

## Corporate Governance Report

Last Update: November 5, 2021

Asahi Kasei Corporation

Hideki Kobori, President and Representative Director

Contact: Corporate Communications

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 decisive 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)

The Asahi Kasei Group Human Resources Principles include “respect for diversity,” and the Company aims to achieve growth and development through the aggregation of diverse personnel exerting their abilities to the fullest. 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 securing diversity, and policy and condition of enhancing workplace environments are described below.

Appointing women as core personnel:

Since the 1990s, gender diversity has been positioned as an important perspective, and the Company established an Equal Opportunity Promotion Group (now Diversity Promotion Group) in 1993. Since then, measures have been implemented to become a company where women can continue working and to expand the appointment of female employees in leadership positions.

In 2016, the Company formulated a 5-year target of doubling the number of female domestic regular employees\* in supervisory positions by the end of fiscal 2020 from the level at the end of fiscal 2014, and the target was generally achieved. The Company plans to continue expanding the appointment of female managers in leadership positions. Specifically, the Company has set targets by the end of fiscal 2025 to increase the number of female managers by 40% and to increase the total number of female section chief line managers and highly-skilled professionals by 20% compared to the numbers at the end of fiscal 2020. For further information, please refer to the Human Resources page on the Company’s website:

[https://www.asahi-kasei.com/sustainability/social/human\\_resources/](https://www.asahi-kasei.com/sustainability/social/human_resources/)

Appointing non-Japanese as core personnel:

As the Asahi Kasei Group’s ratio of overseas sales has risen, the proportion of overseas employees is nearly 40% (as of March 31, 2021). The Company’s policy is to expand the appointment of non-Japanese and locally hired employees to key positions at overseas sites that support expanding overseas business operations. Specific plans regarding appointments, etc., are determined individually based on the business strategy of each business.

Currently, 4 of the 36 Executive Officers of Asahi Kasei Corp. are non-Japanese, and proactive appointment will be continued.

Appointing mid-career hires as core personnel:

Currently, among domestic regular employees\* of the Asahi Kasei Group, 12% of all managers are mid-career hires. 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 securing diversity, and policy and condition of enhancing workplace environments:

The Asahi Kasei Group Human Resources Principles include “respect for diversity,” and the Company aims to achieve growth and development through the aggregation of diverse personnel exerting their abilities to the fullest.

Considering an active human organization of personnel having diverse values to be essential for the sustainable growth of business, the Company has established a Diversity 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/](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](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/environment/climate_change/)

[https://www.asahi-kasei.com/sustainability/social/human\\_resources/](https://www.asahi-kasei.com/sustainability/social/human_resources/)

(The Asahi Kasei Report)

[https://www.asahi-kasei.com/ir/library/asahikasei\\_report/](https://www.asahi-kasei.com/ir/library/asahikasei_report/)

(Intellectual Property Report)

[https://www.asahi-kasei.com/r\\_and\\_d/intellectual\\_asset\\_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.

[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.)"

[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](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 through discussion in the Board of Directors, having collected questionnaires from Directors and Audit & Supervisory Board Members after the end of each fiscal year. The main measures implemented in fiscal 2020 and issues recognized for the future are as follows:

1. Measures implemented in FY2020

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

The Board of Directors of the Company implemented the following measures in fiscal 2020 based on evaluation of the previous fiscal year.

1) Enhanced agenda items



The Board of Directors more frequently discussed agenda items relating to medium- to long-term management issues, such as the management of business portfolio, initiatives for promoting sustainability, and support for digital transformation, in an effort to effectively supervise these issues in the Board of Directors.

2) Enhanced provision of information to Outside Directors and Outside Audit & Supervisory Board Members

The Board of Directors secured opportunities for visits to the Group's sites, which had been conducted regularly, while taking measures to prevent the spread of COVID-19. Meanwhile, preliminary briefings for the Board of Directors were expanded in order to facilitate deeper discussion on the days of its meetings by utilizing online meetings.

3) Improved committee operations

The Board of Directors decided that Outside Directors shall chair the Nomination Advisory Committee, in addition to the Remuneration Advisory Committee. Furthermore, the Board of Directors entrusted the Remuneration Advisory Committee with deciding the individual performance-linked remuneration portion of remuneration for Directors. These changes have improved the independence, objectivity, and transparency of the decision-making process for the nomination and remuneration of Directors and Audit & Supervisory Board Members.

