

## Q6

# How is your governance evolving along with business portfolio transformation?

## Answer

We are stimulating discussions at Board of Directors meetings regarding business portfolio transformation, including both growth investments and structural transformation, as well as substantive discussions on sustainable growth of corporate value.



Hibiya Head Office

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## Special Feature

Discussion between Outside Directors and institutional investors

# Tense yet constructive discussions at the Board of Directors support bold initiatives

To address investors' questions on Asahi Kasei's three-sector management, what drives or impedes growth, and the P/B ratio, a discussion was held between institutional investors and Outside Directors, facilitated by Mikiya Yamada, Senior Analyst at Mizuho Securities Co., Ltd.

(held on May 27, 2025)



**Tsuyoshi Okamoto**  
Outside Director

**Yuko Maeda**  
Outside Director

**Chieko Matsuda**  
Outside Director

**Yoshinori Yamashita**  
Outside Director

**Mikiya Yamada**  
Senior Analyst, Equity Research  
Mizuho Securities Co., Ltd.

### Yamada:

I'd like to begin by asking about three-sector management, which investors often question. **The three sectors of Healthcare, Homes, and Material have different risk profiles, and their stakeholders and investment horizons vary significantly. Why do you have three-sector management? How can synergies be created that outweigh the typical market undervaluation of a diversified company, and how can shareholder benefits be maximized? We would like to hear the Outside Directors' views, after brief self-introductions.**

**Okamoto** It has been seven years since I became an Outside Director of Asahi Kasei. I served as an executive at Tokyo Gas Co., Ltd. for approximately 20 years. During this time, I gained extensive experience as the company expanded from a city gas provider to a broader energy supplier, with its business footprint extending globally. I also served as an executive at Keidanren (Japan Business

Federation) for six years, during which I made recommendations across a wide range of areas. Asahi Kasei has significant potential, and active discussions are taking place at the Board of Directors. I hope to contribute to realizing this potential through ongoing efforts.

Regarding your question, I would like to begin by noting that these three sectors were not created through acquisitions. Asahi Kasei began with its chemical and fiber businesses and has gradually expanded into various fields, transforming its portfolio in response to changing market conditions. In other words, the company did not set out to manage three sectors from the start. Rather, in pursuit of an optimal business portfolio, it has continually divested low-growth areas and focused investments on higher-growth fields, which has resulted in the current three-sector structure. Accordingly, in the future the company may have 2.5 sectors, or perhaps 3.5. I view this as a result rather than a deliberate plan.

The three sectors share a common corporate culture. In addition, the management platform is shared, including financial resources, human resources, and brand, enabling each of the sectors to pursue the optimal approach for its business. This shared

corporate culture and management platform form the core ecosystem that supports Asahi Kasei's three-sector structure. However, investors may not fully appreciate this structure and the value it provides. The Board of Directors is naturally not satisfied with the P/B ratio being below 1, and it recognizes that the only way to gain investors' confidence is to improve corporate value as quickly as possible. If there are concerns that dividing the company into three sectors and attempting to manage them as a single entity might be undermining corporate value, I would like to state clearly that this is not the case. Having served as an Outside Director for the past seven years, I am confident in this.

**Maeda** After conducting research on polymers at university, I joined Bridgestone Corporation, where I was involved in bringing lithium-ion batteries using conductive polymers to market. I subsequently served as an executive responsible for intellectual property and environmental matters. In addition, I serve as a board member at a university and as a member of a government advisory committee. Having consistently worked in manufacturing and drawing on my experience as an executive, I hope to monitor Asahi

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Kasei in a way that contributes to enhancing its corporate value.

Regarding three-sector management, from the perspective of my expertise, I believe that leveraging the advanced technological capabilities of the Material sector presents further opportunities for business expansion in the medical field. On the other hand, a challenge is that the ingrained mindset of a materials manufacturer—focusing on delivering exactly what customers request—remains strong. Refining the sales approach can further enhance product value. Specifically, from a pricing perspective in the Healthcare and Homes sectors, negotiations should emphasize not only faithfully delivering products but also ensuring that customers understand the value the company provides. Although cross-group transfers and personnel exchanges are already in place, I believe that incorporating knowledge from different fields and adjusting the sales approach could more effectively realize the benefits of three-sector management.

**Matsuda** I was responsible for corporate analysis at The Long-Term Credit Bank of Japan, Ltd. and Moody's Japan K.K., and later moved to a consulting firm, where I mainly worked on corporate strategy, financial strategy, and strengthening corporate functions. I am currently conducting research at a university on corporate strategy, corporate governance, and financial strategy, with the aim of consolidating these experiences. I actively participate in Board of Directors discussions, leveraging my research on company-wide strategy and business portfolio management.

In response to your question, I feel that the term “three-sector management” may be somewhat overemphasized. The company was previously centered on chemical and fiber businesses. Since focusing solely on the Material sector offered limited future growth, the development of new businesses has led to growth in the Homes and Healthcare sectors. I understand that the term “three-sector management” was deliberately used to signal the company’s intent to develop new businesses at a time when the Material sector was overwhelmingly dominant. In fact, reviewing the company’s history, the three sectors share a strong common foundation, from which they have effectively branched to the present day. To use an analogy, it may be helpful to think of it as a single amoeba that grows and spreads gradually through cell proliferation.

**Yamashita** After joining Ricoh Company, Ltd., I spent about 30 years gaining experience in manufacturing, procurement, and development at domestic and international sites. I then worked in corporate planning, and from 2017, I served as president for six years. From that experience, I recognize that setting a medium- to long-term direction is extremely important in management. Human capital is the driving force behind progress in that direction. I believe that corporate value, including innovation and social contribution, cannot be realized unless employees are able to work with energy and engagement. I also serve as co-chair of the Japan Climate Leaders’ Partnership (JCLP), a corporate group aiming to realize a sustainable carbon-free society, and I hope to make contributions on environmental management as well. I feel that the company’s Board of Directors fosters an open environment where members can express their views freely. I leverage my experience to help keep discussions constructive at all times.

Before joining the Board of Directors, I had some concerns about whether governance was effective and the three sectors were truly managed in an integrated way. However, after visiting sites in person, I am impressed that this is largely the case. As Maeda noted earlier regarding cross-sector transfers and personnel exchanges, I observed at the Healthcare sites that many employees from the Material sector are actively working there. Cross-industry exchanges are often said to spark “chemical reactions” that give rise to new businesses. Between separate companies, underlying corporate cultures can sometimes hinder

this process, making it difficult to create and develop something new. At Asahi Kasei, however, the sectors share the same culture, making it easier to rotate personnel with diverse ideas and experiences and likely fostering these “chemical reactions.” I also believe that what is commonly referred to as innovation through inter-company collaboration may be occurring within the Asahi Kasei Group. This is still a hypothesis, and I hope to verify it going forward. Moreover, although the foundational technologies, production know-how, and digital infrastructure across the three sectors are highly advanced, I intend to examine whether they are being utilized effectively in each sector. Recently, I visited the production line of Planova™ virus-removal filters in Nobeoka City, Miyazaki Prefecture, and observed that it uses the same yarn as Bemberg™ cupro fiber, a major product of the Material sector. The construction materials for Hebel Haus™ also come from the Material sector, and there are many connections in technology and products that span across sectors. I plan to examine these synergies further.

### Investor

**I recognize that Asahi Kasei attracts highly talented individuals even within the chemical industry, but there are specialized companies in each business that have higher growth potential. From your perspective, what is necessary for further growth, and what factors are currently hindering it?**



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**Okamoto** Regarding the Material sector, in hindsight the company focused too heavily on petrochemical-related chemical businesses and should have pursued structural transformation sooner. In addition, the separator business likely faces major challenges. Polypore, which produces dry-process separator for lithium-ion batteries, resulted in an impairment loss after its initial automotive market strategy failed to materialize. Currently, Asahi Kasei is reviewing each business in the Material sector from the perspective of ROIC, taking steps to streamline some and expand others as appropriate. The Board of Directors is reviewing several cases involving decisions to discontinue, divest, or find a more suitable owner. Despite numerous constraints, Asahi Kasei is working to pursue structural transformation in its petrochemical chain-related businesses. This has long been one of the top priorities of the Board of Directors. We receive explanations from management from early stages, and repeatedly ask whether it could be implemented more quickly and boldly. Efforts are progressing in this area, and I am confident they will deliver results. In the Homes sector, amid declining housing starts in Japan, the strategy of focusing on higher-end order-built homes is well targeted and has been steadily generating income. The sector's overseas expansion has leveraged insights from risk management and business development in the Material and Healthcare sectors, especially in post-merger integration (PMI), drawing on lessons learned across the company. As a result, both the Australian and North American homes businesses have achieved steady growth.

**Q**  
**Investor**

The underlying concern behind the question on growth constraints is that headquarters' resource allocation may not be functioning effectively, and funds may be siloed. If there is room for improvement, how should this be addressed?

**Matsuda** Resource allocation is a key topic for the Board of Directors, with considerable time spent discussing ways to improve ROIC. I do not feel that management or the headquarters' resource allocation function is not working

effectively. Decisions on where to direct investments, including major M&A, are made with the aim of optimizing the company overall. If the organization were siloed, such discussions would not be possible. Areas that do not support the target ROIC need prompt improvement, yet investments are seen as seeding future growth. Human resources are being appropriately allocated, with potential for more strategic initiatives.

**Yamashita** As the newest of the Outside Directors here, I see two areas for improvement. The first is speed. As Matsuda noted, timing is critical for investments, but in cases of divestment or sale, there is often a natural leniency toward the business involved. In these situations, a rational, planned approach is necessary to avoid missing the timing. Accordingly, management has recently proposed empowering each leader in the three sectors to increase the speed of execution. At the same time, the corporate divisions are working on various measures to streamline their size and enhance their functions. The second area is ensuring that all employees are fully aware of ROIC. Even with first-class technology and a solid management foundation, if all employees do not understand the profit structure and how their work contributes to earnings, the results achieved fall short of the potential, which is a significant missed opportunity. Enhancing human capital depends heavily on raising employee awareness. It is not enough to invest in human resources; I believe each employee also needs to be aware of how their work generates earnings.

**Q**  
**Investor**

What do you see as the challenges in improving ROIC, and what specific measures are needed?

**Matsuda** A key challenge, as discussed earlier, is the incomplete implementation of structural transformation. I believe it is increasingly crucial to determine the timing of returns on past capital investments, including M&A. The Board of Directors frequently discusses how to achieve results from growth investments and structural transformation.

**Yamashita** Personally, whether it is an investment or a divestment,



I place great importance on adhering to the original plan. The company's projects are sizable and span extended periods. For instance, the North American investment in the Hipore™ business coincided with a change in the U.S. administration, which led to rapid changes in the external environment. While the Board of Directors regularly discusses the latest developments, attention can sometimes shift more toward responding to ongoing environmental changes than toward the initial investment objectives and intended sources of income. The focus should be on steadily advancing large-scale, long-term projects, rather than being swayed by major environmental changes. I plan to enhance monitoring, mindful that this is how Asahi Kasei has consistently remained competitive.

**Q**  
**Investor**

While I agree that strengthening monitoring is essential, the three sectors encompass 10 main businesses with varying characteristics. Have you considered adopting a committee-based governance structure to reinforce monitoring?

**Okamoto** Although the governance structure is periodically assessed for effectiveness, I do not believe that the functioning, decision-making, or monitoring of the Board of Directors are directly dependent on its structure. While a company with a

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nominating committee differs in structure from one like Asahi Kasei's with an Audit & Supervisory Board, what is discussed at the Board of Directors depends on each company's approach and operation of its Board of Directors. I believe the essential duties are the same, regardless of the committee structure.

To illustrate the monitoring function of the Board of Directors, I will explain how the North American separator investment was discussed. The Board of Directors first considered this matter in fiscal 2022. The discussion began with examining why the fiscal 2015 Polypore acquisition had not gone as planned. Having identified the causes, we then discussed the future direction of the separator business. While the Board of Directors agreed that expanding in North America, with its substantial business opportunities, was a promising investment amid EV market growth, it held thorough discussions on how to respond to potential changes in U.S. EV policies. As a result, considering various future risks, the Board of Directors concluded that the investment should not proceed under the proposed scale, pace, or structure, and the matter was temporarily withdrawn from the agenda. Subsequently, toward the end of 2023, management presented a highly refined proposal. The Board of Directors conducted a thorough review, considering not only demand forecast accuracy and production costs, but also the potential involvement of Development Bank of Japan Inc. as a capital partner. In addition, the Board of Directors held extensive discussions on risk management and hurdle rates from multiple perspectives. While management initially wanted to carry the investment plan through all three phases, the Board of Directors insisted that Phase 1's success should not depend on Phases 2 and 3. We requested that Phase 1 be evaluated independently to show results and secure adequate returns, even amid changing external conditions. This likely created significant pressure for management, who may have questioned whether such close oversight was warranted.

