

Corporate Governance Report

Last Update: June 25, 2024

Asahi Kasei Corporation

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Securities Code: 3407

<https://www.asahi-kasei.com>

The corporate governance of Asahi Kasei Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Group Vision of the Company is to provide new value to society and solve social issues by enabling “living in health and comfort” and “harmony with the natural environment” under the Group Mission of “contributing to life and living for people around the world.” With this as a base, the Company aims to contribute to society, achieve sustainable growth, and enhance corporate value over the medium to long term by promoting innovation and creating synergy through integration of various businesses. The Company continues to pursue optimal corporate governance as a framework to make transparent, fair, timely, and resolute decision-making in accordance with changes in the business environment.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all of the principles set forth in the Corporate Governance Code revised in June 2021, including details for the Prime Market.

[Disclosure Based on the Principles of the Corporate Governance Code]

[Principle 1-4] (Strategic Holdings and Standards for Exercise of Voting Rights Thereof)
The Company has established the following policy for holding of shares (strategic holdings) for any purpose other than pure investment and for the exercise of voting rights thereof.

1. In order to achieve sustainable growth and enhance corporate value over the medium to long term, the Company holds shares the Company considers necessary as part of business strategies and management strategies including business alliance, financing, securement/enhancement of supply chains, and maintenance/enhancement of business relationships.
Nevertheless, considering risks of share price fluctuation, costs of holding, capital efficiency, etc., for strategic holdings as a whole, reduction of strategic holdings is continuously advancing.
2. For each individual strategic holding, the Board of Directors assesses the meaning, effectiveness, and economic rationality of such holdings regularly on an annual basis, both qualitatively and quantitatively, from the perspective of achieving sustainable growth and improving medium to long term corporate value.
For the regular assessment, the Board of Directors considers whether business merits such as benefits or synergies in transactions or alliances are being obtained over the medium to long term with the company whose shares are held through the shareholding, and whether there would be any demerit in the case of not holding the shares.

For the regular assessment, benefits gained through the strategic holdings in terms of business transactions, business strategy, and management strategy are quantified to the extent possible. Together with dividend income, a comprehensive regular assessment confirms whether the economic benefit exceeds the cost of capital.

In the case of a holding judged to no longer be compatible with its purpose or whose benefit is deemed to be outweighed by the associated costs and risks of holding based on such assessments, the Company acts to reduce the holding by sale, etc., in consideration of the condition of the company whose shares are held.

3. Voting rights to each proposal for strategic holdings are exercised in consideration of the sustainable growth as well as the medium to long term corporate value of both the Company and the investees.

[Principle 1-7] (Framework for Procedures for Related Party Transactions)

The Company, in accordance with the Companies Act as well as the Regulations for the Board of Directors of the Company, stipulates that conflict-of-interest transactions between the Company and its Directors require the approval of the Board of Directors, and that the status of such transactions shall be reported to the Board of Directors. The Company also checks on a regular basis whether there is any transaction between the Company/the Group and its Directors or a corporation its Directors effectively control, and details of such transaction (if any).

Should the Company have any transaction with a main shareholder, the Company maintains procedures to prevent any detriment to the Company, given the importance and nature of such a transaction.

[Supplementary Principle 2-4-1] (Ensuring Diversity in Appointment of Core Personnel)

Since its founding in 1922, the Asahi Kasei Group has evolved through significant transformation of its business portfolio. The diversity of the Group's businesses and technologies is one of the intangible assets that the Group has cultivated over the past 100 years, and we believe it is important to continue to expand, connect, and fully utilize this diversity in the form of "Co-creativity", which is one of the pillars of the Group's human resources strategy. Based on this, the Company's views, targets, and circumstances with respect to the appointment of women, non-Japanese, and mid-career hires to managerial positions, its personnel training policy for ensuring diversity, and its policy and condition of enhancing workplace environments are described below.

Appointing women as core personnel:

Gender diversity is positioned as an important perspective in DE&I Promotion, and the Company believes that promoting gender diversity will lead to the realization of an environment in which diverse human resources can thrive regardless of gender and other attributes, and established a dedicated organization (now DE&I Promotion Group) in 1993. Measures have been implemented to provide an environment where women can continue working by expanding the range of work for female employees and enhancing support for work-life balance. Since the 2010s, we have also provided support for career development by distributing a handbook to supervisors containing reference information on the development of newly graduated female employees, holding seminars before maternity leave and seminars on returning to work after childbirth, childcare leave, and other life events, and a mentor program to support female managers in their subsequent career development.

In the medium-term management plan announced in April 2022, we set a target of increasing the ratio of women in management positions, especially those in leadership roles (managers and Group Masters), to 10% in fiscal 2030 (4.4% in fiscal 2023) as a KPI to measure the success of diverse human assets. The Company has also linked this ratio to executive remuneration, with a target of 5.0% in fiscal 2024.

In order to achieve this goal and to ensure that we can continue to foster female leaders, we are implementing various initiatives to form a candidate group of female leaders. Since 2013, a total of 132 new female managers have participated in the mentoring program, where upper-level managers who are not direct supervisors provide support to motivate them to develop their careers and personal growth. In 2023, we held a roundtable with female Outside Directors and female managers to encourage them to change their awareness and behavior toward their future challenges and success.

As a measure to support diverse work styles and career development, the Company introduces diverse human assets in the Company as “partial role models” on the Company’s intranet, such as female managers and men who take childcare leave to engage in housework and childcare. Furthermore, as a measure to nurture management that can leverage the diversity of each individual and maximize organizational capabilities, we conducted unconscious bias training for all officers and general managers in fiscal 2023, and plan to extend the training to all section managers in fiscal 2024.

In parallel with these company-wide measures, each business unit is promoting separate measures and specific women's personnel plans and initiatives that will lead to actual promotion of women in the company. In addition, a DE&I Committee chaired by the President was established in fiscal 2023 to regularly monitor and exchange opinions to confirm progress and improve issues throughout the Group, thereby establishing a company-wide system to promote women's activities. As a result, the number of female managers has increased from 3 in 1994 to 313 currently (as of March 31, 2024). In addition, there are currently two female Executive Officers, two female Directors, and one female Audit & Supervisory Board Member in the Company.

For further information regarding other efforts related to DE&I and action plans based on the Women's Advancement Promotion Law, please refer to the Human Resources page on the Company’s website:
https://www.asahi-kasei.com/sustainability/social/human_resources/

General Action Plan based on the Women's Advancement Promotion Law and Publication of Information (for reference)

https://positive-ryouritsu.mhlw.go.jp/positivedb/en_index.html

Appointing non-Japanese as core personnel:

As the Asahi Kasei Group’s ratio of overseas sales has risen, the proportion of overseas employees is slightly more than 40% (as of March 31, 2024). The Company’s policy is not only to expand the appointment of non-Japanese and locally hired employees to key positions at overseas sites that support expanding overseas business operations, but also to promote developing excellent human resources to contribute to the entire Group. As an example, in the study of the medium-term management plan which began in 2022, the next generation of leaders from the United States, Europe, China, and Japan held discussions on the ideal state of the Asahi Kasei Group in 2030. The proposals made during this process were the basis for the concept of “Be a Trailblazer” in the medium-term management plan. We also actively promote talented human resources who joined the Group through overseas M&A, and they participate in group management including as Executive Officers. The current number of non-Japanese Executive Officers in the Company is six.

