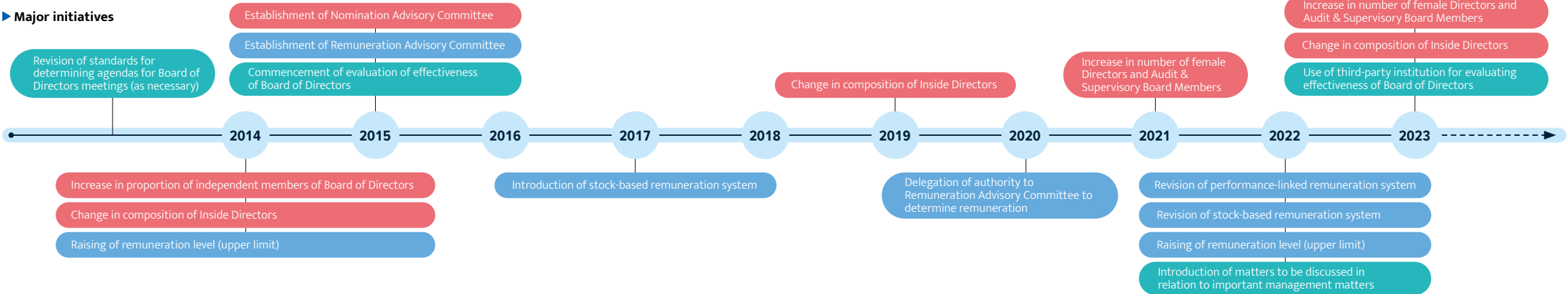


Recent history of changes in corporate governance

Asahi Kasei has continuously pursued the optimum form of corporate governance in accordance with changes in the operating environment. Over the past decade, we have worked as follows to revise the composition of the Board of Directors, the nomination of Officers, and the Officer remuneration system, and to refine and improve the operation of the Board of Directors.

Major initiatives



Composition of the Board of Directors and nomination of Officers

Asahi Kasei established the Nomination Advisory Committee to ensure transparency and objectivity in the nomination of Officers. Based on deliberations by the committee, the company is gradually increasing the independence of and the proportion of independent and female Directors and Audit & Supervisory Board Members to further enhance the monitoring function of the Board of Directors. At the same time, the company has revised the composition of Inside Directors from leaders of businesses to primarily Executive Officers responsible for corporate functions.

- Establishment of Nomination Advisory Committee (FY2015)
- Increase in proportion of Outside Directors (FY2014 and FY2023)
- Increase in number of female Directors and Audit & Supervisory Board Members (FY2021 and FY2023)
- Change in composition of Inside Directors (FY2014, FY2019, and FY2023)

Officer remuneration system

Asahi Kasei established the Remuneration Advisory Committee to ensure objectivity and transparency in the remuneration of Officers, also entrusting the determination of individual performance-linked remuneration to the committee. Based on deliberations by the committee, the company has revised its Officer remuneration system to one that is tied to management strategy. Meanwhile, the company introduced stock-based remuneration to clarify the linkage between its share price and the remuneration of Directors. It has also gradually raised the level of Officer remuneration.

- Establishment of Remuneration Advisory Committee (FY2015)
- Delegation of authority to Remuneration Advisory Committee to determine remuneration (FY2020)
- Revision of performance-linked remuneration system (FY2022)
- Introduction and revision of stock-based remuneration system (FY2017 and FY2022)
- Raising of remuneration level (upper limit) (FY2014 and FY2022)

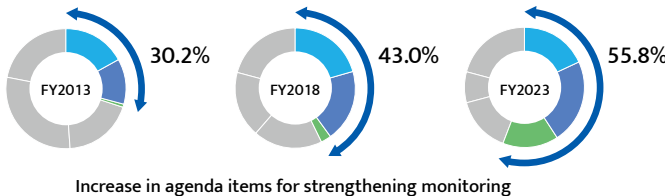
Operation of the Board of Directors

Asahi Kasei continuously revises the agenda of meetings of the Board of Directors, such as expanding deliberations on medium-to-long-term management issues and sharing details on communications with shareholders and investors in its investor and shareholder relations activities. At the same time, the company raises standards for determining agendas in relation to investment projects and other matters. Also, the company has introduced matters to be discussed, thereby enabling attendees of Board of Directors meetings to devote time to deepening discussions on important management matters. In the evaluation of the effectiveness of the Board of Directors, the company began using a third-party institution, further strengthening improvement initiatives aimed at enhancing the effectiveness of the Board of Directors. In addition, the company has continuously expanded the provision of information to Outside Directors and Audit & Supervisory Board Members, including providing them with pre-meeting briefings and inviting them to visit operating sites and attend in-house events, while creating opportunities for mutual cooperation among Outside Directors, Audit & Supervisory Board Members, and Independent Auditors.

