AsahiKASEI

# Annual Report 2011

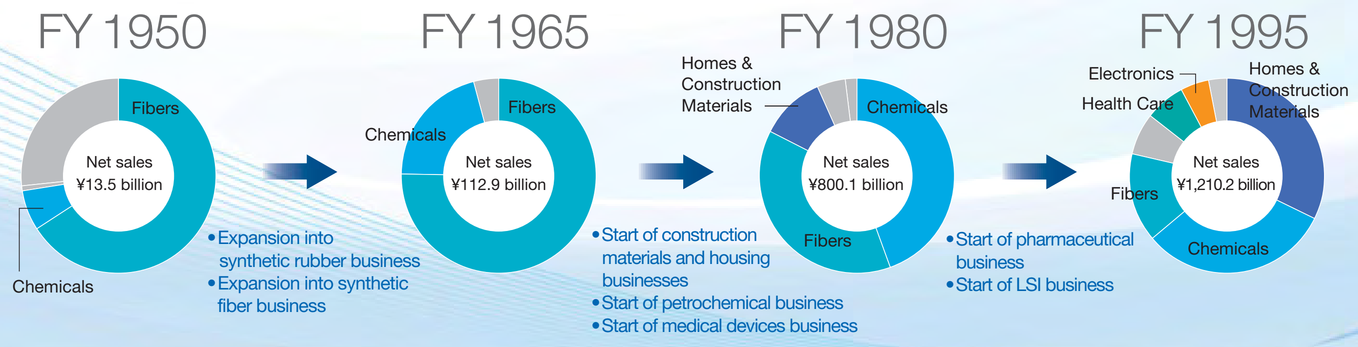
ASAHI KASEI CORPORATION

ASAHI KASEI CORPORATION

## We, the Asahi Kasei Group, contribute to life and living for people around the world.

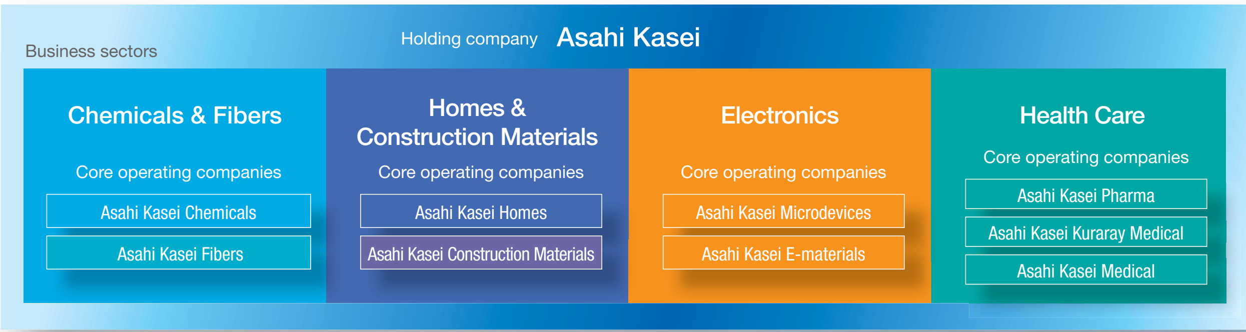
### History of Business Portfolio Transformation

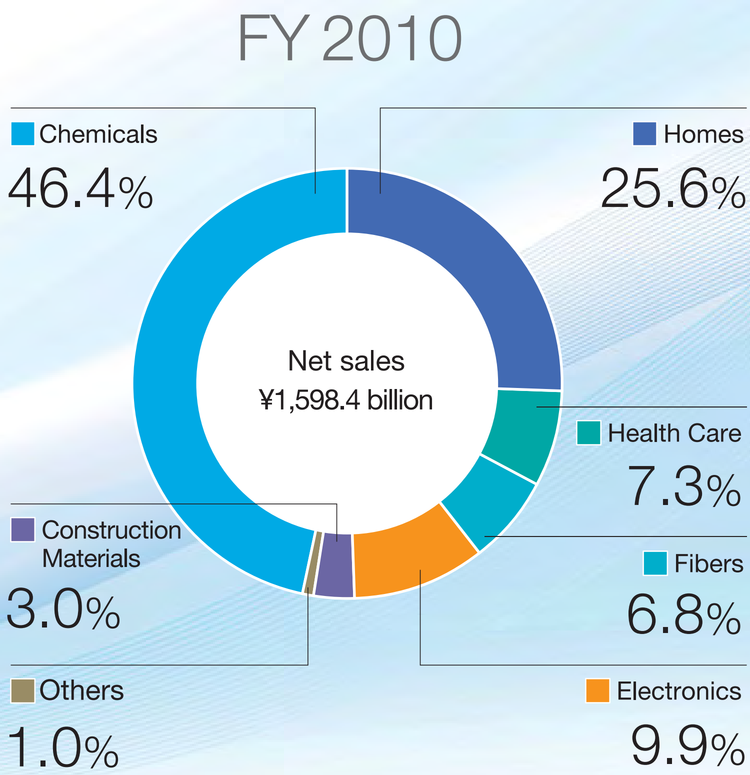
(Sales Composition)



Always transforming its business portfolio to meet the changing needs of the times, the Asahi Kasei Group has developed into one of Japan's leading chemical manufacturers, with a selectively diversified array of businesses. With Asahi Kasei Corp. as a holding company, businesses are advanced by nine core operating companies in the four business sectors of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care.

In anticipation of emerging changes in social structures, we will offer new value from the perspectives of "living in health and comfort" and "harmony with the natural environment," aiming to achieve continuous growth in accordance with our Group Slogan—Creating for Tomorrow.




## Contents

# Consolidated Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

| Fiscal year beginning April 1 | 2010 (¥ billion) | 2009 | 2008 | 2007 | 2006 | 2010 (US$ million*) |
|---|---|---|---|---|---|---|
| **For the year** | | | | | | |
| Net sales | **¥1,598.4** | ¥1,433.6 | ¥1,553.1 | ¥1,696.8 | ¥1,623.8 | **$ 19,258** |
| Operating income | **122.9** | 57.6 | 35.0 | 127.7 | 127.8 | **1,481** |
| Net income | **60.3** | 25.3 | 4.7 | 69.9 | 68.6 | **726** |
| Comprehensive income | **45.1** | — | — | — | — | **543** |
| Free cash flows | **69.3** | 69.1 | (66.9) | 3.8 | 47.1 | **835** |
| **At year end** | | | | | | |
| Total assets | **¥1,425.9** | ¥1,368.9 | ¥1,379.3 | ¥1,425.4 | ¥1,459.9 | **$ 17,179** |
| Net worth† | **663.6** | 633.3 | 603.8 | 666.2 | 645.7 | **7,995** |
| Interest-bearing debt | **253.9** | 264.6 | 315.6 | 211.4 | 216.9 | **3,059** |

| | 2010 (¥) | 2009 | 2008 | 2007 | 2006 | 2010 (US$*) |
|---|---|---|---|---|---|---|
| **Per share** | | | | | | |
| Net income | **¥ 43.11** | ¥ 18.08 | ¥ 3.39 | ¥ 50.01 | ¥ 49.00 | **$ 0.52** |
| Net worth‡ | **474.59** | 452.91 | 431.77 | 476.39 | 461.50 | **5.72** |
| Cash dividends | **11.00** | 10.00 | 10.00 | 13.00 | 12.00 | **0.13** |

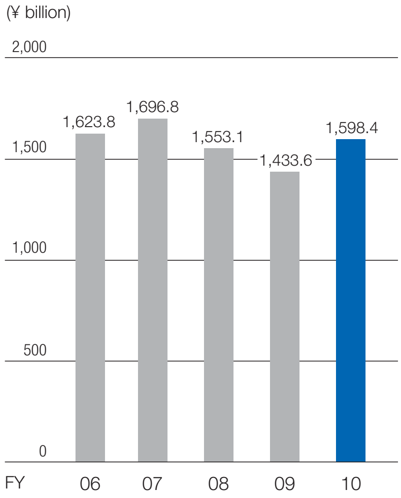
| | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Key indexes** | | | | | |
| Operating margin | **7.7%** | 4.0% | 2.3% | 7.5% | 7.9% |
| Payout ratio | **25.5%** | 55.3% | 295.0% | 26.0% | 24.5% |
| ROA | **4.3%** | 1.8% | 0.3% | 4.8% | 4.8% |
| ROE | **9.3%** | 4.1% | 0.7% | 10.7% | 11.1% |
| Net worth to total assets‡ | **46.5%** | 46.3% | 43.8% | 46.7% | 44.2% |
| D/E ratio‡ | **0.38** | 0.42 | 0.52 | 0.32 | 0.34 |

* U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥83=US$1 as described in Note 1 of Notes to Consolidated Financial Statements.

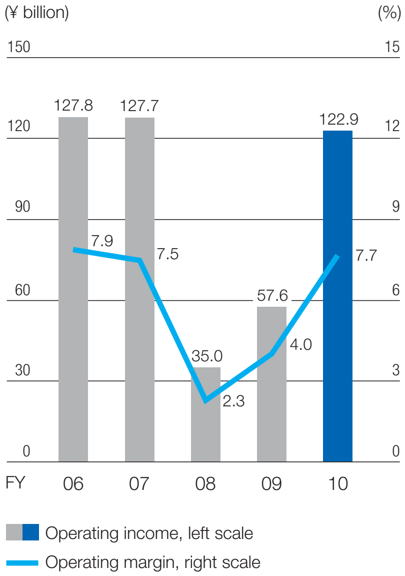
† Net assets less minority interest.

‡ At fiscal year end.

