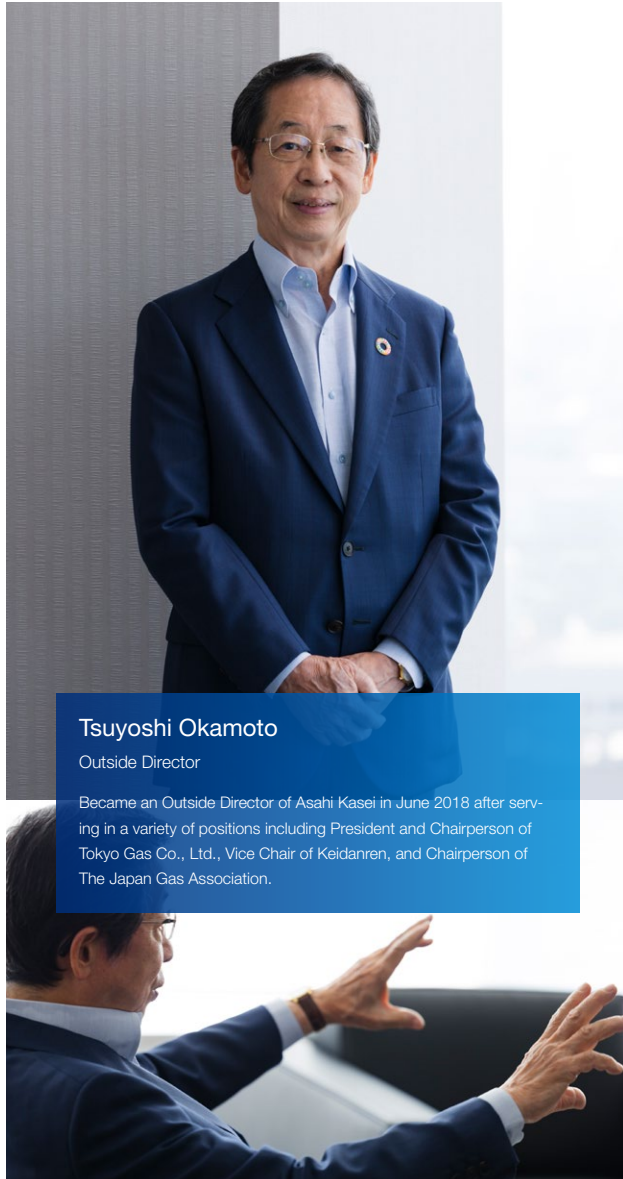


Message from an Outside Director



Tsuyoshi Okamoto

Outside Director

Became an Outside Director of Asahi Kasei in June 2018 after serving in a variety of positions including President and Chairperson of Tokyo Gas Co., Ltd., Vice Chair of Keidanren, and Chairperson of The Japan Gas Association.



Bolder and faster transformation needed for Asahi Kasei to reach its full potential

Asahi Kasei's Growth Potential

In the five years since becoming an Outside Director of Asahi Kasei in 2018, I have engaged in the supervision and advising of management. I have also served as Chair of the Remuneration Advisory Committee since fiscal 2018 and of the Nomination Advisory Committee since fiscal 2020. In my position as an Outside Director, I am acutely aware of the need to monitor whether risk management is sufficiently implemented as the company works to achieve global sustainable growth. The MTP unveiled by Asahi Kasei in April 2022 aims to realize the growth of businesses that contribute to global development. I believe that the role of Outside Directors is to offer useful advice on promoting the plan from a risk management perspective.

The technologies accumulated by Asahi Kasei since its founding are world class. No matter how much the business environment changes going forward, I am certain that the company can survive by refining its technological capabilities. It must also have the ability to adapt to change while transforming its operations with a focus on technology when navigating an era of volatility. Asahi Kasei, which has grown by transforming its business portfolio, undoubtedly has that ability. If it can leverage this strength, the company can turn the global issue of addressing carbon neutrality to its advantage. I am convinced that Asahi Kasei is richly endowed with the capabilities that companies need to navigate the coming era and achieve growth.

Energizing Human Resources and the Organization as the Key to Growth

I believe that people are a vital key to Asahi Kasei's growth. No matter how outstanding its technological capabilities, a company cannot fully utilize its strengths without the abilities and motivation of the people who use that technology. It is no exaggeration to say that a company's

strength is shaped by the collective motivation of its employees. In the MTP, Asahi Kasei set forth its policy of focusing investment in GG10-related businesses. However, senior management must also pay careful attention to employees working in roles that underpin businesses other than GG10, maintaining and enhancing their motivation through proper appraisal.

Meanwhile, the company must of course incorporate diversity to secure talented human resources. We have now entered an era in which Asahi Kasei would not be viable as a global company without ingraining diversity in its organization, to the extent that the company constitutes a harmonious whole in terms of everything from gender and nationality to age, career background, and workstyle. I understand that Asahi Kasei is more advanced than other companies, in that it proactively recruits mid-career hires and adopts a variety of systems designed to increase diversity, such as the Group Masters program. Nevertheless, without greater momentum for further diversity promotion, securing human resources to maintain and grow businesses will likely become more difficult.

