

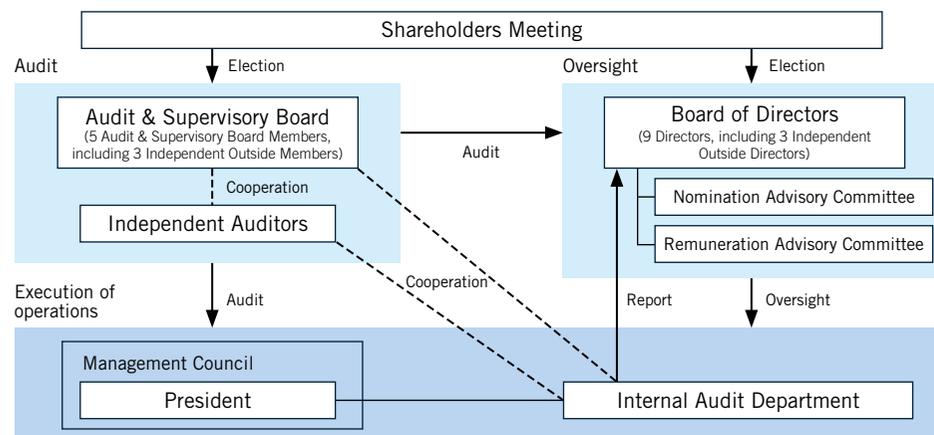
Corporate Governance

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



Ratio of Independent Officers

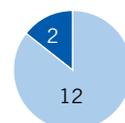
■ Independent



Note: 6 out of 14 Officers are independent (3 out of 9 Directors are independent)

Ratio of Women

■ Women



Note: 2 out of 14 Officers are women (1 out of 9 Directors is a woman)

Meetings of the Board of Directors, Advisory Committees, and Audit & Supervisory Board (fiscal 2021)

	Composition	No. of Meetings Held	Average Attendance	Main Subjects of Agenda
Board of Directors Chair Hideki Kobori	All 9 Directors All 5 Audit & Supervisory Board Members	15	99%	<ul style="list-style-type: none"> Business investment Medium-term management plan Risk management and compliance
Nomination Advisory Committee Chair Tsuyoshi Okamoto	Outside Directors Tsuneyoshi Tatsuoka Tsuyoshi Okamoto Yuko Maeda Representative Directors Hideki Kobori Shigeki Takayama	3	100%	<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 Chair Tsuyoshi Okamoto	Outside Directors Tsuneyoshi Tatsuoka Tsuyoshi Okamoto Yuko Maeda Representative Directors Hideki Kobori Shigeki Takayama	6	100%	<ul style="list-style-type: none"> Policy and system for remuneration of Directors Deciding on performance-linked remuneration of individual Directors
Audit & Supervisory Board Chairperson Masafumi Nakao	All 5 Audit & Supervisory Board Members	18	99%	<ul style="list-style-type: none"> Auditing state of performance of Directors' duties Auditing state of operations and financial affairs Evaluation of Independent Auditors

Major Activities of Outside Officers

Attendance rate of Outside Directors and Audit & Supervisory Board Members at meetings of the Board of Directors

96.2%

Tsuneyoshi Tatsuoka	93%	Tsuyoshi Okamoto	100%
Yuko Maeda	100%	Akio Makabe	100%
Tetsuo Ito	93%	Akemi Mochizuki	91%

Attendance rate of Outside Directors at meetings of the Nomination Advisory Committee

100%

Tsuneyoshi Tatsuoka	100%
Tsuyoshi Okamoto	100%
Yuko Maeda	100%

Attendance rate of Outside Directors at meetings of the Remuneration Advisory Committee

100%

Tsuneyoshi Tatsuoka	100%
Tsuyoshi Okamoto	100%
Yuko Maeda	100%

Attendance rate of Outside Audit & Supervisory Board Members at meetings of the Audit & Supervisory Board

97.3%

Akio Makabe	100%
Tetsuo Ito	100%
Akemi Mochizuki	92%

Fields in Which Expectations of Directors and Audit & Supervisory Board Members Are Particularly High

In order to contribute to life and living for people around the world, Asahi Kasei pursues two aspects of sustainability: “contributing to a sustainable society” and “sustainable growth of corporate value.” To this end, we have identified the knowledge, experience, and capabilities required to advance Group management and its supervision and auditing at a higher level in a discontinuous and uncertain business environment, and have considered the composition of the Board of Directors with consideration to the balance of its diversity and independence.

