

Corporate Governance

Working to Strengthen Corporate Governance

Basic Policy

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.

Changes to Strengthen Corporate Governance (fiscal 2003–2020)



Changes to Strengthen Corporate Governance (fiscal 2021–2022)

2021

Introduction of Interim Reviews at Meetings of Independent Officers

In fiscal 2021, Asahi Kasei began holding interim reviews evaluating the effectiveness of the Board of Directors by arranging discussion meetings of Independent Officers attended solely by Outside Directors and Outside Audit & Supervisory Board Members to incorporate more objective viewpoints and enhance the effectiveness of the Board of Directors. At the meetings, participants discuss the role of the Board of Directors, the nature of explanations and deliberations at meetings of the Board of Directors, and ways to evaluate the effectiveness of the Board of Directors, from an objective standpoint to identify issues at the Board of Directors and steadily improve its effectiveness.

Improvement of Meeting Proceedings through Better Organization of Discussion Points

We standardized the organization of discussion points in materials for meetings of the Board of Directors, thereby promoting better deliberations and more efficient discussions during meetings, with a focus on priority discussion points.



2022

Revision of Remuneration System for Directors

Given that remuneration of Directors is a key constituent element of corporate governance, we revised the remuneration system for Directors to provide appropriate incentives for both those charged with business execution and those conducting oversight for the continuous growth of the Asahi Kasei Group and increased corporate value over the medium to long term. Specifically, we aligned indicators for the performance-linked remuneration of Directors with indicators in the MTP and linked stock-based remuneration with the level of achievement of non-financial indicators.

Introduction of Matters to Be Discussed in Relation to Important Management Matters

In addition to matters to be resolved and reported, Asahi Kasei introduced matters to be discussed in fiscal 2022 to enable more in-depth discussions at meetings of the Board of Directors. This move allows important management matters to be deliberated in greater detail.

Enhancement of the Setting of Agenda Items at Meetings of the Board of Directors

Asahi Kasei enhanced the setting of agenda items at meetings of the Board of Directors, taking into consideration the circumstances of businesses and social trends. The Board of Directors improves its oversight function by proactively taking up various issues for discussion, such as business portfolio management, reviews of major M&A and significant investments, and management risks in relation to economic security and the global supply chain.

Improvement of Management of Meeting Proceedings through Pre-Meeting Briefings

In fiscal 2022, we reduced the time spent on explaining materials at meetings of the Board of Directors by providing pre-meeting briefings to enhance the quality and ensure the efficient progress of discussions at the meetings.

Introduction of Surveys to Receive Feedback from Employees

In fiscal 2022, we began anonymous surveys for Executive Officers and employees (excluding Directors and Audit & Supervisory Board Members) who attend meetings of the Board of Directors to assist with proposals and reporting. We use the results of the surveys to gauge expectations of and issues facing the Board of Directors and make improvements.

Revision of the Composition of the Board of Directors

Asahi Kasei decided to revise the composition of the Board of Directors with Inside Directors focused on Executive Officers responsible for corporate functions and an increased number of Independent Outside Directors and female Directors.

Note: Please refer to the section pertaining to our corporate governance configuration on [page 85](#) for the ratio of independent members and female members among the Board of Directors and Audit & Supervisory Board in fiscal 2023.



Discussing Asahi Kasei's Corporate Governance: Interview with New Outside Director Chieko Matsuda

Q Viewed from the outside, what impressions do you have of Asahi Kasei's corporate governance configuration?

My connection with Asahi Kasei began in the early 2000s through discussions in my capacity as an analyst for a credit rating agency, and I subsequently had the opportunity to work with Asahi Kasei as a management consultant. Over this long relationship, I sense that Asahi Kasei has been focused on strengthening corporate governance these last few years in particular.

Japanese companies tend to adopt U.S. and European models of corporate governance when strengthening their governance. In my view, however, blindly imitating the U.S. and Europe will not lead to a fundamental strengthening of governance. In that respect, I have the impression that Asahi Kasei carefully considers its own way of governance, and improves it step by step.

Q What expectations do you have for Asahi Kasei at present?

While I personally have a fondness for diversified companies, I understand that unwarranted diversification is viewed negatively from an investor's perspective. I believe that companies with extensive business portfolios such as Asahi Kasei can offer a compelling explanation to investors by outlining the process and background to the reorganization and consolidation of their businesses as a story, from origins to the present. Honorary Fellow Dr. Akira Yoshino once gave me a firsthand explanation of the course of Asahi Kasei's businesses. I was very interested to hear about the origins and subsequent offshoots of businesses through his explanation, which was very persuasive. Given its wealth of such stories, I think that Asahi Kasei should put more emphasis on its own narrative.



