

## Risk Management

The Asahi Kasei Group recognizes that risk management and compliance are matters of utmost importance for continuing to provide social value and gaining the trust of stakeholders. Given our diverse range of businesses, we must respond to differing market, investment, and other risks based on the characteristics of each business.

For this reason, we recognize that it is important to practice risk management and promote compliance in an integrated, group-wide manner. We have established the Asahi Kasei Group Basic Regulation for Risk Management & Compliance and are reinforcing systems related to the implementation of this regulation while fostering compliance awareness among all employees.

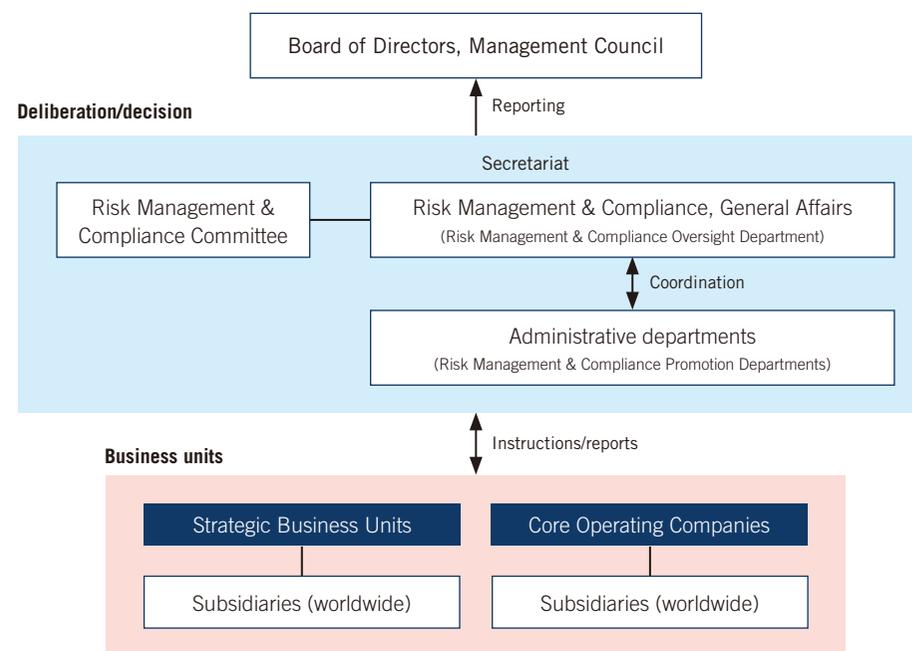
### Outline of Asahi Kasei Group Basic Regulation for Risk Management & Compliance

1. Purpose of the regulation
2. Definition of terms for risk management & compliance
3. Scope of application of the regulation
4. Framework for risk management & compliance
  - 1) Designation of Executive Officer for Risk Management & Compliance
  - 2) Establishment and composition of Risk Management & Compliance Committee
  - 3) Establishment of Risk Management & Compliance Oversight Department and Risk Management & Compliance Promotion Departments
  - 4) Role of Presidents of SBUs and core operating companies
  - 5) Designation and role of Risk Management & Compliance Supervisors and Risk Management & Compliance Managers
5. The Asahi Kasei Group Code of Conduct
6. Crisis response
7. Compliance hotline (internal reporting system)

### Risk Management & Compliance Framework

Asahi Kasei has established the Risk Management & Compliance Committee, which is chaired by the President of the Company and comprised of the Presidents of the Strategic Business Units and the Core Operating Companies as committee members. This committee is tasked with formulating policies and discussing matters related to group-wide risk management and compliance as well as with monitoring the progress of risk countermeasures and the status of compliance. The results of discussions by the Risk Management & Compliance Committee are reported to the Board of Directors twice a year. Managers responsible for risk management and compliance are designated in each SBU, core operating company, and subsidiary. These managers work to identify, assess, and analyze the risks of each business and to plan measures for mitigating serious risks.

