improved the independence, objectivity, and transparency of the decision-making process for the nomination and remuneration of Directors and Audit & Supervisory Board Members.

Issues recognized for the future

Based on measures implemented in fiscal 2020, the Board of Directors has confirmed a common awareness of the following issues for the future.

1) Enhancing agenda items

Further expanding discussions on medium- to long-term management issues at meetings of the Board of Directors and reviewing the criteria for bringing agenda items as necessary

2) Reviewing corporate governance in line with the next medium-term management initiative

Reassessing the makeup, size, and skill requirements of the Board of Directors in line with the next medium-term management initiative

3) Miscellaneous

Implementing methods for evaluating the effectiveness of the Board of Directors and expanding cooperation among Outside Directors and Outside Audit & Supervisory Board Members, etc.

Overview of Executive Remuneration

Remuneration for Directors

(1) Decision-making policy

As one of the corporate governance mechanisms to ensure that the Asahi Kasei Group can achieve sustainable growth and enhance corporate value over the medium to long term, we have sought advice of the Remuneration Advisory Committee on the decision-making policy pertaining to the contents of remuneration, etc., for individual Directors (hereinafter, the "Decision-making Policy"). Respecting the contents of the reports thereof, the Board of Directors has made a resolution on the Decision-making Policy, which includes the following basic policy. (An outline of the Decision-making Policy is as stated in (2) Basic design and (3) Decision-making process below.)

Basic policy

Remuneration of Outside Directors, who have a position of independence with respect to management of the company, comprises solely fixed basic remuneration at a level determined in consideration of third-party survey data, in order to secure a high degree of independence unaffected by short-term earnings fluctuations.

The remuneration system for Executive Directors, who are members of senior management, combines performance-linked remuneration together with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration, which serves as the basis for their livelihoods, in order to provide incentives tied to earnings and management strategy, with levels of remuneration amounts and proportions of types of remuneration adjusted as appropriate for each role according to management strategy and tasks, in consideration of third-party survey data.

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

(2) Basic design

1) Performance-linked remuneration

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

$$\begin{array}{|c|} \hline \text{Index calculated by} \\ \text{evaluation}^1 \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Basic amount by rank} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Individual performance-linked} \\ \text{remuneration amount} \\ \hline \end{array}$$

¹ Coefficient comprehensively considering achievement of financial targets and nonfinancial targets

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

	Fiscal 2020 target figure / standard figure	Fiscal 2020 actual figure
Consolidated net sales	¥2,034.0 billion	¥2,106.1 billion
Consolidated operating income	¥140.0 billion	¥171.8 billion
Consolidated ROA ²	5.5%	5.9%

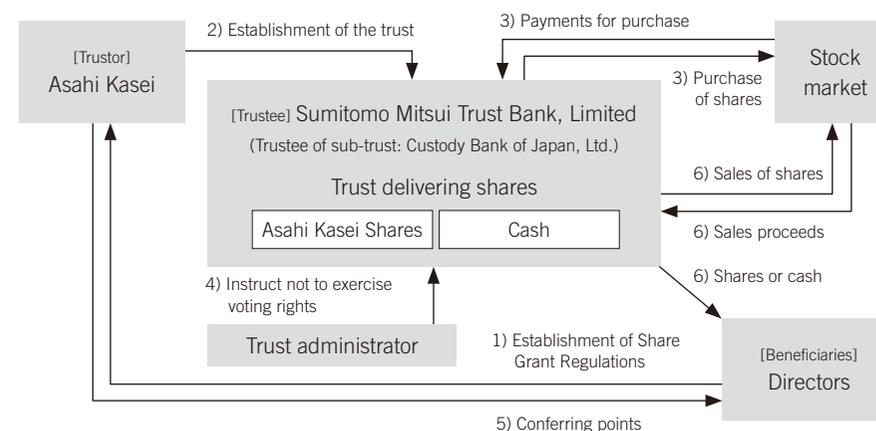
² Consolidated operating income / consolidated total assets as of the fiscal year-end

2) Stock-based remuneration

- To reinforce a common perspective with shareholders including both the benefits of share price increases and the risk of share price decreases, a stock-based remuneration system was adopted at the 126th Ordinary General Meeting of Shareholders held on June 28, 2017.
- A trust established by the company acquires shares of the company and grants them to eligible Directors. Based on the Share Grant Regulations adopted by the Board of Directors, eligible Directors are conferred points in accordance with their rank (maximum of 100,000 points per

fiscal year) and the shares are granted to eligible Directors corresponding to the accumulated number of points at the time of their retirement as Director and as Officer of the Group (one share of stock per point).