Chieko Matsuda

Outside Director

Following roles at The Long-Term Credit Bank of Japan, Limited, Moody's Japan K.K., Corporate Directions, Inc., and Booz & Company, Inc., Chieko Matsuda teaches as a professor at Tokyo Metropolitan University's Faculty of Economics and Business Administration and its Graduate School of Management. She became an Outside Director of Asahi Kasei in June 2023.

Q In light of your experience and expertise, in what ways do you aim to contribute as an Outside Director?

There are three main ways I aim to contribute. The first is to offer opinions from an investor's perspective. In doing so, I will draw on my experience at a bank assessing the creditworthiness of companies, and my work as a securities analyst.

My perspective differs from that of those in charge of business execution due to our different standpoints, so our opinions may diverge from time to time. Nevertheless, I hope to play a part in enhancing the quality of management through discussions from multiple perspectives.

The second is to offer opinions on company-wide strategy. I am keen to engage proactively in discussions on business portfolio management in my capacity as a professor currently researching corporate management, primarily company-wide strategies.

The third is diversity. For a company such as Asahi Kasei, which is expected to spur innovation, ensuring task-oriented diversity in terms of career backgrounds and other roles, as well as of gender and nationality, is also crucial. I intend to make use of my position as someone who has had many career roles to share my views.

Q On what points do you intend to focus in supervising management as an Outside Director?

A key role of outside directors is to supervise management from the perspective of someone who can see things in a certain way precisely because they are on the outside. With that said, having a discussion would be impossible without knowing anything about a company's businesses. As an outside officer at other companies over the years, I have endeavored to develop my intuition by visiting many sites and plants, including overseas, for a firsthand sense of working environments and the mood of the people. Talking in person with frontline employees often brings business model issues to light, highlighting their essence from a management perspective. I hope to proactively visit Asahi Kasei's front lines and communicate in a similar manner.

To further enhance the monitoring capability of the Board of Directors, we decided to adjust the composition so that Inside Directors mainly comprise Executive Officers responsible for corporate functions.

We expect that each Director and Audit & Supervisory Board Member will demonstrate their knowledge, experience, and capabilities, and will accordingly carry out important decision-making of group management and appropriate supervision and auditing comprehensively from diverse perspectives.

Skill Matrix (configuration from June 27, 2023)

		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	★				★		★	★
	Kazushi Kuse				★	★	★	★	
	Toshiyasu Horie	★	★					★	
	Hiroki Ideguchi			★				★	★
	Masatsugu Kawase				★			★	
	Tsuneyoshi Tatsuoka	Independent		★		★		★	
	Tsuyoshi Okamoto	Independent	★	★				★	
	Yuko Maeda	Independent			★	★		★	
	Chieko Matsuda	Independent	★	★				★	
Audit & Supervisory Board Members	Yutaka Shibata		★	★				★	
	Takuya Magara				★			★	
	Akemi Mochizuki	Independent		★				★	
	Haruyuki Urata	Independent	★	★				★	
	Yoshikazu Ochiai	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 2022)

The Board of Directors of the Company conducts regular evaluations of its own effectiveness every fiscal year. The evaluation method and measures in fiscal 2022 and issues recognized for the future are as follows:

Effectiveness evaluation method

In the middle of the fiscal year, based on the previous fiscal year's evaluation as well as institutional investors' demands and capital market trends, the chair of the Board of Directors took the lead in examining the future direction of the Company's Board of Directors. Independent officer meetings, which were attended only by Outside Directors and Outside Audit & Supervisory Board Members, also conducted interim reviews on the effectiveness of the Board of Directors and exchanged opinions. Then, the Board of Directors discussed the matters to organize and categorize them into issues that require improvement within the current fiscal year and ones that require continuous consideration. After these steps, at the start of the new fiscal year, the Board of Directors again deliberated on the effectiveness of the Board of Directors, as well as checking the progress of improvement actions in the fiscal year.

Main measures implemented in fiscal 2022

The Board of Directors of the Company implemented the following measures in fiscal 2022 based on evaluation of the previous fiscal year.