Appointing mid-career hires as core personnel:

The number of mid-career hires has been increasing in recent years: 342 in fiscal 2021 (460 new graduates), 369 in fiscal 2023 (425 new graduates), 362 in fiscal 2023 (436 new graduates), and as of March 2024, 16.3% of all management positions for domestic regular employees* of the Group. Diversity of human resources is a strength of the Asahi Kasei Group, and as appointment of mid-career hires having diverse experience and backgrounds further reinforces this strength, this will be proactively advanced.

Personnel training policy for ensuring diversity, and policy and condition of enhancing workplace environments:

The diversity of the Group's businesses and technologies is one of the intangible assets that the Group has cultivated over the past 100 years, and we believe it is important to continue to expand, connect, and fully utilize this diversity in the form of “Co-creativity”, which is one of the pillars of the Group's human resources strategy. Considering an active human organization of personnel having diverse values to be essential for the sustainable growth of business, the Company has established a DE&I Promotion Group as a department dedicated to advancing the engagement of diverse personnel and measures for work-life balance, with activities progressing group-wide. For further information, please refer to the Human Resources page on the Company’s website:

https://www.asahi-kasei.com/sustainability/social/human_resources/

* Regular employees of Asahi Kasei Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd.

[Principle 2-6] (Roles of Corporate Pension Funds as Asset Owners)

In order to increase the investment management expertise of the Company's corporate pension funds, ensuring that corporate pension funds perform their roles as asset owners, personnel from finance with specialist ability and knowledge on asset management are assigned as trustees of management execution and as fund managers, while management is performed utilizing advice from external pension fund consultants. Basic policies and guidelines for asset management of corporate pension funds are established and issued to institutions entrusted with management, and monitoring of the condition of management is performed by an Asset Management Committee.

[Principle 3-1] (Information Disclosure)

(1) Company Policy and Management Policy

Please see the company policy and the management policy on the website.

(Company Policy)

<https://www.asahi-kasei.com/company/vision/>

(Management Policy)

<https://www.asahi-kasei.com/ir/library/initiative/>

(2) Basic Views and Policy on Corporate Governance

The basic views of the company are explained in "1.1. Basic Views" of this Report.

(Basic Policy)

1. Securing the Rights and Equal Treatment of Shareholders

While taking proper measures to secure shareholders' rights, the Company develops a proper environment for exercise of shareholders' rights including paying attention to foreign shareholders and minority shareholders and providing information necessary for the exercise of rights accurately and in a timely manner.

2. Proper Cooperation with Stakeholders other than Shareholders

The Group Vision of the Company is to provide new value to society and solve social issues by enabling "living in health and comfort" and "harmony with the natural environment" for people around the world, and the Company works to facilitate cooperation with its stakeholders.

3. Proper Information Disclosure and Securing of Transparency

The Company, in addition to disclosure required by laws and regulations, actively provides information to various stakeholders including financial information such as financial position and operating results, management strategy/issues, and non-financial information concerning risks and governance, etc.

4. Responsibilities of the Board of Directors

In order to achieve sustainable growth, enhance medium to long term corporate value, and increase earnings ability and capital efficiency, the Board of Directors of the Company presents the overall direction of its management strategy, develops an environment to support risk-taking by the management, and effectively oversees the business management of the Company from an independent and objective standpoint, based on the fiduciary responsibility and accountability to shareholders.

5. Dialog with Shareholders

The Company develops a system to have a constructive dialog with shareholders/investors and actively promotes such dialog.

(3) Policy to Determine Directors' Remuneration

It is noted in "[Director Remuneration] Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of this Report.

(4) Policy and Procedures to Appoint/Dismiss Members of Senior Management and to Nominate Candidates for Directors and Audit & Supervisory Board Members

In order to further improve the objectivity and transparency of procedures for the appointment and dismissal of members of senior management and for the appointment of candidates for Directors and Audit & Supervisory Board Members, the Company has established a Nomination Advisory Committee which consists of a majority of Outside Directors to provide advice. In addition to examining the makeup and size of the Board of Directors and policies for nomination of Directors/Audit & Supervisory Board Members, the Nomination Advisory Committee provides advice to the Board of Directors based on appropriate examination of the state of execution of duties of Directors in office considering the assessment of the Remuneration Advisory Committee.

In selecting candidates for Directors, the Company chooses persons with deep insight and excellent skills suitable for Directors. For inside Directors, the Company chooses those with expertise, experience and skills in the required field as candidates. Meanwhile, for Outside Directors, the Company chooses as candidates corporate executives, academic experts, and former civil servants with abundant experience, expecting objective oversight of management based on their deep insight.

In selecting candidates for Audit & Supervisory Board Member, the Company chooses persons with insight and skills suited for Audit & Supervisory Board Member, and appointment requires the approval of the Audit & Supervisory Board. In addition, the Company makes sure that at least one Audit & Supervisory Board Member is familiar with finance and accounting.

(5) Explanation for Nomination of Candidates for Directors and Audit & Supervisory Board Members

The Company will post reasons for selection of all candidates for Directors/Audit & Supervisory Board Members in the Notice of general shareholders meeting.

(Notice of general shareholders meeting)

https://www.asahi-kasei.com/ir/stock_information/meeting/index.html

[Supplementary Principle 3-1-3] (Disclosures related to sustainability, etc.)

The Company's efforts regarding sustainability, and investment in human capital and intellectual property, are disclosed in the Company's website, the Asahi Kasei Report, Intellectual Property Report, etc.

The impacts of risks and opportunities arising from climate change on the Company's business activities are disclosed in accordance with the TCFD framework in the Company's website, the Asahi Kasei Report, etc.

The Company is also advancing IP landscaping company-wide, for positioning of the Asahi Kasei Group's intellectual property and intangible assets, and for studying new business models, to be used in management decisions. These activities will also be proactively disclosed.

(The Company's sustainability website)

<https://www.asahi-kasei.com/sustainability/>

https://www.asahi-kasei.com/sustainability/environment/climate_change/

https://www.asahi-kasei.com/sustainability/social/human_resources/

(The Asahi Kasei Report)

https://www.asahi-kasei.com/ir/library/asahikasei_report/

(Intellectual Property Report)

https://www.asahi-kasei.com/r_and_d/intellectual_asset_report/

Furthermore, the Company's Board of Directors has established the following Sustainability Policy.

The Asahi Kasei Group is contributing to life and living for people around the world. We strive for two mutually reinforcing aspects of sustainability: "contributing to sustainable society" and "sustainable growth of corporate value." By creating value for "contributing to sustainable society", we seek to gain high earnings that lead to "sustainable growth of corporate value" which enables us to make further contributions in a virtuous cycle. In order to achieve this, we pursue the optimal corporate governance while practicing the following.

Value creation through contribution to sustainable society

- Resolving issues for People and the Earth through our high value-added businesses

(Care for People, Care for Earth)

- Leveraging our strengths of diversity and capability to change for the creation of value

(Connect, Communication, Challenge)

Responsible business activities

- Complying with laws/regulations and respecting international standards regarding business activities

(Compliance)

- Prioritizing ESH (environment, safety, and health), human rights, and quality assurance throughout all of our activities

- Performing appropriate information disclosure and dialogue with our stakeholders

Empowerment of personnel

- Respecting diversity and inclusion

- Encouraging each employee's growth, performance, and challenging spirit

[Supplementary Principle 4-1-1] (Overview of Extent of Delegation to Management)

The Company has established detailed standards for decision-making in the Decision-making and Approval Authority Regulations of the Group with regard to matters concerning the management plan, investments and loans, financing and fund management, the organization and rules, research and development, and production technology, and delegates authority to the Management Council and core operating companies. At the same time, it establishes matters to be resolved by the Board of Directors as required by laws and regulations as well as matters concerning the Company and the Group based on the importance and nature thereof in matters to be resolved by the Board of Directors.

