

Enhancing the effectiveness of the Board of Directors

Summary of evaluation of effectiveness of the Board of Directors

The Board of Directors of Asahi Kasei regularly evaluates its own effectiveness every fiscal year. In fiscal 2023, the Board of Directors used a third-party institution to conduct a more objective evaluation of the appropriateness and effectiveness of its initiatives to date. The evaluation enabled all attendees of Board of Directors meetings to share a clear recognition of the status of, and issues in relation to, the effectiveness of the Board of Directors, thereby further strengthening efforts to enhance its effectiveness. The Board of Directors will continue to use third-party institutions on a regular basis when evaluating its own effectiveness.

Major initiatives to date (past three fiscal years)

- Reviews of the composition of the Board of Directors and executive remuneration
- Efforts to improve the operation of the Board of Directors
- Other initiatives for cooperation and information sharing

Future initiatives

The Board of Directors defined issues to be addressed based on the analysis of the third-party institution and decided to conduct the following initiatives.

- (1) Maintain and enhance discussions from a medium-to-long-term perspective at meetings of the Board of Directors

Asahi Kasei promotes business portfolio management and the strengthening of its business foundations in accordance with its goal of achieving two mutually reinforcing aspects of sustainability—contributing to a sustainable society and achieving sustainable growth of corporate value. To ensure appropriate supervision of efforts toward realizing this goal, the Board of Directors will further enhance discussions of important management subjects, such as business portfolio transformation and management resource allocation, from the perspective of improving corporate value over the medium-to-long term. The company will also increase opportunities for dialogue at forums other than Board of Directors meetings to further strengthen discussions.

- (2) Enhance discussions at, and improve the operation of, meetings of the Board of Directors

To enhance discussions at meetings of the Board of Directors, we will examine ways to raise the level of deliberations at meetings of the Management Council, which conducts deliberations prior to Board of Directors meetings, while streamlining proceedings and increasing the efficiency of Board of Directors meetings. We will also enhance the provision of information to Outside Directors and Audit & Supervisory Board Members, and promote communication among them.

- (3) Continuously examine the composition of the Board of Directors

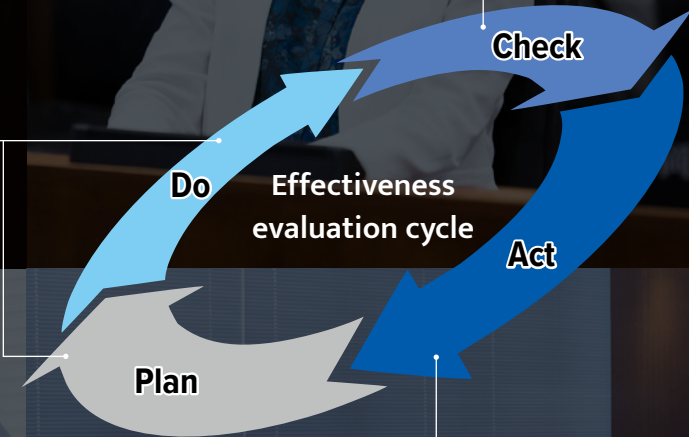
We will deepen discussion on the composition of the Board of Directors, continuously pursuing the optimal in the context of the company's management philosophy, management strategies, operating environment, and other considerations.

Evaluation process

- November 2023 to January 2024
- 1) Questionnaire administered to all Directors and Audit & Supervisory Board Members
- 2) Interviews of all Directors and Audit & Supervisory Board Members by the third-party institution based on questionnaire responses
- Topics: State of composition, operation, and discussions, and support system and provision of information for Outside Officers of the Board of Directors, the Nomination Advisory Committee, and the Remuneration Advisory Committee, etc.
- February 2024
- Discussion on the content of the report from the third-party institution
- March and April 2024
- Deliberations on the response to issues identified

