

## Corporate Governance Report

Last Update: May 26, 2016

**Asahi Kasei Corporation**

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Securities Code: 3407

<http://www.asahi-kasei.co.jp>

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]**

[Principle 2-2] [Supplementary Principle 2-2 i] (Implementation of Corporate Code of Conduct)  
[Principle 4-3] [Supplementary Principle 4-3 ii] (Establishment of Effective Internal Control and Proactive Risk Management Systems)  
In October 2015, it was found that Asahi Kasei Construction Materials Corporation, the Company’s subsidiary in charge of the construction materials business, had manipulated data in installation reports in some pile installation work that it performed. The Company has established an independent commission in addition to an internal fact-finding committee to investigate the facts and the cause of the data manipulation. The Company will review its risk management system while thoroughly investigating the cause and implementing measures to prevent recurrence. The Company will also work to regain the trust of various stakeholders including shareholders, customers, business partners, creditors, and the community.

#### **[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 management strategies including business alliance, financing, and maintenance/enhancement of business relationships.
2. For major strategic holdings, the Board of Directors examines the purpose and reasonableness of such holdings regularly on an annual basis from the perspective of

achieving sustainable growth and improving medium to long term corporate value.

3. Voting rights for strategic holdings are exercised in consideration of the sustainable growth of 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).

Currently, there is no main shareholder (person/company who directly or indirectly owns 10% or more of all voting rights of the Company), but if the Company has any transaction with a main shareholder, the Company maintains procedures which do not work to the detriment of the Company, given the importance and nature of such a transaction.

[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)

<http://www.asahi-kasei.co.jp/asahi/en/aboutasahi/vision/>

(Management Policy)

<http://www.asahi-kasei.co.jp/asahi/en/ir/management/>

(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 Nominate Candidates for Directors and Corporate Auditors

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 Corporate Auditor, the Company chooses persons with insight and skills suited for Corporate Auditor, and appointment requires the approval of the Board of Corporate Auditors. In addition, the Company makes sure that at least one Corporate Auditor is familiar with finance and accounting.

In order to further improve objectivity and transparency of appointment of candidates for Directors and Corporate Auditors, the Company has established a Nomination Advisory Committee which mainly consists of Outside Directors to participate in discussions about the makeup and size of the Board of Directors and about policies for nomination of Directors/Corporate Auditors, and to provide advice to the Board of Directors.

(5) Explanation for Nomination of Candidates for Directors and Corporate Auditors

Formerly, when making a proposal on election of candidates for Directors/Corporate Auditors, the Company included a brief background of the candidates and further stated reasons for selection of candidates for Outside Directors and Outside Corporate Auditors in the notice of shareholders meeting, but beginning with the 125th general shareholders meeting, the Company will post reasons for selection of all candidates for Directors/Corporate Auditors.

[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 management system, research and development, and production technology, and delegates authority to the Strategic 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 4-8] (Roadmap for Appointing at least One-Third of Directors as Independent Directors)

The Board of Directors of the Company consists of nine Directors including three Independent Outside Directors, which comprise at least one-third of the Directors.

[Principle 4-9] (Independence Standards and Qualification for Outside Directors/Corporate Auditors)

In determining that Outside Directors and Outside Corporate Auditors are independent, the Company ensures that they do not correspond to any of the following and whether they are capable of performing duties from a fair and neutral standpoint.

1. Person who currently executes or has executed businesses of the Group (executive Directors, executive officers, employees, etc.) over the last 10 years
2. Company or person who executes businesses thereof whose major business partner is the Group (company with more than 2% of its annual consolidated net sales comes from the Group)
3. 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 person who executes businesses thereof