- Revision of standards for determining agendas for Board of Directors meetings (as necessary)
- Introduction of matters to be discussed in relation to important management matters (FY2022)
- Evaluation of effectiveness of Board of Directors (FY2015 onward)
- Use of a third-party institution in evaluation of effectiveness of Board of Directors (FY2023 onward)
- Expansion in provision of information to Outside Directors and Audit & Supervisory Board Members (FY2015 onward)

History of agendas of meetings of the Board of Directors

- Business portfolio management, M&A, alliances
- Corporate governance
- Sustainability, risk management, intangible assets
- Regular agenda items, other matters



Where Asahi Kasei stands on the path to its future vision



Tsuyoshi Okamoto
Outside Director

Appropriate governance with a healthy tension

During the six years that I’ve been an Outside Director of Asahi Kasei, I always worked to help improve the effectiveness of the Board of Directors. Asahi Kasei has a broad range of operations in highly specialized fields. It can be difficult for outsiders to grasp how each project fits into the overall picture. All of the Outside Directors continue delving deeper in discussions at meetings of the Board of Directors until we are satisfied. There is a healthy tension between us and the company executives. I think that’s a sign of appropriately functioning governance.

One of the most memorable discussions in fiscal 2023 was on the Health Care sector—an extremely specialized field requiring deep expertise. Rick Packer, the Executive Officer for the sector, provided a general explanation on the growth strategy toward 2030. When we can clearly see the position of each project in the overall business portfolio, it’s possible to have a more rigorous discussion regarding profitability and risks. I believe we were able to have insightful discussions on the Calliditas acquisition as a result. As an Outside Director, I raised many questions

about this acquisition. Rather than just confirming its superficial effects, I wanted to make sure that the essence of the strategy was clear and well-defined. I also find it highly significant that the Board of Directors has frank and detailed discussions on how to set hurdle rates for major investment projects.

Another good example is when we reexamined the North American investment project for the separator business after a temporary pause. The Board of Directors carefully discussed the global situation, technological trends, market conditions, pros and cons of external alliances, different ways of financing, and the position of the project in Asahi Kasei’s envisioned future business portfolio. We spent some time getting explanations from the business unit before reaching a consensus and approving the plan. Sometimes the path to a conclusion is long and tortuous. But in this case as well, I believe that we benefited from the healthy tension between the Board of Directors and the managers of the business. It was through this process that the Board of Directors approved the first phase of the investment plan.

Wide-ranging discussions on three-sector management

While swift structural transformation of the Material sector is essential, how to do so considering that people are valuable assets is a serious challenge. The Board of Directors continues to closely monitor progress. This is one reason I find it highly meaningful to visit plants, research laboratories, and other facilities, and to attend technological presentations. Some of the facilities I’ve visited are subject to structural transformation. Even during a brief visit, listening to employees firsthand gives me a keen sense of the impact that structural transformation has on them. It makes me firmly aware that employees must not be forgotten as we examine how to proceed.

Moving forward, the Board of Directors will continue to have high-level discussions on three-sector management. In light of Asahi Kasei’s vision for the future, we will discuss how to reconcile each sector’s unique characteristics with Asahi Kasei’s uniform identity. Based on this, we will examine how the business portfolio should be.

Furthermore, while the Board of Directors has had extensive discussions on the best capital structure and appropriate shareholder returns in order to gain greater evaluation in the market, we must continue to further explore this issue.