Specifically, in addition to expertise in the fields of corporate management & strategy, finance & accounting, legal affairs, intellectual property, & risk management, and R&D, manufacturing, & technology, which are indispensable for pursuing opportunities and reducing risks, we also emphasize global knowledge to align with the

internationalization of markets and businesses, digital expertise to advance digital transformation, knowledge of the environment & society to respond to changes in the social environment and the status of stakeholders with agility, and human resource management expertise to utilize people as the foundation of business management.

We expect each Director and Audit & Supervisory Board Member to demonstrate their knowledge, experience, capabilities, etc., especially in the areas described as follows, and will accordingly carry out important decision-making of group management and appropriate supervision and auditing comprehensively from diverse perspectives.

		Corporate Management & Strategy	Finance & Accounting	Legal Affairs, Intellectual Property & Risk Management	R&D, Manufacturing & Technology	Global	Digital	Environment & Society	Human Resource Management
Directors	Hideki Kobori	★		★				★	
	Koshiro Kudo	★				★		★	★
	Shuichi Sakamoto	★				★		★	★
	Fumitoshi Kawabata	★						★	★
	Kazushi Kuse				★		★	★	
	Toshiyasu Horie	★	★					★	
	Tsuneyoshi Tatsuoka	Independent		★		★		★	
	Tsuyoshi Okamoto	Independent	★	★				★	
	Yuko Maeda	Independent			★	★		★	
Audit & Supervisory Board Members	Masafumi Nakao			★	★		★	★	
	Yutaka Shibata		★	★				★	
	Tetsuo Ito	Independent		★				★	
	Akemi Mochizuki	Independent		★				★	
	Haruyuki Urata	Independent	★	★				★	

Note: Up to four fields with particularly high expectations are noted for each individual. The table above does not represent all of the knowledge, experience, and capabilities of each individual.

Results of Evaluation of Effectiveness of the Board of Directors (fiscal 2021)

The Board of Directors conducts regular evaluations of its own effectiveness through deliberations at meetings of the Board of Directors at the end of each fiscal year. The main measures implemented in fiscal 2021 and issues recognized for the future are as follows:

Main measures implemented in fiscal 2021

The Board of Directors implemented the following measures in fiscal 2021 based on the evaluation of the previous fiscal year.

1) Consideration of the role of the Board of Directors throughout the year, including enhanced agenda items relating to medium- to long-term management issues and holding meetings of independent officers

The Board of Directors actively took up and deliberated agenda items relating to sustainability, business portfolio management, risk management promotion, and the new medium-term management plan that starts in fiscal 2022. Furthermore, in addition to the regular meeting opportunities between Outside Directors and Audit & Supervisory Board Members that were held in the past, in October 2021, an opportunity was created for only Outside Directors and Outside Audit & Supervisory Board Members to hold a discussion on the role of the Board of Directors, the nature of explanations and deliberations at meetings of the Board of Directors, and how to evaluate the effectiveness of the Board of Directors, from an independent and objective standpoint, as an interim review of effectiveness evaluations of the Board of Directors. Based on this, and following multiple deliberations at meetings of the Board of Directors, the following items were determined as described below: 2) Introduction of “matters to be discussed” and narrowing down of agenda items, and 3) Improvements to enhance deliberations at meetings of the Board of Directors.

2) Introduction of “matters to be discussed” and narrowing down of agenda items

In addition to “matters for resolution” and “matters for reporting,” “matters to be discussed” was established as an agenda item to further deepen deliberations on important management matters, such as, for example, financial and capital policies, establishment of optimum governance, the medium-term management plan and other management plans, business portfolio strategies, and large-scale M&A and investments. At the same time, the scope of sustainability and diversity-related matters to be discussed by the Board of Directors was expanded, while the entrustment of decision-making authority for certain business operations, such as capital investment and personnel affairs, was promoted to ensure prompt management decision-making and effective deliberations by the Board of Directors.

3) Improvements to enhance deliberations at meetings of the Board of Directors

The Board of Directors further enhanced deliberations at its meetings by increasing the time for questions and answers on the day of meetings based on prior explanations to Outside Directors and by clarifying issues and improving executive summaries for large-scale M&A and investment projects, etc.