2. Issues recognized for the future

Based on measures implemented in fiscal 2020, the Board of Directors has confirmed a common awareness of the following issues for the future.

1) Enhancing agenda items

Further expanding discussions on medium- to long-term management issues in the Board of Directors, and reviewing the criteria for bringing agenda items as necessary

2) Reviewing corporate governance in line with the next medium-term management initiative

Reassessing the makeup, size, and skill requirements of the Board of Directors in line with the next medium-term management initiative

3) Miscellaneous

Methods for evaluating the effectiveness of the Board of Directors, expanding the cooperation among Outside Directors and Outside Audit & Supervisory Board Members, etc.

[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.

## 2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (trust account)	198,492,500	14.24
Custody Bank of Japan, Ltd.	71,917,000	5.16
JP Morgan Chase Bank 385632	53,469,572	3.84
Nippon Life Insurance Company	40,880,654	2.93



Asahi Kasei Group Employee Stockholding Assn.	35,492,477	2.55
Custody Bank of Japan, Ltd. (trust account 7)	29,738,900	2.13
Government of Norway	25,404,956	1.82
Sumitomo Mitsui Banking Corp.	21,693,500	1.56
Custody Bank of Japan, Ltd. (trust account 5)	21,613,268	1.55
Mizuho Trust & Banking Co., Ltd. retirement benefit trust (Mizuho Bank account) Trustee of sub-trust: Custody Bank of Japan, Ltd.	19,800,000	1.42

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

Supplementary Explanation

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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
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 ¥2 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	President
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

#### Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Tsuneyoshi Tatsuoka	Other									△			
Tsuyoshi Okamoto	From another company									△			
Yuko Maeda	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
Tsuneyoshi Tatsuoka	○	The Group has transactions with the Ministry of Economy, Trade and Industry for which he has worked in the past. They are, however, transactions mainly concerning research consignment and subsidies, etc. The transaction amount is very small, not more than 0.1% of the consolidated sales of the Group. He has already retired from said Ministry and such situation does not have any influence on his independence.	He has rich experience regarding industry and economic policy. Based on the experience and knowledge in the environment, society, legal affairs, intellectual property, and other fields 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.
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 0.1% of the consolidated sales of the Group, which does not have many main plants in the Kanto Area, and not more than 0.1% 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 in the environment, society, corporate management, finance, accounting, and other fields 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 parts 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 technical and academic experience. Based on the experience and knowledge in the environment, society, legal affairs, intellectual property, and other fields 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 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	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
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 three Outside Directors and two Representative Directors as committee members. The number of meetings held and their rates of attendance were as follows.

Nomination Advisory Committee:

3 meetings in fiscal 2020 with 100% attendance of all members

Remuneration Advisory Committee:

4 meetings in fiscal 2029 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
Akio Makabe	Academic							△			○			
Tetsuo Ito	Lawyer										○			
Akemi Mochizuki	CPA													

\* 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

- Executive of the Company or its subsidiary
- Non-executive Director or accounting advisor of the Company or its subsidiaries
- Non-executive Director or executive of a parent company of the Company
- Audit & Supervisory Board Member of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- 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
Akio Makabe	○	<p>He formerly worked at Mizuho Bank, Ltd., from which the Group has significant borrowings. However, as 10 years have passed since Mr. Makabe resigned from said bank in July 2005, and as he focused on academic activities including teaching at various universities while working at the bank, it is judged that this would not affect Mr. Makabe's independence in his relationship with the Company. Also, Mr. Makabe is a professor of the Faculty of Economics at Shinshu University, with which the Group has business dealings. However, since the annual volume of transactions between the Group and Shinshu University is less than 1% of the Group's consolidated net sales, it is judged that this would not affect his independence in his relationship with the Company. Furthermore, although Mr. Makabe formerly served as a member of the Company's Group Advisory Committee, the remuneration he received was not significant, so it is considered that this would also not affect his independence in his relationship with the Company.</p>	<p>He was chosen as an Outside Audit &amp; Supervisory Board Member to enable audits based on his wealth of experience and broad range of knowledge related to economics and finance as a university professor. Mr. Makabe has been teaching and researching economics and finance at universities for many years and has extensive knowledge of finance and accounting.</p>