[Supplementary Principle 4-1-3] (Succession Plan for the CEO and other top executives)

The incumbent and the Nomination Advisory Committee work together to develop a succession plan for the Presidential Executive Officer and to select successor candidates. In selecting successor candidates, the Board of Directors respects the opinions of the Nominating Advisory Committee to the greatest possible extent.

[Principle 4-9] (Independence Standards and Qualification for Outside Directors/Audit & Supervisory Board Members)

In determining that Outside Directors and Outside Audit & Supervisory Board Members are independent, the Company ensures that they do not correspond to any of the following and that they are capable of performing their duties from a fair and neutral standpoint.

1. A person who currently executes or has executed businesses of the Group (Executive Directors, Executive Officers, employees, etc.) over the last 10 years
2. A company or a person who executes the businesses thereof whose major business partner is the Group (an entity with more than 2% of its annual consolidated net sales coming from the Group)
3. A major business partner of the Group (when payments by this partner to the Group account for more than 2% of the Company's annual consolidated net sales or when the Company borrows money from such partner amounting to more than 2% of the Company's consolidated total assets) or a person who executes the businesses thereof
4. A person who receives a large amount of money or other financial gain (¥10 million or more in one year) from the Group as an individual other than remuneration for being a Director/Audit & Supervisory Board Member of the Company
5. A company which receives a large amount of donations or aid (¥10 million or more in one year) from the Group or a person who executes the businesses thereof
6. A main shareholder of the Group (a person/company who directly or indirectly owns 10% or more of all voting rights of the Company) or a person who executes the businesses thereof
7. A person who executes the businesses of a company which elects Directors/Audit & Supervisory Board Members/employees of the Group as Directors/Audit & Supervisory Board Members
8. An Independent Auditor of the Group or any staff thereof
9. A person who has fallen into any of the categories 2 through 8 above over the last three years

10. A person who is a close relative (spouse, relative within the second degree of kinship, or those with whom they share living expenses) of a person who falls under any of the categories 1 through 8 above, provided that “a person who executes businesses thereof” in 1, 2, 3, 5, 6, and 7 above shall be replaced with “an important person who executes the businesses thereof (Executive Directors and Executive Officer, etc.)”

11. A person who has served as Outside Director or Outside Audit & Supervisory Board Member of the Company for more than eight years in total.

[Supplementary Principle 4-11-1] (Views on Diversity and Size of Board of Directors)

In order to achieve sustainable growth and improve medium to long term corporate value, the Company considers the makeup of the Board of Directors, paying attention to the diversity of knowledge, experience, and abilities, given each Director’s experience, expertise, and qualities, etc., suited to oversee and monitor execution of operations of the Group which runs a wide variety of businesses. In addition, the Articles of Incorporation stipulate that the number of Directors shall be 12 or less so that the Board of Directors can have active and substantive discussions.

The Company has established a Nomination Advisory Committee which consists of a majority of outside Directors to participate in discussions about the optimal makeup and size of the Board of Directors and to provide advice to the Company.

[Supplementary Principle 4-11-2] (Disclosure of Concurrent Positions of Directors and Audit & Supervisory Board Members)

In principle, rules stipulate that Directors of the Company cannot concurrently serve as Directors of four or more listed companies other than the Company. The status of concurrent positions Directors/Audit & Supervisory Board Members held at other listed companies is shown in the latest notice of the general shareholders meeting posted on the Company’s website.

(Notice of general shareholders meeting)

https://www.asahi-kasei.com/ir/stock_information/meeting/index.html

[Supplementary Principle 4-11-3] (Analysis and Evaluation of Effectiveness of the Board)

The Board of Directors of the Company conducts regular evaluations of its own effectiveness every fiscal year. In fiscal 2023, we utilized a third-party organization in order to evaluate the previous measures of the Board of Directors of the Company more objectively. The use of a third-party organization enabled all the Board of Directors members to share recognition of the status and issues related to ensuring the effectiveness of the Company’s Board of Directors more clearly, and further deepen the measures for improvement towards enhancing effectiveness. We will continue to use the third-party organization on a regular basis for evaluation of the effectiveness of the Board of Directors in the future. The results of the evaluation of the effectiveness of the Board of Directors (hereinafter, “the fiscal year’s evaluation”) in fiscal 2023 are summarized as follows:

(Previous measures)

The Company’s Board of Directors mainly worked on the following actions in the most recent three fiscal years.

- Review of the composition of the Board of Directors and the officer remuneration system
 - Further enhancement of the monitoring capability by review of the composition of the Board of Directors
 - Review of remuneration design for directors to provide incentives for sustainable growth and improving medium- to long-term corporate value
 - Improvement of transparency in the remuneration decision-making process by entrusting the decision right for performance-linked remuneration to the Remuneration Advisory Committee
- Enhancement of management of Board of Directors meetings
 - Enhancement of the setting of agenda items at meetings of the Board of Directors, deepening deliberations on important management matters by establishing Matters to Be Discussed
 - Enhancement of the quality of discussions at Board of Directors meetings by expanding the pre-meeting briefings

- Other measures for cooperation and information sharing
- Holding Independent Officer Meetings for only Outside Directors and Outside Audit & Supervisory Board Members
- Expansion of opportunities for Outside Officers to participate in site visits, research presentations, etc.

1. Process of the fiscal year's Evaluation

(1) From November 2023 to January 2024

We conducted surveys for all Directors and Audit & Supervisory Board Members and based on the responses to these surveys, an interview was conducted with all Directors and Audit & Supervisory Board Members by the third-party organization. The survey and the interviews covered not only the Board of Directors but also the Nomination Advisory Committee and Remuneration Advisory Committee and the topics included such areas as the composition of the Board of Directors, the management and discussion status of meetings of the Board of Directors, the Nomination Advisory Committee, and Remuneration Advisory Committee, and support systems and information-sharing provided to Outside Officers, etc.

(2) February 2024

The Company's Board of Directors received reports from the third-party organization based on the aforementioned surveys and interviews, and discussed the contents of the report.

(3) March and April 2024

The Company's Board of Directors deliberated on responses to the issues identified.

2. Result summary of the evaluation

(1) As a result of the deliberations based on the report from the third-party organization, the Company's Board of Directors confirmed that the effectiveness of the Board of Directors is sufficiently ensured, particularly in the following aspects.

- Under the appropriate composition of the Board of Directors, each Director and Audit & Supervisory Board Member properly perform their roles and functions, and open and active discussion is conducted.
- The arrangement of discussions and gist of discussions at the Management Council meetings are shared with the Board of Directors, and are highly rated by Outside Officers.
- The chair of the Board of Directors is highly regarded as performing his role appropriately. In addition, Outside Directors and Audit & Supervisory Board Members contribute to substantive discussions based on their own experience and knowledge.

(2) On the other hand, the Company's Board of Directors shared that there are still issues regarding the following points.

- While working on business structural transformation and business portfolio transformation, there is room for improvement to hold further in-depth discussions at the Board of Directors and other meetings on medium- to long-term management issues, etc.
- The importance of further advancement of the discussions on the executive side in the stage prior to Board of Directors meetings and further information sharing with the Board of Directors are recognized.
- Regarding the composition of the Board of Directors, there is a need for continuous discussion, taking into consideration the percentage of Outside Directors in the future, the expected roles of the officers, the size of the Board of Directors, etc.