(1) The composition of the Board of Directors

To keep a higher level of the Group management and supervision and auditing on the management in this discontinuous and uncertain business environment, we have discussed the composition of the Board of Directors considering the balance of its diversity and independence. We decided that the following rectifications will be made on the member composition to further enhance the monitoring capability of the Board of Directors and facilitate discussions in the Board of Directors:

- i. A rectification to ensure that Inside Directors are mainly composed of officers responsible for corporate departments
- ii. Increases in Independent Outside Directors and female Directors

(2) Receiving feedback from employees

Anonymous surveys were conducted for officers and employees (who are not Directors or Audit & Supervisory Board Members) who attended the Board of Directors meetings as assistants for proposing or reporting. The surveys are intended to know what expectations or issues the officers and employees have with the Board of Directors. The surveys found that employees and other staff generally recognize the value in deliberations by the Board of Directors from perspectives different from those of internal discussions. The survey also helped us identify issues with how to propose and report matters in the Board of Directors meetings with an awareness of differences from internal meetings, including the Management Council. These issues have led to the following improvements for facilitating meetings.

(3) Improvements for facilitating meetings

Starting from fiscal 2022, the agenda includes matters to be discussed in addition to matters to be resolved and reported, and a procedure is established for the Management Council meetings and other internal meetings to share their discussions with the Board of Directors. With such measures, the Board of Directors can discuss important management matters more deeply. In addition, the meetings of the Board of Directors provide a more concise explanation of materials while enabling outside officers to receive a preliminary explanation. The executive summary is utilized to organize discussion points. These improvements helped the Board of Directors have more effective discussions. Furthermore, a guidance document was created to clarify basic points so that meetings can be facilitated more effectively, considering the composition and role of the Board of Directors.

Issues recognized for the future

Based on measures implemented in fiscal 2022, the Board of Directors has confirmed a common awareness of the following issues for the future.

(1) Methods to evaluate the effectiveness of the Board of Directors

We continue to scrutinize evaluation methods with objective perspectives, such as working with third parties.

(2) The way that the Board of Directors should be

As our business environment is changing, we continuously pursue the ideal Board of Directors (in terms of independence, diversity, and organizational structure).

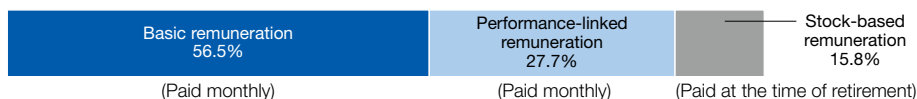
Officer Remuneration

Remuneration for Officers in fiscal 2022

The amount of remuneration, etc., of Directors and Audit & Supervisory Board Members in fiscal 2022

Classification	Amount Paid (Millions of Yen)	Breakdown by Remuneration Type (Millions of Yen)			Number of Directors and Audit & Supervisory Board Members Paid
		Basic Remuneration	Performance-linked Remuneration	Stock-based Remuneration	
Directors	528	379	95	54	11
of which, Outside Directors	53	53	—	—	3
Audit & Supervisory Board Members	154	154	—	—	6
of which, Outside Audit & Supervisory Board Members	53	53	—	—	4

Composition of remuneration for Executive Directors in fiscal 2022



• Performance-linked remuneration = commitment to results • Stock-based remuneration = perspective of shareholders
Note: Outside Directors receive basic remuneration only.

Remuneration for Directors

(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 Directors* 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.

* 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:

$$\text{Index calculated by evaluation}^1 \times \text{Basic amount by rank} = \text{Individual performance-linked remuneration amount}$$

¹ Coefficient comprehensively considering achievement of financial targets and non-financial targets

- Target figures / standard figures and actual figures of management indicators to be used for the calculation of performance-linked remuneration in fiscal 2022

	Fiscal 2022 Target Figure / Standard Figure	Fiscal 2022 Actual Figure
Consolidated net sales	¥2,731.0 billion	¥2,726.5 billion
Consolidated operating income	¥210.5 billion	¥128.4 billion
Consolidated ROIC ²	6.0%	4.0%

² (Operating income–income taxes) / average annual invested capital

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).
- The following table describes the status of the performance targets above, which are defined by the Board of Directors, for fiscal 2022.

Indicator	Indicator Calculation Method	Fiscal 2022 Target Figure / Standard Figure	Fiscal 2022 Actual Figure
Job satisfaction	Percentage of employees absent due to mental illness	0.80%	1.07%
DX	Total number of digital professionals	1,000	1,206
Diversity	Percentage of female employees working as managers and Group Masters	3.9%	3.8%

(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 above.

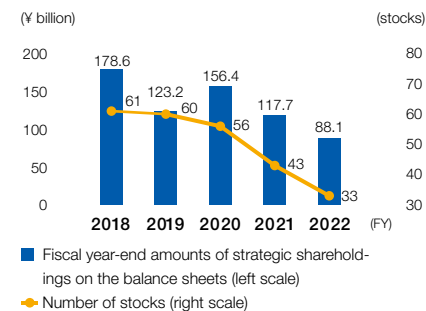
Strategic Shareholdings

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