Tetsuo Ito	○	<p>He currently works as a lawyer at Nishimura &amp; Asahi, with which the Group has business dealings. However, since the annual volume of transactions between the Group and Nishimura &amp; Asahi is less than 1% of the Group's consolidated net sales, it is judged that this would not affect Mr. Ito's independence in his relationship with the Company. Furthermore, although Mr. Ito serves as a member of the Company's Group Advisory Committee, the remuneration he receives is not significant, so it is considered that this would also not affect his independence in his relationship with the Company.</p>	<p>He was chosen an Outside Audit &amp; Supervisory Board Member to enable audits based on his wealth of experience and broad range of knowledge related to compliance as a prosecutor and lawyer.</p>
Akemi Mochizuki	○	<p>The Group has no transactions with her or the organizations to which she belongs.</p>	<p>She has been a certified public accountant for many years. Based on the experience and knowledge in the environment, society, finance, accounting, and other fields she gained through her career, we expect her to properly perform her duties as an Outside Audit &amp; Supervisory Board Member. Furthermore, as mentioned above, she has considerable insight into finance and accounting.</p>

**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	5
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Matters relating to Independent Directors/Audit & Supervisory Board Members

The Company designates three 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 except for that of Outside Directors is composed of fixed basic remuneration, variable performance-linked remuneration reflecting financial results, and stock-based remuneration

Recipients of Stock Options	
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Supplementary Explanation
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**[Director Remuneration]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation
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<p>The Company discloses total remuneration of inside Directors and Outside Directors in its Business Report and Securities Report. Only Japanese version available.</p> <p>(Notice of general shareholders meeting)  <a href="https://www.asahi-kasei.co.jp/asahi/jp/ir/stock_information/meeting/">https://www.asahi-kasei.co.jp/asahi/jp/ir/stock_information/meeting/</a></p> <p>(Securities report)  <a href="https://www.asahi-kasei.co.jp/asahi/jp/ir/library/financial_report/">https://www.asahi-kasei.co.jp/asahi/jp/ir/library/financial_report/</a></p>
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Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods
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<p>1. Basic policy</p> <p>Remuneration of Outside Directors, who have a position of independence with respect to 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.</p> <p>The remuneration system for Directors with executive responsibilities, who are the Senior Management, combines performance-linked remuneration together 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, 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.</p> <p>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 appropriateness and make improvements.</p> <p>2. Policy for determining timing and conditions of remuneration</p> <p>Considering the purpose of each type of remuneration, fixed basic remuneration is provided monthly as it serves as a basic livelihood, performance-linked remuneration is provided monthly as it serves as a constant incentive, and stock-based remuneration is provided to relevant Directors at the time they retire both as Director and as officer of the Group as it serves to bring medium-to-long-term alignment with shareholders' perspective.</p> <p>3. Policy for determining each individual's basic remuneration (monetary remuneration)</p> <p>Amounts of basic remuneration for Directors are determined through comprehensive consideration in accordance with rank and responsibility taking account of other companies' levels and the Company's earnings.</p>
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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 Directors with executive responsibilities, combines both achievement of financial targets including asset efficiency to provide incentives tied to earnings and management strategy as management leaders together with achievement of nonfinancial targets including individual targets including progress on sustainability.

Performance-linked remuneration is calculated based on comprehensive judgment based on achievement of financial targets such as consolidated net sales, operating income, ROA, 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 increased asset efficiency.

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

$$\begin{aligned} & \text{[Formula required to calculate individual performance-linked remuneration]} \\ & \text{Index calculated by evaluation}^* \times \text{basic amount by rank} \\ & = \text{individual performance-linked remuneration amount} \end{aligned}$$

\* Coefficient comprehensively considering achievement of financial targets and nonfinancial targets

A portion of remuneration for Directors with executive responsibilities is the provision of shares of the Company's stock as nonmonetary remuneration. 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 at the 126th Ordinary General Meeting of Shareholders on June 28, 2017, 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 conferred points in accordance with their rank, etc. (maximum of 100,000 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 (one share of stock per point).