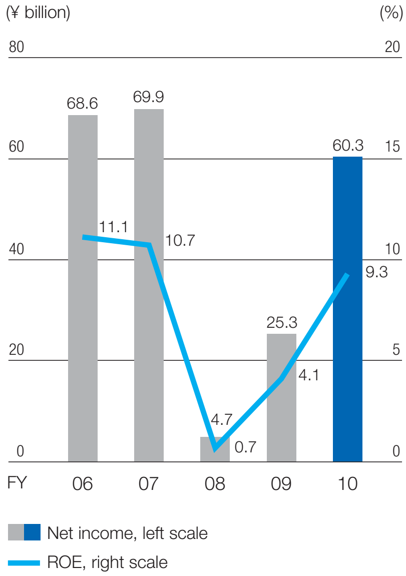
**Net Sales**



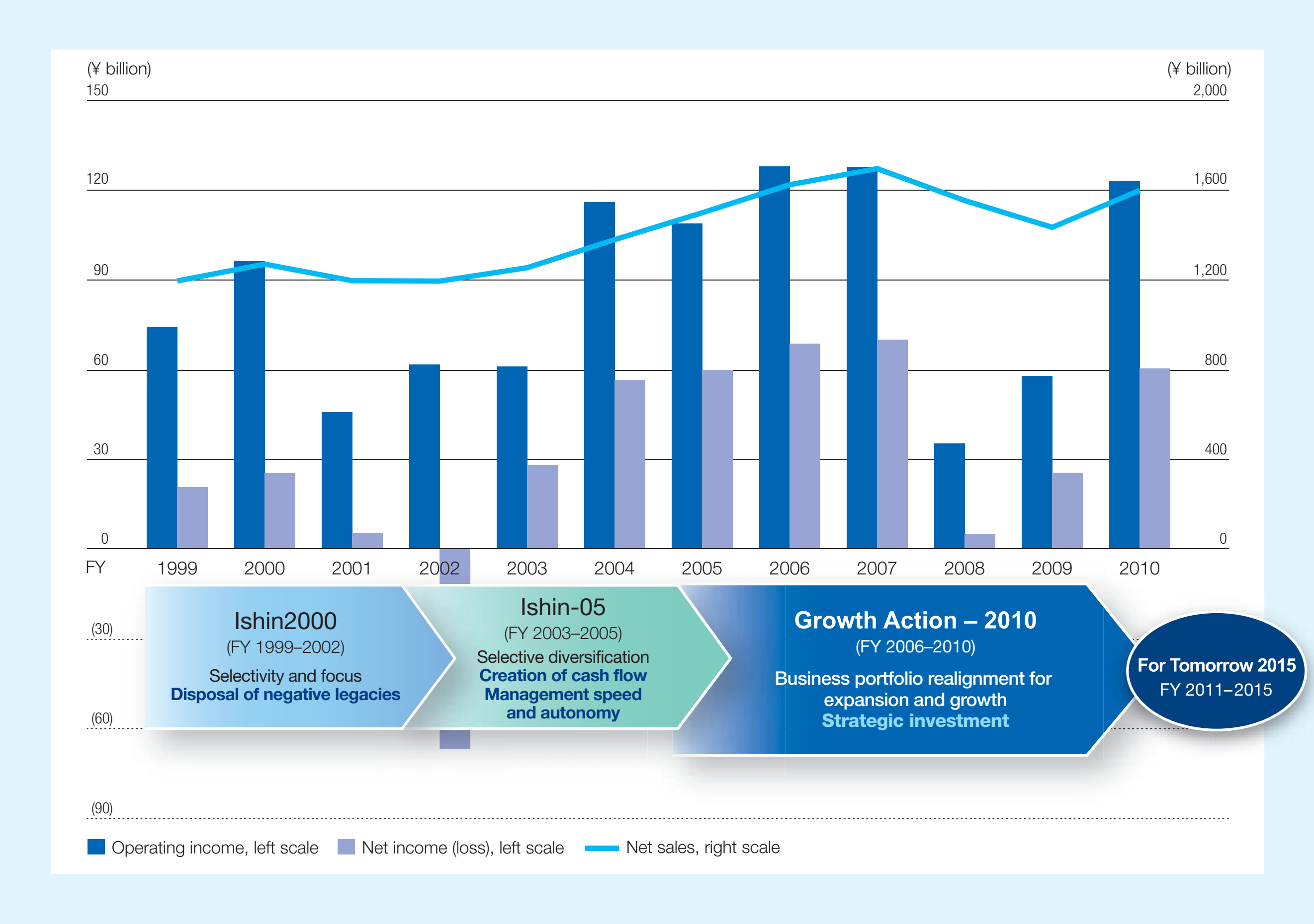

**Operating Income, Operating Margin**



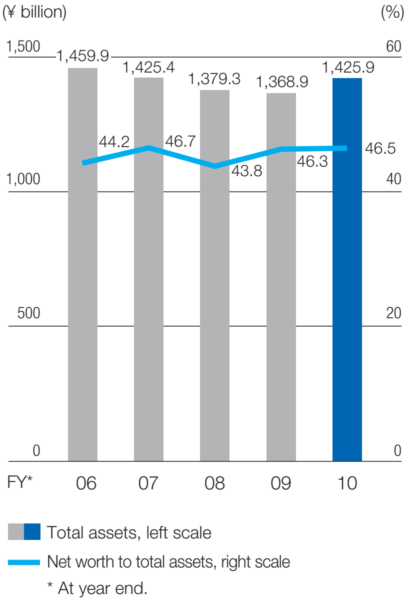

**Net Income, ROE**



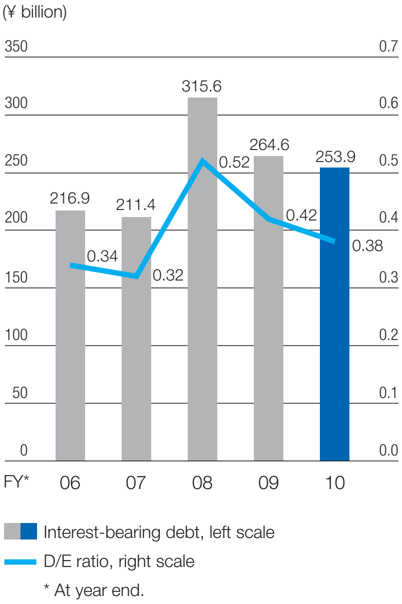
### Strategic Management Initiatives



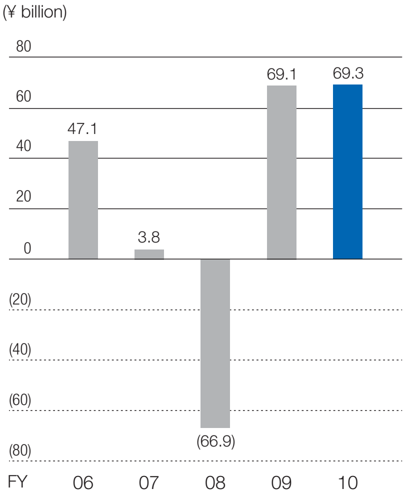

### Total Assets, Net Worth to Total Assets




### Interest-Bearing Debt, D/E Ratio




### Free Cash Flows



# To Our Shareholders

The Japanese economy was recovering in the first half of fiscal 2010 as corporate performance improved with the effect of government stimulus measures and thanks to economic recovery in emerging markets. In the second half, however, the economy was severely affected by the rapid rise of the yen, a decline in automotive sales due to the expiration of government subsidies for fuel-efficient vehicles, high feedstock prices driven by political unrest in North Africa and the Middle East, and the impact of the Great East Japan Earthquake, resulting in uncertainty regarding the economic outlook.

Consolidated results of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) reflected substantially stronger performance buoyed by higher market prices and increased overseas demand in the Chemicals segment as well as favorable performance in the Homes and Electronics segments. Net sales were ¥1,598.4 billion, an increase of ¥164.8 billion (11.5%) from a year ago. Operating income increased by ¥65.3 billion (113.3%) from a year ago to ¥122.9 billion. Ordinary income increased by ¥61.9 billion (109.7%) to ¥118.2 billion. Net income increased by ¥35.0 billion (138.4%) to ¥60.3 billion.

Based on these results, we paid a year-end dividend of ¥6 per share, which, combined with the interim dividend, brought the total annual dividend to ¥11 per share.

This April, the Asahi Kasei Group launched a new medium-term strategic management initiative, “For Tomorrow 2015,” for the five-year period from fiscal 2011 through fiscal 2015. At the same time, we also adopted a renewal of our Group Mission and Group Vision—with “Contributing to life and living for people around the world” as our Group Mission, and “Providing new value to society by enabling *living in health and comfort* and *harmony with the natural environment*” as our Group Vision.

“For Tomorrow 2015” provides a clear vision for the Asahi Kasei Group, with a focus not only on the proactive expansion of our globally competitive businesses, but also on the expansion of operations in fields related to the environment & energy, residential living, and health care from the perspectives of *living in health and comfort* and *harmony with the natural environment*. To further heighten corporate value, we will pursue growth by focusing the strengths of the Group on anticipating emerging social needs through our key strategies of “expansion of world-leading businesses” and “creation of new value for society.”

August 2011

I. Itoh

**Ichiro Itoh**
Chairman

**Taketsugu Fujiwara**
President

Ichiro Itoh, Chairman (left), Taketsugu Fujiwara, President (right)

Taketsugu Fujiwara, President

# Boldly advancing our “For Tomorrow 2015” management initiative, for the continuous enhancement of corporate value.

**The Asahi Kasei Group has launched “For Tomorrow 2015,” our new strategic management initiative for the five years through fiscal 2015. Strategies for growth are to expand world-leading businesses and to create new value for society in environment and energy, residential living, and health care–related fields.**

## Review of "Growth Action – 2010"

Our previous strategic initiative, "Growth Action – 2010," for the five-year period from April 2006 to March 2011, was focused on business portfolio realignment for expansion and growth with two key strategies of expanding global businesses and enhancing domestic businesses.

For the expansion of global businesses, we concentrated investments on businesses with competitive superiority in global markets. In petrochemicals, we adopted decisions to build a new acrylonitrile (AN) plant in Thailand and Korea, and a new solution-polymerized styrene-butadiene rubber (S-SBR) plant in Singapore. In electronics materials, we built a new plant for Hipore™ lithium-ion battery (LIB) separator in Hyuga, and expanded capacity at our plant in Moriyama. In electronics devices, we made a large expansion of our business for electronic compasses used in smartphones and other mobile electronics, and entered the field of power-management LSIs by acquiring the semiconductor business of Toko, Inc. In medical-related products, we formed strategic alliances in the field of hemodialysis with Kawasumi Laboratories, Inc. and NxStage Medical, Inc., and expanded our bioprocess equipment business by acquiring the business of TechniKrom, Inc.

We also took a number of steps for the enhancement of domestic businesses. In pharmaceuticals, we began marketing Recomodulin™ recombinant thrombomodulin and Famvir™ anti-herpes agent, and filed an application for approval for Teribone™ for osteoporosis. In homes, we developed a new framing system for next-generation energy conservation, and launched several new products for urban markets. In petrochemicals, we addressed an intermediate-term challenge related to the competitiveness of our naphtha cracker in Mizushima by establishing Nishi Nippon Ethylene LLP together with Mitsubishi Chemical. Unified management of our naphtha crackers began in April 2011, enabling unparalleled flexibility to adapt to changes in the operating environment.

### Key results of "Growth Action – 2010"

**Expanding global businesses**

**Globally competitive petrochemicals business**
- Construction of new AN and methyl methacrylate (MMA) plants in Thailand, capacity expansion for AN in Korea
- Construction of new solution SBR plant in Singapore

**Electronics**
- Capacity expansion for Hipore™ LIB separator
- Electronic compass business, power-management semiconductors for cell phones and smartphones (acquisition of Toko, Inc.'s semiconductor business, etc.)

**Health Care**
- Polysulfone hollow-fiber membrane artificial kidneys business (incl. tie-ups with Kawasumi Laboratories, Inc. and NxStage Medical, Inc.)
- Market entry in bioprocess equipment and advanced medical devices businesses

**Enhancing domestic businesses**

**Reinforcing pharmaceuticals business**
- Market launch of Recomodulin™ recombinant thrombomodulin and Famvir™ anti-herpes agent, application for approval to manufacture and sell Teribone™ (teriparatide acetate) as an osteoporosis drug
- Strengthening homes business (three-story houses for urban life, peripheral businesses, etc.)

**Restructuring**
- Unified management of naphtha crackers in Mizushima, Japan; closure of polyester filament plant, etc.

(¥ billion)

| | FY 2010 results | FY 2010 original targets |
|---|---|---|
| Net sales | 1,598.4 | 1,800 |
| Operating income | 122.9 | 150 |
| Net income | 60.3 | 80 |
| ROE | 9% | ≥10% |

Operating performance exceeded our targets in fiscal 2006 and 2007, but the impact of the global financial crisis in autumn 2008 caused results to undershoot our targets by a wide margin in fiscal 2008 and 2009. In fiscal 2010, although we were unable to meet our original targets, a strong recovery of demand in emerging economies and an expansion of homes operations enabled our performance to recover to pre-crisis levels. All in all, I feel that we successfully strengthened our operational base during the five-year period under "Growth Action – 2010" for a new phase of development, even as we swiftly adjusted to drastic changes in the operating environment.

## For Tomorrow 2015

We launched a new medium-term management initiative, "For Tomorrow 2015," in April 2011. In formulating our strategies and plans, in addition to analyzing the major global trends that will be prominent over the coming years, we took a step back and had a fresh look at our basic principles, including our Group Mission and Group Values. We realized that our proper course for advancement was to create new value by anticipating changes in society from the two perspectives of *living in health and comfort* and *harmony with the natural environment*. This is the core concept of "For Tomorrow 2015," the naming of which is an expression of our aspiration to create new value for the future.

Our two main strategies for growth are the expansion of world-leading businesses and the creation of new value for society. For the expansion of world-leading businesses, we will build on our established No. 1 and No. 2 global positions, advancing proactively in markets where we can exert leadership, with a focus on growth in developing countries. For the creation of new value for society, we will concentrate resources on the expansion of businesses related to the environment and energy, residential living, and health care, as fields that contribute to *living in health and comfort* and *harmony with the natural environment*. Leveraging the diverse strengths of the Asahi

**Basic strategy and targets of "For Tomorrow 2015"**

**The Asahi Kasei Group is creating new things for the future based on the perspectives of "living in health and comfort" and "harmony with the natural environment."**

**Pursuit of growth**

1. Expansion of world-leading businesses
2. Creation of new value for society

Promotion of businesses based on *living in health and comfort* and *harmony with the natural environment*

- Environment/energy-related
- Residential living-related
- Health care-related

(¥ billion)

| | FY 2010 results | FY 2015 targets |
|---|---|---|
| Net sales | 1,598.4 | 2,000 |
| Operating income | 122.9 | 200 |
| Net income | 60.3 | 110 |
| ROE | 9% | ≥10% |
| ROIC | 7% | ≥7% |
| Overseas sales ratio (excl. Homes & Const. Mat.) | 28% (39%) | 32% (45%) |

Kasei Group in these fields, we have established three “For Tomorrow” projects which extend across our various business units, to anticipate the world’s emerging needs with unique solutions that only we can provide.

To achieve these strategies we plan to invest some ¥1 trillion for the creation of new business over the five-year period through fiscal 2015, including M&A. We are targeting consolidated net sales of ¥2 trillion and operating income of ¥200 billion in fiscal 2015.

## Effect of the Great East Japan Earthquake

To all those affected by the Great East Japan Earthquake, the Asahi Kasei Group expresses its sincere sympathy. It is our genuine hope that the afflicted areas will be restored and revitalized as soon as possible.

In terms of direct damage to Asahi Kasei Group assets, four of our plants were damaged by the earthquake: The Ishinomaki Plant of Asahi Kasei Power Devices Corp. in Miyagi Prefecture, the Sakai Plant and Neoma Foam Plant of Asahi Kasei Construction Materials Corp. in Ibaraki Prefecture, and the Tomobe Plant of Asahi Kasei Metals Ltd. in Ibaraki Prefecture. We established an emergency disaster response headquarters right after the quake to coordinate efforts to confirm the safety of all personnel and to minimize the effects on operations. All of the damaged plants resumed operation in May, and are now operating normally. The direct impact of the disaster on our fiscal 2010 operating results was an extraordinary loss of ¥800 million. We are forecasting the effect on fiscal 2011 results to be relatively minor.

## Fiscal 2011 Outlook

Although there are some positive economic developments, such as a rebound in manufacturing activity following the temporary slowdown due to the earthquake, as well as growth in exports, the operating environment for the Asahi Kasei Group in fiscal 2011 generally remains obscure, with uncertain economic prospects in the US and Europe, the persistent strength of the yen, and electric power shortages in Japan. Even in these challenging circumstances, the Asahi Kasei Group is determined to achieve growth guided by our “For Tomorrow 2015” strategies of expanding our world-leading businesses and expanding businesses related to the fields of the environment and energy, residential living, and health care. The outlook for fiscal 2011 by business sector is as follows.

In Chemicals & Fibers, we are forecasting lower operating income in Chemicals as an effect of higher feedstock costs and the strengthening yen, although we believe shipments to Asian markets will remain favorable and market prices will be high, most notably for acrylonitrile. In Fibers, we are forecasting slightly lower operating income as an effect of higher feedstock costs, even as shipments are expected to grow in all major product areas.

In Homes & Construction Materials, we are forecasting higher operating income in Homes with deliveries of Hebel Haus™ unit homes increasing as an effect of strong growth in orders from fiscal 2010. In Construction Materials, we are forecasting higher operating income thanks to cost reductions in housing and building materials operations and shipment growth in foundation systems and insulation materials operations.

In Health Care, we are forecasting higher operating income with shipment growth for Recomodulin™ in pharmaceuticals and shipment growth for APS™ artificial kidneys and Planova™ virus removal filters in devices.

In Electronics, we are forecasting higher operating income with shipment growth in each product category in both electronic materials and electronic devices.

Overall, we believe operating income will be slightly lower than in the previous year, though net sales, ordinary income, and net income will all be higher.

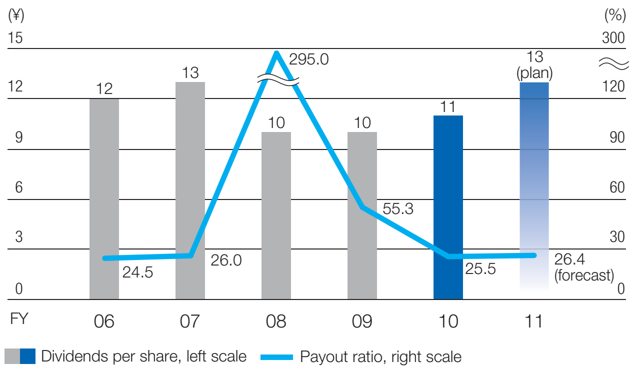
## Return to Shareholders

The annual dividend for fiscal 2010 was raised by ¥1 per share to ¥11, reflecting the improvement in financial results. For fiscal 2011, we believe further improved results will enable us to raise it by another ¥2 to ¥13 per share.

Our basic policy is to strive to continuously increase dividends through earnings growth while maintaining an appropriate cash reserve based on consolidated income.

Our cash reserve will be used as a source of funds required in order to achieve future earnings growth by expanding operations, both through investments in established businesses and through strategic investments and new business development expenditures in fields related to the environment and energy, residential living, and health care as the strategic focus of "For Tomorrow 2015." We aim to continuously increase dividends by expanding earnings under "For Tomorrow 2015," with a basic standard for payout ratio of 30%.