Nonetheless, I think this process fostered a healthy tension between the Board of Directors and management, which ultimately built a strong trust-based relationship. In April 2024, the Board of Directors approved the Phase 1 plant investment plan, considering the potential impact of a change in the U.S. administration. That said, I must acknowledge that we could not have fully foreseen the current tariffs or the recent sharp decline in EV demand. Even so,

the current outlook is that Phase 1 of the investment plan will achieve results above the initially anticipated hurdle rate. I consider this to be an example of the Board of Directors functioning effectively in practice.

**Matsuda** Current academic research does not indicate that formal differences in governance structure affect performance. The critical factor is the quality of management at each company. Asahi Kasei has an Audit & Supervisory Board system and ensures relatively effective governance through careful selection of Audit & Supervisory Board Members, criteria for matters submitted to the Board of Directors, and the delegation of authority, thereby achieving a substantive separation of oversight and execution that functions effectively. Since minor matters are not submitted to the Board of Directors, its time is dedicated to discussions on management strategy, the business portfolio, and major investment projects.

**Maeda** As Outside Directors, we pressed management with detailed questions regarding the North American investment in the separator business, and rigorously examined how to mitigate risks. Concerning the governance structure, the Outside Audit & Supervisory Board Members, who have diverse backgrounds including former CFOs, thoroughly monitor risks. I do not see any problem with this system.

**Investor**  
As Outside Directors, how do you perceive the current P/B ratio of less than 1, and what actions do you anticipate implementing in response?

**Matsuda** I feel a strong sense of responsibility regarding the P/B ratio being below 1. In the recent revision of the director compensation system, there was a shared recognition of the need to enhance the stock price. Consequently, total shareholder return (TSR) relative to stock price index growth was incorporated as a performance-linked metric for stock-based remuneration. I also believe that, to increase the stock price, it is essential to effectively convey to investors the vision of the Board of Directors for the company's future. Although structural



transformation is discussed at the Board of Directors, it must be executed quickly and firmly, and we intend to monitor its progress more closely than ever.

**Yamashita** As Outside Directors, of course we are not satisfied with a P/B ratio below 1. Acting on behalf of shareholders, we are committed to exercising strong governance to enhance corporate value. Although the company has significant intangible assets, it's a challenge to clearly explain their connection to earnings and corporate value. We are determined to address this and communicate these correlations to investors to support value creation. Having served as an Outside Director for one year, I recognize that while Asahi Kasei is a "good company," I want to help make it a "strong company" as well. When each employee can articulate in their own words how their work contributes to society, individual growth and the company's growth will progress hand in hand. I define this as a "strong company" in the eyes of society, where the determination of each employee supports the overall strength of the organization. To enhance the effectiveness of monitoring by the Board of Directors, I believe it will become increasingly important to gradually expand opportunities for communication with employees and to share with shareholders and investors the matters discussed at the Board of Directors.

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## Corporate Governance

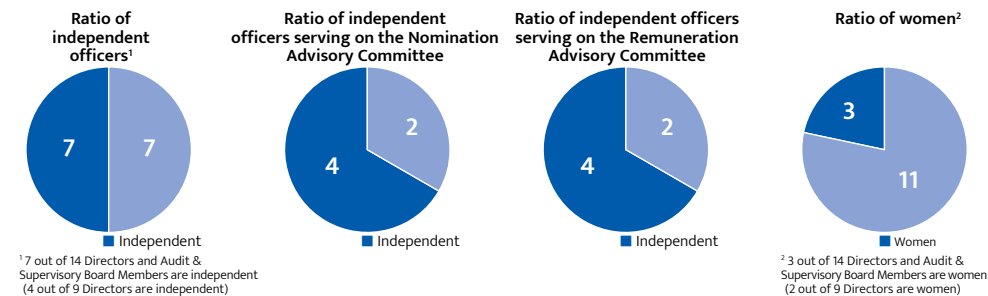
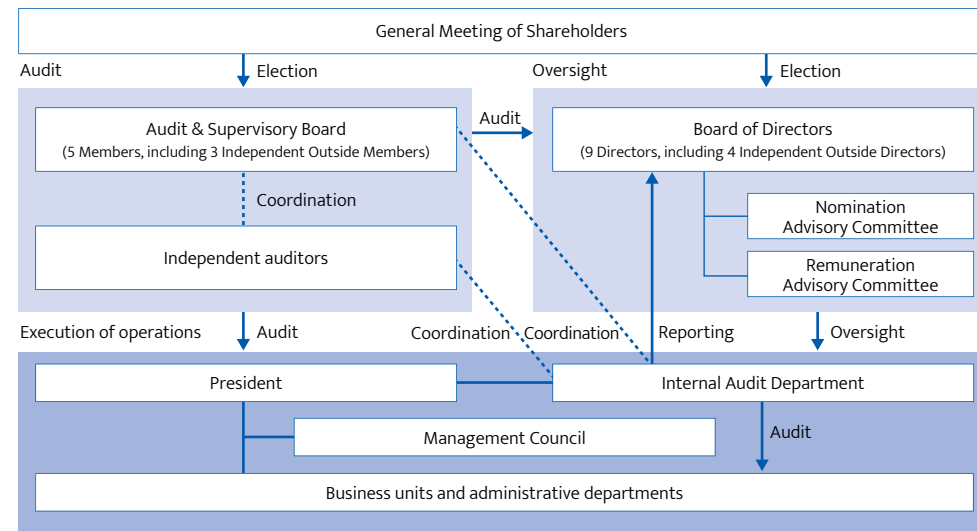
### Corporate governance configuration supporting corporate value creation

#### 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 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, 2025)



#### Policy for nominating candidates for Director and Audit & Supervisory Board Member

The Company selects candidates for Director who have the knowledge and ability to be a Director. Candidates for Inside Director are selected from individuals who are considered to have specialized knowledge, experience, and abilities in their respective fields. On the other hand, with regard to Outside Directors, the Company expects them to oversee management objectively based on their deep insight. Therefore, these candidates are selected from a wide range of suitable individuals with extensive experience, including business managers, academics, and former government officials.

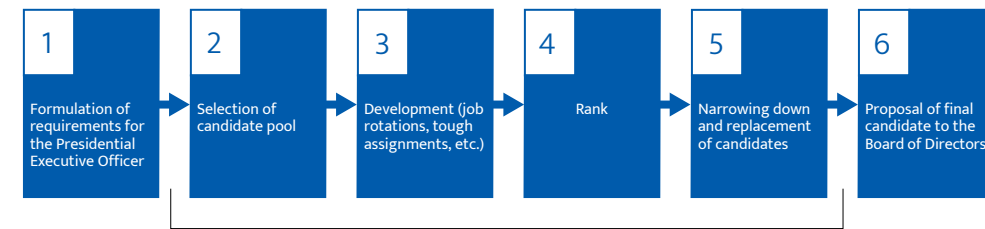
When selecting candidates for Audit & Supervisory Board Member, candidates must have the knowledge and skills appropriate for the position, and the selection must be approved by the Audit & Supervisory Board. The Company also ensures that at least one member has knowledge of finance and accounting.

#### Succession Planning

##### 1. Succession Plan for the Presidential Executive Officer

At the Company, the current Presidential Executive Officer and the Nomination Advisory Committee work together to formulate a succession plan and select successor candidates. The Nomination Advisory Committee is chaired by an independent Outside Director, and a majority of its members are also independent Outside Directors. The committee regularly deliberates the progress of the succession plan, placing emphasis on the objective perspectives of the Outside Directors. When selecting successor candidates, the Board of Directors respects the opinions of the Nomination Advisory Committee to the greatest extent possible.

##### 2. Selection process for candidates for Presidential Executive Officer



After repeatedly implementing steps 2 to 5 while listening to the opinions of the Nomination Advisory Committee, the final candidate is proposed to the Board of Directors.

##### 3. Requirements for the Presidential Executive Officer

In addition to qualities such as fairness, creativity, decision-making and execution, mental fortitude, and communication skills, candidates must also have significant work experience in company-wide management organizations, global business, and accomplishing tough assignments.

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Corporate Governance

# Introduction of Directors and Audit & Supervisory Board Members: A diverse Board of Directors with different experiences and expertise

Directors

Outside Outside Director Independent Independent Officer

For detailed professional experience, please refer to [our website](#).

Name	Term of office	Attendance in FY2024 (Number of meetings attended/ Total number of meetings)			Areas of experience and expertise (skills)										Reason for appointment	Notable concurrent offices		
		Board of Directors	Nomination Advisory Committee	Remuneration Advisory Committee	Corporate Management (experience as president of a listed company)	Management Strategy and Organizational Operations	Finance and Accounting	Sustainability	Global Business	R&D, Innovation, and DX	Manufacturing and Quality Assurance	Human Resources and DE&I	Legal Affairs and Risk Management					
 <b>Hideki Kobori</b> Chairman & Director (Date of birth: February 2, 1955)	13 years	15/15 (Chair) (Non-executive)	8/8	6/6	●												After many years of experience in the electronics business, he assumed a role of executive officer responsible for management strategy, finance and accounting, and internal control for the entire Group in April 2012. In April 2016, he assumed the role of President and Director of the Company. Since April 2022, he has served as Chairman & Director of the Company. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as a Director.	Outside Director, Nomura Research Institute, Ltd. Outside Director, Seiko Group Corporation External Director, Japan Investment Corporation
 <b>Koshiro Kudo</b> President & Representative Director Presidential Executive Officer (Date of birth: June 5, 1959)	4 years	15/15	8/8	6/6	●												After many years of experience in the fiber business, he assumed the role of executive officer responsible for management strategy, finance and accounting, and internal control for the entire Group in April 2021. Since April 2022, he has served as President and Director of the Company. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as a Director.	
 <b>Kazushi Kuse</b> Director Vice-Presidential Executive Officer (Date of birth: September 15, 1959)	3 years	15/15	—	—					●	●				●			He has extensive experience at IBM and IBM Japan in the R&D, engineering management, digital, and other fields, as well as at a global level. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as a Director.	
 <b>Toshiyasu Horie</b> Representative Director Primary Executive Officer (Date of birth: December 30, 1962)	3 years	15/15	—	—		●	●	●	●								After many years of experience in the petrochemicals business, since April 2022, he has been responsible for management strategy and finance and accounting for the Group as a whole. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as a Director.	
 <b>Masatsugu Kawase</b> Director Primary Executive Officer (Date of birth: March 9, 1965)	2 years	15/15	—	—					●	●							After many years of experience in process development and manufacturing of the petrochemicals business, he has been responsible for ESH, QA, regional offices, manufacturing, production technology, health and productivity management, energy policy, and carbon neutrality since April 2022. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as a Director.	
<span style="background-color: #00A651; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span>  <b>Tsuyoshi Okamoto</b> Director (Date of birth: September 23, 1947)	7 years	15/15	8/8 (Chair)	6/6	●												He has rich experience as a corporate executive. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as an Outside Director.	Honorary Counselor, Tokyo Gas Co., Ltd. Outside Director, Mitsubishi Estate Co., Ltd.
<span style="background-color: #00A651; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span>  <b>Yuko Maeda</b> Director (Date of birth: July 26, 1960)	4 years	15/15	8/8	6/6					●	●	●	●					She has rich experience as an engineer in industry, academia and government. Based on the experience and knowledge she gained through her career, we expect her to play a full role in deciding important matters and supervising the business execution of the Group as an Outside Director.	Director, CellBank Corp. External Director, MODEC, Inc.
<span style="background-color: #00A651; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span>  <b>Chieko Matsuda</b> Director (Date of birth: November 18, 1964)	2 years	15/15	8/8	6/6		●	●	●							●		She has been involved in financial and capital market businesses as well as management consulting businesses and research on corporate and financial strategy for many years. Based on the experience and knowledge she gained through her career, we expect her to play a full role in deciding important matters and supervising the business execution of the Group as an Outside Director.	Professor, Faculty of Economics and Business Administration, Tokyo Metropolitan University Professor, Graduate School of Management, Tokyo Metropolitan University Outside Director, IHI Corporation Outside Member of the Board, Toyota Tsusho Corporation External Director, Isetan Mitsukoshi Holdings Ltd.
<span style="background-color: #00A651; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span>  <b>Yoshinori Yamashita</b> Director (Date of birth: August 22, 1957)	1 year	11/11	7/7	5/5 (Chair)	●												He has rich experience as a corporate executive. Based on the experience and knowledge he gained through his career, we expect him to play a full role in deciding important matters and supervising the business execution of the Group as an Outside Director.	Chairperson, Ricoh Company, Ltd. External Director, Nomura Real Estate Holdings, Inc. Outsider Director, Kubota Corporation

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Audit & Supervisory Board Members

Outside Outside Audit & Supervisory Board Member Independent Independent Officer

For detailed professional experience, please refer to [our website](#).