Corporate Governance

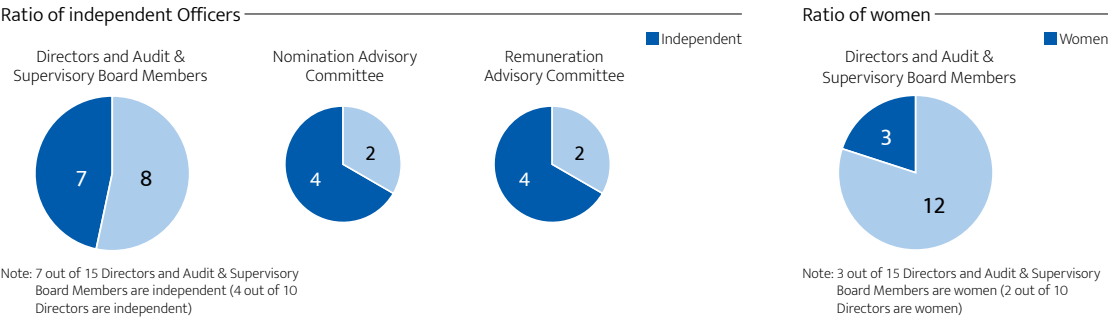
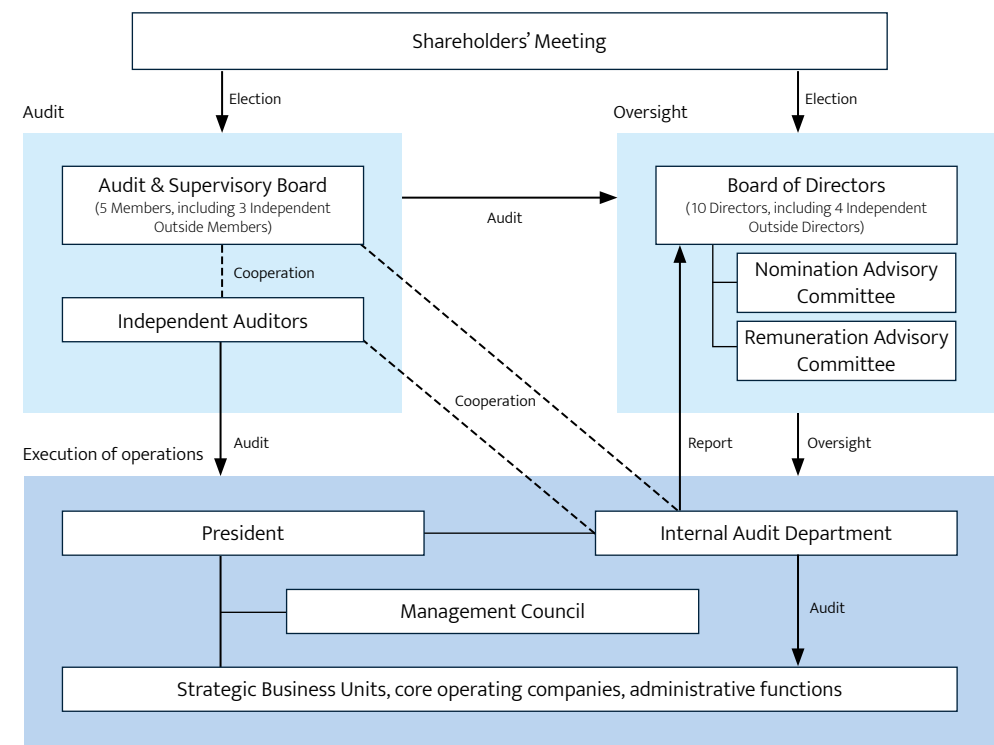
Overview of Corporate Governance

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.

Corporate governance configuration (as of June 25, 2024)