3. Future measures

Based on the objective analysis by the third-party organization, the Company's Board of Directors confirms the appropriateness and effectiveness of the previous measures,

identifies the issues to be addressed for further enhancement of the effectiveness of the Board of Directors, and has decided to implement the following measures for improvement.

(1) Continuation and enhancement of discussions from the medium- to long-term perspective at Board of Directors meetings

The Company aims for “contributing to a sustainable society” and “sustainable growth of corporate value” as two mutually reinforcing aspects of sustainability, and promotes the business portfolio management and strengthening its business platform. In order to properly supervise this, The Board of Directors aims to enhance discussions on key management subjects to be discussed from a medium- to long-term perspective, such as business portfolio transformation, management resource allocation, etc. In order to further deepen discussions, more opportunities are made for opinion exchange outside of meetings of the Board of Directors.

(2) Improvement of operations to enhance discussions at Board of Directors meetings, etc.

In order to enhance discussions at Board of Directors meetings, we will consider the advancement of discussions at the Management Council meeting which is responsible for preliminary deliberations at Board of Directors meetings, and promote further streamlining and greater efficiency of the operation of Board of Directors meetings. In addition, we will continue to work on information sharing with Outside Officers and enhancement of communication between Outside Officers, etc.

(3) Continuous consideration of the composition of the Board of Directors

We deepen discussions on the composition of the Board of Directors and continuously pursue the most appropriate form of the Board of Directors in light of our management philosophy, management strategy, and business environment.

[Supplementary Principle 4-14-2] (Policy for Training of Directors/Audit & Supervisory Board Members)

The Company provides training suitable to each Director/Audit & Supervisory Board Member in order to improve performance of Directors and Audit & Supervisory Board Members.

For Outside Directors and Outside Audit & Supervisory Board Members, the Company gives tours of plants and research facilities and provides opportunities to participate in workshops for the purpose of improving their understanding of the Group.

The Company provides inside Directors with opportunities, including participation in training for new Directors, to become familiar with the roles and responsibilities of Directors, the required knowledge and mindset before assuming the position. The Company also provides opportunities to update knowledge including lecture presentations by experts while conducting internal training on corporate management every year.

Audit & Supervisory Board Members participate in various training sessions hosted by the Japan Audit & Supervisory Board Members Association, etc. to learn knowledge and methods required to execute duties of Audit & Supervisory Board Members and work to understand the situations in the field through field audit and interviews of Directors, etc.

[Principle 5-1] (Policy for Constructive Dialog with Shareholders)

In order to achieve sustainable growth and enhance medium to long term corporate value, the Company has established the following policy for development of a system and relevant initiatives in order to have a constructive dialog with shareholders/investors.

1. IR System

While the President supervises the dialog with shareholders/investors, the Company has appointed the person responsible for IR and established Investor Relations as an organization dedicated to IR, in order to ensure smooth management of such dialog. The executive officer in charge of corporate strategy/accounting/finance serves as the person responsible for IR, and the head of Investor Relations supports him/her while closely cooperating with Corporate Strategy, Corporate Accounting & Control, Corporate Finance, and other relevant departments/divisions.

2. Method of Information Disclosure and Dialog

(1) Timely and Proper Information Disclosure

The Company has a policy in place to actively disclose information useful in deepening understanding of the Group, in addition to statutory disclosure. To that end, the Company works to disseminate information on financial results, businesses and management policy, etc., in a timely and easy-to-understand manner through media including its website.

(2) Method of Dialog

The Company holds meetings with institutional investors and the press, briefings on the status of business management, and quarterly financial results briefings, and posts materials, audio data, and transcripts including Q&A of these meetings in both English and Japanese on its website without delay, in order to ensure fairness of information disclosure. In addition, the Company holds presentation meetings on businesses and products as necessary and holds briefings for individual investors throughout the nation on various occasions.

3. Feedback to Company

The person responsible for IR reports the opinions of and requests from shareholders/investors to the Board of Directors and the Management Council as necessary and shares them.

4. Management of Insider Information and Quiet Period

The Company has established and complies with its Regulations for Information Disclosure and Regulations for Prevention of Insider Trading which clearly stipulate fair information disclosure (no selective disclosure to a certain individual) and the confidentiality of insider information.

For financial closing information, in particular, the Company sets approximately three weeks prior to a date of announcement of financial results as a “quiet period” when any communication with shareholders/investors including responses to inquiries and comments on financial closing information is withheld, in order to prevent leakage and ensure the fairness of information disclosure.

[Action to Implement Management that is Conscious of Cost of Capital and Stock Price (under consideration)] [Disclosed in English]

The Asahi Kasei Group launched its medium-term management plan 2024 "Be a Trailblazer" in fiscal 2022 and is pursuing business portfolio evolution by focusing resources on its next growth businesses and performing "fundamental business structure transformation" from a medium-term perspective. As a financial and capital policy, the Asahi Kasei Group aims to continuously improve ROE by implementing strategic actions with a strong awareness of capital efficiency, and thus achieve an increase in PBR. Please refer to our website and other sources for the details of our medium-term management plan and its progress. We have worked to perform management and disclosure that are conscious of cost of capital and stock price.

(Management Policy)

<https://www.asahi-kasei.com/ir/library/initiative/>

[Dialogue with Shareholders]

For the status of dialogue with shareholders and investors, please refer to "[Principle 5-1] (Policy for Constructive Dialog with Shareholders)" above, "2. IR Activities" in this report, the Asahi Kasei Report, and the Company's website.

(Asahi Kasei Report)

https://www.asahi-kasei.com/ir/library/asahikasei_report/

(For Investors)

<https://www.asahi-kasei.com/ir/>

2. Capital Structure

Foreign Shareholding Ratio	More than 30%
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[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned(thousand shares)	Percentage (%)*
The Master Trust Bank of Japan, Ltd. (trust account)	224,563	16.18
Custody Bank of Japan, Ltd. (trust account)	90,455	6.52
JP Morgan Chase Bank 385632	42,172	3.04
Nippon Life Insurance Company	40,880	2.95
Asahi Kasei Group Employee Stockholding Assn.	38,542	2.78
State Street Bank West Client — Treaty 505234	27,286	1.97
JPMorgan Securities Japan Co., Ltd.	23,917	1.72
Sumitomo Mitsui Banking Corp.	21,404	1.54
Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Mizuho Bank account) Trustee of sub-trust: Custody Bank of Japan, Ltd.	19,800	1.43
Sumitomo Life Insurance Company	19,778	1.43

* The ratio of shares owned is calculated excluding treasury stock.

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Segment	Tokyo Stock Exchange, Prime Market
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	More than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 100 to less than 300

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board	Chairman and Director (Not serving as president)
Number of Directors	10
Election of Outside Directors	Elected
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tsuyoshi Okamoto	From another company									△			
Yuko Maeda	From another company									△			
Chieko Matsuda	University Professor									△			
Yoshinori Yamashita	From another company									△			

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive Director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Member

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)