Name	Term of office	Attendance in FY2024 (Number of meetings attended/Total number of meetings)		Areas of experience and expertise (skills)								Reason for appointment	Notable concurrent offices		
		Board of Directors	Audit & Supervisory Board	Corporate Management (experience as president of a listed company)	Management Strategy and Organizational Operations	Finance and Accounting	Sustainability	Global Business	R&D, Innovation, and DX	Manufacturing and Quality Assurance	Human Resources and DE&I			Legal Affairs and Risk Management	
<b>Takuya Magara</b> Audit & Supervisory Board Member (Date of birth: December 11, 1957)	2 years	15/15	33/33 (Chair)				●			●	●			He has many years of experience in the R&D and engineering departments of the Housing business. Based on the experience and knowledge he gained through his career, we expect him to properly perform his duties as an Audit & Supervisory Board Member.	
<b>Hiroki Ideguchi</b> Audit & Supervisory Board Member (Date of birth: November 9, 1962)	New appointment	15/15	—		●	●						●	●	After many years of experience in the pharmaceutical business, he has been responsible for human resources, general affairs, legal affairs, PR, and risk management and compliance since April 2022. Based on the experience and knowledge he gained through his career, we expect him to properly perform his duties as an Audit & Supervisory Board Member.	
<span style="background-color: #0070C0; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span> <b>Akemi Mochizuki</b> Audit & Supervisory Board Member (Date of birth: June 10, 1954)	4 years	15/15	31/33			●							●	She has been a certified public accountant for many years. Based on the experience and knowledge she gained through her career, we expect her to properly perform her duties as an Outside Audit & Supervisory Board Member.	Certified Public Accountant Outside Director, Audit and Supervisory Committee Member, TSUMURA & CO. Statutory Auditor, SBI Holdings, Inc.
<span style="background-color: #0070C0; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span> <b>Haruyuki Urata</b> Audit & Supervisory Board Member (Date of birth: November 8, 1954)	3 years	15/15	33/33		●	●			●					He has rich experience as a corporate manager and an officer in charge of corporate accounting and finance officer. Based on the experience and knowledge he gained through his career, we expect him to properly perform his duties as an Audit & Supervisory Board Member.	
<span style="background-color: #0070C0; color: white; padding: 2px;">Outside</span> <span style="background-color: #0070C0; color: white; padding: 2px;">Independent</span> <b>Yoshikazu Ochiai</b> Audit & Supervisory Board Member (Date of birth: January 7, 1960)	2 years	15/15	33/33						●				●	He has many years of experience in legal work. Based on the experience and knowledge he gained through his career, we expect him to properly perform his duties as an Audit & Supervisory Board Member.	Attorney-at-law (Of Counsel, Nishimura & Asahi)

Skills	Reason for selection and details
Corporate Management (experience as president of a listed company)	In light of the management environment of the Group which is accelerating business portfolio transformation, the selection was made because outstanding leadership and diverse experience as the head of a listed company are necessary.
Management Strategy and Organizational Operations	Selected the experience and expertise in planning and executing management strategies, managing large sized organizations, etc., since they are necessary for supervising management strategy, which is the main agenda for the Board of Directors of the Company.
Finance and Accounting	Selected the experience and expertise in planning and executing capital policy and capital allocation, and accounting insights, etc., since they are necessary for business portfolio transformation and management aiming for capital efficiency.
Sustainability	Selected the experience and expertise in supervising sustainability issues at the management level, including carbon neutrality, circular economy, and dealing with human rights, which are core subjects of management strategy.
Global Business	Selected the experience and expertise in leading or supervising international operations, including managing in the global business environment and promoting overseas business operations, since the Company has numerous overseas sites and is strengthening its expansion into global markets.
R&D, Innovation, and DX	R&D, innovation, and DX are the source of the Group's sustainable growth. The experience and expertise in these fields were selected since they are necessary for creating value through them and preventing damage by using cybersecurity, etc.
Manufacturing and Quality Assurance	Selected the experience and expertise in manufacturing technology, quality assurance, and safety technology since they are essential to the Group's business execution.
Human Resources and DE&I	Selected the experience and expertise in this field to create innovations and businesses as well as to promote the active participation and growth of human resources by planning and executing human resources measures aligned with the management strategies and promoting diversity, equity and inclusion (DE&I).
Legal Affairs and Risk Management	Selected the experience and expertise in the legal field, compliance and insights, etc. on risk management, since they are essential to the Group's sustainable growth and prevention of damage.

Notes: 1. The above list presents up to four of each person's main skills. It does not represent all the skills each person possesses.  
2. "Corporate Management (experience as president of a listed company)" is defined as broad and diverse experience that includes elements of the other skills listed in the table above.

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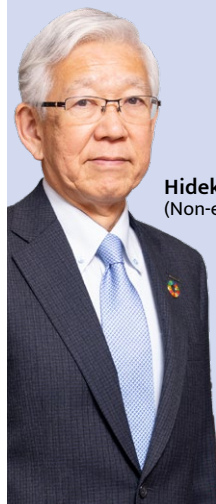
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Corporate Governance

# Constantly evolving our corporate governance approach to accelerate business portfolio transformation

## Message from the Chair of the Board of Directors



Hideki Kobori  
(Non-executive)

Fiscal 2024 marked the final year of the previous MTP. In addition to reviewing it, the Board of Directors focused on deliberations toward formulating the new MTP. As for the new MTP, we went beyond numerical targets and held in-depth discussions on business portfolio strategy, such as the positioning and roles of the three sectors. On the other hand, we believe there is still room for further discussion regarding the evolution of Group management beyond 2030.

Additionally, for fiscal 2024, many subjects related to business portfolio transformation were discussed. In particular, the Board of Directors engaged in rigorous discussions from the perspective of enhancing corporate value. Subjects included the restructuring of petrochemical chain-related businesses, the decision to build a new Canadian plant for the separator business and monitoring its progress, and the strategic positioning and investment returns of the acquisitions of Calliditas in Healthcare and ODC in Homes.

With regard to strengthening our business platform, we had fruitful discussions on further enhancing the link between our human resources strategy and management strategy. Furthermore, in light of the rapidly changing business environment, we view the enhancement of risk management as a key issue. We will deepen discussions on important subjects such as economic security, human rights, and information security. These significant risks will be continuously monitored by the Board of Directors.

I became Chairman of the Board of Directors in April 2022, and at the same time, I launched a project to pursue a new form for the Board of Directors. Together with the Board of Directors Secretariat, we considered (1) the functions and structure of the Board of Directors, and (2) the division of roles between executive and supervisory functions and the operation of the Board of Directors. The results of the review were then discussed by the Board of Directors and at other meetings, and improvements were made through the PDCA cycle of the Board of Directors effectiveness evaluation

process. Regarding (1), we increased the ratio of independent Directors and female Directors, incorporating more objectivity and diverse perspectives into discussions than ever before. Regarding (2), as a result of further delegating authority to the executive side, the number of agenda items related to medium- to long-term strategies and important matters at Board of Directors meetings increased by approximately 30%, allowing us to allocate more time to deliberate on these matters. Additionally, in order to conduct substantive deliberations on important topics such as the structural transformation of petrochemical chain-related businesses, information is provided at off-site meetings prior to deliberations at the Board of Directors meeting, providing an opportunity for Directors to deepen their shared understanding.

Since its founding, the Asahi Kasei Group has boldly transformed its business portfolio in response to needs in society and environmental changes of the time, thereby increasing its corporate value. In the current rapidly changing business environment, we recognize the importance of accelerating the transformation of our business portfolio and strengthening our business platform. We aim to create a virtuous cycle of two aspects of sustainability: namely, “contributing to sustainable society” and “sustainable growth of corporate value.” However, we are increasingly concerned about the current situation where our P/B ratio is below 1. The Board of Directors intends to thoroughly consider together with the executive team how the Asahi Kasei Group should change, and while providing strict supervision, also play a role in providing appropriate encouragement to the executive team.

There is no end to our pursuit of a Board of Directors that contributes to the enhancement of corporate value. Based on the mission, vision, and values of the Asahi Kasei Group, we will continue to question what governance should be, centered on the Board of Directors, and strive to improve corporate value.

## Changes in Corporate Governance

	Up to FY2021	FY2022–24: “Be a Trailblazer” MTP 2024	FY2025: “Trailblaze Together” MTP for FY2025–27
<b>Composition of the Board of Directors</b> Nomination of Officers	<ul style="list-style-type: none"> <li>Increased the ratio of Independent Outside Directors to at least one-third (FY2014)</li> </ul>	<ul style="list-style-type: none"> <li>Increased the ratio of Independent Outside Directors to 4 out of 10 (FY2023)</li> </ul>	<ul style="list-style-type: none"> <li>Increased the ratio of Independent Outside Directors to 4 out of 9 (FY2025)</li> </ul>
<b>Officer remuneration system</b>	<ul style="list-style-type: none"> <li>Established Nomination Advisory Committee (FY2015)</li> <li>Established Remuneration Advisory Committee (FY2015)</li> <li>Introduced stock-based remuneration system (FY2017)</li> </ul>	<ul style="list-style-type: none"> <li>Increased the number of female officers from 1 to 2 (FY2021)</li> <li>Increased the number of female officers from 2 to 3 (FY2023)</li> <li>To strengthen monitoring functions, changed the composition of Inside Directors to mainly corporate responsibilities (FY2023)</li> <li>Reviewed the proportion of officer remuneration (FY2022)</li> <li>Amended the performance-linked monetary remuneration system: Linked to the indicators of the MTP (FY2022)</li> <li>Revised stock-based remuneration system: Linked to achievement of non-financial indicators (FY2022)</li> <li>Delegated authority to Remuneration Advisory Committee to determine remuneration (FY2020)</li> </ul>	<ul style="list-style-type: none"> <li>Revised the skills matrix (FY2024)</li> <li>Reviewed the proportion of officer remuneration (FY2025)</li> <li>Reviewed indicators related to performance-linked monetary remuneration and stock-based remuneration (FY2025)</li> </ul>
<b>Operation of the Board of Directors</b>	<b>Reviewed standards for determining agendas for Board of Directors meetings (as necessary)</b>		
	<ul style="list-style-type: none"> <li>Began evaluation of effectiveness of the Board of Directors (FY2015 onward)</li> <li>Expanded provision of information to Outside Directors and Audit &amp; Supervisory Board Members (FY2015 onward)</li> </ul>	<ul style="list-style-type: none"> <li>Used a third-party institution in evaluation of effectiveness of the Board of Directors (FY2023)</li> <li>Introduced matters to be discussed in relation to important management matters (FY2022)</li> <li>Implemented Independent Director Meetings attended only by Outside Directors (FY2021 onward)</li> </ul>	<ul style="list-style-type: none"> <li>Used a third-party institution in evaluation of effectiveness of the Board of Directors (FY2023)</li> <li>Focused discussions on business portfolio transformation and the new MTP (FY2024)</li> <li>Expanded off-site exchanges of opinions and information provision (FY2024)</li> </ul>

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## Further deepening efforts to improve the effectiveness of the Board of Directors

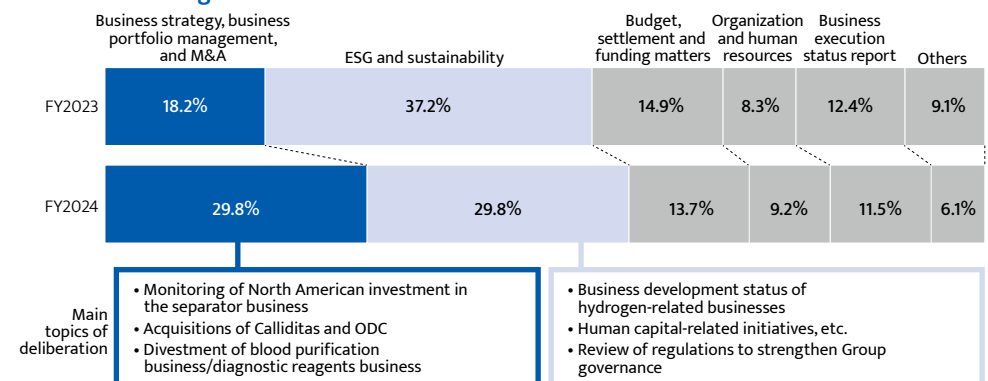
### Main agenda items in FY2024

Meeting	Main agenda items
Board of Directors	<ul style="list-style-type: none"> <li>New MTP and business portfolio transformation</li> <li>Report on human capital initiatives</li> <li>Deliberations and decisions regarding growth investments, M&amp;A, structural reforms, and carve-outs</li> <li>Report on dialogue with investors</li> <li>Report on company-wide risk management status</li> <li>Reports from Nomination Advisory Committee and Remuneration Advisory Committee</li> </ul>
Nomination Advisory Committee	<ul style="list-style-type: none"> <li>Roles and skills matrix required for the Board of Directors</li> <li>Nomination of Officers for fiscal 2025</li> <li>Succession plan for the President</li> </ul>
Remuneration Advisory Committee	<ul style="list-style-type: none"> <li>Review and revision of officer remuneration system (amount level, composition ratio, performance-linked indicators, etc.)</li> <li>Determination of individual performance-linked monetary remuneration amounts</li> </ul>
Audit & Supervisory Board	<ul style="list-style-type: none"> <li>Review of issues and important considerations at Board of Directors meetings</li> <li>Evaluation of improvements to the effectiveness of the Audit &amp; Supervisory Board</li> <li>Exchanges of views with Outside Directors</li> <li>Information sharing and exchanges of views with the internal audit division, Corporate Auditors of subsidiaries, and Independent Auditors</li> </ul>

### Status of deliberations of the Board of Directors

In fiscal 2024, in addition to deliberating on the results of the business portfolio evaluation for the fiscal year, business portfolio strategies were also discussed as an agenda item in deliberations on the new MTP. The new MTP was discussed in a total of 11 meetings, covering the three sectors, financial and capital policies, human resources strategies, and GX-related matters. Additionally, the Company is deepening deliberations on the monitoring of North American investments and large-scale M&A in the separator business, an area being advanced in recent years, along with sustainability. The Board of Directors' in-depth deliberations are reflected in the review of investment hurdle rates and the monitoring of investment projects, and also contribute to the enhancement of Group management, such as by enhancing three-sector management.