Adopting a Bolder and Faster Approach to Business Portfolio Transformation

Measures implemented to evolve Asahi Kasei's business portfolio are gradually beginning to bear fruit. In particular, transformation of the Material sector's business portfolio is advancing steadily, including the transfer of the photomask pellicles business and the establishment of a joint venture for the spunbond nonwoven products business. A recent move by senior management for transforming the business portfolio that I rate highly is their decision regarding expansion of the separator business. The plan to expand the separator business in North America has been the subject of lively discussions since 2022, which resulted in the company scrutinizing

risk factors and pausing the plan to reexamine it. Deciding to apply the brakes to a project once it has gotten underway is easier said than done. Senior management's decision will set an excellent precedent for Asahi Kasei in examining investments going forward. The same can be said of the decision—made at the same time—to record an impairment loss on the goodwill and other intangible assets of Polypore. The fact that senior management agreed to a decision that entailed posting a consolidated loss demonstrates how serious they are about the separator business. I also applaud President Kudo's prudent judgment in personally addressing and explaining these decisions to the public.

In light of unparalleled changes in the external environment in recent years, Asahi Kasei must adopt a bolder and faster approach to business portfolio transformation. By fiscal 2024, the company will discuss further acceleration of reforms to implement structural transformation of businesses with net sales of more than ¥100 billion based on fiscal 2021, and finalize a policy for structural transformation of the approximately ¥600 billion petrochemical-related business with a view to carbon neutrality.

■ Capitalizing on the Unique Advantages of Three-Sector Management

Asahi Kasei has grown by adapting to change and transforming its operations with a focus on technology. However, I feel that aspects of its diversification are perceived negatively by the capital markets. The company currently has three sectors: Material, Homes, and Health Care. The essence of the matter is whether their respective corporate values are maximized under collective management or when operated as individual businesses. I have supervised management as an Outside Director of Asahi Kasei for five years. In that time, I have never felt that the three sectors should be managed individually or that it would be better to separate one and leave its management to another company. Asahi Kasei is more than capable of managing the three sectors, and in-depth discussions to that end also take place at meetings of the Board of Directors. The company pays careful attention to the operation of each sector, maintaining a firm grip on

management. If anything, the earning capabilities of each sector allow the Asahi Kasei Group to achieve stable earnings by diversifying risks. In addition, managing the three sectors has the benefit of enabling group-wide management of their intangible assets, including human resources. Owing to three-sector management, Asahi Kasei has the fundamental strength to drive forward structural transformation of its businesses. For example, one might say that it enabled the company to maintain a sound financial standing even after the recording of the aforementioned impairment loss on Polypore.

Meanwhile, I am convinced that Asahi Kasei's extensive technologies and intellectual property will be increasingly utilized across sectors group-wide, holding the key to the creation of synergies among businesses. Currently, Asahi Kasei is promoting initiatives for bolstering the areas of green (G), digital (D), and people (P) to strengthen its business platform and for maximizing the use of its strengthened intangible assets. Active discussions are taking place at meetings of the Board of Directors on what Asahi Kasei needs to do to make efficient use of its abundant intangible assets.

With the company enhancing management rationality and quality in these ways, I believe it is vital for Asahi Kasei to communicate its future growth potential to the capital markets, as well as steadily improve its business performance, in order to continuously enhance its corporate value going forward. The most effective form of communication with capital markets is messaging from senior management. I believe that Asahi Kasei's share price would be valued properly if the President took the lead in engaging with the capital markets to emphasize Asahi Kasei's strengths.

■ Improved Monitoring Functions for Corporate Governance

As initiatives aimed at strengthening Asahi Kasei's corporate governance make steady progress, I feel that its governance configuration has improved. In fiscal 2023, the company revised the composition of the Board of Directors, rearranging it to comprise the Chairman, President, and four Executive Officers responsible for corporate functions as Inside Directors and adding another Outside Director. With this revision, of the 10 Directors, the number of Executive

Officers and non-Executive Officers came to five each and the number of Inside Directors and Outside Directors came to six and four, respectively, including two female Outside Directors. The Board of Directors is currently transitioning from a management system, whereby it passes a resolution on each agenda item relating to business execution, to a monitoring system that monitors key subjects for Asahi Kasei on a company-wide basis. The latest revision to the membership of the Board of Directors strongly reflects the determination to transition to this system. My own view is that the Board of Directors should aim for a monitoring system, so I rate the revised composition highly.

Asahi Kasei has established the corporate governance configuration of a company with an Audit & Supervisory Board. In such a configuration, the Nomination Advisory Committee and the Remuneration Advisory Committee play important roles. Although fundamentally advisory—they have no authority under the Companies Act—the fact that these committees are voluntary enables flexible operation with open and meaningful discussions. For example, it has given the Remuneration Advisory Committee the authority to decide on performance-linked remuneration. I believe it is appropriate to maintain the current configuration for the time being while continuing to study the company's future governance structure.