Overview of evaluation results

- Points where the Board of Directors was confirmed as particularly effective
- Directors and Audit & Supervisory Board Members fulfill their roles and functions properly and engage in open and lively discussions under an appropriately composed Board of Directors.
 - The organization of discussion subjects and the key points of discussions at meetings of the Management Council are shared with the Board of Directors and are highly rated by Outside Directors and Audit & Supervisory Board Members.
 - The Chair of the Board of Directors is well-regarded as fulfilling his role appropriately. Outside Directors and Outside Audit & Supervisory Board Members contribute to substantive discussions based on their experience and expertise.
- Issues identified
- Amid business structure transformation and business portfolio transformation, there is room for improvement for further enhancing discussions at meetings of the Board of Directors on matters including management issues from a medium- to long-term perspective.
 - There is recognition of the importance of further raising the level of discussions by company executives and of sharing information prior to meetings of the Board of Directors.
 - There is a need to continuously examine the composition of the Board of Directors, giving consideration to aspects including the proportion of Outside Directors in the future, the role expected of Directors and Audit & Supervisory Board Members, and the size of the Board of Directors.



Views of Officers

In the latest effectiveness evaluation, multifaceted views were received, including from Outside Directors and Audit & Supervisory Board Members, on the company’s business portfolio transformation efforts, the composition of the Board of Directors, and the operation of Board of Directors meetings. Based on these views, the Board of Directors defined the issues that it faces and concluded that overall it is effective. Below are some of the views of Directors and Audit & Supervisory Board Members expressed in the effectiveness evaluation.

Discussions at meetings of the Board of Directors (business portfolio transformation)

Outside Director

Business portfolio transformation must be aligned with the changing times. In operating three-sectors with the same management, it is essential to consider what to focus on. We always think about the balance among the three sectors in accordance with the changing times.

Discontinuing businesses, by divestiture or closure, is an essential part of business portfolio transformation, but it can be hard for companies to decide to do so, partly due to emotional attachments. During discussions, if it seems better to discontinue a business, we should press for a decision. This is one role where Outside Directors can be of service, particularly when making hard decisions. It is vital to view matters from a different external perspective, with nothing off-limits.

Inside Director

The Board of Directors must engage in discussions incorporating the point of view of investors so that we can confidently explain regarding aspects that are inconsistent with management time frames.

Outside Director

The Board of Directors should thoroughly discuss key issues in the separator business, such as its

structure, and then focus on monitoring. This style is necessary in an era of dramatic change. Thorough monitoring is an important task of the Board of Directors.

With the new medium-term management plan to begin in fiscal 2025, discussions on what should be done in the separator business, for example, must incorporate perspectives not only on that business but also on what should be done in the Material sector and on the relationships of the separator business with other businesses. Individual projects should also be discussed in terms of their relationship with the overall business portfolio.

Inside Director

As the general direction of structural transformation has been decided and the actions to be taken have been clarified, all that is left now is to do what has been agreed upon. Meanwhile, the approach toward growth businesses will change, with the emphasis on cooperation with other businesses, rather than working separately. The Board of Directors must press on while proactively receiving views from Outside Directors and taking risks and opportunities in a well-balanced manner.

Composition of the Board of Directors (Director composition, proportion of Independent Outside Directors, etc.)

Outside Director

Outside Audit & Supervisory Board Member

The Nomination Advisory Committee discusses elements that require strengthening and other areas looking at the Board of Directors as a whole.

It is crucial to define the role expected of meetings of the Board of Directors. If the meetings are a venue for conducting discussions while offering critical viewpoints or adding new viewpoints

regarding proposals from company executives, then the number or proportion of Outside Directors is of little relevance.

Inside Director

I believe that the change in the composition of Inside Directors to comprise primarily Directors with corporate functions beginning in fiscal 2023 was an appropriate measure.

Operation of meetings of the Board of Directors (provision of information, determination of agendas, and discussions at forums other than meetings of the Board of Directors)

Outside Director

Outside Audit & Supervisory Board Member

A record of the discussions that took place at Management Council meetings is always included in the agenda items at meetings of the Board of Directors. The inclusion of such information makes the agenda items easier to understand and is a positive aspect.

At the start of the fiscal year, a list is made of the items to be discussed at Board of Directors meetings. It is helpful having this list to check what was discussed and what was not discussed.

It is important to discuss strategies and

individual projects based on a common understanding. In this light, it would be useful to have more opportunities for open discussion without taking minutes.

Inside Director

For Outside Directors to engage in discussions, they must fully understand the necessary information in a timely manner. It would be good to provide them explanations at unofficial forums. Although there are time restrictions, extra steps should be taken, such as providing explanations in the context of technology or regional circumstances.