### Changes in the number of agenda items and main discussion topics at Board of Directors meetings



### Some of the opinions expressed during the Board of Directors' deliberations on the new MTP

Please refer to [our website](#) for the new MTP after deliberation by the Board of Directors

#### From the Outside Directors

- The Company must steadily increase corporate value and raise the P/B ratio to above 1 as quickly as possible. The stock price will rise once growth investments and business growth begin to take hold, so it is necessary to present a coherent story that covers the ongoing business portfolio transformation, productivity improvements through DX, and financial and capital policies.
- The three sectors of Asahi Kasei are well illustrated in the diagram "Asahi Kasei Ecosystem" in the new MTP. Businesses in each sector have created intangible assets, which have served as the business platform for creating and supporting businesses in other sectors. As a result, there are now three sectors. Asahi Kasei believes that this ecosystem has been functioning well and that it will continue to operate this way.
- It is a little difficult to see the future outlook beyond the new MTP. I would like the new MTP to clearly present its position towards the future vision. In the new MTP, I would like the Healthcare sector to grow by reaping the benefits of the investments made to date. The Homes sector also has a fair number of growth drivers. The Material sector is currently in the process of strengthening itself in preparation for the next stage of growth. I would like to have further discussions about management once these ideas are realized.
- Discussions are currently taking place on the business portfolio and these discussions may result in industry restructuring. Discussions that take into account the possibility that the Company may initiate restructuring need to be deepened.

#### From the Inside Directors

- The main reason why the targets of the previous MTP were not achieved was that the returns on major past investments were lower than expected. On the execution side, we are also looking to further strengthen monitoring of investment projects.
- The three years of the new MTP will be a period of major change. What needs to be done, particularly in the Material sector, is to transform from a product-out type business of general-purpose materials that relies on large-scale capital investment, to a high-value-added solutions business that is resilient to environmental changes. It is important to build a solid foundation over the next three years.



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## Results of the effectiveness evaluation of the Board of Directors

The Board of Directors of Asahi Kasei regularly evaluates its own effectiveness every fiscal year. A summary of the results of the Board of Directors effectiveness evaluation for fiscal 2024 (the “Current Evaluation”) is as follows. In addition, the Company regularly utilizes a third-party organization to evaluate the effectiveness of the Board of Directors in order to continue an evaluation cycle that incorporates an objective perspective.

### 1. Process of Current Evaluation

- (1) December 2024 The Board of Directors deliberated on the evaluation process and questionnaire content.
- (2) December 2024 to January 2025 The questionnaire was administered to all Directors and Audit & Supervisory Board Members. The questionnaire also targeted members of the Nomination Advisory Committee and Remuneration Advisory Committee in addition to the Board of Directors. The questions included the functions, operations, and discussion status of the Board of Directors, Nomination Advisory Committee, and Remuneration Advisory Committee, as well as individual evaluations (self-evaluations) of all Directors and Audit & Supervisory Board Members.
- (3) March and April 2025 The Board of Directors reviewed the results of the evaluation of the effectiveness of the Board of Directors based on the results of the above questionnaire and deliberated on how to address any of the issues identified.

### 2. Overview of evaluation results

#### (1) The Board of Directors of the Company confirmed that the effectiveness of the Board of Directors is sufficiently ensured, particularly in the following respects:

- The roles and functions of the Board of Directors are considered as being fulfilled appropriately, as there are increased opportunities for discussion on business portfolio transformation and in-depth deliberations were conducted, based on the Board of Directors’ goal of promoting business portfolio transformation and strengthening the business platform.
- The fact that the new MTP was discussed in depth from multiple angles for each business sector and theme, and that the discussions were thorough and took into account the perspective of capital markets, was appreciated.
- In terms of the operation of the Board of Directors, high regard was given for creating an environment that allows for open and frank discussion, and for continuously improving the issues identified based on the results of the evaluation of the effectiveness of the Board of Directors, leading to highly effective and efficient operation.

#### (2) On the other hand, the Board of Directors shared the view that the following issues remain:

- We recognize the importance of further deepening discussions from a medium- to long-term perspective regarding important management issues such as the nature of our three-sector management, financial strategy, shareholder returns, and capital efficiency, taking advantage of opportunities such as Board of Directors meetings and off-site meetings.
- With regard to improving the quality of discussions at Board of Directors meetings, we have confirmed the importance of discussions that take into account the perspective of the capital markets, and we recognize that there is room for further improvement.
- We recognize the need to further enhance the operation of the Nomination Advisory Committee and the Remuneration Advisory Committee. We continue to effectively consider matters such as the composition of the Board of Directors and officer remuneration.

## Some of the opinions of each officer in the effectiveness evaluation

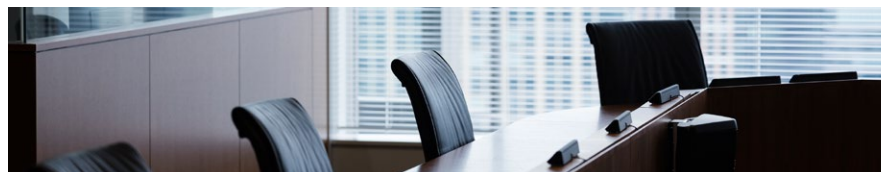
We believe that candid opinions from effectiveness evaluations, including from Outside Directors, contribute to the substantial improvement of corporate governance, and we work to improve governance each year based on the opinions of each Director. (Please see the next page for details of initiatives for fiscal 2024 and the direction of initiatives for fiscal 2025.)

### ■ From the Outside Directors and Outside Audit & Supervisory Board Members

- I believe that the essential functions of the Board of Directors are to work closely with the executive departments to (1) increase Asahi Kasei’s corporate value, (2) properly present the true image of Asahi Kasei to the capital markets, and (3) influence the executive departments to ensure that they execute properly. I find that Asahi Kasei’s Board of Directors is currently fulfilling its functions appropriately.
- One of the roles of the Board of Directors is to verify whether the executive team’s vision for Asahi Kasei is appropriate from the perspective of shareholders. The Board of Directors in fiscal 2024 reported on the status of deliberations on the new MTP and discussed the vision for Asahi Kasei, so I believe it is fulfilling its roles and functions appropriately.
- We were given opportunities to hold a lot of discussions about business portfolio transformation. We believe that further discussions will be held on strengthening our business platform, so we will continue to focus on this issue.
- As the current P/B ratio and ROE do not meet shareholder expectations, the Board of Directors is required to demonstrate what Asahi Kasei will look like after transforming its business portfolio in a way that will give shareholders hope for the future.
- There are no agenda items at the Board of Directors meetings where discussion from a medium- to long-term perspective is lacking, but as a way to deepen and broaden the discussion, why not have a more open exchange of opinions on the points raised by investors in IR, SR, etc.? The agenda included the benefits of three-sector management, how long will we allow the P/B ratio to remain below 1, and a more concrete growth path. Outside Directors discuss with the execution side from the perspective of external investors and analysts.

### ■ From the Inside Directors

- The discussion tends to be biased towards numbers. It would be even better if we could further discuss the Group’s medium-term direction. Although phrases such as “typical of Asahi Kasei” and “the meaning of three-sector management” were used in the discussion, in order to exchange opinions on the essence of the matter, a more in-depth discussion is needed about how the Company will grow in the future and the direction it will take after transforming its business portfolio.
- An environment and atmosphere have been created in which each Director can speak freely, leading to fruitful discussions. On the other hand, I believe there is room for further enhancement of discussions from an investor’s perspective.



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3. PDCA cycle for effectiveness evaluation and future initiatives

The Company's Board of Directors will identify issues that need to be addressed in order to further improve the effectiveness of the Board of Directors and will implement the following initiatives for improvement.

		Plan Thrust of initiatives in fiscal 2024	Do Major initiatives in fiscal 2024	Check Current evaluation	Act Future initiatives
Board of Directors	Deliberation topics and quality of deliberations	<ul style="list-style-type: none"> <li>Further enhance discussions on important management issues that should be discussed from a medium- to long-term perspective, such as business portfolio transformation and management resource allocation.</li> <li>Increase opportunities for dialogue at venues other than Board of Directors meetings to further strengthen discussions.</li> </ul>	<ul style="list-style-type: none"> <li>Deliberated annual agenda items at Board of Directors meetings.</li> <li>Supervised the progress of the previous MTP and held multifaceted deliberations at the Board of Directors meetings to formulate the new MTP.</li> <li>Large-scale M&amp;A and business restructuring projects were decided after multiple, thorough deliberations at the review stage.</li> <li>Off-site meetings were also held, where the president and Outside Directors exchanged opinions on the new MTP and provided information on the structural reforms of petrochemical chain-related businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Highly lauded for the thorough discussions on business portfolio transformation and the new MTP.</li> <li>Topics that should be further discussed from a medium- to long-term perspective were pointed out (e.g., approaches to three-sector management, financial strategies, shareholder returns, capital efficiency, and human capital management).</li> <li>It was pointed out that, while discussions are being held based on the content of dialogue with investors, there is a need to further deepen discussions from the perspective of investors from both the supervisory and execution sides.</li> </ul>	<p><b>(1) Enhance discussions from a medium- to long-term perspective and improve the quality of discussions at Board of Directors meetings</b></p> <ul style="list-style-type: none"> <li>Enhance deliberations on the Group's future vision after completing the business portfolio transformation, sustainability issues, etc., and deepen management discussions from a medium- to long-term perspective.</li> <li>Further improve the quality of discussions from a capital market perspective by holding exchanges of opinions between Outside Directors and management regarding topics of dialogue with investors.</li> </ul>
	Operation	<ul style="list-style-type: none"> <li>Examine ways to raise the level of discussions 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.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened corporate involvement in business unit proposals at the pre-deliberation stage. Established a standard format for materials and devised a method for providing advance explanations to Outside Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Operational status received positive evaluations following continuous improvements from the past.</li> <li>To enhance deliberations, there were opinions on the importance of monitoring, prioritizing the allocation of deliberation time to important management issues, and the complementary use of off-site meetings.</li> </ul>	<p><b>(2) Continue to improve operations to deepen discussions at Board of Directors meetings</b></p> <ul style="list-style-type: none"> <li>Rationally narrow down the agenda items at Board of Directors meetings, etc., to ensure time for deliberation on important management issues. Improve the effectiveness of deliberations by enhancing information sharing through effective use of off-site meetings.</li> </ul>
Nomination Advisory Committee Remuneration Advisory Committee		<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>The Nomination Advisory Committee deepened deliberations on the composition of the Board of Directors and the skills matrix, and clarified the definition of skills, etc.</li> <li>Enhanced information sharing from both advisory committees to the Board of Directors.</li> </ul>	<ul style="list-style-type: none"> <li>Both advisory committees were evaluated as functioning appropriately.</li> <li>On the other hand, there were some points raised regarding the need for continued effective consideration (such as the composition of the Board of Directors, succession, and officer remuneration) and information sharing with the Board of Directors.</li> </ul>	<p><b>(3) Improve the operation of the Nomination Advisory and Remuneration Advisory Committees</b></p> <ul style="list-style-type: none"> <li>Improve the operation of both advisory committees and enhance deliberations on the topics listed on the left. In addition, improve the content of information shared with the Board of Directors.</li> </ul>

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<b>14</b>	<b>Q1</b>	<b>How will you leverage diverse management assets to achieve sustainable growth of corporate value?</b>	<b>+</b>
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<b>26</b>	<b>Q2</b>	<b>What actions are you taking to achieve capital efficiency that exceeds the cost of capital?</b>	<b>+</b>
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<b>36</b>	<b>Q3</b>	<b>What growth do you expect from the investments you've made?</b>	<b>+</b>
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<b>53</b>	<b>Q4</b>	<b>What social impact will your GX-centered sustainability efforts have?</b>	<b>+</b>
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<b>62</b>	<b>Q5</b>	<b>How will you transform your business models by leveraging abundant intangible assets?</b>	<b>+</b>
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<b>78</b>	<b>Q6</b>	<b>How is your governance evolving along with business portfolio transformation?</b>	<b>-</b>
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Corporate Governance

# Revised the remuneration system to strengthen incentives for enhancing corporate value and achieving the objectives of the new MTP

## Officer remuneration for FY2024

Classification	Amount Paid (¥ millions)	Breakdown by Remuneration Type (¥ millions)			Number of Directors and Audit & Supervisory Board Members Paid
		Basic Remuneration	Performance-linked Monetary Remuneration	Stock-based Remuneration	
Directors	616	455	113	48	11
of which, Outside Directors	72	72	-	-	5
Audit & Supervisory Board Members	158	158	-	-	5
of which, Outside Audit & Supervisory Board Members	54	54	-	-	3

## Revision of remuneration system for Directors

In line with the formulation of the new MTP that began in fiscal 2025, we have made the following two main changes to raise our motivation to achieve our management targets and our awareness of improving corporate value over the medium to long term.