- i. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tsuyoshi Okamoto	○	The Group has transactions with Tokyo Gas Co., Ltd., where he was formerly involved in executive management, concerning gas supply, mainly to plants in the Kanto Area. Said transactions, however, are regular transactions with little room for discretion. The amount of said transactions is very small, not more than 1% of the consolidated sales of the Group, which does not have many main plants in the Kanto Area, and not more than 1% of the consolidated sales of Tokyo Gas Co., Ltd. In addition, he has not been involved in the business since 2014 and such situation does not have any influence on his independence.	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 business execution of the Group as an Outside Director.
Yuko Maeda	○	The Group has transactions with Bridgestone Corporation, where she was formerly involved in executive management, mainly concerning components supply. However, the amount of said transactions is very small, not more than 1% of the consolidated sales of the Group and not more than 1% of the consolidated sales of Bridgestone Corporation. In addition, as she has retired from Bridgestone Corporation in 2017, such situation does not have any influence on her independence. Currently, there are no transactions between the Group and CellBank Corp., where she is currently involved in executive management.	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 business execution of the Group as an Outside
Chieko Matsuda	○	The Group had management consulting transactions with her until fiscal 2022. However, the amount of said transactions is very small, not more than ¥10 million, and such situation does not have any influence on her independence.	She has been involved in research on financial and capital market business, management consulting business, and 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 business execution of the Group as an Outside.
Yoshinori Yamashita	○	The Group has transactions with Ricoh Company, Ltd., where he currently works, mainly concerning office supplies including copiers. However, the amount of said transactions is very small, not more than 1% of the consolidated sales of the Group and not more than 1% of the consolidated sales of Ricoh Company, Ltd., and such situation does not have any influence on his independence. Furthermore, he serves as the Representative Director and Chairperson at Ricoh Company, Ltd., but his role in the company is primarily to supervise management. He does not hold an executive officer position and is not involved in the execution of daily operations.	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 business execution of the Group as an Outside Director.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination Advisory Committee	Remuneration Advisory Committee
All Committee Members	6	6
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

In order to further improve transparency and objectivity of the business management, the Company has established the Nomination Advisory Committee and the Remuneration Advisory Committee, which consist of a majority of Outside Directors, so that Outside

Directors actively participate in consideration of, and provide relevant advice regarding, the optimal makeup and size of the Board of Directors of the Company, policies to nominate candidates for Directors and Audit & Supervisory Board Members, independence standards and qualification for Outside Directors/Audit & Supervisory Board Members, and Directors' remuneration policy/system, while determination of performance-based remuneration for each Director is entrusted to the Remuneration Advisory Committee.

The Nomination Advisory Committee and the Remuneration Advisory Committee each has four Outside Directors and Chairman of the Board and President as committee members. The number of meetings held and their rates of attendance were as follows.

Nomination Advisory Committee:

6 meetings in fiscal 2023 with 100% attendance of all members

Remuneration Advisory Committee:

4 meetings in fiscal 2023 with 100% attendance of all members

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	7
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Departments

For cooperation between Audit & Supervisory Board Members and the Internal Audit Department, the Internal Audit Department and Audit & Supervisory Board Members enhance cooperation through meetings held on a regular basis and check the effectiveness of the internal control system of the Group concerning legal compliance and risk management. For cooperation between Audit & Supervisory Board Members and the Independent Auditors, Audit & Supervisory Board Members check the audit plan with the Independent Auditors and receive a report from the Independent Auditors on the audit results of the Company as well as its subsidiaries as of the end of each quarterly consolidated accounting period and as of the end of the consolidated fiscal year.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m

Akemi Mochizuki	CPA													
Haruyuki Urata	From another company										△			
Yoshikazu Ochiai	Lawyer										○			

* Categories for “Relationship with the Company”

* “○” when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

“△” when the Audit & Supervisory Board Member fell under the category in the past

* “●” when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

“▲” when a close relative of the Audit & Supervisory Board Member fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive Director or accounting advisor of the Company or its subsidiaries
- c. Non-executive Director or executive of a parent company of the Company
- d. Audit & Supervisory Board Member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Members’ Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Akemi Mochizuki	○	The Group has no transactions with her or the organizations to which she belongs.	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. Furthermore, as mentioned above, she has considerable insight into finance and accounting.

Haruyuki Urata	○	The Group has lease-related transactions with ORIX Corporation, where he was formerly involved in executive management. However, the amount of said transactions is very small, not more than 1% of the consolidated sales of the Group and not more than 1% of the consolidated sales of ORIX Corporation and such situation does not have any influence on his independence. Currently, there are no transactions between the Group and ORIX Bank Corporation, where he was formerly involved in executive management.	He has extensive experience as a corporate executive and as an officer in charge of corporate accounting and finance. Based on the experience and knowledge he gained through his career, we expect him to properly perform his duties as an Outside Audit & Supervisory Board Member. Furthermore, as mentioned above, he has considerable insight into finance and accounting.
Yoshikazu Ochiai	○	The Group has law-related transactions with Nishimura & Asahi law firm, where he currently works. However, the Group does not have an advisory contract with the firm. The transaction amount is very small, not more than 1% of the consolidated sales of the Group and not more than 1% of the total annual revenue of the firm. The transactions are not with Mr. Yoshikazu Ochiai, but with other attorneys at the firm. In addition, his position at the firm is “Of Counsel,” of which role is similar to an advisor, and is not involved in any transactions with the Company, and therefore, such situation does not have any influence on his independence.	He has a long-term experience as a legal professional. Based on the experience and knowledge he gained through his career, we expect him to properly perform his duties as an Outside Audit & Supervisory Board Member.

[Independent Directors/Audit & Supervisory Board Members]

Number of Independent Directors/Audit & Supervisory Board Members	7
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Matters relating to Independent Directors/Audit & Supervisory Board Members

The Company designates four Outside Directors and three Outside Audit & Supervisory Board Members as Independent Directors/Audit & Supervisory Board Members.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration and Stock-based remuneration
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Supplementary Explanation

Directors' remuneration excluding Non-executive Directors* including Outside Directors is composed of fixed basic remuneration, variable performance-linked remuneration reflecting financial results, and stock-based remuneration

* Non-executive Directors include Director and Chairman

Recipients of Stock Options

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration

No Individual Disclosure

Supplementary Explanation

The Company discloses total remuneration of inside Directors and Outside Directors in its Business Report and Securities Report. Only Japanese version available.

(Notice of general shareholders meeting)

https://www.asahi-kasei.co.jp/asahi/jp/ir/stock_information/meeting/

(Securities report)

https://www.asahi-kasei.co.jp/asahi/jp/ir/library/financial_report/

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

1. Basic policy

The Directors' remuneration of the Company is one of the important components of corporate governance. The Company designs this system to provide appropriate incentives to both executives and supervisors for achieving sustainable growth and improving medium- to long-term corporate value.

Remuneration for Non-executive Directors* including Outside Directors, who supervise the management of the Company, is comprised solely of fixed basic remuneration at a level determined in consideration of third-party survey data, in order to secure a high degree of independence unaffected by short-term earnings fluctuations.

The remuneration for Executive Directors combines performance-linked remuneration with stock-based remuneration as nonmonetary remuneration, in addition to fixed basic remuneration which serves a basic livelihood, in order to provide incentives tied to earnings and management strategy as senior management, with levels of remuneration amounts and proportions of types of remuneration adjusted as appropriate for each role according to management strategy and tasks, in consideration of third-party survey data.

To ensure the optimal way of remunerating Directors and design of the remuneration system, the Board of Directors and the Remuneration Advisory Committee regularly deliberate and continually confirm their appropriateness and make improvements.

2. Policy for determining the timing for payment and conditions of remuneration

Considering the purpose of each type of remuneration, fixed basic remuneration is paid monthly as it serves as a basic livelihood, performance-linked remuneration is paid monthly as it serves as a constant incentive, and for stock-based remuneration, points described below are granted to eligible Directors on a certain date each fiscal year set forth in the Share Grant Regulations determined by the Board of Directors,

and shares of the Company are provided to eligible Directors at the time they retire both as Director and as officer of the Group in light of the purpose of the stock-based remuneration to share the medium- to long-term perspectives of shareholders.