Issues recognized for the future

Based on measures implemented in fiscal 2021, the Board of Directors has confirmed a common awareness of the following issues for the future.

1) Review and improve results of efforts during the current fiscal year

Based on the improvement efforts made during the current fiscal year, conduct an interim review and make improvements in a timely and appropriate manner.

2) Deepen deliberations on the makeup of the Board of Directors

Continuously examine the size and makeup of the Board of Directors, including its independence and diversity.

Officer Remuneration

Remuneration for Officers in fiscal 2021

The amount of remuneration, etc., of Directors and Audit & Supervisory Board Members in fiscal 2021

Classification	Breakdown by remuneration type (Millions of yen)				Number of Directors and Audit & Supervisory Board Members paid
	Amount paid (Millions of yen)	Basic remuneration	Performance-linked remuneration	Stock-based remuneration	
Directors	470	297	127	46	11
of which, Outside Directors	49	49	–	–	4
Audit & Supervisory Board Members	140	140	–	–	6
of which, Outside Audit & Supervisory Board Members	45	45	–	–	3

Composition of remuneration for Executive Directors in fiscal 2021



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

Note: Outside Directors receive basic remuneration only.

Remuneration for Directors

At the 131st Ordinary General Meeting of Shareholders, held on June 24, 2022, Asahi Kasei submitted and obtained approval for a proposal to raise the maximum monetary remuneration for Directors and Audit & Supervisory Board Members and partially revise its stock-based remuneration system. The Company also revised its policy for determining the content of individual remuneration, etc., for each Director (hereinafter, the “decision-making policy”). The following is an outline of remuneration for Directors following the revision.

(1) Decision-making policy

As one of the corporate governance mechanisms to ensure that the Asahi Kasei Group achieves sustainable growth and enhances corporate value over the medium to long term, the Board of Directors sought the advice of the Remuneration Advisory Committee on the decision-making policy. Respecting the contents of the committee’s report, the Board of Directors passed a resolution on the decision-making policy, which includes the following basic policy.

Basic policy

The Directors' remuneration of the Company is one of the important components of corporate governance. The Company designs this system to provide appropriate incentives to both executives and supervisors for achieving sustainable growth and improving medium- to long-term corporate value.

Remuneration for Non-executive Directors¹ including Outside Directors, who supervise the management of the Company, solely comprises 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 for Executive Directors combines performance-linked remuneration with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration, which serves a basic livelihood, in order to provide incentives tied to earnings and management strategy as senior management, 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 the design of the remuneration system, the Board of Directors and the Remuneration Advisory Committee regularly deliberate and continually confirm their appropriateness and make improvements.

¹ Non-executive Directors include the Chairman.

(2) Basic design

1) Performance-linked remuneration

- Designed by combining both the achievement of financial targets, such as capital efficiency, to provide incentives tied to earnings and management strategy as management leaders, together with the achievement of non-financial 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, return on invested capital (ROIC), 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 capital efficiency
- The formula required to calculate individual performance-linked remuneration is outlined as follows:

$$\text{Index calculated by evaluation}^2 \times \text{Basic amount by rank} = \text{Individual performance-linked remuneration amount}$$

² Coefficient comprehensively considering achievement of financial targets and non-financial targets

In conjunction with the revision of the decision-making policy, Asahi Kasei revised the performance-linked remuneration component of remuneration for Directors. Specifically, the Company changed its standard financial indicators from ROA to ROIC from the perspective of emphasizing awareness of the importance of increasing invested capital efficiency and of linking remuneration with the degree of achievement of the targets established in the medium-term management plan.

2) Stock-based remuneration

- Designed to reinforce a common perspective with shareholders, including both the benefits of share price increases and the risk of share price decreases
- A trust established by Asahi Kasei 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 150,000 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 Executive Officer of the Group (one share of stock per point).

Point calculation formula

$$\text{Standard points determined for each individual rank} \times 50\% + \text{Standard points determined for each individual rank} \times 50\% \times \text{performance-linked index}$$

The “performance-linked index” shall be a number¹ determined in the range of 0.0 to 1.5 according to the degree of target achievement² of non-financial and other indicators relating to sustainability set forth in the medium-term management strategies and plans.