### Review of remuneration composition ratio

- Increased the ratio of performance-linked monetary remuneration and stock-based remuneration

### Review of target indicators

- Revised financial indicators for performance-linked monetary remuneration to emphasize profits and invested-capital efficiency
- Adopted TSR as an indicator for aligning interests with shareholders in stock-based remuneration

The results for fiscal 2024 and an overview of the revised remuneration system are as follows.

### (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<sup>1</sup> 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 earnings fluctuations.

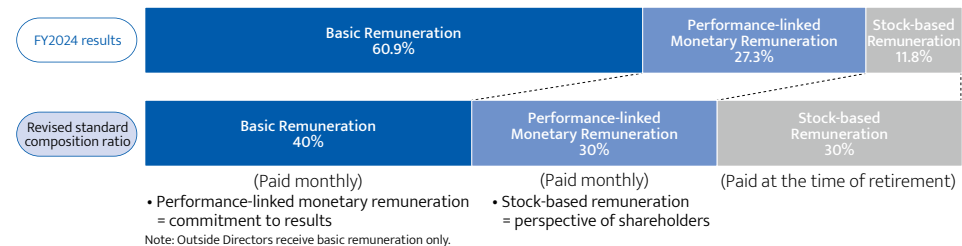
Remuneration for Executive Directors combines performance-linked monetary remuneration with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration, in order to provide incentives tied to earnings and management strategy as senior management, with levels of remuneration 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.

<sup>1</sup> Non-executive Directors include the Chairman.

## (2) Composition ratio of remuneration for Executive Directors

The standard ratio of total remuneration has been changed to the following; Basic remuneration : Performance-linked monetary remuneration : Stock-based remuneration from approximately 6:3:1 to 4:3:3



## (3) Basic design

### 1) Performance-linked monetary 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 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 invested-capital efficiency
- The formula required to calculate individual performance-linked monetary remuneration is outlined as follows.

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

<sup>2</sup> Coefficient comprehensively considering achievement of financial targets and non-financial targets

FY2024 target figure / standard figure / actual figure

Key management indicators required for calculating performance-linked monetary remuneration	FY2024 target figure / standard figure	FY2024 actual figure
Consolidated net sales	¥2,912.0 billion	¥3,037.3 billion
Consolidated operating income	¥180 billion	¥211.9 billion
Consolidated ROIC <sup>3</sup>	4.5%	5.5%

<sup>3</sup> Consolidated ROIC = (operating income - income taxes) ÷ average annual invested capital

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Revised evaluation indicators

The Company has excluded “consolidated net sales” from the indicators required for calculating performance-linked monetary remuneration in order to emphasize profits and invested-capital efficiency. In addition, with regard to non-financial indicators, the Company has reviewed the target setting for each individual in line with the formulation of the new MTP. As an example, the performance-linked monetary remuneration for the President & Representative Director is evaluated based on the following indicators.

Financial indicators	Operating income	ROE	ROIC	etc.
Non-financial indicators	GHG emissions reduction		GHG emission reduction contributions through Environmental Contribution Products	etc.

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).

FY2024 target figure / standard figure / actual figure

Indicator	Weight	Indicator calculation method	FY2024 target figure / standard figure	FY2024 actual figure
Job satisfaction	1/3	Percentage of employees absent due to mental illness	0.64%	1.20%
DX	1/3	Number of digital professional human resources	2,500	3,157
Diversity	1/3	Percentage of women in the total number of managers and Group Masters	5.0%	4.7%

Revised evaluation indicators

In addition to partially revising non-financial indicators related to sustainability, TSR has been set as an indicator from the perspective of improving corporate value over the medium to long term (underlined parts: revised parts)

Indicator	Weight	Indicator calculation method	FY2024 Results	FY2025 Targets	FY2026 Targets	FY2027 Targets
Employee engagement	1/3	<u>Vitality index in employee engagement survey<sup>1</sup></u>	57.3%	58.2%	59.1%	60.0%
Diversity	1/3	Percentage of women in the total number of managers and Group Masters <sup>2</sup>	4.9%	6.0%	7.0%	8.0%
Corporate value	1/3	<u>Asahi Kasei's total shareholder return (TSR) growth rate relative to stock price index<sup>3</sup></u>	97.3%	100% or more	100% or more	100% or more

<sup>1</sup> The percentage of respondents who gave a favorable response of 3.5 or higher (on a 5-point scale) to questions on the “vitality” index in the employee engagement survey.

<sup>2</sup> The base date for the target value and actual value of the indicator on diversity is changed from the last day of the fiscal year to the day following the last day of the fiscal year.

<sup>3</sup> The ratio of the Company's TSR to TOPIX growth rate including dividends (using the average closing price for each day of the last month of the previous fiscal year and the last month of the fiscal year).

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 performance-linked monetary 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.

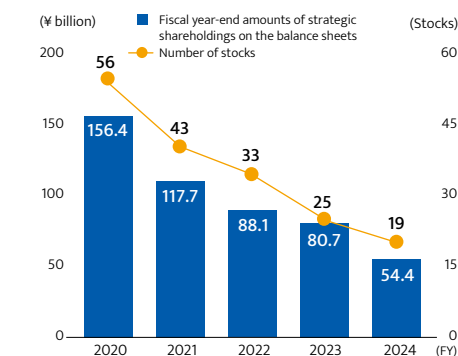
Continuously reducing strategic shareholdings

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.

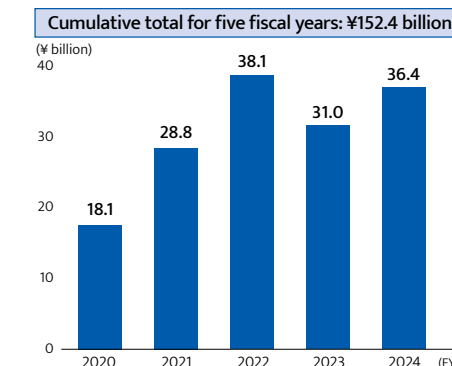
The purpose, effectiveness, and economic rationale of individual strategic shareholdings are regularly evaluated from qualitative and quantitative aspects each year and are reviewed by the Board of Directors.

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



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## Risk Management



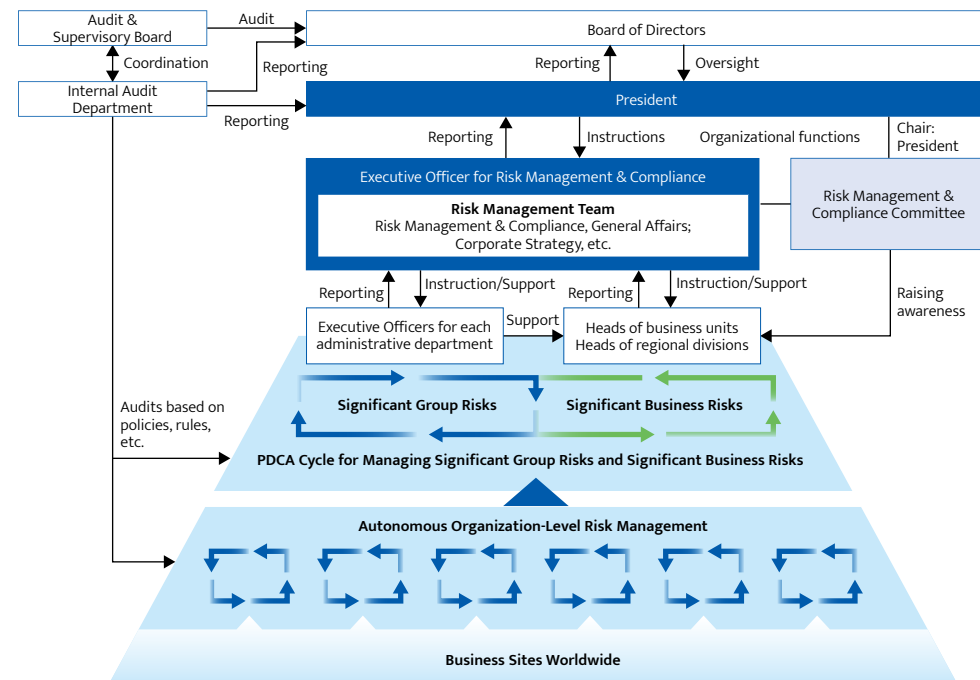
### Risk Management Strengthening risk management in view of business diversity and environmental changes

#### Nobuhiro Yamaguchi

Lead Executive Officer  
Executive Officer for General Affairs, Legal, Corporate Communications; Deputy Oversight: Communications; Executive Officer for Risk Management & Compliance

Our diverse businesses span the globe. In order to respond to the risks associated with each business amid a constantly changing business environment, we conduct risk management in normal times from the perspectives of business sites, business management, and cross-functional operations of administrative departments, and integrate these from a group-wide management perspective. The framework involves regular activities that focus on Significant Group Risks that could have an impact on the entire Asahi Kasei Group or across businesses, and Significant Business Risks that are specific to each business unit. Under this framework, we also analyze and monitor strategic risks associated with large-scale investments such as M&A and business plans.

#### Asahi Kasei's risk management framework



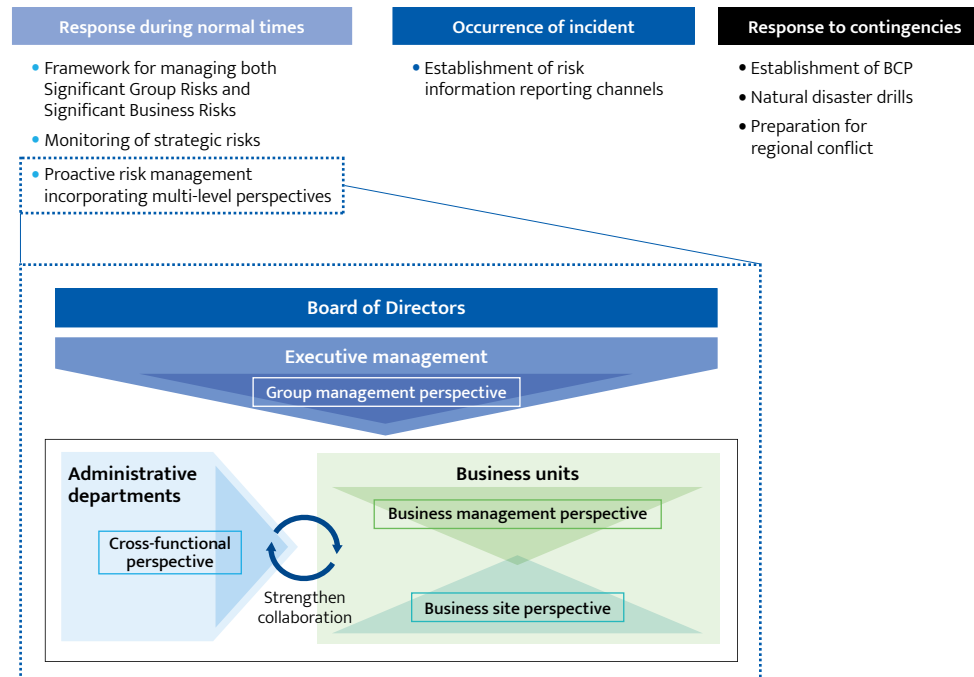
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In terms of crisis response, we formulated disaster mitigation plans and emergency response plans at each production site in response to increasingly severe natural disasters, and conduct ongoing training. At the head office, we conduct drills for task forces that will serve as a command center in preparation for large-scale disasters, and we are promoting the establishment and enhancement of BCPs for each business. We have clarified reporting routes and made them known to employees so that information can be shared quickly from the workplace to management when various risk-related incidents occur.

The Risk Management Team, which serves as the secretariat for all activities, reinforces the coordination of risk management across the entire Asahi Kasei Group by supporting the activities of each organization and promoting smooth cooperation between organizations. The heads of each business unit meet at the Risk Management & Compliance Committee to share risk management initiatives and discuss issues, thereby enhancing activities across the Asahi Kasei Group. Risk management activities are also regularly reported to the Board of Directors for monitoring.