Status of activities in fiscal 2023

Meeting	No. of meetings held	Average attendance	Main agenda items
Board of Directors Chair: Hideki Kobori	15	100% (Directors and Audit & Supervisory Board Members)	<ul style="list-style-type: none">Medium-term management direction and business portfolioDeliberations, decisions, and follow-ups on major investments, M&A, and organizational restructuringInitiatives and disclosure on human capitalAddressing of Significant Group RisksEvaluation of effectiveness of the Board of DirectorsReports from Nomination Advisory Committee and Remuneration Advisory CommitteeAnnual management plan, quarterly and annual results, nomination of Officers
Nomination Advisory Committee Chair: Tsuyoshi Okamoto	6	100% (committee members)	<ul style="list-style-type: none">Confirmation of approach to composition and size of the Board of Directors, Director candidate nomination policy, criteria for independence of Outside Directors and Audit & Supervisory Board MembersDeliberations on requirements for selection of Director candidates and on specific Director candidatesSuccession plan for the PresidentNomination of Officers for fiscal 2024
Remuneration Advisory Committee Chair: Tsuyoshi Okamoto	4	100% (committee members)	<ul style="list-style-type: none">Review of level of Officer remunerationDeliberation and review of issues related to the Officer remuneration systemDecision on amounts of individual performance-linked remuneration
Audit & Supervisory Board Chair: Yutaka Shibata	20	100% (Audit & Supervisory Board Members)	<ul style="list-style-type: none">Exchanges of views on important risksExchanges of views on measures to improve effectiveness of the Board of Directors and the Audit & Supervisory BoardExchanges of views with Outside DirectorsInformation sharing and exchanges of views with the internal audit division, Corporate Auditors of subsidiaries, and Independent AuditorsRevision of audit standards for internal control systems

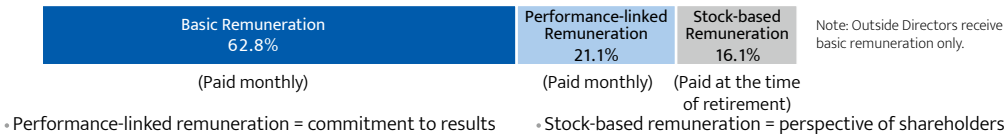
Officer remuneration

Remuneration for Officers in fiscal 2023

Amount of remuneration, etc., of Directors and Audit & Supervisory Board Members in fiscal 2023

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	601	452	85	65	12
of which, Outside Directors	68	68	—	—	4
Audit & Supervisory Board Members	158	158	—	—	7
of which, Outside Audit & Supervisory Board Members	54	54	—	—	4

Composition of remuneration for Executive Directors in fiscal 2023



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 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.

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 senior management, 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:

Index calculated by evaluation²

×

Basic amount by rank

=

Individual performance-linked remuneration amount

² 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 2023

	Fiscal 2023 Target Figure / Standard Figure	Fiscal 2023 Actual Figure
Consolidated net sales	¥2,865.0 billion	¥2,784.9 billion
Consolidated operating income	¥160.0 billion	¥140.7 billion
Consolidated ROIC ³	6.0%	5.9%

³ Consolidated ROIC = (operating income – income taxes) / average annual invested capital

Corporate Governance

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 stock-based remuneration system was adopted, and it was revised at the 131st Ordinary General Meeting of Shareholders held on June 24, 2022.
- 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 ranks and degree of achievement of performance targets (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 2023.

Indicator	Indicator calculation method	Fiscal 2023 target figure / standard figure	Fiscal 2023 actual figure
Job satisfaction	Percentage of employees with serious lifestyle-related illnesses	0.70%	1.16%
DX	Number of digital professional human resources	1,750	1,728
Diversity	Percentage of women in the total number of managers and Group Masters	4.4%	4.4%

(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.

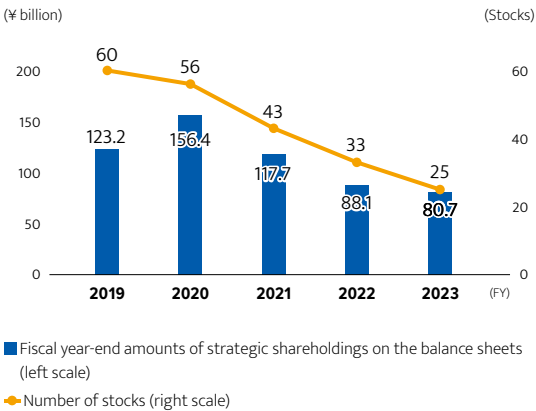
Strategic shareholdings

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.

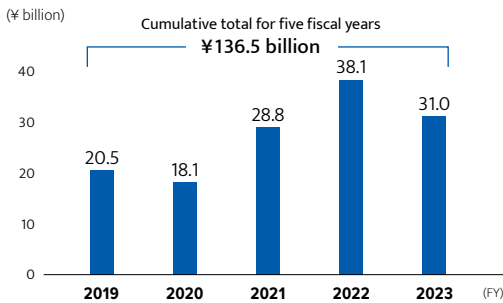
The purpose, effectiveness, and economic rationale of individual strategic shareholdings are regularly evaluated from qualitative and quantitative aspects each year and are reviewed by the Board of Directors.