Outline of Stock-based Remuneration System (Share Grant Trust)



(3) Decision-making process

- Entrusted to the Remuneration Advisory Committee based on a resolution of the Board of Directors
- The Remuneration Advisory Committee is authorized to confirm the reasonableness and appropriateness of the evaluation of the achievement of targets by Executive Directors, as proposed by the President & Director, and to determine remuneration amounts for individual Directors by applying this evaluation to the framework formula determined by the Board of Directors.
- Fixed basic remuneration by rank is paid upon determination of the amount by the Board of Directors.
- Stock-based remuneration is granted when certain conditions are met, corresponding to points conferred based on the Share Grant Regulations adopted by the Board of Directors.
- The reason for entrusting the aforementioned authority to the Remuneration Advisory Committee is because doing so is the most appropriate means of determining the remuneration for individual Directors from a highly independent, objective, and transparent standpoint while overseeing the business results of the entire Group.

- To ensure the appropriate use of this authorization to the Remuneration Advisory Committee, this committee comprises a majority of Outside Directors and it regularly reports to the Board of Directors on the process of the above confirmation and determination.

Composition of the Members of the Remuneration Advisory Committee (fiscal 2020)

Name	Position and responsibilities
Tsuyoshi Okamoto	Outside Director Chairperson of the Remuneration Advisory Committee
Masumi Shiraishi	Outside Director
Tsuneyoshi Tatsuoka	Outside Director
Hideki Kobori	President and Representative Director Presidential Executive Officer
Shigeki Takayama	Representative Director Vice-Presidential Executive Officer

(4) Reasons upon which the Board of Directors determined the contents of remuneration, etc., for individual Directors pertaining to fiscal 2020 are in line with the Decision-making Policy

- The contents of basic remuneration and stock-based remuneration are determined upon taking into account the results of deliberations by the Remuneration Advisory Committee, which comprises a majority of Outside Directors, with objectivity and transparency of the decision-making process ensured.
- The decision on performance-linked remuneration has been made through a highly independent, objective, and transparent process carried out by the Remuneration Advisory Committee.

Percentages Shown for Directors Who Have Executive Responsibilities



- Performance-linked remuneration = commitment to results
- Stock-based remuneration = perspective of shareholders

Note: Outside Directors receive fixed base remuneration only.

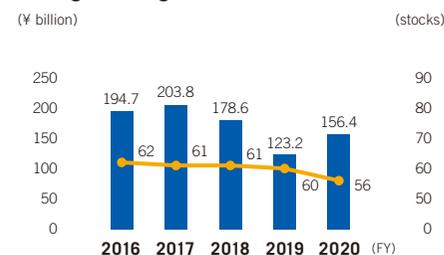
Remuneration for Audit & Supervisory Board Members

- The performance-linked remuneration system is not applied with regard to the remuneration for Audit & Supervisory Board Members, and their remuneration consists of fixed remuneration. Individual remuneration amounts are determined through discussions with Audit & Supervisory Board Members.

Strategic Shareholdings

- With the aim of achieving sustainable growth and improving corporate value over the medium to long term, Asahi Kasei holds shares in companies as it deems necessary as part of management strategies including forming business alliances, raising funds, securing supply chains, and maintaining and strengthening relationships with business partners. However, we will continuously work to reduce the amount of strategic shareholdings giving due consideration to factors including risks and costs as well as the capital efficiency of holding such shares.
- The Board of Directors examines the purpose and economic rationale of maintaining individual strategic shareholdings on an annual basis from the perspective of their contribution to the company's sustainable growth and corporate value improvement over the medium to long term. In verifying the economic rationale, we comprehensively assess returns in terms of medium- to long-term business earnings and dividends with reference to the cost of capital and other considerations. As a result of the verification, we reduce, through sales or other means, holdings of shares judged to be no longer compatible with the purpose of holding them or deemed to have costs and risks that outweigh the benefits of holding them, taking into consideration the conditions of the company concerned (in the five years from fiscal 2016 to fiscal 2020, sales of strategic shareholdings totaled ¥74.5 billion).
- Voting rights associated with strategic shareholdings are exercised after comprehensively determining whether a proposal contributes to the sustainable growth and corporate value improvement over the medium to long term of both Asahi Kasei and the investee company.

Strategic holdings of listed shares



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

Sales of strategic shareholdings