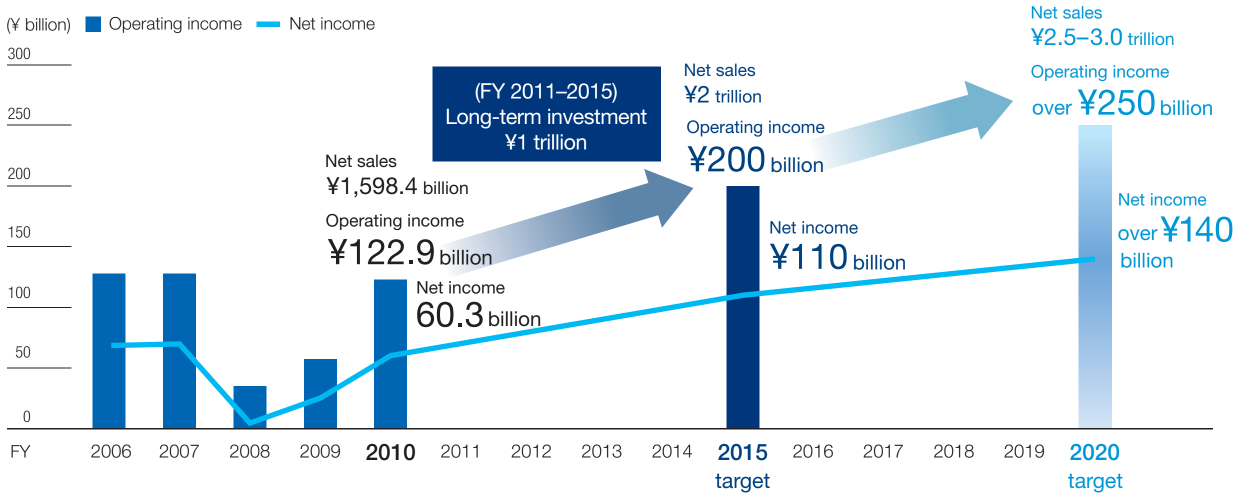
**Dividends per Share, Payout Ratio**



**Asahi Kasei Group's new mid-term management initiative:**

# "For Tomorrow 2015" (fiscal 2011–2015)

Offering new value based on "living in health and comfort" and "harmony with the natural environment" in anticipation of changing social needs. Continuously enhancing our corporate value in accordance with our Group Slogan: Creating for Tomorrow.




| | | | |
|---|---|---|---|
| ROE | 9 % | → | ≥10 % |
| ROIC | 7 % | → | ≥7 % |
| Overseas sales ratio (excl. Homes & Const. Mat.) | 28 % (39 %) | → | 32 % (45 %) |

1 Expansion of world-leading businesses

2 Creation of new value for society

3 Reformation of corporate systems

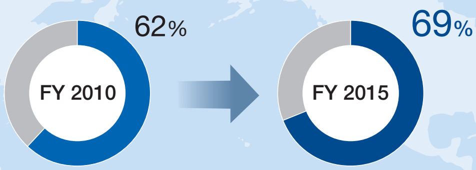
4 Performance plan by business sector & long-term investment plan

1

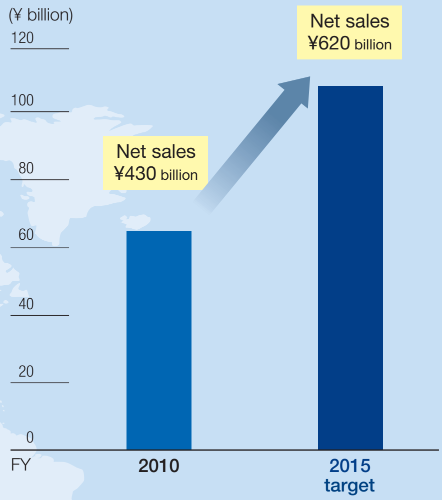
# Expansion of world-leading businesses

We will expand our global No. 1 and No. 2 businesses with a focus on growth in emerging markets. For other businesses that are able to attain a leading position by utilizing our technology and market strengths, we will proactively expand as a global market leader.

**Overseas sales ratio of world-leading businesses**




**Profit***



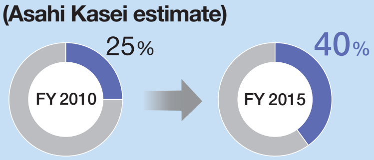

* Operating income of each business plus equity in earnings of AN affiliates.

## Acrylonitrile (AN)

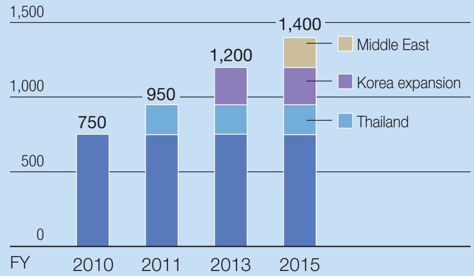
Based on our technological strengths of having the world's highest-yielding catalyst and the world's first propane process, we plan to gain the global No. 1 position through expansion centered in Asia.

- Completion of a new plant in Thailand (start-up in 2011)
- Capacity expansion in Korea (start-up in 2013)
- Establishment of a joint venture to implement a project to produce AN in Saudi Arabia

**Share of production capacity in Asia (Asahi Kasei estimate)**




**Asahi Kasei production capacity for AN**

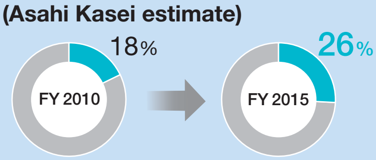



## Solution SBR (S-SBR)

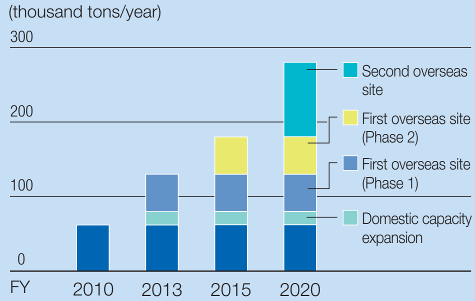
S-SBR is an essential material for fuel-efficient tires, with particularly strong demand growth in Asia. Asahi Kasei is proactively expanding capacity for S-SBR which enables the production of tires that provide greater fuel efficiency while maintaining safety performance.

- Construction of a new S-SBR plant in Singapore (start-up in 2013)
- Capacity expansion at the Singapore plant (start-up in 2015)

**Share of production capacity (Asahi Kasei estimate)**




**Asahi Kasei production capacity for S-SBR used in fuel-efficient tires**




## Other world-leading businesses

- Electronics: Hipore™ lithium-ion battery separator, LSIs, dry film photoresist, pellicles
- Health Care: Artificial kidneys (dialyzers), Planova™ virus removal filters
- Fibers: Roica™ elastic polyurethane filament

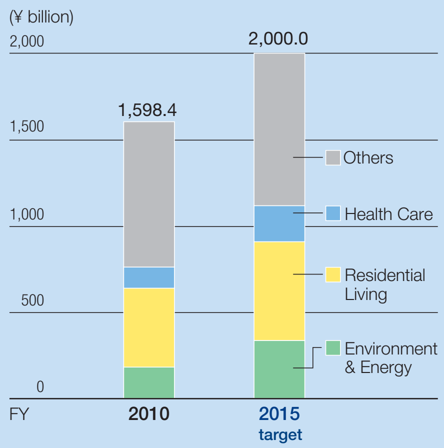
2

# Creation of new value for society

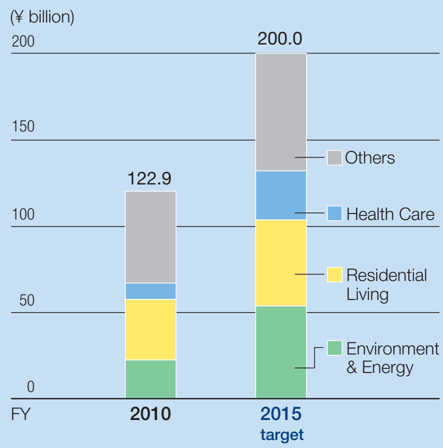
We are concentrating resources on fields related to the environment & energy, residential living, and health care, to expand businesses which meet emerging social needs for *living in health and comfort* and *harmony with the natural environment*. To advance into these fields across different business units, three new projects—"Environment & Energy for Tomorrow," "Residential Living for Tomorrow," and "Health Care for Tomorrow"—have been launched to create new system-based, combined-unit businesses, making the most of the Asahi Kasei Group's diverse competencies.

| | Basis of established businesses | | | | |
|---|---|---|---|---|---|
| Fields of focus | Chemicals & Fibers | Electronics | Homes & Construction Materials | Health Care | Combined-unit projects |
| Environment & Energy | Production process technology, materials/ processing technology | Energy-conserving devices, battery materials | Insulation, highly durable construction materials | | Environment & Energy for Tomorrow |
| Residential Living | Production process technology, materials/ processing technology | Sensors, energy-conserving devices, battery materials | Unit homes, multi-dwelling homes, peripheral businesses | | Residential Living for Tomorrow |
| Health Care | Production process technology, materials/ processing technology | Medical equipment applications | Rental homes for the elderly | Pharmaceuticals, medical-related devices & systems | Health Care for Tomorrow |

### Net sales




### Operating income



## Environment & Energy

### Pushing diverse technology to tackle environmental challenges

**Strategy for major businesses**

- **Hipore™ lithium-ion battery (LIB) separator**
  In addition to No. 1 position in LIBs for electronics, establishing firm lead in technology and market for automotive LIBs.
- **Sensors, power-saving LSIs**
  Greater focus on infrastructure and automotive applications in addition to consumer electronics. Expansion focused on global markets in addition to Japan.
- **Neoma™ phenolic foam panels**
  Helping society to conserve energy by supplying materials with world-leading insulation performance.
- **Water treatment/membrane business**
  Accelerating the development of business in China with growing markets for water treatment.

**Creation of new businesses through combined-unit projects**

Based on our group technologies with competitive superiority, the Environment & Energy for Tomorrow project will advance the development of innovative materials and devices as well as the establishment of systems for application at each stage from power generation to energy storage and consumption—including cutting-edge battery materials, lithium ion capacitor modules and systems, next-generation energy-saving devices, and LED materials.

## Residential Living

### Providing comfortable living to more customers, more quickly

**Strategy for major businesses**

- **Houses, apartments**
  Pursuing superior structural technology and lifestyle innovation to anticipate emerging needs in three-story and two-generation urban homes. Developing unique apartment buildings for the elderly, single women, pet owners, etc.
- **Real estate (condominium development, brokerage, subleasing)**
  Maximizing the utilization of land value through consensus-building among diverse interested parties, etc.
- **Remodeling**
  Providing greater satisfaction to Hebel Haus™ owners through remodeling and renovation aligned to lifestyle changes.

**Creation of new businesses through combined-unit projects**

Not only selling homes in the mature urban market, but providing innovative lifestyle proposals that add new value for society, for instance by showcasing our services in concept houses. Expansion of our housing business by emphasizing such elements as healthy and comfortable living environments, interpersonal bonds, energy and resource conservation, and maximum utilization of land value.

The Residential Living for Tomorrow project will bring together technologies from a fresh perspective, including those of the Asahi Kasei Group and those of generally available products. In addition, we will adopt innovative technologies, products, and systems from our Health Care for Tomorrow project and Environment & Energy for Tomorrow project for practical application in residential settings.

## Health Care

### Providing unique products and technologies for a lively society of health and longevity

**Strategy for major businesses**

- **Pharmaceuticals**
  Focusing on the expansion of Recomodulin™ anticoagulant, launch and expansion of Teribone™ as an osteoporosis drug, reinforcement of pipeline by in-licensing new drugs, and strengthening of clinical development capability in the US.
- **Blood purification (artificial kidneys, apheresis)**
  Accelerating full coverage of Europe, North America, and emerging markets, while enhancing cost competitiveness and product performance.
- **Bioprocess-related business**
  Leading the market for process equipment and media for biologics through the provision of distinctive membrane modules and the expansion of sales together with bioprocess equipment.

**Creation of new businesses through combined-unit projects**

We seek to contribute to the advancement and widespread dissemination of Japanese medical technology as well as the establishment of Japanese society as a model for healthy longevity, through proactive collaboration with outside organizations, combining industry and academia and combining medicine and engineering. While utilizing the technology and know-how of the Asahi Kasei Group, we will execute M&As and form alliances to establish the platforms on which business expansion will be based, as we take on the three challenges of "heightening emergency and critical care," "utilizing medical IT to support healthy life," and "applying cell therapy and regenerative medicine."

3

## Reformation of corporate systems

Our October 2003 transformation to a holding company configuration gave the core operating companies autonomous and independent management, resulting in improved cash flow and greater management speed. Nevertheless, we recognized the need to draw together the power of the Asahi Kasei Group for the creation of new value for society amidst the dramatically changing economic climate. We therefore reviewed a number of our corporate structures and systems, including for the creation of new businesses, global business expansion, human resource policies, management control, and resource allocation.

Our previous new business development strategy was based on market-focused R&D performed by the relevant core operating company, and other R&D performed by the holding company. With the start of the new mid-term initiative, we have adopted a new configuration in which key projects that extend across different business units are performed either as "For Tomorrow" projects or by our Central R&D Laboratories.

4

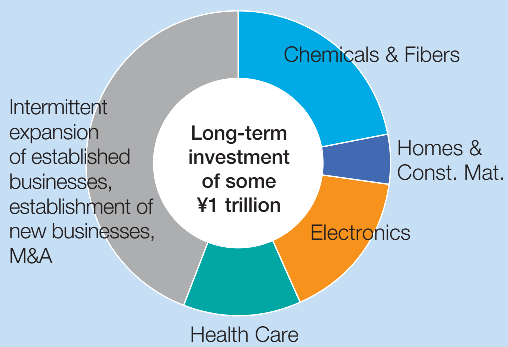
## Performance plan by business sector & long-term investment plan

Targets under "For Tomorrow 2015" include consolidated net sales of ¥2 trillion and operating income of ¥200 billion in fiscal 2015. For our new combined-unit "For Tomorrow" projects, we are aiming for net sales of ¥100 billion and operating income of ¥15 billion in fiscal 2015. Long-term investments of some ¥1 trillion will be made over the five-year period through fiscal 2015 to achieve these targets.