We will continue to enhance our risk management activities and strengthen our protective foundation so that we can address future business expansion and changes in the domestic and international environments.

#### Strengthening responses from normal times to contingencies



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Risk Management

Fiscal 2025 Significant Group Risks and thrust of main initiatives

Significant Group Risks	Thrust of main initiatives	Related pages	
Risks related to accidents at production sites and risks related to laws and regulations concerning environmental protection	<ul style="list-style-type: none"> <li>Reinforcement and enhancement of Life Saving Actions (adherence to activity prohibitions for eliminating serious accidents)</li> <li>Improvement of fire prevention technology at individual production sites</li> <li>Identification of hazard sources at individual production sites, conveyance and education of process safety techniques, and thorough implementation of PDCA in response to abnormalities</li> <li>Provision of information and training on laws, regulations and legal amendments</li> </ul>	The Environment, Safety, and Health (ESH) p. 96 <a href="#">▶</a>	
Risks related to quality-associated misconduct (Including risks related to laws, regulations, certifications, etc.)	<ul style="list-style-type: none"> <li>Enhancement of quality awareness and fostering of culture through regular communication between management and frontline workers</li> <li>Increased quality training from corporate quality assurance departments and dissemination of information regarding quality risks</li> <li>Reinforcement of governance through quality inspections and reinforcement of training for quality assurance personnel</li> <li>Circulation of information regarding regulations and regulatory revisions, thorough education, appointment of experts, and strengthening of internal consultation framework</li> <li>Development of systems for improving compliance</li> </ul>	Quality Assurance p. 97 <a href="#">▶</a>	
Risks related to economic security and global supply chains	Risks concerning U.S. tariff policies	<ul style="list-style-type: none"> <li>Regarding the rise in raw material procurement costs at our U.S. subsidiaries, promotion of passing on the increased tariff burden to sales prices while communicating with customers and consideration of utilizing tariff reduction measures such as tax rebates</li> <li>Regarding exports to the U.S. from Asahi Kasei Group companies in Japan and other countries, review of our global strategy as appropriate while monitoring U.S. demand trends, and promoting R&amp;D of high-value-added products that are less susceptible to price competition</li> </ul>	
	Risks related to tightening of economic sanctions and export restrictions (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Timely monitoring of relevant regulatory trends and necessary action after consultation with relevant organizations and experts as necessary before issues emerge</li> <li>Rigorous screening of transactions through supplier screening system</li> </ul>	
	Risks related to corporate activities due to geopolitics	<ul style="list-style-type: none"> <li>Understanding of the impact on business strategy based on economic security risks and geopolitical risks, as well as consideration and implementation of countermeasures</li> <li>Setting of risk scenarios for contingencies that arise from geopolitical risks, studying of impacts on business activities such as employee safety, procurement, and sales, and implementation/consideration of countermeasures</li> <li>Specification of initial responses and BCP to be carried out under task force in event of emergency</li> </ul>	
	Human rights risks (including both upstream and downstream)	<ul style="list-style-type: none"> <li>Promotion of business activities in accordance with Asahi Kasei Group Human Rights Policy</li> <li>Fostering of an awareness and culture of respect for human rights through human rights due diligence, education and awareness activities, etc.</li> </ul>	Respect for Human Rights p. 98 <a href="#">▶</a>
	Feedstock/material procurement risks	<ul style="list-style-type: none"> <li>Transparency for raw material procurement risks and countermeasure priorities for each business, strengthening of support systems on corporate side</li> <li>Diversification of procurement routes and maintenance of appropriate inventory levels for feedstocks used in major products and businesses</li> <li>Formation and maintenance of relationships with alternative suppliers for equipment components prone to unreliable supplies</li> <li>Revision of management procedures pertaining to delivery and upgrade timings for equipment components</li> </ul>	
Risks related to cybersecurity and technological information management	Risks related to cybersecurity and communications infrastructure	<ul style="list-style-type: none"> <li>Implementation of swift and flexible countermeasures to counter increasingly sophisticated cyberattacks through technical measures made possible by installing security systems and raising and reinforcing awareness regarding security via employee education, etc.</li> <li>Implementation of BCP measures and drills aimed at maintaining functions of communication and information access in event of large-scale disaster</li> <li>Strengthening of security monitoring of overseas Group companies and implementation of measures according to risk</li> <li>Strengthening of cyber incident response capabilities through participation in public-private joint exercises and information gathering in collaboration with external organizations</li> </ul>	Information Security p. 99 <a href="#">▶</a>
	Risk of technological information leakage	<ul style="list-style-type: none"> <li>Formulation of technological information management rules and strengthening of leak prevention measures</li> <li>Strengthening of group-wide unified monitoring systems for leak prevention measures</li> <li>Strengthening of employee awareness activities</li> <li>Stricter and more sophisticated monitoring of confidential information by systems, and expansion of the scope of information subject to such monitoring</li> </ul>	
Risks related to natural disasters, pandemics, and terrorism or conflicts	Headquarters and office districts (domestic and overseas)	<ul style="list-style-type: none"> <li>Formulation of response policies and manuals based on past cases such as large-scale natural disasters and pandemics, implementation of training simulating risk actualization</li> <li>Establishment of response manuals to prepare for acts of terrorism, conflicts, and other contingencies that may occur overseas</li> </ul>	Risk Management p. 92 <a href="#">▶</a>
	Production sites (domestic and overseas)		

The Board of Directors also monitors the following risks as they could have a significant impact on the management of the Company:

Other significant risks	Thrust of main initiatives	Related pages
Risks related to M&A	<ul style="list-style-type: none"> <li>Prudent due diligence of potential acquisitions</li> <li>Careful verification of post-merger integration plans</li> </ul>	Growth Drivers under the New MTP pp. 37-39 <a href="#">▶</a>
Risks related to climate change	<ul style="list-style-type: none"> <li>Timely understanding of climate change and related policy trends, and consideration/promotion of countermeasures from both the risk and opportunity perspectives</li> </ul>	Green Transformation (GX) pp. 56-61 <a href="#">▶</a>

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## Health & Productivity Management, ESH & QA, Production Technology

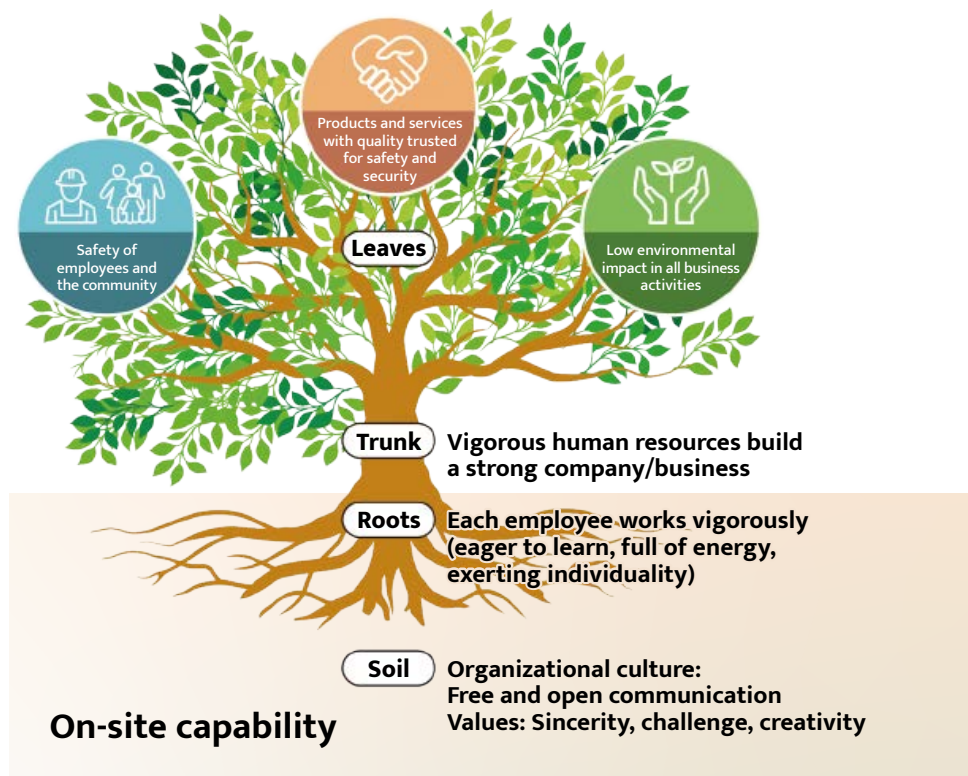


**We aim to create a healthy organizational culture and strong on-site capabilities where employees take the initiative in resolving issues**

**Masatsugu Kawase**

Director, Primary Executive Officer  
Oversight for ESH, QA, Regional Offices, Manufacturing, Production Technology Functions, and Executive Officer for Health & Productivity Management, Energy Policy, Green Transformation

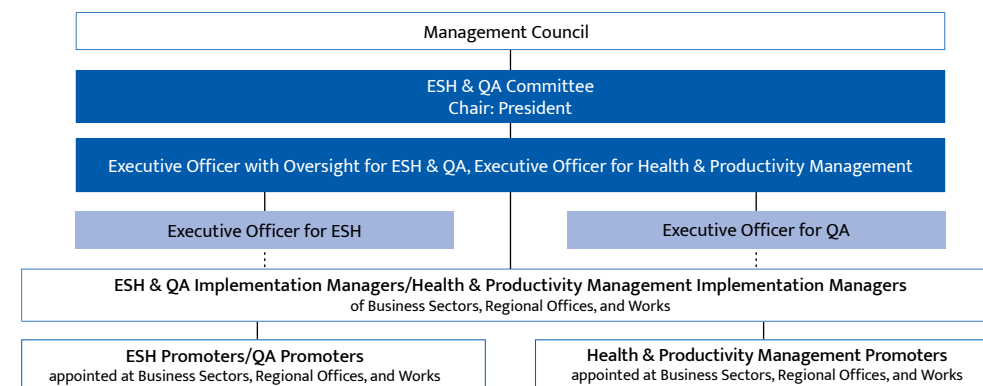
For the Asahi Kasei Group to achieve a virtuous cycle of two aspects of sustainability, “contributing to sustainable society” and “sustainable growth of corporate value,” three conditions are necessary: 1) protecting the safety of employees and local communities, 2) providing quality that inspires confidence in safety and security, and 3) reducing the environmental impact of business operations. To fulfill these conditions, it is extremely important that workplaces and organizations are invigorated through health and productivity management initiatives, that communication is strong, and that



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each employee is full of vitality. In other words, the foundation of all our businesses is a healthy organizational climate and culture that serves as the foundation for corporate operations, and an environment in which each and every frontline employee is healthy and can thrive like the strong roots of a tree. When we think of the soil and roots as “on-site capabilities,” strong on-site capabilities are the ability to proactively discover problems on-site, dig deep into their essence, and solve them independently while taking into consideration the impact on the whole. We believe that this extremely strong ability to execute will lead to the growth of the company and ultimately to increased corporate value. The manufacturing capability and production technology built up over many years are based on this strong on-site capability. With Asahi Kasei’s ecosystem centered on these valuable intangible assets, we intend to provide new value in the three sectors of Healthcare, Homes, and Material.

### Management framework



### The Asahi Kasei Group ESH & QA and Health & Productivity Management Policy

Based on the Group Mission of “contributing to life and living for people around the world,” the Asahi Kasei Group gives the utmost consideration to health maintenance, operational safety, occupational health and safety, quality assurance, and environmental protection throughout the product lifecycle from R&D to disposal as preeminent management tasks in all operations.

- Based on health management activities, we advance and support efforts to maintain and promote the mental and physical health of employees, while improving the organizational climate through the empowerment of individuals and invigoration of organizations.
- We strive for stable and safe operation while preventing workplace accidents and securing the safety of personnel and members of the community.
- We flexibly anticipate the constantly changing needs of customers and society to create and provide products and services with quality that ensures safety and security.
- To counter climate change and preserve the global environment, we reduce the environmental burden of all operations.

In addition to maintaining legal compliance, we set self-imposed targets for continuous improvement, while performing proactive information disclosure and communication to gain public understanding and trust.

Revised on July 11, 2022

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## Health & Productivity Management

### Health & Productivity Management

## Vibrant human resources and organizations rooted in the health of employees and their families

We view maintaining and improving the health of our employees and their families as a management priority, and in fiscal 2020 we issued the Asahi Kasei Group Statement on Management for Health. Based on the belief that human resources are the source of corporate value, we have established health & productivity management as the foundation of our business operations. By creating an environment where each employee is healthy both physically and mentally and can actively and sustainably play a role, we will increase the productivity and creativity of the organization and achieve a sustainable increase in corporate value. We will continue to strive to achieve both long-term growth and fulfill our social responsibilities through investments in human capital.