### Framework for Risk Management & Compliance



## Business Risks for the Asahi Kasei Group

The major business risks with the potential to impact the performance of the Asahi Kasei Group include the following. Countermeasures are implemented to mitigate risks based on their characteristics and the potential extent of their damage.

### Group-wide Risks

Performance-Related Risks	Principal Attributes	Primary Countermeasures
<b>Risks Related to Climate Change</b> Information regarding disclosure based on the recommendations of the TCFD ▶ P27-28	The risk of production being impacted by global climate change and of increased costs being incurred due to stricter regulations or government policy changes as described by the TCFD	Tracking and responding to risks based on annual, individual business-level analyses and examinations of risks and opportunities
<b>Risks Related to the COVID-19 Pandemic</b>	The risk of restrictions on business activity and the risk of volatility in demand for products amid uncertainty over the outlook with respect to the extent and duration of the COVID-19 pandemic's effect on economic activity	<ul style="list-style-type: none"> <li>Utilizing IT tools and other methods for performing tasks online</li> <li>Monitoring of demand trends and effective inventory management to ensure stable supplies of products</li> </ul>
<b>Risks Related to Global Supply Chains</b>	The risk of supply chains being disrupted in any business due to a need to avoid transactions with given suppliers or incapacitation of suppliers as a result of natural disasters, industrial accidents, human rights violations, conflicts, or business failures occurring anywhere in the world	<ul style="list-style-type: none"> <li>Assessing and auditing risks when selecting suppliers and monitoring suppliers and buyers</li> <li>Diversifying raw material procurement routes for major businesses and products and securing appropriate inventory levels</li> </ul>
<b>Risks Related to Trade and Economic Sanctions</b>	Trade: <ul style="list-style-type: none"> <li>The risk of inability to collect payments, delay or suspension of business activity, or deterioration of business performance due to increased tariffs, delay in or noncompletion of customs clearance, or delay in or noncompletion of fund settlement as a result of binational or multinational agreements, changes in frameworks, or new regulations regarding international trade or fund settlement</li> <li>The risk of the prices of internal transactions between Group companies being judged to be inappropriate by tax authorities and the risk of double or additional taxation due to unfavorable progress in discussions with tax authorities</li> </ul> Economic sanctions and other regulations: The risk of transactions with or investments in overseas companies or other business activity being impacted by changes in binational or multinational trade conditions as a result of economic sanctions, export control regulations, or stricter regulations on direct overseas investments implemented from an economic security perspective in Japan or another country	<ul style="list-style-type: none"> <li>Engaging in prior discussions with authorities and implementing appropriate measures based on up-to-date understanding of regulatory environment</li> <li>Setting independent prices for highly material inter-company transactions between Group companies based on international transfer-price tax regulations by using pre-confirmation systems and opinions of external experts</li> <li>Carefully screening transactions using external customer screening systems to respond to sanctions</li> </ul>
<b>Risks Related to Business Competitiveness</b>	The risk of businesses losing competitiveness as a result of other companies using similar products or technologies to eliminate differentiation; intensified competition due to the entry of new competitors; changes in industrial structures due to rapid progress in digital technologies, decarbonization technologies, or other technologies; or sudden changes in demand structures or market structures	Examining the competitiveness of competing products and examining timely, accurate forecasts of changes in industrial structures, and then continuously differentiating products and services, establishing business models that are difficult to imitate, and using intellectual property to build high barriers to entry
<b>Risks Related to M&amp;A</b>	The risk of incurring impairment of goodwill or other intangible assets if initially expected investment benefits are not realized, if the performance of a joint venture deteriorates, or if business integration with an acquired company is delayed	Exercising due diligence with respect to companies being considered for acquisition and carefully verifying business integration plans after acquisitions