(¥ billion)

| | Net sales | | Operating income | |
|---|---|---|---|---|
| | FY 2010 | FY 2015 target | FY 2010 | FY 2015 target |
| Chemicals & Fibers | 851.0 | 880.0 | 68.6 | 75.0 |
| Homes & Const. Mat. | 456.6 | 570.0 | 38.6 | 50.0 |
| Electronics | 158.3 | 250.0 | 14.3 | 40.0 |
| Health Care | 116.4 | 180.0 | 7.0 | 25.0 |
| Others | 16.0 | 20.0 | (5.5) | (5.0) |
| Subtotal | 1,598.4 | 1,900.0 | 122.9 | 185.0 |
| "For Tomorrow" projects | | 100.0 (FY 2020) approx. 300 | | 15.0 (FY 2020) approx. 50 |
| Total | 1,598.4 | 2,000.0 | 122.9 | 200.0 |

**Long-term investment plan**



# At a Glance

Operating segments | Core operating companies, main businesses/products | Major consolidated subsidiaries

## Chemicals

### Asahi Kasei Chemicals Corp.

Chemicals and derivative products: Ammonia, nitric acid, caustic soda, acrylonitrile (AN), styrene, adipic acid, methyl methacrylate (MMA), and acrylic resin.
Polymer products: Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), Leona™ nylon 66, Suntec™ polyethylene (PE), synthetic rubber and elastomer, polystyrene.
Specialty products: Coating materials, latex, Ceolus™ microcrystalline cellulose, explosives, explosion-bonded metal clad, Microza™ UF and MF membranes and systems, ion-exchange membranes and electrolysis systems, Saran Wrap™ cling film, Ziploc™ storage bags, plastic film, sheet, and foam.

- Asahi Kasei Pax Corp.
- Asahi Kasei Home Products Corp.
- Japan Elastomer Co., Ltd.
- PS Japan Corp.
- Tong Suh Petrochemical Corp., Ltd.
- Asahi Kasei Plastics Singapore Pte. Ltd.
- Asahikasei Plastics (America) Inc.
- Asahi Kasei Performance Chemicals Corp.
- Asahi Kasei Microza (Hangzhou) Co., Ltd.

## Homes

### Asahi Kasei Homes Corp.

Hebel Haus™ houses, Hebel Maison™ apartments, condominiums, residential land development, remodeling, real estate brokerage, home financing.

- Asahi Kasei Jyuko Co., Ltd.
- Asahi Kasei Mortgage Corp.
- Asahi Kasei Reform Co., Ltd.
- Asahi Kasei Real Estate, Ltd.
- Asahi Kasei Home Construction Corp.

## Health Care


### Asahi Kasei Pharma Corp.
### Asahi Kasei Kuraray Medical Co., Ltd.
### Asahi Kasei Medical Co., Ltd.

Pharmaceutical-related: Pharmaceuticals including Recomodulin™, Elcitonin™, Flivas™, Toledomin™, and Bredinin™, Lucica™ GA-L glycated albumin assay kit, L-series enriched liquid diets.
Medical device–related: APS™ polysulfone-membrane artificial kidneys (dialyzers), therapeutic apheresis devices, Planova™ virus removal filters, Sepacell™ leukocyte reduction filters.

- Med-Tech Inc.
- Asahi Kasei Bioprocess, Inc.
- Asahi Kasei Medical (Hangzhou) Co., Ltd.

## Fibers

### Asahi Kasei Fibers Corp.

Roica™ elastic polyurethane filament, Bemberg™ regenerated cellulose fiber, nonwovens including Eltas™ spunbond and Lamous™ artificial suede, Leona™ nylon 66 filament.

- Kyokuyo Sangyo Co., Ltd.
- Thai Asahi Kasei Spandex Co., Ltd.
- Hangzhou Asahikasei Spandex Co., Ltd.
- Asahi Kasei Spandex Europe GmbH
- Asahi Kasei Spandex America, Inc.
- Asahi Chemical (HK) Ltd.
- Hangzhou Asahikasei Textiles Co., Ltd.

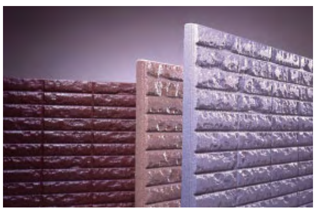
## Electronics

### Asahi Kasei Microdevices Corp.
### Asahi Kasei E-materials Corp.

Electronic devices: Mixed-signal LSIs, Hall elements.
Electronic materials: Hipore™ Li-ion battery separator, photomask pellicles, APR™ photosensitive resin and printing plate making systems, Pimel™ photosensitive polyimide precursor, Sunfort™ dry film photoresist, glass fabric for printed wiring boards.

- Asahi Kasei Power Devices Corp.
- AKM Semiconductor, Inc.
- Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.
- Asahi-Schwebel (Taiwan) Co., Ltd.
- Asahi Kasei Wah Lee Hi-Tech Corp.
- Asahi Photoproducts (Europe) SA/NV

## Construction Materials



### Asahi Kasei Construction Materials Corp.

Hebel™ autoclaved aerated concrete (AAC) panels, Neoma™ foam insulation panels, piles and foundation systems, steel-frame structural components.

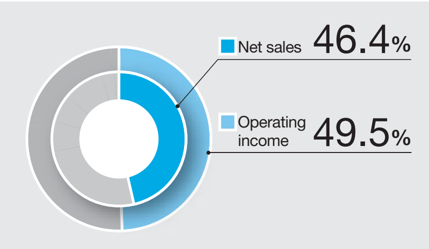
- Asahi Kasei Foundation Systems Corp.
- Asahi Kasei Extech Corp.

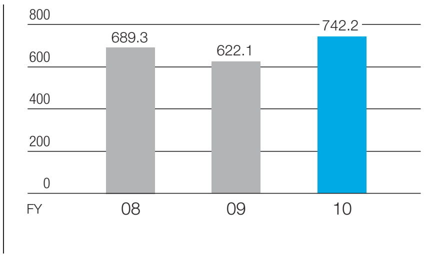
## Others

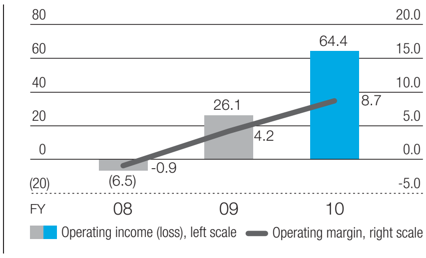
Plant engineering, environmental engineering, research and analysis, personnel staffing and placement.

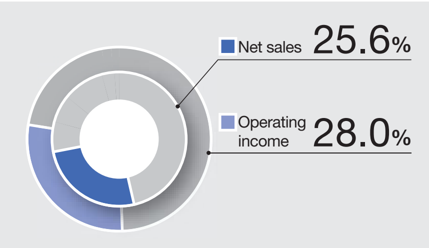
- Asahi Research Center Co., Ltd.
- Asahi Finance Co., Ltd.
- Asahi Kasei Engineering Co., Ltd.
- Asahi Kasei Amidas Co., Ltd.

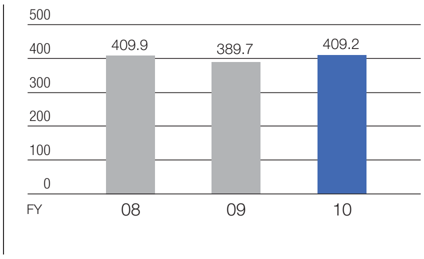
| Fiscal 2010 composition of sales, operating income | Net sales (¥ billion) | Operating income (¥ billion), operating margin (%) |
|---|---|---|

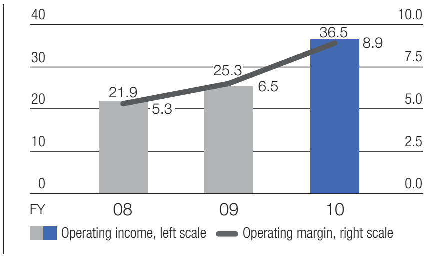


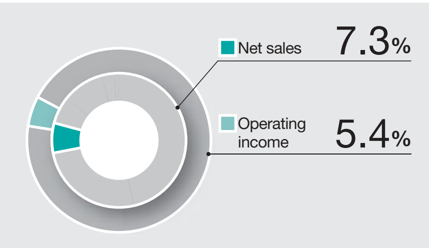



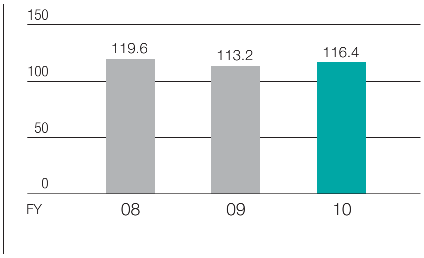



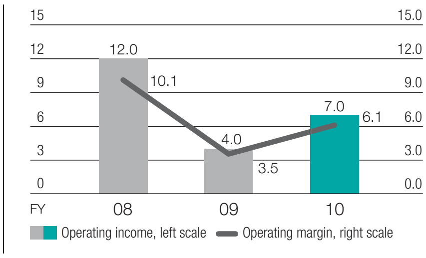



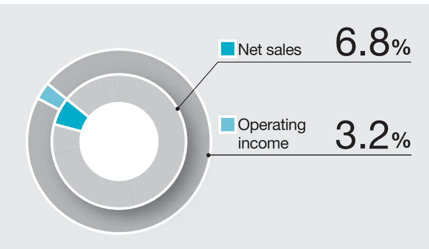



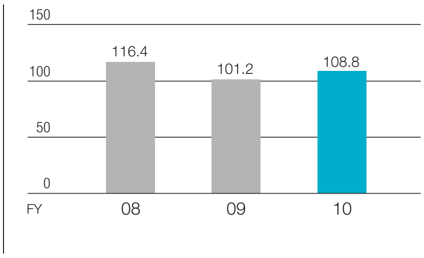



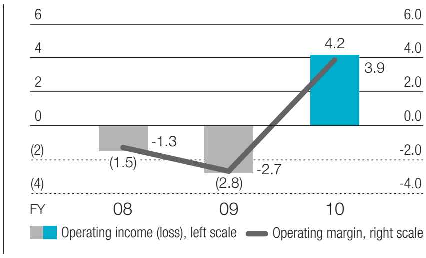



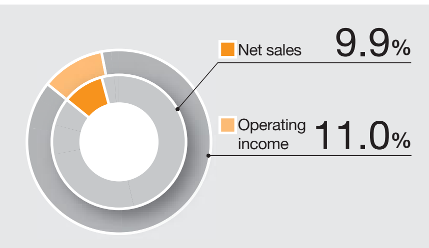



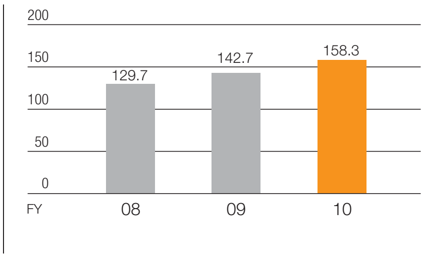



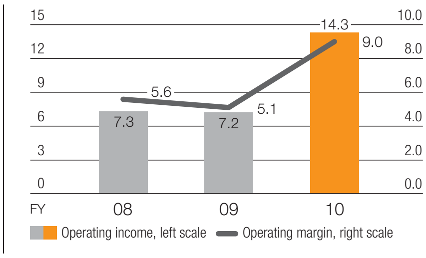



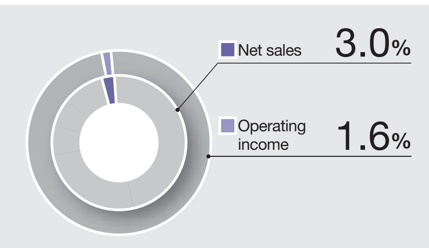



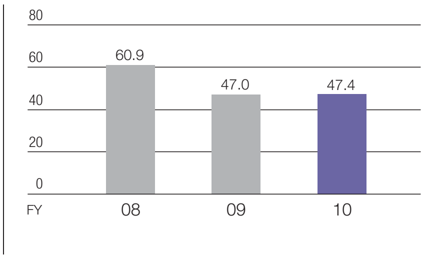



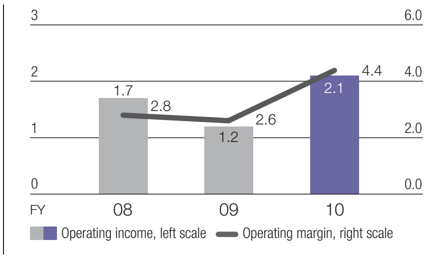



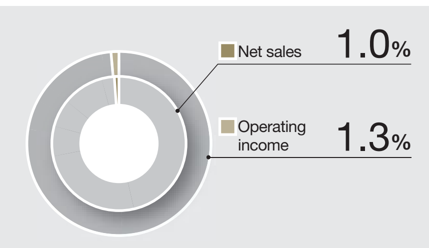



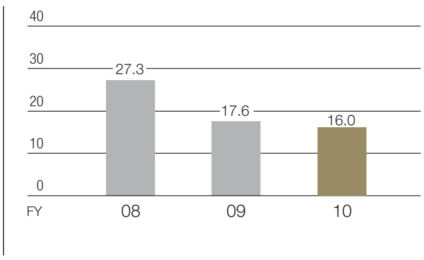



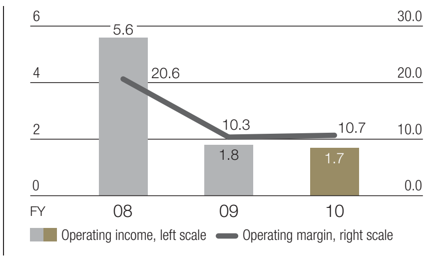



# Chemicals

We are pursuing opportunities in growing markets that make the most of our strengths and optimizing our operational configuration in line with the changing management climate, with a focus on enabling “living in health and comfort” and “harmony with the natural environment” throughout our broad range of business operations.

**Masaki Sakamoto**
President, Asahi Kasei Chemicals

Net sales
¥742.2 billion

vs. fiscal 2009
+19.3%

Operating income
¥64.4 billion

vs. fiscal 2009
+147.0%

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥689.3 | ¥622.1 | **¥742.2** | ¥800.0 |
| Overseas sales ratio | 38.7% | 39.2% | **41.0%** | —% |
| Operating income (loss) | (6.5) | 26.1 | **64.4** | 54.5 |
| Operating margin | -0.9% | 4.2% | **8.7%** | 6.8% |
| R&D expenditure | 14.6 | 14.0 | **15.5** | — |
| R&D expenditure as % of net sales | 2.0% | 2.3% | **2.1%** | —% |
| Capital expenditure | 36.3 | 27.6 | **23.2** | 30.0 |
| Depreciation and amortization | 32.2 | 32.4 | **31.9** | — |

## “Growth Action – 2010” recap

- New acrylonitrile (AN) and methyl methacrylate (MMA) plants in Thailand, capacity expansion for AN in Korea.
- New solution-polymerized styrene-butadiene rubber (S-SBR) plant in Singapore.
- New plant in China for assembly of Microza™ filtration modules for large-scale water treatment.
- Capacity expansion for ion-exchange membranes and for synthetic rubber and elastomer.
- Establishment of a limited liability partnership (LLP) with Mitsubishi Chemical for integrated and unified management of naphtha cracker operations in Mizushima, Japan.
- Structural improvement of fertilizer and industrial explosives operations through consolidation with other producers.