### Health & productivity management targets

As KPIs for health & productivity management, in order to increase individual productivity, we are promoting measures to reduce the number of days absent from work (absenteeism) due to illness (Targets 1 to 4). In addition, a lack of quality sleep is said to be a major factor contributing to presenteeism, where employees go to work but are unable to perform due to circumstances related to physical or mental well-being. We are focused on addressing this issue, striving to help employees get more sleep of better quality (Target 5).

### Company-wide KPIs and targets

KPIs	(FY)	Results					Targets		
		2020	2021	2022	2023	2024	2025	2026	2027
1) Percentage of employees on leave of absence for mental health purposes (%)		0.98	1.00	1.07	1.16	1.20	1.10	1.05	1.00
2-1) Percentage of employees with serious lifestyle-related illnesses (%)		11.0	10.7	10.7	9.9	9.9	8.2	8.0	7.8
2-2) Percentage of employees affected by metabolic syndrome (%)		11.4	11.1	10.7	10.8	10.9	10.8	10.7	10.6
3) Percentage of districts with a cancer screening rate of 60% (%)	Lung cancer	-	-	-	-	-	100	100	100
	Stomach cancer	-	-	-	-	-	65.1	83.7	100
	Colon cancer	-	-	-	-	-	93.0	97.7	100
	Breast cancer	-	-	-	-	-	67.4	83.7	100
	Cervical cancer	-	-	-	-	-	53.5	76.7	100
3) Number of days absent by employees due to cancer-related illnesses (days)		68.1	87.5	88.6	75.7	82.7	-	-	-
4) Percentage of employees who smoke (%)		24.7	23.5	22.5	21.8	20.2	18.6	17.6	16.6
5) Percentage of employees getting insufficient rest from sleep (%)		28.5	27.2	28.0	28.7	29.5	29.0	28.5	28.0

Applicable scope: Asahi Kasei Corp., Asahi Kasei Microdevices, Asahi Kasei Homes, Asahi Kasei Construction Materials, Asahi Kasei Pharma, Asahi Kasei Life Science, and certain affiliated companies

### Priority measures

#### 1. Measures to improve mental health

To enable our employees to deal with mental health problems at an early stage, we provide Mental Health Self-Care Education to all employees (with 96.2% attendance in fiscal 2024). Three months following training, we conducted an additional survey to confirm whether proper behavioral changes had occurred and to measure the degree to which the educational content had been retained after the program (80.7% of respondents answered "It has already been useful" or "I think it will be useful in the future").

We also conduct follow-up checks on employees who have been transferred, with the aim of preventing their condition from worsening by checking their progress in adapting to life and work after changes in their environment and

## Q6 How is your governance evolving along with business portfolio transformation? 95

responding early to employees who show signs of illness. By sharing the results with workplaces as needed, we are also helping to create a workplace that prevents the onset of mental illness. This initiative was applied company-wide in fiscal 2024, and the follow-up rate for transferred employees was 99.3%.

We also conduct KSA surveys (engagement surveys assessing employee empowerment and growth), which enable more detailed analysis and visualization of work engagement among employees in terms of enthusiasm, immersion, and vitality. We conduct these surveys in conjunction with annual stress checks. We comprehensively utilize the KSA results in each workplace, and we are making efforts to improve work engagement, including by facilitating greater communication among employees.

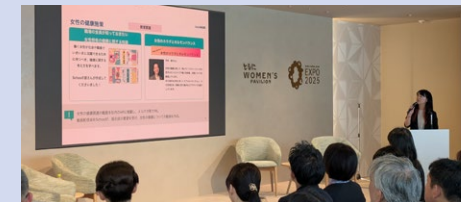


#### 2. Cancer awareness initiatives

We hold a company-wide online seminar on the topic of preparations employees can start now so that they can continue working even if they are diagnosed with cancer, which forms part of our efforts to raise awareness to improve literacy about cancer. In addition, in order to promote early detection and treatment, we changed the KPI for cancer prevention beginning with fiscal 2025, with the aim to strive for a screening rate of 60% or higher for the five major cancers (lung, stomach, colon, breast, and cervical) in all districts. We will identify factors that affect cancer screening participation and aim to increase the rate of cancer screenings.

We also focus on providing information to help employees balance treatment and work if they are diagnosed with cancer.

Because cancer has a high incidence rate among women in their prime working years, we consider it an important subject from the perspective of promoting the active participation of women in the workforce and are focusing on disseminating information about women's health. Our efforts were recognized as we received the Excellence Award at the Global Women's Body Conference 2025 held at the Expo 2025 Osaka, Kansai, Japan in April 2025.



#### 3. Anti-smoking measures

In April 2024, we introduced a complete smoking ban during working hours and in April 2025 we banned all smoking on company premises and at work functions, to help smokers quit and prevent employees from being exposed to unwanted second-hand smoke.

#### 4. Sleep support measures

Starting in June 2025, we have been conducting a sleep survey for all Group employees (with a participation rate of 95%). As a result, we have implemented a Sleep Improvement Program to provide individual support to employees who have sleep issues.

We also recognize sleep-related issues for employees engaged in shift work as a major health and safety issue, and are working to address them. Specifically, we have produced an educational video for shift workers to improve the quality of their sleep and incorporated this into our in-house training curriculum, helping employees acquire the correct knowledge and establish better sleep habits.

Please see [our website](#) for details on these initiatives

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## The Environment, Safety, and Health (ESH)



### ESH ESH to protect employees and communities

**Kazunori Nakajima**  
Lead Executive Officer  
Executive Officer for Manufacturing, ESH, Regional Offices

The Asahi Kasei Group places the highest priority on employee safety and strives to create an injury-free workplace. Until now, we have focused on developing technologies and rules, but in recent years we have been focusing on fostering a culture of safety. To build a culture of safety, it is essential for employees to have the “on-site capabilities” to proactively identify and solve problems. By visualizing work, sharing knowledge, and clarifying company policies, we are increasing employee autonomy. We believe that this will lead to faster response to problems and operational improvements, which will lead to improved safety performance across the entire organization.

### Occupational safety: current situation and improvement policy

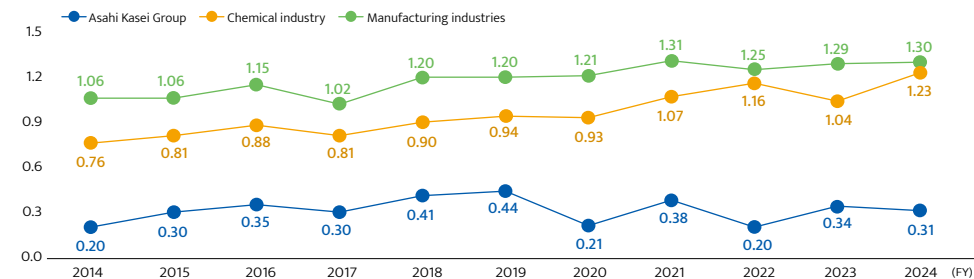
In fiscal 2020, Asahi Kasei established the Life Saving Actions (LSA) program, and implemented it group-wide to eliminate serious occupational accidents. We have identified four actions that pose particularly high risks to life as prohibited behaviors and are promoting strict adherence to these rules in all aspects of our business activities. This program is not only being carried out by our employees but is being expanded to include partner companies both in Japan and overseas. It represents a cornerstone program aimed at eliminating accidents that result in fatalities or serious after-effects.

Our frequency rate of lost-time accidents, which indicates the frequency of injuries resulting in lost work time, is at a good level compared to the manufacturing and chemical industries as a whole. Nevertheless, LSA-related injuries continue to occur. We will continue to advance safety activities.

Additionally, we have positioned measures to combat occupational accidents caused by heatstroke, which have been increasing in recent years, and contact with chemical substances, as priority issues, and are working to thoroughly implement preventative measures and prevent injuries from becoming severe.



### Lost-time injury frequency rate for the Asahi Kasei Group in Japan

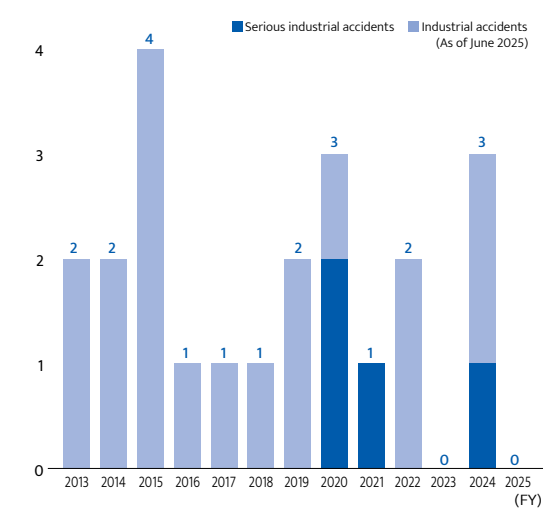


### Process safety: current situation and improvement policy

In fiscal 2024, there were a total of three industrial accidents and serious industrial accidents. Although it was not a serious incident such as an explosion or fire, an accident occurred at one of our overseas bases due to the accidental release of CO<sub>2</sub> from a CO<sub>2</sub> fire extinguishing system. In this case, we established an accident investigation committee to investigate the root cause and are taking measures to prevent recurrence, which we are promoting throughout the company. In fiscal 2025, we will continue to strive toward the goal of zero safety accidents. We will work to enhance our safety and disaster prevention capabilities by identifying safety risks and issues through dialogue with each region and plant and then using this information to make improvements.

- Additionally, the following initiatives are being advanced as key priorities for fiscal 2025:
- Expanding target plants for activities to hand down and promote process safety technology since fiscal 2023
  - Reinforcing fire prevention and extinguishing equipment in areas with high risk of indoor fires and improving disaster prevention systems
  - Sharing information internally on the accidental release of CO<sub>2</sub> from fire extinguishing equipment

### Industrial accidents and serious industrial accidents



### HIGHLIGHT

#### Reinforcing fire prevention and extinguishing measures for indoor plant fires

In fiscal 2020 and 2022, fires occurred at plants located in Nobeoka City, Miyazaki Prefecture. In response, we established standards for the installation of fire prevention and extinguishing equipment in areas at high risk of indoor fires to prevent similar accidents from occurring again, and are now widely disseminating these standards throughout the Asahi Kasei Group. These standards identify high-risk areas for plant fires from the following three perspectives:

- A: Areas with combustible materials that are easily ignited and generate a large amount of heat from combustion
- B: Areas where firefighting activities by public fire departments are difficult
- C: Areas where the spread of fire would have a large impact on production facilities, nearby plants, local residents, etc.

We are prioritizing these areas and working to reinforce fire detection equipment, fire prevention and extinguishing equipment that enables early fire extinguishing before a fire spreads, and disaster prevention systems.

Additionally, in clean rooms, where fire smoke is easily dissipated, detection is delayed with ordinary smoke detectors, so we have made it a requirement to install ultra-high sensitivity smoke detectors, and had completed 60% of the renewal plan by the end of fiscal 2024.



Young employees undergoing fire hydrant operation training

Please see [our website](#) for details on these initiatives

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## Quality Assurance and Production Technology



**Quality Assurance**  
**Involving everyone in quality management**  
**—the value of common quality training**  
**across all 3 sectors**

**Hiromi Nakafutami**  
 Lead Executive Officer  
 Executive Officer for QA

At the Asahi Kasei Group, we believe that quality is the foundation of trust, and we advance quality assurance (QA) activities involving all employees. In a global business environment, we are continually working to strengthen our QA system and develop our human resources in order to respond flexibly and appropriately to the laws and regulations of each country, international standards, and diversifying customer needs. Quality is not the responsibility of just one department; it is something that all employees build through their own work, and the accumulation of this builds trust as a company. As “One Team,” we will continue to value our sincerity, challenge, and creativity as we strive to deliver quality that inspires confidence.

### Quality is the foundation of Asahi Kasei’s corporate value

The basic principles of Corporate Quality Assurance are quality that inspires confidence and QA activities involving all employees. We are working to improve the quality and reliability of our products and services. As part of this, we are building a company-wide quality management framework and steadily implementing it, while also ensuring compliance with laws and regulations, international standards, and customer requirements. We are also focusing on fostering a group-wide culture of quality and are carrying out activities that position quality as the foundation of our corporate value.

- #1: Think about your customers
- #2: Say “thank you” a lot
- #3: Create an atmosphere where people can speak freely and frankly
- #4: Go to actual sites and show interest
- #5: Make changes without fear of failure
- #6: Take responsibility as a team
- #7: Pass your role on to the next person in better condition
- #8: Learn about laws, regulations, and contracts

### Town hall meetings to listen in person

One example is holding town hall meetings where manufacturing personnel and the Executive Officer for QA have direct dialogue. The meetings are held regularly at domestic and overseas sites, with the aim of reflecting on-site feedback in management, sharing awareness of quality, and building relationships of trust.

We also provide opportunities to systematically learn about the importance of QA and legal compliance through quality training that utilizes QA case studies both inside and outside the company, and through the quality training system designed for each level and type of work. This allows each employee to have a strong awareness of quality, and develops human resources who can act independently.