3. Policy for determining each individual's basic remuneration (monetary remuneration)

Amounts of basic remuneration for Directors are determined through comprehensive consideration in accordance with rank and responsibility taking account of other companies' levels of remuneration and the Company's earnings.

4. Policy for determining content of performance-linked remuneration and nonmonetary remuneration as well as method of calculating amounts and numbers thereof

Performance-linked remuneration, which comprises a part of remuneration for Executive Directors, combines both achievement of financial targets including invested capital efficiency with achievement of non-financial targets including individual targets such as progress on sustainability, so as to provide incentives tied to earnings and management strategy as senior management.

Performance-linked remuneration is calculated based on a comprehensive judgment on the basis of achievement of financial targets such as consolidated net sales, operating income, ROIC, etc., together with achievement of individually set targets including progress on sustainability. Standards for financial incentives are selected as appropriate for clear and objective evaluation based on earnings results together with the perspective of awareness for improving invested capital efficiency.

The formula required to calculate individual performance-linked remuneration is outlined as follows.

[Formula required to calculate individual performance-linked remuneration]

Index calculated based on evaluation¹ × base amount by rank
= individual performance-linked remuneration amount

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

A portion of remuneration for Executive Directors is the provision of stock-based remuneration as non-monetary remuneration. To share with shareholders not only the benefits of share price increases but also the risk associated with share price decreases, a stock-based remuneration system was adopted, whereby a trust established by the Company 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 granted points linked to achievement of targets set by the medium-term management plan in accordance with their rank, etc. (maximum of 150,000 points per fiscal year) and the Company's shares are granted to eligible Directors corresponding to the accumulated number of points at the time of their retirement as Director and as officer of the Group (the number of shares to be granted is the number of points granted multiplied by 1.).

5. Policy for determining the proportion of basic remuneration, performance-linked remuneration, and nonmonetary remuneration for individual Executive Directors

The proportion of basic remuneration, performance-linked remuneration, and stock-based remuneration for each Executive Director is determined to provide an appropriate incentive in accordance with management strategy and management tasks, with consideration given to the level obtained from third-party survey data.

The proportion of basic remuneration, performance-linked remuneration, and stock-based remuneration for each Executive Director is generally 6:3:1, with performance-linked remuneration ranging between 0% to 200% of the base amount based on rank, according to evaluation. However, the Board of Directors and the Remuneration Advisory Committee regularly deliberate on its appropriateness, and improvement is made based on continual confirmation of appropriateness.

6. Policy for determining items to be entrusted regarding determination of content of remuneration of individual Directors and for determining content of remuneration of individual Directors

Among remuneration of each individual Director, determination of the amount of performance-linked remuneration is entrusted to the Remuneration Advisory Committee based on a resolution of the Board of Directors, with the Remuneration Advisory Committee being authorized to confirm the reasonableness and appropriateness of the evaluation of the achievement of targets by each Executive

Director as proposed by the President and Director, and to determine remuneration amounts for individual Directors by applying this evaluation to the formula determined by the Board of Directors.

To ensure that such authority is properly exercised, the Remuneration Advisory Committee is comprised of a majority of Outside Directors, and it regularly reports to the Board of Directors on the process of the above confirmation and determination.

Regarding determination of basic remuneration and stock-based remuneration for individual Directors, the Board of Directors requests deliberation by the Remuneration Advisory Committee and makes a determination based on ample consideration of the result of deliberation by the Remuneration Advisory Committee.

Fixed basic remuneration by rank is paid upon determination of the amount by the Board of the Directors. Stock-based remuneration is granted to eligible Directors when certain conditions are met, corresponding to points granted to each Director based on the Share Grant Regulations adopted by the Board of Directors.

7. Important matters for determining the content of individual remuneration, etc. for Directors

In the event that a Director who is eligible for payment of stock-based remuneration, which is nonmonetary remuneration, as part of the above-stated remuneration for Executive Directors, retires due to personal reasons (except in cases where it is determined that the resignation is due to unavoidable circumstances), and in the event that a Director is dismissed or resigns due to causing loss or damage to the Company's group companies as defined in the Share Grant Regulations, etc., all or some of the points granted up to that point shall be forfeited and no shares of the Company corresponding to the forfeited points shall be granted, or no further points shall be granted, based on a resolution of the Board of Directors.

* Non-executive Directors include Director and Chairman.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

For Outside Directors and Outside Audit & Supervisory Board Members, the Company gives tours of plants and research facilities and provides opportunities to participate in workshops for the purpose of improving their understanding of the Group. The Company, for agendas of monthly meetings of the Board of Directors, works to distribute materials early and provide prior explanation to Outside Directors and Outside Audit & Supervisory Board Members as much as possible. In addition, in order to enhance the function of the Audit & Supervisory Board and to facilitate smooth cooperation and support with Outside Audit & Supervisory Board Members, the Company has established an Audit & Supervisory Board Members Office staffed with dedicated employees.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term
Toshio Asano	Special Advisor	Economic associations' activities, social contributions, other company's outside officer, etc. (non-participation in management)	Part time with compensation	March 31, 2016	Fixed-term

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

1

Others

The Company has the advisory positions (sodanyaku and komon) for retired Directors, Audit & Supervisory Board Members and Executive Officers with the authorization of the Board of Directors.

People in such advisory positions are expected to engage in economic associations' activities, social contributions, etc. without influence on management of the Company.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Oversight and audit

- 1) The Board of Directors, which consists of ten Directors including four Independent Outside Directors (more than one-third), makes decisions on matters that are stipulated by laws/regulations and the Articles of Incorporation as requiring a Board of Directors resolution, as well as on important matters for the Company and the Group, and oversees execution of operations by Directors and Executive Officers.
- 2) Under the Board of Directors, the Company has established a Nomination Advisory Committee and a Remuneration Advisory Committee, which consist of a majority of Outside Directors, so that Outside Directors actively participate in consideration of the optimal makeup and size of the Board of Directors of the Company, policies to nominate candidates for Directors/Audit & Supervisory Board Members, independence standards and qualification for Outside Directors/Audit & Supervisory Board Members, Directors' remuneration policy/system, and decisions on performance-linked remuneration of individual Directors, and to provide relevant advice to the Board of Directors.
- 3) The Audit & Supervisory Board consists of five Audit & Supervisory Board Members including three (majority) Independent Outside Audit & Supervisory Board Members, and each Audit & Supervisory Board Member, based on the audit policy stipulated by the Audit & Supervisory Board, oversees execution of duties by Directors by attending meetings of the Board of Directors and examining the status of execution of operations. In order to enhance the function of the Audit & Supervisory Board and to facilitate smooth cooperation and support with Outside Audit & Supervisory Board Members, the Company has established an Audit & Supervisory Board Members Office staffed with dedicated employees.
- 4) PricewaterhouseCoopers Japan performs audits based on the Companies Act and the Financial Instruments and Exchange Act.

2. Execution of operation

- 1) The Company has adopted an Executive Officer system in order to expedite the execution of operations, as well as to clarify responsibilities and specify the roles of Directors in charge of decision-making and oversight, and of Executive Officers in charge of execution of operations.
- 2) The Company has established detailed standards for decision-making in its Decision-making and Approval Authority Rules of the Group with regard to matters concerning the management plan, investment and loans, financing and fund management, the organization and rules, research and development, and production technology, and delegates authority to the Management Council and the core operating companies from the Board of Directors.
- 3) The Company has established an Internal Audit Department which conducts internal audits based on an audit plan. Results of internal audits performed by each staff function are aggregated in the Internal Audit Department and reported to the Board of Directors.