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



Message from New Outside Director Yoshinori Yamashita, Outside Director



Yoshinori Yamashita
Outside Director

After graduating from the School of Engineering at Hiroshima University in 1980, Mr. Yamashita joined Ricoh Company, Ltd. in the same year. He served as the president and CEO for six years from April 2017, becoming chairperson in April 2023. Currently also serving as the co-chair of the Japan Climate Leaders’ Partnership, Mr. Yamashita became an Outside Director of Asahi Kasei in June 2024.

Q What is your current impression of Asahi Kasei?

I joined Ricoh in 1980 and now serve as its chairperson. I feel a strong affinity with Asahi Kasei for the circumstances it faces in that both Ricoh and Asahi Kasei are manufacturers, and both must make major changes to achieve future growth. In terms of my impression, looking first at R&D, I have long recognized that Asahi Kasei prides itself on its strong technological capabilities, which are underpinned by its accumulated research, including the achievements of Honorary Fellow Dr. Akira Yoshino. Second, with a portion of the businesses in its three major sectors engaged in B2C activities, I think that it has a well-balanced portfolio, in the sense that these businesses allow Asahi Kasei to have direct contact with end users.

Meanwhile, businesses in the Material sector are facing challenging circumstances. It is my hope that Asahi Kasei will embrace business portfolio transformation positively, navigating challenges while evolving by carefully identifying a path

for transitioning to sustainable businesses. I expect that the major decisions made in the separator business in April 2024 will prove to be a significant turning point for the business. As for the current MTP, I believe that adopting the 10 Growth Gears (GG10) businesses to drive future growth and communicating this to all employees will effectively enable the Asahi Kasei Group to work as one with the aim of achieving continued growth. I am keen for Asahi Kasei to better clarify the relevance of the MTP and short-term business plans to its vision so that it achieves further growth.

I have the impression that Asahi Kasei is firmly strengthening its corporate governance—such as the composition of the Board of Directors and evaluations of its effectiveness, as well as dialogue with shareholders and investors—at an increasing pace. As I must deepen my understanding of Asahi Kasei as an Outside Director to further enhance these efforts, I aim to communicate proactively with employees working on the front lines.

Q Given your experience, how do you aim to contribute as an Outside Director?

At meetings of the Board of Directors, I will offer opinions that draw on my experience of managing a company and my experience of activities that help address social issues, including those in relation to the global environment, which I view as my lifework.

There are two places that could be said to be the basis of my life. One is Telford in the United Kingdom, where I was stationed for seven years from the age of 36, and the other is Daichuji, a temple in Numazu, Shizuoka Prefecture, which I visited for Zen meditation training.

In the United Kingdom, I had many experiences where what I had previously thought was conventional felt as if it was unconventional, with discontinuous events occurring almost daily. Since realizing that my definition of what is usual exists only within myself, I have set great value on approaching matters from unusual, discontinuous, and unconventional perspectives. Daichuji represents the starting point of my lifelong journey in pursuit of excellence. In my encounters with various leading people, I act with an awareness that I must constantly improve myself as an individual.

Based on these beliefs, I am keen for Asahi Kasei to be a company where employees can pursue the essence of their daily work and discuss their work in their own words. When employees are able to ask questions of themselves—including about the kind of lives they want to lead, the kind of society they want to see to enable them to lead such lives, what Asahi Kasei can offer to such a society, and the purpose of their daily work—and to express their answers in their own words, they will be able to take pride in their work and engage in it autonomously. The actions of every employee create value that contributes to life and living for people around the world, which is the Group Mission of Asahi Kasei. To put it another way, Asahi Kasei will not be able to create value that contributes to life and living unless every employee takes pleasure and satisfaction in their work.

Going forward, I will seek to further deepen my understanding of Asahi Kasei. With a focus on management approaches from unusual, discontinuous, and unconventional perspectives, I am committed to offering opinions that will enable Asahi Kasei to take a further step toward realizing its vision for the world.