4. Person who receives money or other financial gain (10 million yen or more in a year) from the Group as an individual other than, excluding remuneration for Director/Corporate Auditor of the Company
5. Company which receives donation or aid (10 million yen or more in a year) from the Group or person who executes businesses thereof
6. Main shareholder of the Group (person/company who directly or indirectly owns 10% or more of all voting rights of the Company) or person who executes businesses thereof
7. Person who executes businesses of a company which elects Directors/Corporate Auditors/employees of the Group as Directors/Corporate Auditors
8. Independent Auditor of the Group or any staff thereof
9. Person who fell into any of the categories 2 through 8 above over the last three years
10. Person who has a close relative (spouse, relative within the second degree of kinship, and those who share living expenses) who falls under any of the categories 1 through 8 above, provided that “person who executes businesses thereof” in 1, 2, 3, 5, 6, and 7 above shall be replaced with “important person who executes businesses thereof (executive Directors and executive officers, 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 mainly consists 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 Corporate Auditors)

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/Corporate Auditors held at other listed companies is shown in the notice of the 124th general shareholders meeting posted on the Company’s website.

(Notice of general shareholders meeting)

[http://www.asahi-kasei.co.jp/asahi/en/ir/stock\\_information/meeting/](http://www.asahi-kasei.co.jp/asahi/en/ir/stock_information/meeting/)

[Supplementary Principle 4-11-3] (Analysis and Evaluation of Effectiveness of Board of Directors and Disclosure of Results Thereof)

The Company’s Board of Directors will evaluate its effectiveness after the end of each fiscal year, and disclose its evaluation.

To evaluate the effectiveness of the Board of Directors in fiscal 2015, the Directors and Corporate Auditors who attended meetings of the Board of Directors were surveyed, and the aggregated results were discussed by the Board of Directors.

As a result, regarding the effectiveness of the Board of Directors in fiscal 2015, the following satisfactory points were confirmed: 1) the Board of Directors performed its function by repeatedly devoting time to discussion regarding a large M&A; 2) the frequency and duration of the meetings of the Board of Directors, the conduct of proceedings, the content and volume of materials, and explanations beforehand were appropriate; and 3) the current size and diversity (proportion of Outside Directors, etc.) of the Board of Directors were appropriate. Points for which future improvement and enhancement would be preferable mainly include: 1) enhancement of provision of information to Outside Directors and Corporate Auditors; 2) development of method of oversight of President succession planning; 3) review of remuneration of Directors and Officers; and 4) increased discussions regarding management strategy, monitoring, and emergency crisis management. Regarding points for which future improvement and enhancement would be preferable, plans for improvement and enhancement will be considered.

[Supplementary Principle 4-14-2] (Policy for Training of Directors/Corporate Auditors)

The Company provides training suitable to each Director/Corporate Auditor in order to improve performance of Directors and Corporate Auditors.

For Outside Directors and Outside Corporate Auditors, 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 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.

Corporate Auditors 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 Corporate Auditors 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 Strategic 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(Thousand shares)	Percentage (%)
Nippon Life Insurance Company	73,000	5.23
Master Trust Bank of Japan, Ltd. (trust account)	70,351	5.04
Japan Trustee Services Bank, Ltd. (trust account)	55,005	3.94
Sumitomo Mitsui Banking Corp.	35,404	2.53
Asahi Kasei Group Employee Stockholding Assn.	34,459	2.47
Japan Trustee Services Bank, Ltd. (trust account 9)	29,020	2.08
Mizuho Bank, Ltd.	20,269	1.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	20,215	1.45
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (Mizuho Bank Account)	19,800	1.42
Sumitomo Life Insurance Company	19,517	1.40

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 ¥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 Board of Corporate Auditors
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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	Company Chairperson
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
Norio Ichino	From another company								Δ			
Masumi Shiraishi	Academic								○			
Kenyu Adachi	Other								Δ			

\* Categories for "Relationship with the Company"