## “For Tomorrow 2015” strategies

**Aiming for leading position in globally competitive businesses**

- Acrylonitrile: Serving global demand growth with the construction of cost-competitive plants, aiming for No. 1 position in the world.
- S-SBR: Proactive capacity expansion, aiming for No. 1 position in Asia in the growing fuel-efficient tire market.

**Business expansion in growing emerging markets, particularly in Asia**

- Performance plastics: Enhancing established position in target markets in Asia.
- Water treatment/membrane businesses: Further reinforcing membrane business, expanding operations in China.
- Duranate™ HDI-based polyisocyanate: Expanding business in Chinese market.
- Ceolus™ microcrystalline cellulose: Major expansion in emerging markets.

**Creation of new businesses and business fields as next strategic pillars**

- Expansion in healthcare areas (Ceolus™ microcrystalline cellulose, acetonitrile, active pharmaceutical ingredients, etc.)
- Establishment and expansion of new businesses in promising markets.

## Fiscal 2010 Review

Sales increased by ¥120.1 billion (19.3%) from a year ago to ¥742.2 billion, and operating income increased by ¥38.3 billion (147.0%) to ¥64.4 billion.

Operating income in chemicals and derivative products operations increased as market prices for acrylonitrile and adipic acid remained high, buoyed by favorable demand in Asia. Operating income in polymer products operations increased as demand recovery in automotive and electronics applications led to greater shipments. Operating income in specialty products operations increased as home-use products such as Saran Wrap™ as well as functional additives and coating materials performed well.

## Fiscal 2011 Outlook

We forecast sales to increase and operating income to decrease during fiscal 2011. Although sales of chemicals and derivative products to Asia are forecasted to remain favorable with high market prices, margins are expected to deteriorate due to higher feedstock prices.

## Major Investments

**Under construction in fiscal 2010**

- New power generation facility for use with wood biomass fuel
- New AN and MMA plants in Thailand

## R&D

Throughout the Chemicals segment, R&D focused on the environment, resources, and energy is advanced to provide new value to society through the enhancement of our established core technologies and the acquisition of new technologies.

In chemicals and derivative products, we are advancing the verification of two new process technologies to enable feedstock diversification: the “E-flex” process for highly efficient production of propylene using $C_2$ fractions or bioethanol as feedstock, and the “BB-flex” process to produce butadiene from butane. Studies on their commercialization are in progress. Current projects slated for completion within 1–2 years include the development of new processes to produce diphenyl carbonate (DPC) and isocyanate using $CO_2$ as feedstock.

In polymer products, current projects include the development of polyamide with ultra-high heat resistance, high rigidity, and excellent moldability using novel molecular design, the development of modified polyphenylene ether (mPPE) expandable beads with high flame retardance and high heat resistance, as well as the development of new composite materials using interface control technology. Computer-aided engineering (CAE) technology we developed in-house has become an essential element of our R&D capability, and is playing an increasingly significant role in new market development and joint development with customers.

In specialty products, low-cost, safe, and low-waste processes to manufacture active pharmaceutical ingredients (APIs) are under development, utilizing our rich base in process development technology. In the field of membrane separation, the focus is on the development of membranes for the reduction of NOx emissions from diesel engines as well as for bacteria separation in bioprocess applications. The creation and development of new products and businesses are advancing through the accelerated development of materials for renewable energy and energy conservation, combining technologies not only within the Asahi Kasei Group but also with outside companies.

## Highlights

### Decision to construct a new solution SBR plant in Singapore

Asahi Kasei Chemicals reached a decision to construct a new plant to produce solution-polymerized styrene-butadiene rubber (S-SBR) in Singapore. With tightening environmental regulations and heightening environmental awareness, demand for high-performance tires which provide improved fuel efficiency is growing throughout the world. Demand for S-SBR which enables the production of tires that provide greater fuel efficiency while maintaining safety performance is therefore growing briskly. With its new S-SBR plant in Singapore, Asahi Kasei Chemicals will meet both the growing demand and heightening customer requirements.

Passenger car tire

### Capacity expansion for acrylonitrile in Korea

In January 2011, Asahi Kasei Chemicals made a decision to construct a large new plant in Korea to expand its production capacity for acrylonitrile (AN), an intermediate chemical for plastic used in consumer electronics. Global demand growth for AN is forecasted to continue, and in April 2011 Asahi Kasei Chemicals also signed an agreement with Saudi Basic Industries Corp. (SABIC) and Mitsubishi Corp. to establish a joint venture for a project to produce AN in Saudi Arabia.

AN plant in Korea

# Homes

The order-built homes business will be expanded with dominant competitiveness as the differentiated market leader in the field of urban unit homes. Housing-related operations will be developed as an array of businesses, building and utilizing their own distinctive strengths.

**Masahito Hirai**
President, Asahi Kasei Homes

Net sales
¥409.2 billion

vs. fiscal 2009
+5.0%

Operating income
¥36.5 billion

vs. fiscal 2009
+43.9%

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥409.9 | ¥389.7 | **¥409.2** | ¥445.0 |
| Overseas sales ratio | —% | —% | **—%** | —% |
| Operating income | 21.9 | 25.3 | **36.5** | 42.0 |
| Operating margin | 5.3% | 6.5% | **8.9%** | 9.4% |
| R&D expenditure | 2.5 | 2.1 | **2.0** | — |
| R&D expenditure as % of net sales | 0.6% | 0.5% | **0.5%** | —% |
| Capital expenditure | 7.0 | 6.0 | **6.3** | 8.0 |
| Depreciation and amortization | 3.4 | 4.3 | **4.3** | — |

## "Growth Action – 2010" recap

- Launch of new products: Fine Hebel Haus™, Smart Hebel Haus™, Hebel Haus™ homes featuring electric power generation, Hebel Haus™ Frex "G3", Hebel Haus™ "i_co_i", Hebel Haus™ RONDO, Hebel Haus™ with lower living room floor, Hebel Haus™ Frex "monado", etc.
- Increased promotion with Hebel Haus™ "street-corner showrooms."
- Establishment of new housing R&D center.
- Development of a new framing system for next-generation energy conservation performance.
- Shared procurement with other home builders.

## "For Tomorrow 2015" strategies

Our focus is on enhancing three-story houses and other products which incorporate innovative lifestyle proposals in order to secure the leading position in the urban homes market. We aim provide comfortable living to as many customers as possible, as quickly as possible, based on our commitment to providing fulfillment in living in a mature urban setting.

### Houses, apartments

- Establishment of No. 1 position as a differentiated market leader in our competitive fields.
- Promotion of community-specific proposals to increase market share.
- Expansion of multi-dwelling homes business.

### Real estate

- Reinforcing condominium business based on obtaining accord in exchange of equivalent value.
- Maximizing utilization of land value through brokerage-related operations.
- Heightening capability to secure tenants.

### Expansion of housing-related operations

- Expansion of remodeling and renovation work.
- Enhancement of the energy-conservation product lineup.

## Fiscal 2010 Review

Sales increased by ¥19.5 billion (5.0%) from a year ago to ¥409.2 billion and operating income increased by ¥11.1 billion (43.9%) to ¥36.5 billion. Orders for order-built homes increased by ¥47.7 billion to ¥354.5 billion.

Operating income in order-built and pre-built homes operations increased with a rise in orders resulting in greater deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings, and with continuous cost reductions. Although our in-house mortgage securitization business was impacted by an increase in the proportion of customers utilizing the "Flat 35" fixed-rate mortgage, remodeling and real estate businesses performed well and operating income in housing-related operations was level with a year ago.

## Fiscal 2011 Outlook

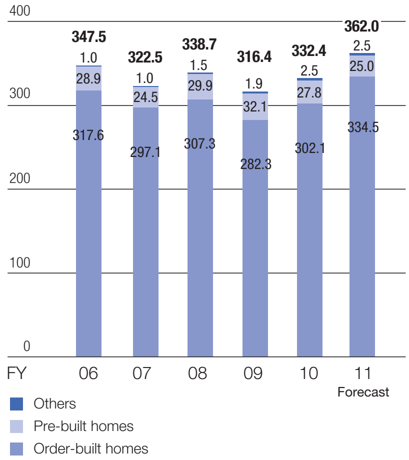
With increased deliveries of order-built homes buoyed by a rise in orders, sales and operating income are forecasted to increase in fiscal 2011.

## R&D

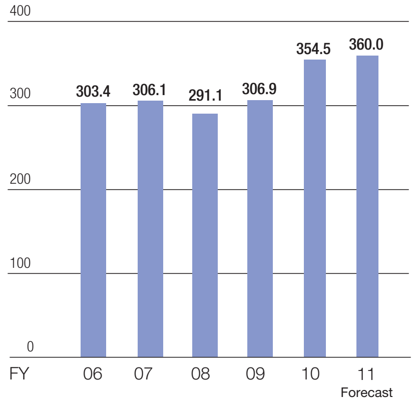
R&D is focused on enhancing core technologies. Shelter technology brings greater safety and security through earthquake resistance, seismic damping, base isolation, and fire resistance; greater long-term usability through physical durability/evaluation, systematic maintenance, and ease of remodeling; enhanced livability through thermal insulation, air circulation, and sound barrier; and enhanced ecology through energy conservation and reduced $CO_2$ emissions.

Lifestyle technology brings greater comfort, convenience, and satisfaction. Evaluation/simulation technology is being enhanced to enable customers to more intuitively appreciate the real-world effects of variations and modifications, ensuring that the design of each home is optimized to match each customer's preferences. Additional research is focused on the physiological and psychological aspects of comfort, and how these can be utilized through technological development to achieve greater energy efficiency and environmental compatibility in homes optimized for health and comfort.

**Sales Trends**
**(Asahi Kasei Homes non-consolidated)**




**Orders Received**
**(Asahi Kasei Homes non-consolidated)**




### Highlights

**Successive launch of products incorporating innovative lifestyle proposals**

Asahi Kasei Homes launched several new products that incorporate innovative lifestyle proposals, based on the results of research on urban lifestyle conducted by our Lifestyle R&D Laboratory. In April 2010, we launched Hebel Haus™ "i_co_i" two-generation homes with features to facilitate raising grandchildren. Hebel Haus™ RONDO two-generation homes integrating rental units were launched in July with features to adapt to changing family structure, and Hebel Haus™ with lower living room floor for greater comfort was launched in August.

Hebel Haus™ i_co_i two-generation home

**Launch of Hebel Haus™ Frex "monado"**

Asahi Kasei Homes launched Hebel Haus™ Frex "monado" enhanced three-story houses for urban life. Improvements to the frame structure enable the creation of large, open living spaces within confined urban plots, which have many space constraints such as limited area and narrow frontage.

Hebel Haus™ Frex "monado"

# Health Care

We are focused on providing the world with innovative new drugs that address unmet medical needs, as a specialized global pharmaceutical company.

**Toshio Asano**
President, Asahi Kasei Pharma

We are growing as a comprehensive leader in blood-related healthcare systems by providing optimal treatment and preventive therapy based on our unique experience and know-how in blood purification.

**Yutaka Shibata**
President, Asahi Kasei Kuraray Medical & Asahi Kasei Medical


Net sales
¥116.4 billion

vs. fiscal 2009
+2.8%

Operating income
¥7.0 billion

vs. fiscal 2009
+76.1%

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥119.6 | ¥113.2 | **¥116.4** | ¥124.0 |
| Overseas sales ratio | 24.4% | 22.3% | **22.9%** | —% |
| Operating income | 12.0 | 4.0 | **7.0** | 8.0 |
| Operating margin | 10.1% | 3.5% | **6.1%** | 6.5% |
| R&D expenditure | 16.4 | 18.4 | **16.5** | — |
| R&D expenditure as % of net sales | 13.7% | 16.3% | **14.2%** | —% |
| Capital expenditure | 31.6 | 9.2 | **7.4** | 14.0 |
| Depreciation and amortization | 10.3 | 12.2 | **11.4** | — |

## "Growth Action – 2010" recap

**Pharmaceutical-related:**

- Market launch of two new products, Recomodulin™ anticoagulant for disseminated intravascular coagulation and Famvir™ anti-herpes agent.
- Application for approval to manufacture and sell Teribone™ teriparatide acetate as an osteoporosis drug in Japan.
- Acquisition of exclusive rights to develop and sell zoledronic acid as an osteoporosis drug in Japan.
- Acquisition of exclusive rights to develop and market XIAFLEX® collagenase clostridium histolyticum in Japan.
- Divestment of sales and R&D operations for contact lenses and related products.

**Medical device–related:**

- Capacity expansion for artificial kidneys and Sepacell™ leukocyte reduction filters.
- New plant for therapeutic apheresis devices.
- Capacity expansion for Planova™ virus removal filters in Oita, Japan.
- Integration of dialyzer business with Kuraray Medical Inc.
- Launch of Planova™ BioEX virus removal filters and BioOptimal™ MF-SL microfilters for bioprocessing.
- Acquisition of all shares of Med-tech Inc., making it a wholly owned subsidiary.
- Establishment of sales subsidiaries in China, Taiwan, and Korea.
- Expansion of polysulfone hollow-fiber membrane artificial kidneys business (incl. tie-ups with Kawasumi Laboratories, Inc. and US-based NxStage Medical, Inc.)
- Market entry in bioprocess equipment business (acquisition of business from US-based TechniKrom, Inc.)

Note: XIAFLEX is a registered trademark of Auxilium Pharmaceuticals, Inc.

## “For Tomorrow 2015” strategies

**Pharmaceutical-related:**
In Japan, the primary objective is to increase earnings by fostering the growth of Recomodulin™ and Teribone™ as high-selling drugs. R&D-related investments will be increased to further reinforce the new drug pipeline, and clinical development will be accelerated.

In our main therapeutic field of orthopedics, we are advancing the development of drugs related to locomotive syndrome, including drugs for osteoporosis and rheumatoid arthritis, in order to build a world-leading position in this area.

Overseas, we are entering a new phase as a specialized global pharmaceutical company through the advancement of the clinical development of Recomodulin™ in Europe and the US, as well as reinforcement of our capabilities for clinical development and marketing in East Asia.

In diagnostics, we are reinforcing efforts to further expand the use of Lucica™ GA-L glycated albumin assay kit in Japan and to obtain approval for it overseas, while advancing the development of infectious disease diagnostic kits.