3. Risk management and compliance

- 1) The Company has established the Risk Management & Compliance Committee which adopts policies and deliberates on matters in regard to risk management and compliance.
- 2) The Company has established the Responsible Care (RC) Committee which discusses preventive measures and recurrence prevention measures for accidents related to environmental protection, quality control, operational safety, and workplace safety/health.

4. Summary of activities of the Board of Directors

Summary of activities of the Board of Directors in fiscal 2023 was as follows.

Number of meetings: 15

Average meeting duration: Approximately 3 hours

Average attendance rate of Directors and Auditors: 99%.

5. Audits

Internal audits, audits by Audit & Supervisory Board Members, and financial audits were as follows.

Internal audits:

The company has established an Internal Audit Department, directly supervised by the President, to perform internal audits. The Internal Audit Department formulates an annual audit plan according to the Company's Basic Regulation for Internal Audits, and conducts an audit of the Group under the approval of the President.

Audits by Audit & Supervisory Board Members:

Each Audit & Supervisory Board Member audits the execution of duties of Directors by attending meetings of the Board of Directors and examining the status of execution of operations based on the audit policy stipulated by the Audit & Supervisory Board. To support the function of the Audit & Supervisory Board, the Company has established an Audit & Supervisory Board Members Office.

Financial audits:

PricewaterhouseCoopers Japan LLC is contracted as the Independent Auditors to perform financial audits according to the Companies Act and Financial Instruments and Exchange Act.

3. Reasons for Adoption of Current Corporate Governance System

Under the governance system of a company with an Audit & Supervisory Board, the Company has voluntary committees comprised of a majority of Outside Directors to receive advice regarding the selection and remuneration of Directors and Audit & Supervisory Board Members, enabling flexible implementation as well as objective and highly transparent oversight of management together with a Board of Directors comprised of Directors having rich experience and a broad range of knowledge both inside and outside the Company involved in important management decisions, effective oversight of management is obtained. Furthermore, with an Audit & Supervisory Board Member configuration comprised of Audit & Supervisory Board Members well-versed in the Company's internal situation and Outside Audit & Supervisory Board Members having high expertise, the lawfulness and appropriateness of management is ensured. This system provides an appropriate balance among dynamic and flexible management decisions, effective oversight of management, and the lawfulness and appropriateness of management, which is believed to be the optimum corporate governance system for the Company.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company generally mails a notice at least three weeks prior to the date of a general shareholders meeting.
Scheduling AGMs Avoiding the Peak Day	The Company is aware that a shareholders meeting is a venue for constructive dialog with shareholders, and ensures that the date of the general shareholder meeting does not fall on a date when many other shareholders meetings of other companies are being held.
Allowing Electronic Exercise of Voting Rights	Voting rights may be exercised via the Internet.
Participation in Electronic Voting Platform	The Company participates in the platform for exercise of voting rights of ICJ.
Providing Convocation Notice in English	The Company posts a notice of general shareholders meeting (in Japanese and English) on its website.
Other	The Company posts electronic data of a notice on its website prior to mailing of a notice of general shareholders meeting.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company has a disclosure policy in place and posts it on its website. https://www.asahi-kasei.com/ir/disclosure/	
Regular Investor Briefings for Analysts and Institutional Investors	The Company provides briefings on financial results (four times a year), and holds a management briefing (once a year), analyst meeting on sustainability, IP strategy, DX strategy, business briefings, etc., for analysts and institutional investors.	Yes
Regular Investor Briefings for Overseas Investors	Throughout the year, the Company actively conducts individual meetings with overseas investors through conferences, overseas roadshows, and online interviews.	Yes
Posting of IR Materials on Website	The Company posts various IR materials on the investor information section of its website. https://www.asahi-kasei.com/ir/	
Establishment of Department and/or Manager in Charge of IR	The Company has Investor Relations as a department in charge of IR.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Group has Group Values in place as the common values shared by all employees of the Group. The Group Values require employees to be sincere with all stakeholders including customers, communities, investors, and employees at all times out of respect for the position of such stakeholders.

<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<p>The Company has established a department to promote the Group's sustainability, and implements activities while sharing the direction of the Group as a whole through the Sustainability Committee and other means. Specific initiatives, policies, and systems for environmental conservation, diversity, respect for human rights, and other areas are detailed in the Sustainability section of the Company's website. https://www.asahi-kasei.com/sustainability/</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>As policies for information provision to stakeholders, the Group has established the Basic Policy for Information Disclosure as well as the Regulations for Information Disclosure, and strives to disclose company information in a fair, just and accurate manner as swiftly as possible to the public including stakeholders such as customers, business partners, shareholders/investors, employees and communities. The Company facilitates understanding of the Group and aims to improve its brand strength as well as corporate value while building trust with stakeholders by widely having two-way communications with stakeholders and the society.</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The business environment surrounding our group (the Company and its subsidiaries), which is expanding globally with diverse businesses, is changing rapidly, and the impact of new and increasingly complex risks is significant. In accordance with the following basic policy, the Group shall establish and maintain an internal control system and a configuration for executing business operations in an appropriate and efficient manner.

Group management control (Article 100 (1) (i), (iii), and (v) (a) and (c) of the Regulations for Enforcement of the Companies Act)

1. In order to properly manage the Group's diverse business operations, the Company shall define appropriate business domains, delegate appropriate authority according to the nature of each business, and ensure a mechanism that enables prompt and flexible decision-making. Meanwhile, internal regulations shall clearly define the decision-making bodies or persons with decision-making authority with respect to decisions on important matters concerning group management, and appropriate decisions shall be made in accordance with these regulations.
2. In order to appropriately respond to the increasing complexity and sophistication of responses to laws and regulations and social requirements along with the diversification of businesses and the globalization of sites, the Company shall establish common principles to be complied with by all Group companies and conduct Group management control based on these principles.
3. Regarding the reporting of important information in the Group's management, the Company's internal regulations clearly define recipients of reports and matters to be reported, and based on these, information is communicated appropriately. In addition, the Presidential Executive Officer shall endeavor to grasp the status of business execution, important management issues, audit results, and other important information regarding Group management.
4. To utilize the Group's diverse intangible assets, transform business models, and promote value creation, the use of digital data shall be actively promoted and linked to the heightening of management and transformation of businesses.
5. The Company shall establish internal regulations for the recording, storage, and management of Group management decisions and information transmission, and appropriately record, store, and manage information in accordance with these regulations.

Risk management and compliance (Article 362 (4) (vi) of the Companies Act and Article 100 (1) (ii), (iv), and (v) (b) and (d) of the Regulations for Enforcement of the Companies Act)

1. Directors shall supervise the execution of duties by other Directors through Board of Directors meetings, etc., and shall be subject to audits of the execution of their duties by Audit & Supervisory Board Members from the viewpoint of legality and appropriateness.
2. The Company shall establish a "Risk Management & Compliance Committee" chaired by the President, and appoint an Executive Officer with responsibility for risk management and compliance. The Board of Directors shall also request reports on and supervise the status of compliance and the progress of risk countermeasures throughout the Group.
3. The Company shall establish an organization in charge of integrated management and operation of promotion of risk management and compliance, and build a system for appropriate management of risks. In addition, the Company shall assign appropriate departments in charge of responding to individual risks and compliance measures, establish necessary internal regulations, provide education and training, check the status of countermeasures through monitoring, and support and take the initiative in making improvements as necessary. The Company shall clarify the systems and procedures for internal control over financial reporting, and establish an organization to oversee these systems and procedures.
4. The Company shall establish a basic policy for promotion of risk management and compliance and a code of conduct for corporate ethics and compliance, and make these known to all officers and employees of the Company and its Group companies.
5. A compliance hotline (internal reporting system) shall be introduced and made available to all Group employees and suppliers.
6. The Company shall continuously improve the operation of risk management and compliance systems through monitoring and internal audits.