Performance-Related Risks	Principal Attributes	Primary Countermeasures
Risks Related to Market Conditions	Crude oil and naphtha prices: The risk of volatility in the raw material procurement prices paid by businesses or in the market prices of feedstocks that affect products' selling prices	<ul style="list-style-type: none"> <li>Stabilizing earnings by revising the method of determining selling prices (acrylonitrile business)</li> </ul>
	Exchange rate risk: The risk of volatility in exchange rates between the yen and foreign currencies accompanying foreign currency-denominated settlements of import and export trading transactions and trading transactions between third-party countries	<ul style="list-style-type: none"> <li>Stable and efficient utilization of capital with a cash management system and by hedging through forward exchange contracts</li> </ul>
Other Risks	In addition to the aforementioned risks, business risks stemming from large-scale natural disasters, industrial accidents, accidents caused by defective products, intellectual property rights, and new laws	<ul style="list-style-type: none"> <li>Implementing measures in response through respective responsible divisions</li> <li>Implementing risk financing by acquiring property and casualty insurance with the aim of covering restoration costs if risks actualize</li> <li>Evaluating and monitoring risks through periodic discussions at meetings of the Risk Management &amp; Compliance Committee</li> </ul>

#### Risks Related to Business Segments

Performance-Related Risks	Principal Attributes	Primary Countermeasures
Material	<b>Environment &amp; Energy:</b> The risk of sales volumes or selling prices being lower than forecasted due to fluctuations in worldwide demand for lithium-ion battery separators or due to the sales policies of competitors, as well as the risk of drastic changes to the operating environment as a result of changes to technologies or changes to supply chains stemming from regulations or environmental issues in countries of operation	<b>Environment &amp; Energy:</b> Responding to diverse customer needs by augmenting production capacity with a focus on electric vehicles, other eco-friendly vehicles, and electricity storage systems, for which demand is projected to increase over the medium to long term, and leveraging strength of consistently high levels of quality
	<b>Mobility:</b> The risk of volatility in demand due to trends in the global automotive industry as well as the risk of progress in CASE (connected, autonomous, shared & service, and electric) technologies or other industry changes	<b>Mobility:</b> Monitoring worldwide automotive markets to maintain appropriate inventory levels and flexibly respond to changes in demand; bolstering lineup of materials matched to industry changes, including electric vehicle materials and eco-friendly materials; expanding regional scope of operations; and developing business model for sustainable growth
Homes	<ul style="list-style-type: none"> <li>The risk of volatility in demand due to consumer spending trends in Japan; policies related to interest rates, land prices, and homes; or taxation system trends</li> <li>The risk of changes in methods of communication with customers or of changes in needs with respect to homes due to an increase in working from home as a result of the COVID-19 pandemic</li> <li>The risk of changes in trends in the housing markets of the United States and Australia</li> <li>The risk of fluctuations in timber prices due to a tight supply-demand balance for lumber</li> <li>The risk of damage to trust due to the leakage of the personal information of a customer</li> </ul>	<ul style="list-style-type: none"> <li>Monitoring and swiftly responding to housing market trends in Japan, the United States, and Australia</li> <li>Attracting customers and acquiring orders through means such as marketing approaches utilizing digital technologies</li> <li>Monitoring lumber market trends and limiting impacts of price increases</li> <li>Thoroughly protecting personal information</li> </ul>
Health Care	<ul style="list-style-type: none"> <li>The risk of a decrease in the sales volumes or selling prices of drugs or medical devices due to periodic revision of National Health Insurance (NHI) reimbursement prices</li> <li>The risk of new drugs under development not receiving approval and not becoming commercial products as planned</li> <li>The risk of development and launches of products that compete with ours, reports detailing adverse drug effects associated with our products, or launches of generic versions of our products</li> <li>The risk of reduced domestic demand for pharmaceuticals or critical care products due to limitation of patients receiving examinations as an effect of the COVID-19 pandemic</li> </ul>	<ul style="list-style-type: none"> <li>Realizing diverse growth potential and competitive strength by having both a pharmaceutical business and a medical device business, increasing opportunities to acquire innovation, and enhancing the ability to adapt given the uncertainty of future medical regulations</li> <li>Enhancing pipeline, out- and in-licensing products, engaging in joint development, and accelerating global expansion to achieve consistent ongoing growth</li> <li>Monitoring demand trends carefully and implementing flexible production measures in response to fluctuations in demand</li> </ul>