- \* "○" when the Director presently falls or has recently fallen under the category;
- "Δ" 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/Corporate Auditor
- 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/Corporate Auditors 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
Norio Ichino	○	The Company Group has transactions with Tokyo Gas Co., Ltd. for which Mr. Ichino worked in the past concerning gas supply, mainly to plants in 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 Company Group, which does not have many main plants in the Kanto Area, as well as 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 2010 and such situation has not any influence on his independency. Under the circumstances, we have designated him as an independent director.	Mr. Ichino was chosen as an Outside Director to enable his wealth of business management experience and broad range of insight as a corporate executive to be reflected in the Company's overall operations.
Masumi Shiraishi	○	The Company Group has transactions with Kansai University for which Ms. Shiraishi works, mainly concerning R&D entrustment. They are, however, transactions mainly concerning R&D programs of scientific technology and the transaction amount is very small, not more than 5 million yen. Such situation does not have any influence on her independence as professor, Faculty of Policy Studies. Under the circumstances, we have designated her as an independent director.	Ms. Shiraishi was chosen as an Outside Director to enable her wealth of experience and broad range of insight into economics and society as a university professor to be reflected in the Company's overall operations.
Kenyu Adachi	○	The Company Group has transactions with the Ministry of Economy, Trade and Industry for which Mr. Adachi worked in the past. They are, however, transactions mainly on research entrustment and subsidies, etc. The transaction amount is very small, not more than 0.1% of the consolidated sales of the Company Group. He has already retired from said Ministry and such situation does not have any influence on his independency. Under the circumstances, we have designated him as an independent director.	Mr. Adachi was chosen as an Outside Director to enable his wealth of experience and broad range of insight into industrial and economic policy to be reflected in the Company's overall operations.

Voluntary Establishment of Committee(s) Corresponding to	Established
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Nomination Committee or Remuneration Committee	
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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	Inside 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 mainly consist 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 and Corporate Auditors, independence standards and qualification for Outside Directors/Corporate Auditors, Directors' remuneration policy/system, and evaluation of each Director for performance-based remuneration, as well as to provide relevant advice to the Board of Directors.

#### [Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	7
Number of Corporate Auditors	5

#### Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

For cooperation between Corporate Auditors and the Independent Auditors, Corporate Auditors 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. For cooperation between Corporate Auditors and the Internal Audit Department, the Internal Audit Department and Corporate Auditors 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.

Appointment of Outside Corporate Auditors	Appointed
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Number of Outside Corporate Auditors	3
Number of Independent Corporate Auditors	3

#### Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koji Kobayashi	CPA										△			
Akio Makabe	Academic							△			○			
Tetsuo Ito	Lawyer										○			

\* Categories for "Relationship with the Company"

- \* "○" when the Corporate Auditor presently falls or has recently fallen under the category;  
"△" when the Corporate Auditor fell under the category in the past
- \* "●" when a close relative of the Corporate Auditor presently falls or has recently fallen under the category;  
"▲" when a close relative of the Corporate Auditor 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. Corporate Auditor 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 a Corporate Auditor
- 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 Corporate Auditor himself/herself only)
- k. Executive of a company, between which and the Company outside Directors/Corporate Auditors are mutually appointed (the Corporate Auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Corporate Auditor himself/herself only)
- m. Others

Outside Corporate Auditors' Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Koji Kobayashi	○	Mr. Koji Kobayashi formerly worked at ChuoAoyama Audit Corporation, with which the Group had business dealings. However, as the Group currently has no business dealings with ChuoAoyama Audit Corporation, it is judged that this would not affect his independence in his relationship with the Company. Furthermore, although Mr. Kobayashi 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.	Mr. Kobayashi was chosen as an Outside Corporate Auditor to enable audits based on his wealth of experience and broad range of insight related to corporate finance and accounting as a certified public accountant. Mr. Kobayashi is a certified public accountant and has extensive knowledge of finance and accounting.
Akio Makabe	○	Mr. Akio Makabe 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.	Mr. Makabe was chosen as an Outside Corporate Auditor 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.

Tetsuo Ito	○	Mr. Tetsuo Ito currently works as a lawyer at Nishimura & Asahi, with which the Group has business dealings. However, since the annual volume of transactions between the Group and Nishimura & 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.	Mr. Ito was chosen as an Outside Corporate Auditor to enable audits based on his wealth of experience and broad range of knowledge related to compliance as a prosecutor and lawyer.
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#### [Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors	6
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#### Matters relating to Independent Directors/Corporate Auditors

The Company designates three Outside Directors and three Outside Corporate Auditors as Independent Directors/Corporate Auditors.