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

The proportion of basic remuneration, performance-linked remuneration, and stock-based remuneration for each Director with executive responsibilities 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 Director with executive responsibilities is generally 6:3:1, with performance-linked remuneration being 0% to 200%, according to evaluation, of a basic amount based on rank. However, the Board of Directors and the Remuneration Advisory Committee regularly deliberate on the appropriateness of this, 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 Director with executive responsibilities as proposed by the President & Director, and to determine remuneration amounts for individual Directors by applying this evaluation to the framework formula determined by the Board of Directors.

To ensure the appropriate use of this authorization, 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 from 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 conferred to each Director based on the Share Grant Regulations adopted by the Board of Directors.

**[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
Ichiro Itoh	Honorary Chairman	Activities inside/outside the Company and relationships with counterparties to increase corporate value for the Group (non-participation in management)	Full time with compensation	June 27, 2018	Fixed-term
Taketsugu Fujiwara	Special Advisor	Economic associations' activities, social contributions, other company's outside officer, etc. (non-participation in management)	Full time with compensation	March 31, 2014	Fixed-term
Toshio Asano	Standing Counsellor	Economic associations' activities, social contributions, other company's outside officer, etc. (non-participation in management)	Full time with compensation	March 31, 2016	Fixed-term

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

3

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 nine Directors including three Independent Outside Directors (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 evaluations of Directors for performance-based remuneration, 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 Aarata performs audits based on the Companies Act and the Financial Instruments and Exchange Act.
- 5) The Company has established 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.

#### 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. 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 2020 was as follows.

Number of meetings: 14

Average meeting duration: Approximately 2 hours

Average attendance rate of Directors and Auditors: 98%.

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 Aarata 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. <a href="https://www.asahi-kasei.com/ir/disclosure/">https://www.asahi-kasei.com/ir/disclosure/</a>	
Regular Investor Briefings for Individual Investors	The person responsible for IR provides briefings on the Company to individual investors several times a year.	
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 for analysts and institutional investors.	Yes
Regular Investor Briefings for Overseas Investors	The Company visits investors in Europe, the US, and Asia to provide briefings.	Yes
Posting of IR Materials on Website	The Company posts various IR materials on the investor information section of its website. <a href="https://www.asahi-kasei.com/ir/">https://www.asahi-kasei.com/ir/</a>	
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.
Implementation of Environmental Activities, CSR Activities, etc.	For environmental protection activities of the Group, the Company has established the policy for business ethics as well as the policy for Responsible Care which stipulates that the Company “would be highly aware of its responsibilities in conservation of the global environment and operate the Company while paying attention to environment, safety, and health, including development, production, use, and disposal of products.” The Company positions “Thorough enforcement of compliance,” “Promotion of responsible care,” “Coexistence with society,” and “Respect for the individuality of employees” as important CSR activities and works to fulfill corporate social responsibilities by contributing to stakeholders through its business activities.
Development of Policies on Information Provision to Stakeholders	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.

## **IV. Matters Related to the Internal Control System**

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

The Company, at the Board of Directors, has made the following decisions concerning development of systems to ensure that execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the properness of operations, based on Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act.

#### **System of Compliance for Execution of Duties by Directors**

1. Directors oversee the execution of operations by other Directors through the Board of Directors.
2. For the purpose of the foregoing paragraph, the Company holds a meeting of the Board of Directors once or more per month in principle.
3. For the purpose of Paragraph 1, the Company, in the Regulations of the Board of Directors, specifically stipulates matters to be discussed by the Board of Directors concerning the execution of important operations.
4. The Company has an Audit & Supervisory Board, and Audit & Supervisory Board Members, based on the audit policy stipulated by the Audit & Supervisory Board, oversee the execution of duties by Directors by attending meetings of the Board of Directors and examining the status of the execution of operations from the viewpoints of legality and validity.

#### **System of Communication of Information and Storage/Management Thereof**

1. The Company, in the Articles of Incorporation, the Regulations of the Board of Directors, and the Decision-Making and Approval Authority Regulations of the Group, clearly specify decision makers concerning the decision of matters important to the management of the Group including the Board of Directors and the Management Council, and properly makes decision based thereon.
2. The Company, in the Articles of Incorporation, the Regulations for the Board of Directors, and the Decision-Making and Approval Authority Regulations of the Group, also clearly specifies to whom reports are to be made and what is to be reported concerning the communication of information important to the management of the Group including the Board of Directors and the Management Council, and properly communicates information based thereon.
3. The President of the Company requests reports from Presidents of the strategic business units and Presidents of the core operating companies on the status of the execution of operations and important management issues as well as results of audits conducted by Audit & Supervisory Board Members of core operating companies, and exerts efforts to fully understand information which is important to the management of the Group.
4. Concerning decision making and communication of information conducted in accordance with the above, the Company specifies rules on the creation and storage of minutes thereof as necessary to store and manage such information properly based thereon.