Furthermore, the Quality Management Seminar for management personnel, in which the Executive Officer for QA serves as the speaker, aims to deepen understanding of the impact that quality has on corporate value and risk management, with the aim of top management taking the lead in promoting a culture of quality. This allows us to reinforce a culture of quality using both top-down and bottom-up approaches. Through these various initiatives, Asahi Kasei aims to achieve quality management that meets customer trust and to sustainably enhance its corporate value.



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**Production Technology**  
**Creating new value with intangible assets**  
**acquired through production technology**

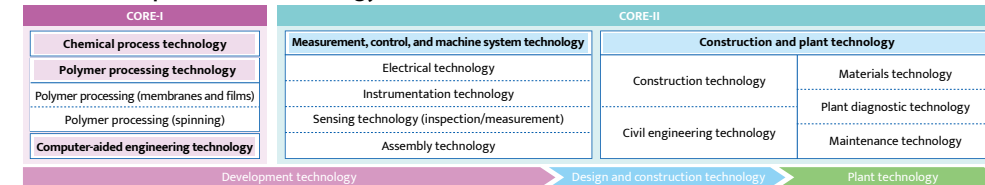
**Toshihiko Takizawa**  
 Lead Executive Officer  
 Executive Officer for Production Technology

Corporate Production Technology provides engineering services both internally and externally, covering everything from development to design, construction, and maintenance. By combining technology we developed ourselves together with new technology and applying them in our facilities, and by promoting planned maintenance and continuous improvements and refinements, we are constantly evolving our facilities to be able to manufacture products that meet customer expectations. The intangible assets we have cultivated through overcoming the many challenges in production, including technology, know-how, and human resources, are the source of our value and an important part of our business platform. We will utilize these intangible assets to create new value in the three sectors of Healthcare, Homes, and Material.

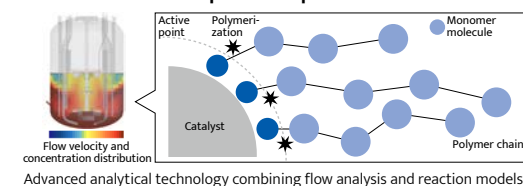
### Corporate Production Technology’s intangible assets

Corporate Production Technology has accumulated a wealth of specialized technology in line with the growth of the Material sector. CORE-I is the most important technology group that drives important businesses, and CORE-II is the essential technology group that forms the foundation of businesses. The linkage and combination of these technologies form consistent engineering capabilities for development, construction, and plant technology, creating a unique strength of Asahi Kasei. Going forward, Corporate Production Technology will act as a hub of the Asahi Kasei Group, always taking on new challenges, developing new technologies for the sectors of Homes and Healthcare as well as Material.

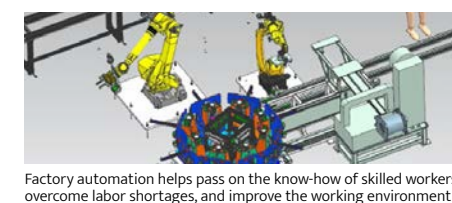
### Asahi Kasei’s production technology



### Example 1: Process development technology to achieve product specifications



### Example 2: Adopting automation at new plants



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Respect for Human Rights / CSR Procurement

Responsible business practices throughout the value chain

Respect for Human Rights

Policy and management framework

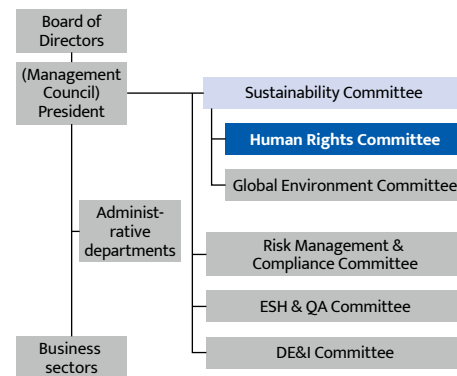
Respect for the human rights of all people is one of the most important aspects of the Asahi Kasei Group's business activities. The Asahi Kasei Group Human Rights Policy complies with the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The Asahi Kasei Group has also pledged its support for the Ten Principles of the United Nations (UN) Global Compact as well as the UN Guiding Principles on Business and Human Rights. Based on these policies and principles, we work to identify and appropriately address human rights issues.

**Asahi Kasei Group Human Rights Policy** (Approved by the Board of Directors in fiscal 2021)

Basic approach		
<b>Respecting the human rights of all stakeholders</b>	<b>Conforming to international human rights standards</b>	<b>Endeavoring with business partners to remediate and eliminate human rights violations that occur</b>
<p><b>Addressing human rights issues (initiatives through business activities)</b></p> <ul style="list-style-type: none"> <li>• Compliance with laws and regulations (including on working hours, wages, safety and hygiene, and protection of personal information)</li> <li>• Prohibition of discrimination, harassment, and other unacceptable conduct</li> <li>• Respect for the human rights of all people in society (including customers and communities)</li> </ul>	<p><b>Promoting respect for human rights</b></p> <ul style="list-style-type: none"> <li>• Education</li> <li>• Implementation of human rights due diligence</li> <li>• Commitment to engage with affected stakeholders</li> <li>• Establishment and operation of grievance mechanisms</li> <li>• Disclosure</li> </ul>	

We have a Human Rights Committee, chaired by the President, to promote actions in accordance with the Asahi Kasei Group Human Rights Policy. In fiscal 2024, the committee discussed and shared the latest international trends regarding human rights, as well as our current initiatives and orientation. As a result, we confirmed the importance of reviewing existing operations from a human rights perspective and improving our organizational sensitivity to social trends and human rights. Going forward, through the committee, we will continue to share information and improve our efforts regarding human rights.

Management framework



Human rights education and training

The Asahi Kasei Group Code of Conduct stipulates a policy of zero tolerance for any kind of discrimination or harassment. We also provide education and raise awareness with respect for human rights through a variety of methods, including in-house training for specific job levels, e-learning on harassment prevention, and workplace discussions.

CSR Procurement

In addition to our own company, we expect all parties across the supply chain to address social issues such as climate change and respect for human rights in order to achieve sustainability. We are working to promote CSR procurement together with our suppliers with the aim of building a sustainable supply chain.

Policy

We consider all suppliers to be important business partners, and our policy is to treat them with honesty and integrity. We have established the Procurement Mission and Vision, and we work to comply with the [Asahi Kasei Group Procurement Policy](#) to promote procurement activities that prioritize CSR.

Supplier Code of Conduct

In fiscal 2024, we reformulated our Supplier Guidelines as the Supplier Code of Conduct to better promote CSR procurement initiatives. We have begun asking our suppliers to agree to this code of conduct by signing and submitting it. Going forward, we will continue to monitor the compliance status of our suppliers through CSR evaluations and work together to make improvements.

CSR procurement questionnaire

We conduct a survey of our suppliers every year and disclose the results. For suppliers who receive a rating of C or below, we deepen mutual understanding through dialogue and provide support for improvement. We also meet with suppliers whose evaluations have improved significantly compared with previous results, and introduce best practices to suppliers with low evaluations.

Conflict minerals survey

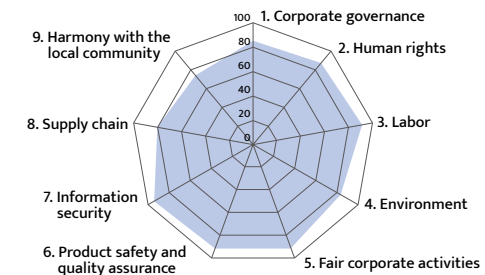
In fiscal 2024, we conducted a survey of suppliers regarding procured materials containing tantalum, tin, tungsten, gold, cobalt, and mica in response to the issue of conflict minerals, which have been identified as a possible source of funding for armed groups linked to inhumane acts. The results of the survey confirmed that none of the materials procured came under the category of conflict minerals.

CSR procurement questionnaire assessment

Rank	Raw material suppliers		Material suppliers	
	FY2021	FY2023	FY2022	FY2024*
A	79	164	119	317
B	17	40	60	181
C	3	10	28	56
D	2	1	7	9
Total	101	215	214	563

\* Including suppliers to certain subsidiaries.

CSR procurement questionnaire Average scores by category in fiscal 2024



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## Compliance / Information Security

### Compliance

#### Group Policy


The Asahi Kasei Group positions compliance as a priority issue of materiality. We seek to ensure that all employees act with sincerity in accordance with our Group Values, in addition to strict compliance with internal rules as well as laws and regulations. We formulated the [Asahi Kasei Group Code of Conduct](#) to ensure compliance among all executives and employees. We thoroughly familiarize them with the code while continuously reviewing it in light of changing societal demands and circumstances.

#### Awareness of the Code of Conduct

##### Cs Talk (workplace discussion on case studies)

As part of our compliance activities, we have been holding “Cs Talk” discussions since fiscal 2019. In Cs Talk, employees exchange opinions at the workplace level about areas for improvement and solutions, considering actual cases of fraud and misconduct as well as issues that require attention in their everyday work. Through their participation, each employee can relate to the case studies in their own workplace, think about how to respond, and express their opinions, which makes potential issues feel relevant to them. By understanding the essence of a problem and comparing it with the Asahi Kasei Group Code of Conduct, employees deepen their understanding of the actions they should take.

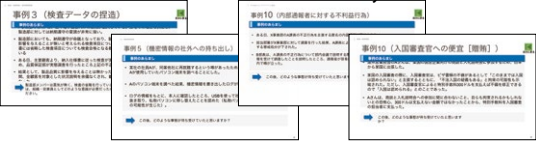
### What is Cs Talk?



A small group of several employees from the same workplace exchange opinions facilitated by a workplace promotion leader

**Method**

**Case studies and commentary**



**Case studies used**

- Case studies selected from seven fields by each workplace
- 22 case studies were created and launched in fiscal 2019. After that, in preparation for annual implementation, cases of important subjects that require in-depth response were added, with 80 cases discussed in fiscal 2024

Seven fields	
1	Environment, Safety, and Health
2	Manufacturing and Quality Assurance
3	Marketing and Sales
4	Information Management
5	Sustainability and Human Rights
6	Processing Expenses and Purchasing Goods
7	Others (bribery, insider trading, harassment, etc.)

### Risk Management & Compliance Committee

The Risk Management & Compliance Committee, chaired by the President and whose members consist of the Presidents of Core Operating Companies and heads of administrative departments, shares information on incidents that have occurred within the Asahi Kasei Group, applies group-wide countermeasures, and holds discussions on preventing incidents from occurring. The committee’s discussions, along with a message from the chair, are shared and disseminated by each committee member within their organization, leading to thorough efforts to raise awareness and prevent recurrence throughout the Asahi Kasei Group.

#### Whistle-blowing system

##### There were 81 reports in fiscal 2024

We will continue to operate the system in accordance with the Whistleblower Protection Act and respond appropriately to reports, thereby improving users’ trust in the system and leading to the early detection to and response to fraud and other incidents. We will take steps to resolve the root causes of workplace issues triggered by reports and work to create a better workplace environment.

### Information Security

#### Policy and management framework

Against the backdrop of accelerating DX and organizational expansion through M&A, ensuring information security is an important management issue. We are putting into place a system that enables us to continuously implement information security measures both domestically and internationally. We formulated an [Information Security Policy](#) and established related regulations. Each Group Company also has its own management system and we are working to establish coordinated group-wide security governance. For companies that join the Asahi Kasei Group through M&A, we analyze security risks and implement countermeasures during the post-merger integration (PMI) process. Additionally, we are working to maintain and improve the entire group-wide security level by systematically standardizing our IT environment.

#### Cybersecurity

Cyberattacks are increasing in number and sophistication every year. We are continually strengthening our cybersecurity measures to minimize any impacts on our business activities. For example, we combine Endpoint Detection and Response (EDR), which detects abnormalities in devices, with Security Information and Event Management (SIEM), which analyzes logs to find threats, to develop a system that can detect abnormal behavior early through advanced automatic detection. These measures are handled by the Security Operation Center (SOC) and Computer Security Incident Response Team (CSIRT) operated within the Asahi Kasei Group. The accumulation of response know-how within the company enables us to improve security skills. We also provide information security training to all employees every year, and e-mail messages simulating targeted e-mail attacks are sent to employees to foster the ability to judge suspicious e-mail appropriately and encourage prompt reporting.

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14	<b>Q1</b> <b>How will you leverage diverse management assets to achieve sustainable growth of corporate value?</b>	+
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26	<b>Q2</b> <b>What actions are you taking to achieve capital efficiency that exceeds the cost of capital?</b>	+
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36	<b>Q3</b> <b>What growth do you expect from the investments you’ve made?</b>	+
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53	<b>Q4</b> <b>What social impact will your GX-centered sustainability efforts have?</b>	+
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62	<b>Q5</b> <b>How will you transform your business models by leveraging abundant intangible assets?</b>	+
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78	<b>Q6</b> <b>How is your governance evolving along with business portfolio transformation?</b>	-
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