#### [Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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#### Supplementary Explanation

The Company has adopted cash-based performance-linked remuneration determined by consolidated and non-consolidated financial results of the Group. Performance is evaluated considering the degree of achievement of individually-established objectives, achievements, contributions to financial performance and the degree of contributions, in addition to management benchmarks including but not limited to net sales, operating income, and ROA.

#### Recipients of Stock Options

#### Supplementary Explanation

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#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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#### 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)

[http://www.asahi-kasei.co.jp/asahi/jp/ir/stock\\_information/meeting/](http://www.asahi-kasei.co.jp/asahi/jp/ir/stock_information/meeting/)

(Securities report)

[http://www.asahi-kasei.co.jp/asahi/jp/ir/library/financial\\_report/](http://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

Directors' remuneration, within the remuneration limit approved at a shareholders meeting, is determined based on the remuneration system approved in advance by the Board of Directors, and it consists of the fixed base remuneration determined by rank of each Director and the performance-linked remuneration determined based on consolidated and non-consolidated financial results of the Group. Performance is evaluated considering the degree of achievement of individually-established objectives, achievements, contributions to financial performance, and the degree of contributions, in addition to management benchmarks including but not limited to net sales, operating income and ROA. The Company determines the level of remuneration based on research data provided by external specialized agencies, etc.

In order to further improve objectivity and transparency of Directors' remuneration, the Company has established a Remuneration Advisory Committee, which mainly consists of Outside Directors, to participate in discussions about the Directors' remuneration system and operation thereof, and to provide advice to the Board of Directors.

#### [Supporting System for Outside Directors and/or Corporate Auditors]

For Outside Directors and Outside Corporate Auditors, 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 Corporate Auditors as much as possible. In addition, in order to enhance the function of the Board of Corporate Auditors and to facilitate smooth cooperation and support with Outside Corporate Auditors, the Company has established a Corporate Auditors Office staffed with dedicated employees.

## 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 mainly consist 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/Corporate Auditors, independence standards and qualification for Outside Directors/Corporate Auditors, Directors' remuneration policy/system, and evaluations of

Directors for performance-based remuneration, and to provide relevant advice to the Board of Directors.

- (3) The Board of Corporate Auditors consists of five Corporate Auditors including three (majority) Independent Outside Corporate Auditors, and each Corporate Auditor, based on the audit policy stipulated by the Board of Corporate Auditors, 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 Board of Corporate Auditors and to facilitate smooth cooperation and support with Outside Corporate Auditors, the Company has established a Corporate Auditors 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 Regulations of the Group with regard to matters concerning the management plan, investment and loans, financing and fund management, the organization and management system, research and development, and production technology, and delegates authority to the Strategic Management Council and the core operating companies from the Board of Directors.

## 3. Business Ethics and Risk Management

- (1) The Company has established the Corporate Ethics Committee which determines policies for business ethics and deliberates overall issues concerning business ethics.
- (2) The Company has established the Responsible Care (RC) Committee which discusses preventive measures and recurrence prevention measures for accidents related to environmental protection, product safety, operational safety, and workplace safety/health.
- (3) The Company has established the Risk Management Committee which identifies risks of the Group, assesses risks and formulates countermeasures to realize effective risk management in the Group.

## 3. Reasons for Adoption of Current Corporate Governance System

Under the governance system of a company with a Board of Corporate Auditors, together with the transition from a pure holding company to an operating holding company, the rules for submission of matters to the Board of Directors were amended to broadly delegate authority for operations execution and to enhance reporting of information related to compliance and risk management to the Board of Directors. The Nomination Advisory Committee and the Remuneration Advisory Committee, each mainly comprised of Outside Directors, were instituted. The Company currently believes that it is possible to establish an optimum corporate governance system for the Company by flexible adaptation under the governance system of a company with a Board of Corporate Auditors, and so the corresponding governance system is adopted.