#### **System to Ensure Efficiency**

1. The Group establishes business sectors in order to conduct diversified businesses and ensures a system which enables swift and flexible decision-making based on the nature of each business.
2. The Company adopts an Executive Officer system in order to expedite the execution of operations and clarify responsibilities, and also to specify the roles of Directors in charge of decision-making and supervision, and those of Executive Officers in charge of the execution of operations.
3. To expedite management decisions, the Company promotes proper delegation of authority pertaining to the execution of operations.
4. Financial data which are used in performance management are provided in a timely and appropriate manner to Directors, Executive Officers, etc.

#### **Risk Management System**

1. The Company establishes its basic policy in order to centrally control and operate risk management and to promote compliance across the entire Group, and also establishes an organization in charge of these duties. The Company also builds a system so that proper and prompt action can be taken when a risk becomes clear.
2. To deal with risks related to the environment, quality, workplace safety/health, disasters, etc., each responsible division/department establishes necessary rules, provides education, raises awareness, and implements monitoring as necessary as well as confirms the status of measures taken through audits and in other ways and make improvements as necessary.
3. The Company clarifies the system and procedures concerning the internal controls for financial reporting and ensures their effectiveness by establishing an organization to manage such a system and procedures.

#### **Compliance System of the Group**

1. For the Group to promote compliance system of the Group, the Company has committees established under the direct supervision of the Asahi Kasei President.
2. The Company establishes Asahi Kasei Group Code of Conduct as a standard for corporate conduct for compliance and applies this Code to the entire Group. Furthermore, the Company proactively makes efforts to disseminate it to the officers and employees of the Group.
3. In order to enhance risk management and the compliance system in the entire Group, the Company appoints an Executive Officer in charge of risk management and compliance and adopts a system which monitors the progress of risk management measures and the status of compliance of the entire Group.
4. The Company introduces a Compliance Hotline (whistle blowing system) which all employees of the Group can utilize.
5. The Internal Audit Department, which also satisfies an internal audit function, conducts an audit of whether the execution of operations by all divisions/departments of the Group complies with laws and regulations as well as the Articles of Incorporation.

#### **System to Support Audit & Supervisory Board Members**

1. The Company has an Audit & Supervisory Board Members Office as a department which supports the duties of Audit & Supervisory Board Members.
2. Audit & Supervisory Board Members, not Directors, have the right to supervise and give instructions to employees who are affiliated with the Audit & Supervisory Board Members Office.
3. Transfer and performance review of employees who are affiliated with the Audit & Supervisory Board Members Office require the prior approval of Audit & Supervisory Board Members.
4. Employees who are assigned to the Audit & Supervisory Board Members Office work as dedicated staff.
5. In order to effectively conduct an audit, the Company assigns a sufficient number of staff members with the required specialist skills and abundant work experience as employees who are assigned to the Audit & Supervisory Board Members Office.

#### **System of Reporting to Audit & Supervisory Board Members**

1. Audit & Supervisory Board Members may require Directors, Executive Officers, and employees of the Company as well as Directors, Executive Officers, employees, and Corporate Auditors of each Group company to submit reports whenever considered necessary to execute their duties.
2. Directors, Executive Officers, and employees of the Company as well as Directors, Executive Officers, employees, Corporate Auditors of each Group company promptly report to Audit & Supervisory Board Members of the Company information important to the management of the Group, including matters related to compliance not limited to the matters Audit & Supervisory Board Members are required to report.
3. No unfair treatment shall be given to any person who makes a report to Audit & Supervisory Board Members (including whistle-blowers) on the grounds of making such report.

**Policy for Burden of Audit Cost**

1. The Company bears the audit cost except when considered unnecessary for the execution of duties by Audit & Supervisory Board Members.
2. The Company sets a budget for cost which arises from the execution of duties by Audit & Supervisory Board Members.