**Medical device–related:**
We are shifting the focus of our business from individual devices for extracorporeal circulation to blood-related healthcare systems, spanning from disease treatment to preventive medicine and blood-based risk-factor analysis/diagnosis, while further developing business in the fields of regenerative medicine and the nervous system.

Our objective is to achieve a leading position in blood-related healthcare systems, establishing a new value chain of optimal treatment and preventive therapy that leverages our extensive experience and know-how in blood-related healthcare. We will also utilize the comprehensive strengths of the Asahi Kasei Group, increase emphasis on personnel development, and enhance management speed and agility.

## Fiscal 2010 Review

Sales increased by ¥3.2 billion (2.8%) from a year ago to ¥116.4 billion and operating income increased by ¥3.0 billion (76.1%) to ¥7.0 billion.

Operating income in pharmaceuticals operations increased as Recomodulin™ recombinant thrombomodulin made a substantial contribution to results, and as shipments of the Flivas™ therapy for benign prostatic hyperplasia increased although NHI price revisions had a negative impact on product prices. Operating income in devices-related operations increased with greater shipments of APS™ polysulfone-membrane artificial kidneys and of therapeutic apheresis devices, although the strong yen had an impact on performance in each product category.

## Fiscal 2011 Outlook

The overall sales and operating income for the segment are forecasted to increase. In pharmaceuticals operations, shipments of Recomodulin™ recombinant thrombomodulin are forecasted to increase, but we expect an impact from increased R&D expenses as well as higher selling, general and administrative expenses due to an increase in medical representatives. In devices-related operations, shipments of APS™ polysulfone-membrane artificial kidneys and Planova™ virus removal filters are forecasted to increase.

## Major Investments

**Completed in fiscal 2010**
- New plant for therapeutic apheresis devices
- New plant for Planova™ virus removal filters in Oita, Japan

**Under construction in fiscal 2010**
- Medical Material Laboratory

## R&D

In pharmaceuticals, we are focused on addressing unmet medical needs, which are increasing together with maturing markets and the aging population, particularly in the fields of orthopedics and urology. To swiftly identify such needs and provide solutions, we are not only searching for new subjects for R&D, but also pursuing continuous proprietary technological innovation and enhanced collaboration with world-leading technologies. In medical devices and related systems, we are further advancing technological developments in hemodialysis, therapeutic apheresis, leukocyte reduction, and virus removal, while also focusing on next-generation fields of research including regenerative medicine utilizing autohemotherapy.

**Pharmaceutical Product Pipeline** (as of May 2011)

| Development stage | Code name, form, generic name | Classifications | Indication | Remarks |
|---|---|---|---|---|
| Pending approval | MN-10-T, injection, teriparatide acetate | Synthetic human parathyroid hormone (PTH) | Osteoporosis | New chemical entity |
| Phase III | AK-120, oral, famciclovir | Antiviral | Herpes simplex | Additional indication |
| Phase II | AT-877, oral, fasudil hydrochloride hydrate | Rho-kinase inhibitor | Pulmonary arterial hypertension | Additional indication, new dosage form |
| | AK150, injection, pentosan polysulfate sodium | Anti-osteoarthritic | Osteoarthritis | New chemical entity |
| Phase II (overseas) | ART-123, injection, recombinant thrombomodulin alpha | Recombinant human thrombomodulin | Sepsis with disseminated intravascular coagulation | New biologic |
| | AK106 | Anti-inflammatory | Rheumatoid arthritis | New chemical entity |

## Highlights

### Completion of a new plant for therapeutic apheresis devices

To meet forecasted global demand growth, Asahi Kasei Kuraray Medical constructed a new plant in Oita, Japan, for greater efficiency and productivity in manufacturing therapeutic apheresis devices. Production equipment located in several separate production sections within the existing plant was transferred to the new plant and incorporated into integrated production lines featuring the latest technology. Construction was completed and manufacturing at the new plant began in September 2010. As the world’s pioneer in therapeutic apheresis, we are accelerating the global growth of this business, pursuing new possibilities for the treatment of autoimmune disorders and intractable diseases which are difficult to treat with conventional therapies, while fulfilling our responsibility for reliable quality and stable supply as the world-leading manufacturer.

New plant for therapeutic apheresis devices

### Application for approval to manufacture and sell Teribone™ in Japan

Asahi Kasei Pharma filed an application for approval to manufacture and sell Teribone™ (generic name: teriparatide acetate) as an osteoporosis drug in Japan in October 2010. With approval and market launch in 2011, we believe Teribone™ will make a significant contribution to the treatment of osteoporosis, a disease which affects a greater number of people as the population ages.

# Fibers

We are proactively expanding unique businesses with growth potential as well as our world-leading businesses, based on the concepts of "harmony with the natural environment" and "living in health and comfort."

**Hidefumi Takai**
President, Asahi Kasei Fibers

Net sales
¥108.8 billion

vs. fiscal 2009
+7.5%

Operating income
¥4.2 billion

vs. fiscal 2009
— %

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥116.4 | ¥101.2 | **¥108.8** | ¥113.0 |
| Overseas sales ratio | 31.2% | 32.7% | **34.4%** | —% |
| Operating income (loss) | (1.5) | (2.8) | **4.2** | 4.0 |
| Operating margin | -1.3% | -2.7% | **3.9%** | 3.5% |
| R&D expenditure | 3.9 | 3.8 | **3.2** | — |
| R&D expenditure as % of net sales | 3.8% | 3.8% | **2.9%** | —% |
| Capital expenditure | 12.4 | 4.6 | **3.7** | 4.5 |
| Depreciation and amortization | 5.2 | 7.7 | **7.0** | — |

## "Growth Action – 2010" recap

- Capacity expansion for Roica™ spandex in Thailand.
- Establishment of a spunbond manufacturing company in Thailand.
- Establishment of a new technology and R&D center.
- Launch of Precisé™ spunbond nonwovens and dECOb™ environmentally efficient filter bag.
- Closure of polyester filament plant and withdrawal from the field of monofilament.
- Withdrawal from PTT fiber operations.

## "For Tomorrow 2015" strategies

Proactive expansion of unique businesses with growth potential as well as world-leading businesses, in accordance with the two perspectives of "harmony with the natural environment" and "living in health and comfort." Leveraging our strengths as a materials specialist in collaborative projects for the creation of new businesses.

**Roica™ elastic polyurethane**
- Development and commercialization of new high-function yarns.
- Securing a presence in growing Asian markets, with the plant in Thailand as a key manufacturing base.

**Nonwovens**
- Spunbond: Earnings growth in Asia with polypropylene spunbond for hygiene materials produced at plant in Thailand, expansion of Precisé™ spunbond nonwovens.
- Bemliese™ cupro cellulosic nonwoven: Securing stable earnings in the IT field in Asia, expansion in the medical and cosmetics fields.
- Lamous™ artificial suede: Steady expansion in Japanese, Europe, and US markets for car seat applications, development of new applications in industrial fields.
- Eutec™ oil-water separation filter: Establishing niche market leadership in oil-water separation, expansion in applications with microfiltration, as well as in the solid-liquid and gas-liquid separation fields.

**Bemberg™ regenerated cellulose**
- Expansion in overseas markets for lining, particularly in Europe and China.
- Development and expansion of non-lining applications, including outerwear, innerwear, and beddings in Europe and the US.
- Production processes innovation.

**Leona™ nylon 66 filament**
- Stable earnings in tire cord applications.
- Expansion in air-bag applications.

## Fiscal 2010 Review

Sales increased by ¥7.6 billion (7.5%) from a year ago to ¥108.8 billion and operating income increased by ¥7.0 billion to ¥4.2 billion.

Operations throughout the segment were impacted by the strong yen and high feedstock costs. Operating income from Bemberg™ regenerated cellulose increased with substantially greater shipments in non-lining applications such as innerwear and outerwear. Operating income from Roica™ elastic polyurethane filament increased with growing sales of functional yarns, from nonwovens with growing shipments in disposable diaper applications, and from Leona™ nylon 66 filament with growing shipments in automotive applications.

## Fiscal 2011 Outlook

We forecast sales to increase and operating income to decrease slightly during fiscal 2011. Shipments of Roica™, spunbond, and Leona™ filament are expected to increase, but we anticipate an impact from high feedstock prices.

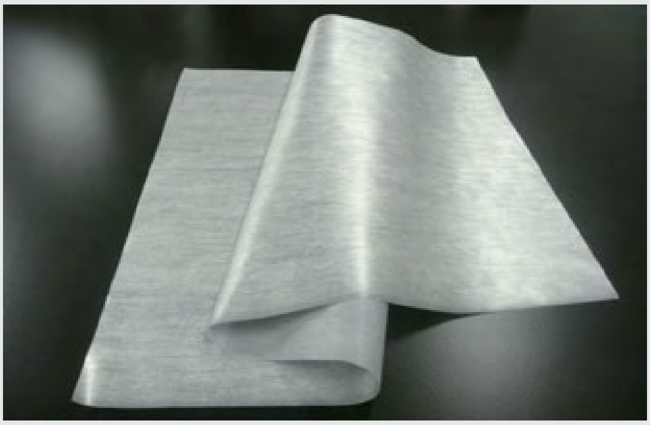
## R&D

In cooperation with other companies within the Asahi Kasei Group as well as with outside companies, we are enriching and enhancing our R&D functions to achieve results more quickly. Development of high-value added grades which meet market needs is advancing for Roica™ polyurethane, Bemberg™ regenerated cellulose, Leona™ nylon 66, and various nonwovens. In addition, the creation of new cellulose-related business and the development of new nonwovens are advancing in accordance with the concepts of "living in health and comfort" and "harmony with the natural environment."

## Highlights

### Launch of Pulshut™ – a thin, lightweight noise suppression sheet

Asahi Kasei Fibers launched Pulshut™ as a high-performance noise suppression sheet in August 2010. In recent years, the evolution of electronics products has advanced rapidly, with greater miniaturization and higher performance in terms of speed and capacity, making it increasingly important to suppress the electromagnetic noise generated by the individual components within such products. Using Precisé™, a specialty nonwoven fabric made with innovative technology, the thin, lightweight Pulshut™ provides a high noise suppression effect across a wide range of frequencies. Its adoption in a wide variety of electronic devices is forthcoming.



Pulshut™ – a thin, lightweight noise suppression sheet

### Establishment of a spunbond manufacturing company in Thailand

Asahi Kasei Fibers made a decision in February 2011 to establish Asahi Kasei Spunbond (Thailand) Co., Ltd. as a subsidiary for the manufacture and sale of spunbond nonwovens in Thailand. With two spunbond production sites in Japan (Moriyama, Shiga, and Nobeoka, Miyazaki), Asahi Kasei Fibers has mainly focused on the Japanese market. As China, ASEAN, and other Asian markets continue their remarkable economic development, overseas demand for hygiene materials, particularly for disposable diapers, is forecasted to continue to increase significantly. Asahi Kasei Fibers will study the expansion of spunbond production capacity in Thailand in line with further market growth.

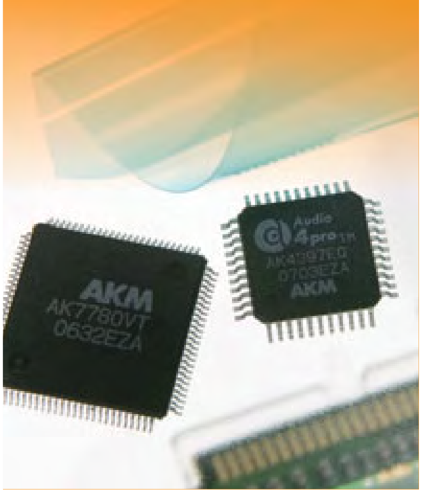
# Electronics

Making the most of our unique technology, we are building our position as a leading supplier of electronic components, which continues to develop and supply category-leading products to the global market, and expand business for all applications based on the trust we have earned from customers throughout the world.

**Hideki Kobori**
President, Asahi Kasei Microdevices

We are focused on materials that lead to reduced environmental burdens—both materials for energy storage and power generation devices, and electronics-related materials that enable energy conservation—based on our corporate commitment of "contributing to sustainable growth and prosperity, using chemical technology for green electronic materials, enhancing the environmental performance of electronic products."

**Makoto Konosu**
President, Asahi Kasei E-materials




Net sales
¥158.3 billion

vs. fiscal 2009
+11.0%

Operating income
¥14.3 billion

vs. fiscal 2009
+96.9%

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥129.7 | ¥142.7 | **¥158.3** | ¥169.0 |
| Overseas sales ratio | 43.4% | 46.5% | **50.3%** | —% |
| Operating income | 7.3 | 7.2 | **14.3** | 15.5 |
| Operating margin | 5.6% | 5.1% | **9.0%** | 9.2% |
| R&D expenditure | 18.4 | 18.4 | **18.4** | — |
| R&D expenditure as % of net sales | 20.1% | 12.9% | **11.6%** | —% |
| Capital expenditure | 31.8 | 22.8 | **20.3** | 16.0 |
| Depreciation and amortization | 19.8 | 23.6 | **23.9** | — |

## "Growth Action – 2010" recap

**Electronic devices:**
- Expansion of LSI production capacity.
- Incorporation of local marketing subsidiaries in Korea, Europe, China and Taiwan.
- Full-scale entry into power management LSI business by acquisition of semiconductor business from Toko, Inc.
- Launch and expansion of electronic compass business.

**Electronic materials:**
- Capacity expansion for Hipore™ Li-ion battery separator: plant expansion in Moriyama, Shiga, Japan, and new plant in Hyuga, Miyazaki, Japan.
- Capacity expansion for dry film photoresist in China.
- Capacity expansion for Pimel™ semiconductor buffer coat.
- New production line for photomask pellicles for 10G LCD panels.
- Establishment of pellicle sales subsidiary in Taiwan, market launch of new pellicle compatible with ArF exposure and capacity expansion for semiconductor pellicles.
- Strategic alliance in optical materials with Luminit, LLC.

## "For Tomorrow 2015" strategies

**Electronic devices:**
Building our position as a leading supplier of electronic components, which continues to develop and supply category-leading products to the global electronic devices market, with a strategic product lineup that makes most of our unique strength in having both silicon semiconductor technology led by world-leading mixed-signal LSI technology, and compound semiconductor technology gained over many years of experience with magnetic sensors. Advancing well-balanced business expansion while maintaining high earnings, through the development and provision of high-quality products with new functions as required in the infrastructure, automotive, and industrial fields, in addition to our established applications in the field of consumer electronics, including mobile terminal devices.