### 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 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 125th general shareholder meeting and those to be held subsequently do 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="http://www.asahi-kasei.co.jp/asahi/en/ir/disclosure.html">http://www.asahi-kasei.co.jp/asahi/en/ir/disclosure.html</a>	
Regular Investor Briefings for Individual Investors	The person responsible for IR provides briefings on the Company to individual investors several times a year.	Yes
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="http://www.asahi-kasei.co.jp/asahi/en/ir/">http://www.asahi-kasei.co.jp/asahi/en/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.
Other	The Group sets “Respect for Diversity” as part of its human resource philosophy, and works to become a company where all employees play an active role. For promotion of success of women, the Company established EO Promotion (currently the Diversity Promotion Group) in 1993 to expand job categories of female employees and has enhanced measures to support achieving a balance between life and work. The Company plans to steadily increase the number of female managers by systematic skill development and fair assessment, and to double the number (in 2014) in 2020. The Company will support the development of female employees so that they will be promoted to managers. For instance, the Company implements a mentor program and provides opportunities to talk with role models, in addition to training on diversity for division managers and PR in internal newsletters in order to create the right climate.

## **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 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 one or more sessions per month in principle.
3. For the purpose of Paragraph 1, the Company, in the Regulations for the Board of Directors, specifically stipulates matters to be discussed by the Board of Directors concerning execution of important operations.
4. The Company is one with a Board of Corporate Auditors, and Corporate Auditors, based on the audit policy stipulated by the Board of Corporate Auditors, oversee execution of duties by Directors by attending meetings of the Board of Directors and examining the status of 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 for the Board of Directors, and the Decision-Making and Approval Authority Regulations of the Group, clearly specifies decision makers concerning the decision of the matters important to the management of Group including the Board of Directors and the Strategic 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 communication of information important to the management of the Group including the Board of Directors and the Strategic Management Council, and properly communicated information based thereon.
3. The President of the Company requests a report from presidents of the core operating companies on the status of execution of operations and important management issues as well as results of audits conducted by Corporate Auditors of core operating companies, and exerts efforts to grasp information 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 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 execution of operations and clarify responsibilities and specify the roles of Directors in charge of decision-making and oversight and those of Executive Officers in charge of 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 systematizes its basic policy for risk management of the entire Group as well

as identification and handling of risks, and establishes an organization controlling risk management. 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, products, workplace safety/health, disaster, etc., each responsible division/department establishes necessary rules, provides education, raises awareness, and implements monitoring as necessary.
3. The Company clarifies the system and procedures concerning the internal control for financial reporting and ensures its effectiveness by establishing an organization to manage such a system and procedures.

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

1. In order to fulfill corporate social responsibilities, the Company establishes each Committee over which the President has direct control and adopts a system to promote overall CSR of the Group.
2. The Company specifies a basic policy and various regulations for business ethics and compliance and applies them to the entire Group in principle. Further, the Company proactively make efforts to let officers and employees of the Group aware of the same.
3. In order to enhance the compliance system of the entire Group, the Company appoints an Executive Officer in charge of compliance and adopts a system which monitors the status of compliance with the policy for business ethics/the code of conduct 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 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 Corporate Auditors**

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

#### **System of Reporting to Corporate Auditors**

1. Corporate Auditors may require Directors, Executive Officers, and employees of the Company as well as Directors, Executive Officers, employees, and the Corporate Auditor of each company of the Group 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, and the Corporate Auditor of each company of the Group promptly report to Corporate Auditors of the Company information important to the management of the Group, including matters related to compliance not limited to matters Corporate Auditors are required to report.
3. No unfair treatment shall be given to any person who makes a report to Corporate Auditors (including whistle-blowers) on the grounds of making such report.

#### **Policy for Burden of Audit Cost**

1. The Company bears audit cost except as considered not necessary for execution of duties by Corporate Auditors.
2. The Company sets a budget for cost which arises from execution of duties by Corporate

Auditors.