**Other System to Ensure Effectiveness of Audit by Audit & Supervisory Board Members**

1. The Company provides opportunities to have meetings between Audit & Supervisory Board Members and Outside Directors and between Audit & Supervisory Board Members and Independent Auditors as well as between Audit & Supervisory Board Members and the Internal Audit Department on a regular basis so that Audit & Supervisory Board Members can understand the situation of compliance and management of the Group, and share information.
2. In order to improve the effectiveness of the Group audit system, Audit & Supervisory Board Members of the Company regularly exchange ideas with Corporate Auditors of the core operating companies.

**2. Basic Views on Eliminating Anti-Social Forces**

The Company shall resolutely reject anti-social forces, and shall not provide any benefit or have any other trading relationship with them. In addition, General Affairs, which is in charge of the overall management of responses to anti-social forces, leads activities including cooperation with external specialized agencies such as the police, and collection of information on anti-social forces to disseminate information and raise awareness within the Group.

## V. Other

### 1. Adoption of Anti-Takeover Measures

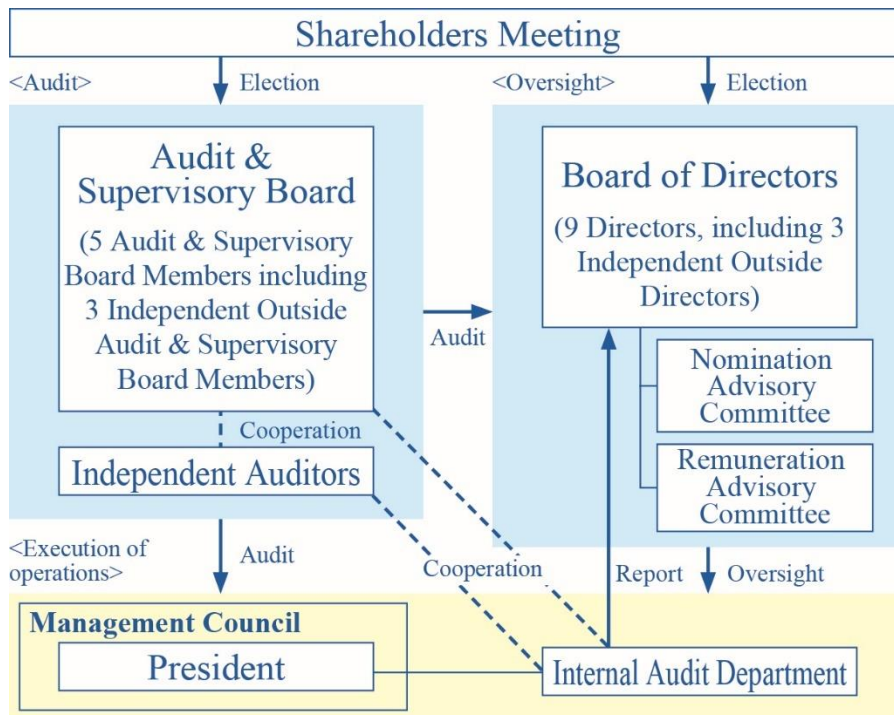
Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
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### 2. Other Matters Concerning to Corporate Governance System

<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) In order to achieve the objectives of the “Basic Policy for Information Disclosure” as well as the “Regulations for Information Disclosure,” the Group has an Information Disclosure Committee.</p> <p>(3) At the Group, the General Manager of the General Affairs Department is responsible for handling information based on the “Timely Disclosure Rule” while the General Affairs Department and Investor Relations, which are responsible for information disclosure, serve as the departments responsible for information disclosure. The departments responsible for information disclosure report the status of timely and proper disclosure of company information to the Information Disclosure Committee.</p> <p>(4) When important company information as stipulated by the “Regulations for Information Disclosure” arises, Corporate Communications of the General Affairs Department, the department responsible for information disclosure, aggregates important company information from divisions/departments responsible for information and properly manages it.</p> <p>(5) Corporate Communications of the General Affairs Department determines what/when/how to disclose information and also 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>(6) The department involved in timely disclosure, the Internal Audit Department, as well as Audit &amp; Supervisory Board Members conduct audits of the system to manage timely disclosure.</p>
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**(Reference material: Corporate Governance Structure)**



**(Reference material: Timely disclosure system flowchart)**