**Electronic materials:**
Reducing environmental burdens with "energy materials" for energy storage and power generation devices, and with electronics-related materials that enable energy conservation—based on our corporate commitment of "contributing to sustainable growth and prosperity, using chemical technology for green electronic materials, enhancing the environmental performance of electronic products." Providing products that support living in health and comfort, including semiconductor process materials, interconnecting and insulation materials for electronics, and materials for information printing and display.

## Fiscal 2010 Review

Sales increased by ¥15.6 billion (11.0%) from a year ago to ¥158.3 billion and operating income increased by ¥7.0 billion (96.9%) to ¥14.3 billion.

Operating income in electronic devices operations increased as growth in shipments of LSIs for smartphones and other portable devices, particularly overseas, outweighed a sharp impact from the strong yen. In electronic materials operations, although shipments grew, most notably in Hipore™ Li-ion battery (LIB) separator, operating income decreased slightly with the impact of declining product prices and high feedstock costs.

## Fiscal 2011 Outlook

We forecast an increase in both sales and operating income during fiscal 2011. In electronic materials, shipments are projected to increase, but we expect an impact from increased depreciation as a result of capacity expansions and from higher feedstock prices. In electronic devices, shipments of LSIs for smartphones and other portable devices are expected to increase, but we anticipate an impact from the strong yen.

## Major Investments

**Completed in fiscal 2010**

- New plant for Hipore™ LIB separator in Hyuga

**Under construction in fiscal 2010**

- Capacity expansion for Hipore™ LIB separator in Hyuga

## R&D

Swift R&D to keep pace with the rapid technology innovation of the electronics industry is directed toward the creation of products that meet the emerging needs and demanding requirements which are identified through close interaction with customers.

In electronic devices, advanced development of high-performance products is based on both compound semiconductor process technology gained through development of high-sensitivity magnetic sensors and mixed-signal LSI technology.

Development of new electronic materials which contribute to energy and resource conservation, reduced environmental burdens, and living in health and comfort is advancing based on our core technologies for polymer design and synthesis, membrane formation, and precision surface processing. Environment and energy–related materials such as high-performance lithium-ion battery materials for both portable electronics and automotive applications, and materials for solar cells are currently under development, as are new materials which correspond to leading technological trends for finer patterning in both semiconductors and printed wiring boards.

## Highlights

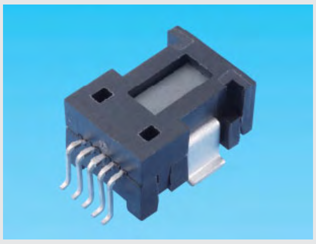
### Development of world's first* surface mount current sensor

Asahi Kasei Microdevices developed the world's first and smallest-class surface mount current sensor with a magnetic core. Current sensors have been mainly used in control systems for industrial equipment. Miniaturization enables their use in a much broader range of applications, including consumer-oriented uses. It is expected that this new current sensor will lead to significantly enhanced energy conservation not only by enabling real-time monitoring of home appliances in smart grid and smart home systems, but also by enabling higher-precision and higher-efficiency control of power consumption in energy-saving home appliances.

* Asahi Kasei Microdevices estimate

### Capacity expansion for Hipore™

Asahi Kasei E-materials adopted decisions in April and June 2010 to increase production capacity for Hipore™ LIB separator at its plant in Hyuga, Miyazaki, Japan. In addition to the mainstream applications for notebook computers and mobile phones, Hipore™ is now being used in hybrid electric and all-electric vehicles worldwide. The company has been advancing a program of strategic expansion of its Hipore™ separator business to meet this growing demand in the LIB market.



World's first* surface mount current sensor

Hipore™ LIB separator

# Construction Materials

We are focused on the development and provision of products that provide safety, security, and comfort, in our core areas of AAC-related products, foundation systems, insulation materials, and structural components.

**Hiroshi Kobayashi**
President,
Asahi Kasei Construction Materials

Net sales
¥47.4 billion

vs. fiscal 2009
+0.8%

Operating income
¥2.1 billion

vs. fiscal 2009
+74.0%

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥60.9 | ¥47.0 | **¥47.4** | ¥54.0 |
| Overseas sales ratio | —% | —% | **—%** | —% |
| Operating income | 1.7 | 1.2 | **2.1** | 3.5 |
| Operating margin | 2.8% | 2.6% | **4.4%** | 6.5% |
| R&D expenditure | 1.0 | 1.1 | **1.1** | — |
| R&D expenditure as % of net sales | 1.7% | 2.3% | **2.4%** | —% |
| Capital expenditure | 2.4 | 1.2 | **1.7** | 4.5 |
| Depreciation and amortization | 3.6 | 3.3 | **2.8** | — |

## “Growth Action – 2010” recap

- Launch of Jupii™ floor insulation panels for wood-frame houses.
- Start of handling of “Triangle A” fire insurance product for wood-frame homes built with AAC walls.
- Launch of DynaWing™ pre-cast concrete piling system featuring minimal soil disposal and high load-bearing capacity.
- Launch of CSV™ soil improvement system for small-scale architecture, featuring minimal soil disposal and semi-dry application.
- Launch of Freedonut™ system for reinforcement of openings to pass plumbing and wiring through I-beams.
- Opening of “Construction Materials Gallery” to showcase products.
- Reoptimization of AAC production infrastructure: closure of Shiraoi plant and one of two production lines in Hozumi.

## "For Tomorrow 2015" strategies

**1. Business expansion in fields of competitive superiority**
Management resources are focused on businesses where we can exert our strengths in markets which are growing in step with ongoing changes, such as heightening environmental awareness and a society-wide transformation to longer-lasting, more sustainable infrastructure.

**2. Transformation to solution-oriented business**
A transformation of business is advancing to effect a shift from simply selling products to a more solution-oriented configuration encompassing peripheral fields and including systems and combination products.

**AAC-related:**
Enhancing cost competitiveness while pursuing further efficiency, in order to maintain stable profitability. Strengthening business for Hebel Powerboard™ AAC panels for wood-frame houses by expanding related businesses including painting. Utilizing our superior technology to reinforce the exterior renovation business targeting the extensive number of houses built with our AAC panels.

**Foundation systems:**
Expanding business by further reinforcement in fields other than homes and buildings, including transportation infrastructure and seismic reinforcement, centered on competitive Eazet™ and ATT Column™ small-diameter steel-pipe piling systems.

**Insulation materials:**
Expanding business centered on our two phenolic foam insulation panel products, Neoma™ and Jupii™, whose competitiveness is further increasing with the growing adoption of next-generation standards for insulation performance in energy-efficient homes.

**Structural materials:**
Expanding business by reinforcing the product lineup with both new products and new variations of current products.

## Fiscal 2010 Review

Sales increased by ¥0.4 billion (0.8%) from a year ago to ¥47.4 billion and operating income increased by ¥0.9 billion (74.0%) to ¥2.1 billion.

Although operating costs in housing and building materials operations were reduced, operating income decreased with fewer shipments of Hebel™ autoclaved aerated concrete panels. Operating income in foundation system operations increased with growing shipments of Eazet™ and ATT Column™ small-scale piles in new applications. Operating income in insulation materials operations increased as shipments of Neoma™ phenolic foam insulation panels grew substantially, supported by government policy such as the eco-point program for energy conservation. Operating income in structural materials operations increased with growing shipments of the BasePack™ earthquake-resistant column base attachment system.

## Fiscal 2011 Outlook

We forecast an increase in sales and operating income during this fiscal year, thanks to continuing cost reductions in housing and building materials, an expansion of housing materials business, and increased shipments in foundation systems and insulation materials.

## R&D

R&D is focused on strengthening the operational base for established businesses of AAC, phenolic foam insulation, and high-performance foundation systems, as well as on the proactive development of new products in peripheral areas.

### Highlights

**Launch of Jupii™ floor insulation panels for wood-frame houses**

Asahi Kasei Construction Materials launched Jupii™ high-performance phenolic foam insulation panels for floors of wood-frame houses in October 2010. The new panels enable wood-frame houses to meet the performance standards specified in preferential policies for energy efficient homes, including for long-life quality housing and the eco-point system for housing, without any structural modification. The company is focused on making further growth in insulation materials, positioning Jupii™ as a new flagship product together with its Neoma™ foam panels.

Jupii™ phenolic foam insulation panels for wood-frame houses

# Others

Net sales
¥16.0 billion

vs. fiscal 2009
−9.2%

Operating income
¥1.7 billion

vs. fiscal 2009
−6.4%

## Financial Highlights

(¥ billion)

| Fiscal year beginning April 1 | 2008 | 2009 | 2010 | 2011 forecast |
|---|---|---|---|---|
| Net sales | ¥27.3 | ¥17.6 | **¥16.0** | ¥19.0 |
| Overseas sales ratio | 20.9% | 10.9% | **7.5%** | —% |
| Operating income | 5.6 | 1.8 | **1.7** | 2.0 |
| Operating margin | 20.6% | 10.3% | **10.7%** | 10.5% |
| R&D expenditure | 0.09 | 0.21 | **0.28** | — |
| R&D expenditure as % of net sales | 0.3% | 1.2% | **1.7%** | —% |
| Capital expenditure | 1.1 | 0.9 | **1.0** | 0.5 |
| Depreciation and amortization | 0.8 | 0.8 | **0.9** | — |

## Fiscal 2010 Review

Sales decreased by ¥1.6 billion (9.2%) from a year ago to ¥16.0 billion and operating income decreased by ¥0.1 billion (6.4%) to ¥1.7 billion.

Operating income in engineering operations decreased as a curtailment of capital investments led to a decline in orders received.

## Fiscal 2011 Outlook

Overall sales and operating income are forecasted to increase in fiscal 2011 thanks to firm performance in engineering operations.

## R&D

Engineering developments in progress include technology to inspect for internal pipe corrosion as well as a joint project for the development of high-performance inspection equipment.

# Toward Sustainable Growth

Contents

## Basic Concept for Corporate Governance

We believe that constant effort to increase the efficiency and transparency of management is essential for continuous enhancement of the corporate value of the Asahi Kasei Group. One major reform for this purpose was the adoption of the structure of a holding company and core operating companies, since which time the Asahi Kasei Group has exercised corporate governance for the Group based on the following two principles.

1) Based on the structure of a holding company and core operating companies, the core operating companies are responsible for business execution and the holding company is responsible for oversight.

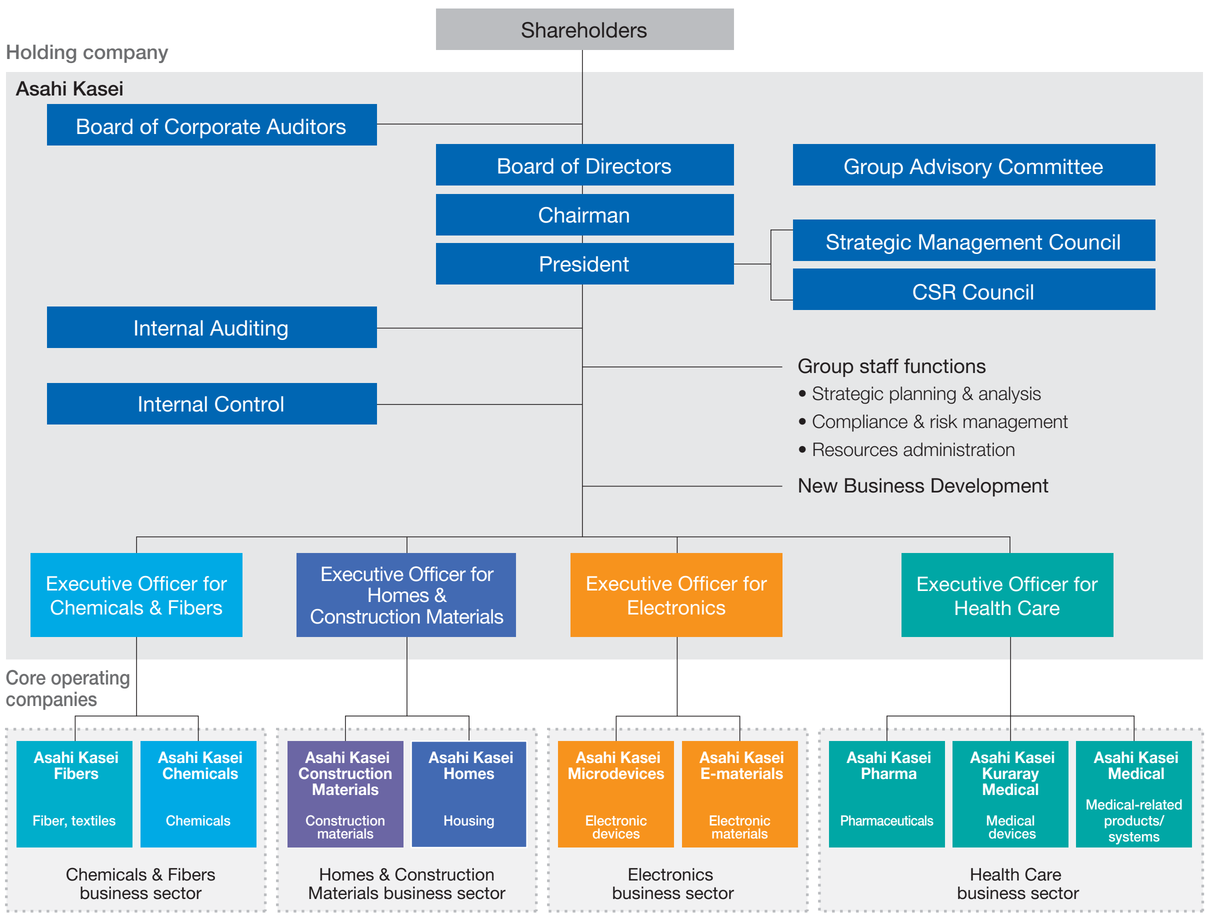
2) The Group Approval Authority Regulations are positioned as the highest ranking among all the regulations governing the overall Group for decision-making in executing business. Authority is distributed to each organ of the holding company and the core operating companies in accordance with the degree of influence on management.

In this context, corporate governance is further enhanced by implementing various measures, including the election of multiple Outside Directors and the institutionalization of Internal Auditing and Internal Control.

We will continue to advance measures to heighten corporate governance for the further enhancement of corporate value.

## Structures Related to Management Decision-Making, Execution, and Oversight

**Management Configuration** (as of March 31, 2011)



### Board of Directors

Oversees group management, and deliberates and decides on basic group policy and strategy, and on substantive proposals by the Strategic Management Council. The Chairman of the holding company chairs meetings of the Board of Directors. Meets once or twice per month.

### Strategic Management Council

Deliberates and decides on substantive matters relating to the operation of the holding company and of the group. Its decisions are made by the President of the holding company, who chairs meetings of the council, after deliberation by the attending constituent members. Meets twice per month.