**Other System to Ensure Effectiveness of Audit by Corporate Auditors**

1. The Company provides opportunities to have meetings between Corporate Auditors and Outside Directors and between Corporate Auditors and Independent Auditors on a regular basis so that Corporate Auditors 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, Corporate Auditors of the Company regularly exchange ideas with the Corporate Auditors of the core operating companies.

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

In the policy for business ethics/the code of conduct, the Company stipulates that it shall eliminate anti-social forces, namely resolutely reject anti-social forces, and shall not provide benefit or have any other trading relationship with them. In addition, the General Affairs Department, which is in charge of 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
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Supplementary Explanation

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### 2. Other Matters Concerning to Corporate Governance System

Overview of Timely Disclosure System

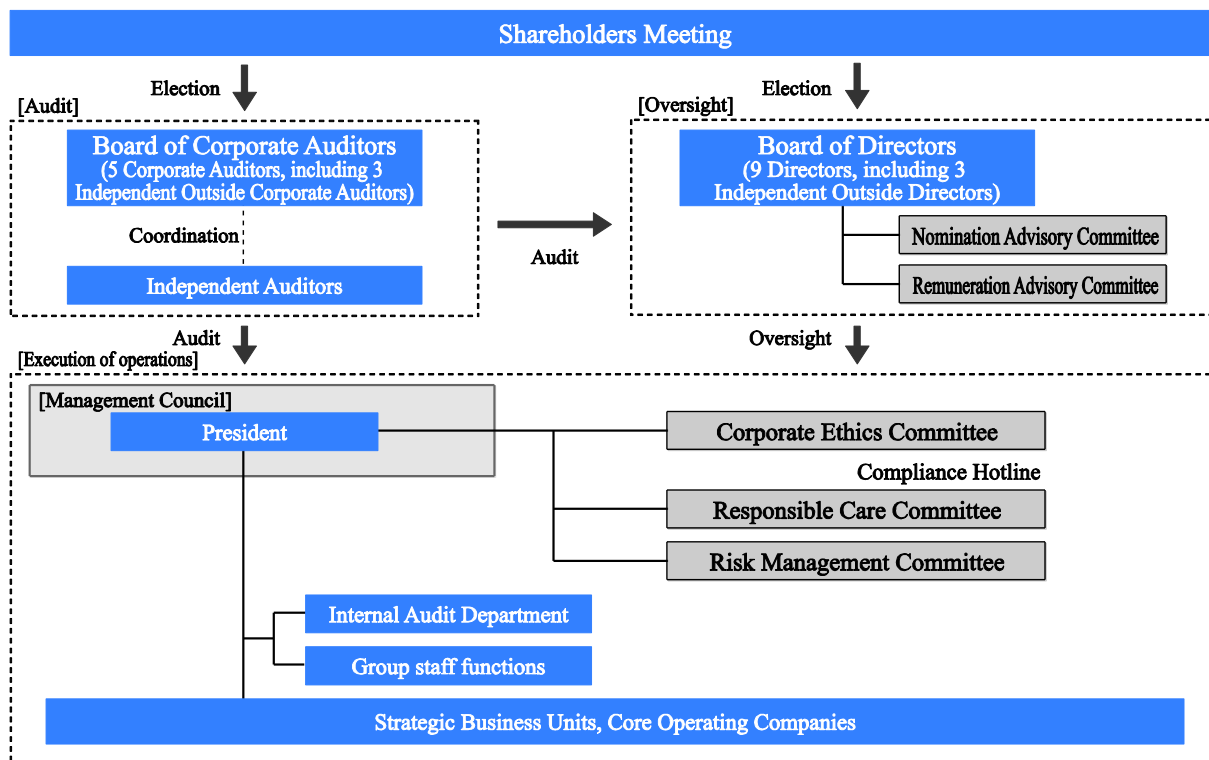
#### 1. Basic Stance on Timely Disclosure

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.

#### 2. Internal System for Timely Disclosure

- (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.
- (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.
- (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.
- (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.
- (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.
- (6) The department involved in timely disclosure, the Internal Audit Department, as well as Corporate Auditors conduct audits of the system to manage timely disclosure.

## (Reference material: Corporate Governance Structure)



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