System to support the Audit & Supervisory Board Members (Article 100 (3) (i), (ii), (iii), and (vi) of the Regulations for Enforcement of the Companies Act)

1. The Audit & Supervisory Board Members Office shall be established as a department to assist the Audit & Supervisory Board Members in their duties
2. Employees assigned to the Audit & Supervisory Board Members Office shall receive commands on a daily basis from the Audit & Supervisory Board Members, and they shall not accept any commands from Directors. Prior approval of Audit & Supervisory Board Members is required for transfer of employees assigned to the Audit & Supervisory Board Members Office, evaluation of their performance, and the like.
3. The employees assigned to the Audit & Supervisory Board Members Office shall be full-time, and they shall be in sufficient number and have the necessary professional skills and abundant business experience required for Audit & Supervisory Board Members to effectively conduct audits.
4. The Company shall bear the expenses of the Audit & Supervisory Board Members, except in cases where such expenses are deemed not necessary for the performance of their duties, and shall establish a fixed amount of budget for expenses incurred in connection with the performance of duties by Audit & Supervisory Board Members.

System for reporting to Audit & Supervisory Board Members and internal cooperation (Article 100 (3) (iv) (a) and (b), (v), and (vii) of the Regulations for Enforcement of the Companies Act)

1. Audit & Supervisory Board Members may request reports from Directors, Executive Officers, and employees of the Company, and Directors, Executive Officers, employees, and Corporate Auditors of each Group company, whenever they deem it necessary for the performance of their duties.
2. Directors, Executive Officers, and employees of the Company, and Directors, Executive Officers, employees, and Corporate Auditors of each Group company shall promptly report to the Audit & Supervisory Board Members important information on Group management, including matters related to risk management and compliance, not only when requested to do so by the Audit & Supervisory Board Members.
3. Any person who reports to the Audit & Supervisory Board Members (including hotline reporters) shall not be subject to any disadvantageous treatment by reason of such report.
4. To enhance the effectiveness of the audit system of the entire Group, the Company shall provide opportunities for regular meetings between Audit & Supervisory Board Members and Outside Directors, the Independent Auditors, and the Internal Audit Department, as well as promote the exchange of opinions between Audit & Supervisory Board Members and the Corporate Auditors of core operating companies.

2. Basic Views on Eliminating Anti-Social Forces

The Company shall resolutely reject antisocial forces, and shall not provide any benefit nor have any trade or other relationship with them. In addition, a department with responsibility for the overall management of responses to antisocial forces shall cooperate with external specialized agencies such as the police, collect information on antisocial forces, and disseminate information and raise awareness within the Group.

V. Other

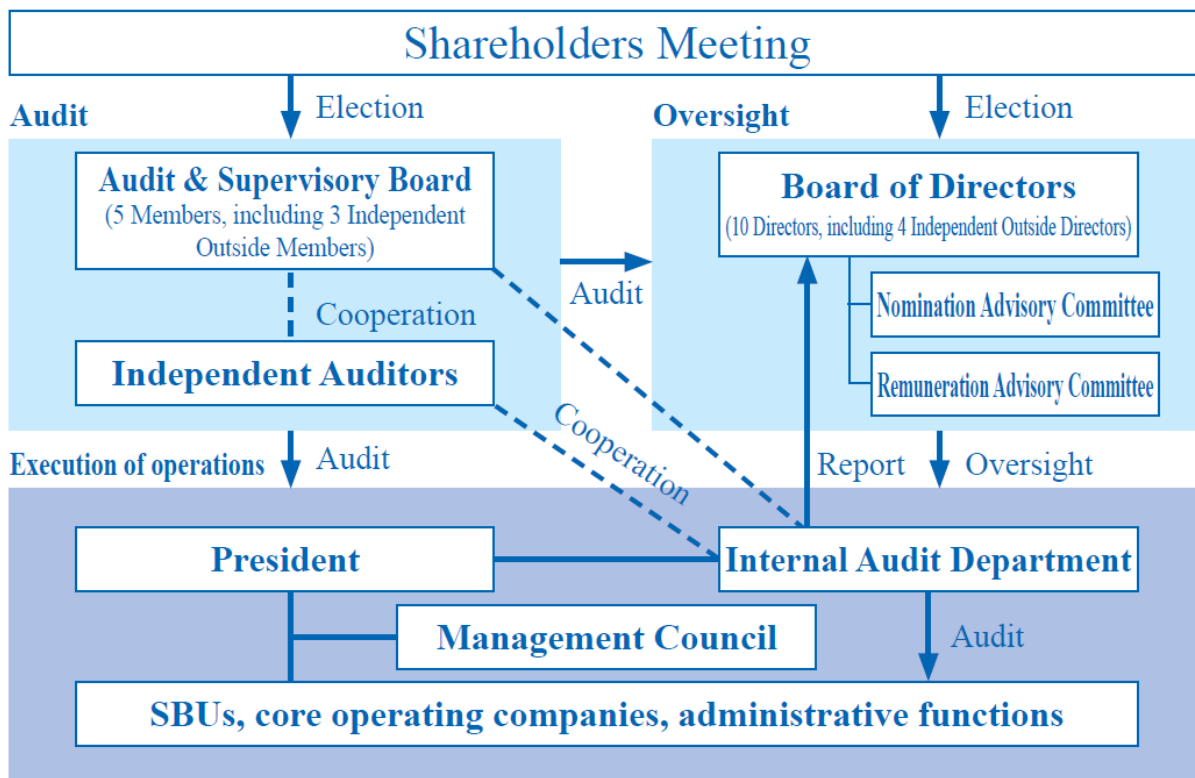
1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
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2. Other Matters Concerning to Corporate Governance System

<p>Overview of Timely Disclosure System</p> <p>1. Basic Stance on Timely Disclosure</p> <p>The Group, in the Basic Policy for Information Disclosure as well as the Regulations for Information Disclosure, sets as a basic principle striving to disclose company information in a fair, just, and accurate manner as swiftly as possible to the entire society including stakeholders such as customers, business partners, shareholders/investors, employees and communities.</p> <p>2. Internal System for Timely Disclosure</p> <p>(1) For information disclosure including timely disclosure, the Group has established the “Basic Policy for Information Disclosure” as well as the “Regulations for Information Disclosure” which apply to the Company and its subsidiaries, and holds “Timely Disclosure (disclosure without delay after any decision is made or any event occurs)” as a basic principle.</p> <p>(2) At the Group, the Senior General Manager of Corporate Communications is responsible for handling information based on the “Regulations for Information Disclosure”, while Corporate Communications serves as the department responsible for information disclosure.</p> <p>(3) When timely disclosure information as stipulated by the “Regulations for Information Disclosure” arises, Corporate Communications, the department responsible for information disclosure, aggregates timely disclosure information from divisions/departments responsible for information and properly manages it.</p> <p>(4) Based on confirming with the President and the responsible Executive Officers related to the relevant timely disclosure information, Corporate Communications handles filing of information with the stock exchange, etc., and announcements. Timely disclosure of management decisions and financial closing information is made without delay after being approved by the Board of Directors.</p> <p>(5) The Internal Audit Department and Audit & Supervisory Board Members conduct audits of the system to manage timely disclosure.</p>

(Reference material: Corporate Governance Structure)



(Reference material: Timely disclosure system flowchart)