Indicator	Weight	Indicator Calculation Method	FY2022 Target	FY2024 Target
Job satisfaction	1/3	Percentage of employees absent due to mental illness	0.80%	0.64%
DX	1/3	Total number of digital professionals	1,000	2,500
Diversity	1/3	Percentage of female employees in line posts and highly specialized positions	3.9%	5.0%

¹ Values set forth in the table on the right shall be used as the performance-linked index according to the degree of achievement of the targets.

² Targets are set for each fiscal year for the above-mentioned indicators and the percentage of achievement for each indicator is calculated. The degree of target achievement is deemed to be the total of the achievement percentage for each indicator multiplied by each of the weights.

Degree of Target Achievement	Performance-Linked Index
120% or more	1.5
105% or more but less than 120%	1.2
95% or more but less than 105%	1.0
80% or more but less than 95%	0.5
Less than 80%	0.0

Asahi Kasei revised its stock-based remuneration system at the 131st Ordinary General Meeting of Shareholders held on June 24, 2022. Specifically, in order to further improve the link between the stock-based remuneration system and the Group's medium-term management strategies and plans, the Company changed to a performance-based stock remuneration system linking the number of shares granted to the degree of achievement of performance targets. In addition, the Company raised the maximum number of shares to be granted to Directors under the revised system by increasing the maximum amount of money to be contributed by the Company to the trust for acquiring the shares of the Company, and the maximum number of points to be granted to Directors (revising the upper limit on the total number of points per fiscal year to be granted to eligible Directors from 100,000 to 150,000).

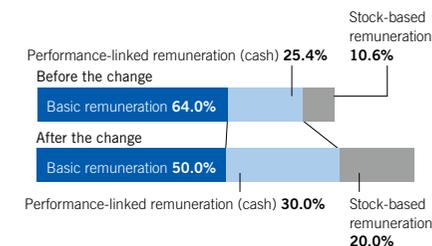
(3) Decision-making process

- As authorized by the Board of Directors, the Remuneration Advisory Committee confirms the reasonableness and appropriateness of the evaluation of the achievement of targets by Executive Directors, as proposed by the President & Director, and determines remuneration amounts for individual Directors by applying this evaluation to the framework formula determined by the Board of Directors.
- The Board of Directors determines the amount of fixed basic remuneration by rank.
- 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 Remuneration Advisory Committee reports the degree of achievement of targets and the performance-linked indicators at the end of each fiscal year in relation to stock-based remuneration).

- The Remuneration Advisory Committee comprises a majority of Outside Directors and regularly reports to the Board of Directors on the process of confirmation and determination described on the left.

(4) Changes to breakdown and levels of remuneration

As a result of the revision of remuneration for Directors, the breakdown and levels of remuneration for the President & Representative Director will be changed as described on the right on the assumption that the basic amount is multiplied by an evaluation index of 100%.



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.

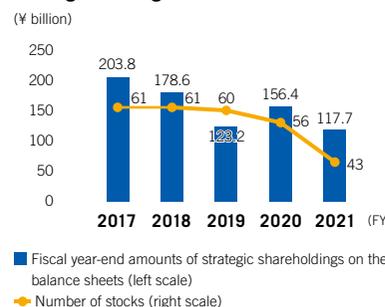
Strategic Shareholdings

The Company is continuing to reduce its holdings of shares held for purposes other than pure investment (strategic shareholdings), taking into consideration factors such as the risk of share price fluctuations, costs associated with such holdings, and capital efficiency.

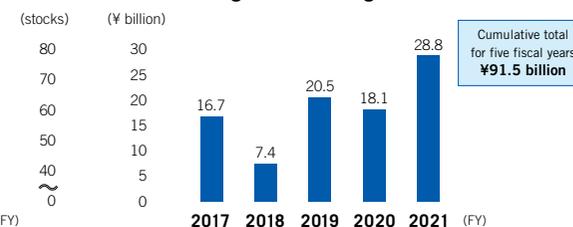
The purpose, effectiveness, and economic rationale of individual strategic shareholdings are regularly evaluated from qualitative and quantitative aspects each year, and are reviewed by the Board of Directors.

As a result of the verification, the Company reduces, 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.

Strategic holdings of listed shares



Sales of strategic shareholdings



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

Note: During fiscal 2021, the Company sold all of its holdings in 13 stocks including Bridgestone Corporation and Lion Corporation. As a result, at the end of fiscal 2021, strategic shareholdings (including unlisted companies) amounted to 7% of consolidated net assets.