### Group Advisory Committee

The advisory body to the holding company's Board of Directors. Meets twice per year.

### Board of Corporate Auditors

Comprises four Corporate Auditors, two of whom are Outside Corporate Auditors. Corporate Auditors exchange views, deliberate, and decide on substantive matters relating to auditing. Meets at least once per quarter.

We employ an Executive Officer system, under which we have ten Directors, including three Outside Directors, and sixteen Executive Officers, including six who concurrently serve as Director, as well as a Corporate Auditor system, under which we have four Corporate Auditors, including two Outside Corporate Auditors. (as of June 29, 2011)

To help ensure that Directors and Corporate Auditors may perform their duties to the fullest extent, in accordance with Article 426 Paragraph 1 of the Corporation Law our Articles of Incorporation provide for the indemnification of Directors (including former Directors) and Corporate Auditors (including former Corporate Auditors) from liability stipulated in Article 423 Paragraph 1 of the Corporation Law, through resolution of the Board of Directors, within limitations set forth by law or ordinance.

## Corporate Governance System

An outline of the corporate governance system of the Asahi Kasei Group is as follows.

1) Asahi Kasei Corporation is a holding company and has elected to take the form of a company with a Board of Corporate Auditors.
2) Two Outside Directors were elected in June 2007 to enable oversight of the management of the Asahi Kasei Group based on their wealth of experience and broad range of insight, for the further strengthening of the management oversight function of the Board of Directors. Furthermore, an additional Outside Director was installed in June 2008 and the Company currently has three Outside Directors out of ten Directors.
3) The company has a Group Advisory Committee as an advisory body to the Board of Directors, enabling the receipt of various advice and recommendations of knowledgeable persons from outside the Company for the benefit of the overall management of the Asahi Kasei Group.
4) Internal Auditing serves as the corporate organ for internal audits of the execution of duties in the Asahi Kasei Group in accordance with basic corporate regulations for internal audits. Results of the internal audits conducted by each group staff function are also reported to Internal Auditing, so that all information regarding results of internal audits in the Asahi Kasei Group are centralized at Internal Auditing.
5) In accordance with the audit policy adopted by the Board of Corporate Auditors, each Corporate Auditor audits Directors in the discharge of their duties by attending Board of Directors' meetings and examining business performance. Corporate Auditors of the Company and Corporate Auditors of the core operating companies exchange information on a regular basis. Our Corporate Auditors Office has multiple dedicated personnel who, independently from Directors, support the Corporate Auditors in their duties.
6) PricewaterhouseCoopers Aarata performs financial audits of the Company and the core operating companies in accordance with the Corporation Law and the Financial Instruments and Exchange Act.
7) Company standards stipulate that as a general rule a Director is not to concurrently serve as Director at four or more other companies whose shares are stock-market listed.
8) The Company has a performance-linked remuneration system as stated above, and remuneration of Directors is determined by the Board of Directors within the range stipulated therein.

Given the above, the current corporate governance system of the Asahi Kasei Group is considered to be optimum within the formulation of a holding company/core operating company configuration and a company with a Board of Corporate Auditors.

## Audits

Internal Auditing is a corporate organ under the direct authority of the President of the holding company. Each year, Internal Auditing prepares plans for an internal audit in accordance with basic corporate regulations for internal audits, obtains the President's approval for these plans, and then performs the internal audit.

In accordance with the audit policy adopted by the Board of Corporate Auditors, each Corporate Auditor attends meetings of the Board of Directors and audits Directors in the discharge of their duties through examination of business performance. The Corporate Auditors Office provides staff to support Corporate Auditors in their duties.

PricewaterhouseCoopers Aarata is contracted as the Independent Auditors to perform financial audits in accordance with the Companies Act and Financial Instruments and Exchange Act. Partners of the Independent Auditors designated to perform the audit for fiscal 2010 were Mr. Katsunori Sasayama and Mr. Keiichi Otsuka. The Independent Auditors form a team of assistants for performance of the audit in accordance with its audit plan. The team mainly comprises certified public accountants and junior accountants, and also includes certified information systems accountants and other specialist accountants.

Internal Auditing, the Board of Corporate Auditors, and the Corporate Auditors of core operating companies and other subsidiaries regularly meet to confirm the effectiveness of internal governance systems for legal compliance and risk management. The Board of Corporate Auditors provides counsel to the Independent Auditors with respect to its audit plan, and receives the results of the consolidated financial audit of Asahi Kasei each quarter and each fiscal year.

## Adoption of Shareholder Rights Plan

The Asahi Kasei Group has established a basic corporate policy concerning the nature of parties who would control the company's financial and operational decisions. The adoption of a Shareholder Rights Plan, comprising measures in response to large acquisition of shares to prevent control of the company's financial and operational decisions by inappropriate parties in light of this basic corporate policy, was approved at the Ordinary General Meeting of Shareholders held in June 2008. Furthermore, renewal of the Shareholder Rights Plan was approved at the Ordinary General Meeting of Shareholders held in June 2011.

The purpose of the Shareholder Rights Plan is to secure and heighten the company's corporate value and the common interest of shareholders in the event of a purchase of 20% or more of the company's shares, by ensuring necessary and sufficient information and time for shareholders to make proper judgment, by obtaining an opportunity to negotiate with the purchasing party, and otherwise. Please refer to the relevant news release at http://www.asahi-kasei.co.jp/asahi/en/news/2011/e110511.html for more details.

## Compliance

### Corporate Ethics

Our *Corporate Ethics – Basic Policy and Code of Conduct* is the standard and guide for ethical conduct throughout the day-to-day work of each and every member of the Asahi Kasei Group. It has been translated into English and Chinese, and it or an equivalent standard applies to all majority-held subsidiaries the world over.

### Protection of Personal Information

Asahi Kasei is committed to the proper handling and use of personal information, in accordance with our basic policy. Education and training for all employees, including the distribution of an information security handbook which covers issues related to personal information protection, is monitored by the Corporate Ethics Committee.

## Information Disclosure Policy

The Asahi Kasei Group has established an Information Disclosure Policy, enhancing the management and disclosure of corporate information to obtain greater corporate value. Corporate regulations for information disclosure based on this policy were adopted on July 1, 2008. The basic principles of the Information Disclosure Policy are shown below.

- With our Group Mission of "contributing to life and living for people around the world," we hold "progressing in concert with society, and honoring the laws and standards of society as a good corporate citizen" as a Guiding Precept. "Ensuring transparency" is a fundamental element of our *Corporate Ethics – Basic Policy*. We proactively engage in information disclosure and communication based on these basic concepts.
- Corporate information is disclosed fairly, impartially, accurately, and as swiftly as possible to stakeholders such as customers, suppliers, shareholders, investors, employees, and local communities, and to the general public.
- In our communication with stakeholders and with the general public, we strive for dialog which fosters a relationship of trust, promoting greater understanding of the Asahi Kasei Group and its operations, to increase brand strength and heighten corporate value.

## Compliance Monitoring by the Corporate Ethics Committee

Monitoring of compliance and oversight of education and training for compliance throughout the Asahi Kasei Group are performed by the Corporate Ethics Committee, which was formed in July 1998. Where shortcomings are discovered, the committee formulates and implements measures for improvement.

The committee discusses the training programs implemented at each group company, measures for prevention of sexual harassment, environmental countermeasures, the state of compliance with laws and regulations including personal information protection law, and operation of the Compliance Hotline.

## Risk Management

The Asahi Kasei Group has a Risk Management Committee under its CSR Council to enhance the risk management system for prevention of operational crises and minimization of the effects should a crisis occur. Our Basic Risk Management Regulations, which were established by the Board of Directors in March 2007 (effective April 1, 2007), provide clear guidelines to heighten the capability and effectiveness for risk management and emergency response throughout the Asahi Kasei Group.

In June 2010, the Risk Management Committee introduced a Safety Confirmation System throughout the Asahi Kasei Group. Using this system, the safety of over 90% of our personnel was confirmed within two days after the Great East Japan Earthquake of March 2011. In addition, the Asahi Kasei Group established an Emergency Disaster Response Headquarters to coordinate additional efforts to confirm the safety of personnel and collect information regarding the state of damage to our facilities. It also distributed emergency provisions to personnel who were unable to return home, and delivered relief supplies to the affected operating bases. In support of the people in the areas damaged by the earthquake and tsunami, the Asahi Kasei Group made a donation of ¥100 million and 500,000 rolls of Saran Wrap™ cling film, and delivered 60,000 boxes of Ziploc™ storage bags and 60,000 Ziploc™ freezer bags.

## CSR at the Asahi Kasei Group

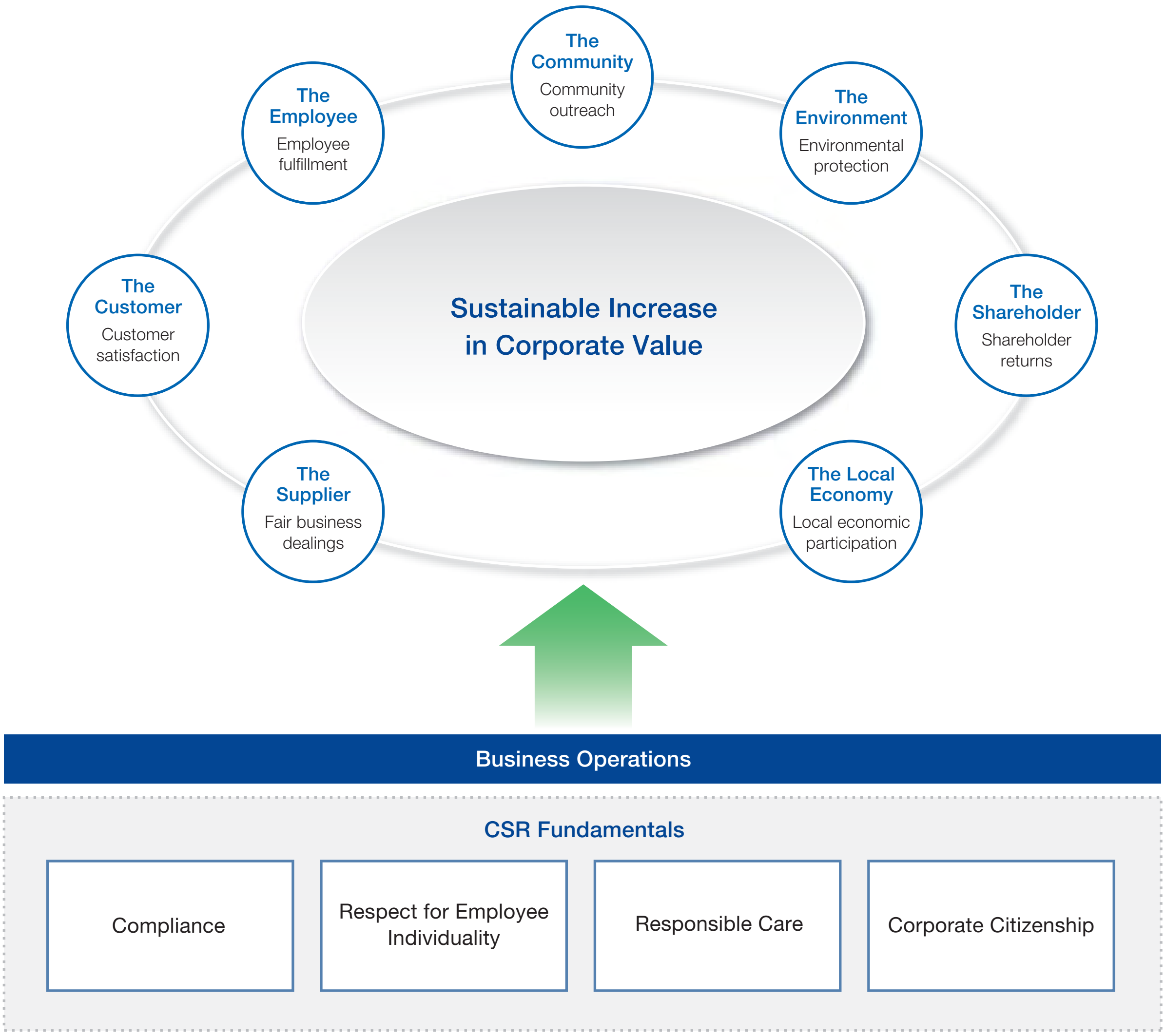
### CSR in Action

We believe that CSR is achieved by raising corporate value for our various stakeholders through our business operations in accordance with our Group Mission of contributing to life and living for people around the world.

### CSR Fundamentals

Based on a clear understanding of the effects of our operations on the global environment and the global community, our efforts and actions related to CSR are focused on four CSR Fundamentals: Compliance, Respect for Employee Individuality, Responsible Care*, and Corporate Citizenship.

**Asahi Kasei Group CSR**




* Responsible Care represents the commitment and initiative to secure and improve safety and environmental protection at every step of the product life-cycle through the individual determination and responsibility of each firm producing and handling chemical products. As of October 2010, fifty-four countries throughout the world have a Responsible Care program.

## Framework for Advancement

The CSR Council, formed in April 2005 with the holding company President serving as chair, formulates CSR policy and guides the CSR effort throughout the Asahi Kasei Group. At the same time, it monitors specific CSR initiatives implemented by its seven committees, including the Corporate Ethics Committee to ensure regulatory compliance and the Responsible Care Committee to guide efforts for environment, health, and safety.

**President of holding company**

**CSR Council**

- Formulation of unified policy and action plans
- Guidance and counsel for the subordinate committees
- Preparation of CSR Reports
- Monitoring of independent evaluation
- Disclosure of CSR information in concert with Corporate Communications and Investor Relations

**Corporate Ethics Committee**

- Preparation of Basic Policy and Code of Conduct for corporate ethics
- Advancement of ethics education and operation of compliance hotline

**Responsible Care Committee**

- Deliberation of plans and results in regard to environmental protection, product safety, operational safety, etc.

**Global Warming Response Committee**

- Deliberation and adoption of group-wide measures to counter global warming

**Market Compliance Committee**

- Examination prior to all across-the-board price revisions to confirm compliance with Antimonopoly Law

**Export Control Committee**

- Compliance with export-related regulations

**Risk Management Committee**

- Formulation of plans and measures to respond to actual or potential crises

**Community Fellowship Committee**

- Formulation of policy, plans, and courses of action in regard to community fellowship activities

## Highlight

The Asahi Kasei Group is proactively involved in activities to preserve biodiversity as a founding member of the International Partnership for the *Satoyama* Initiative (IPSI), which was established at COP10 held in October 2010.

As part of this initiative, the Nobeoka Power Supply Dept. of Asahi Kasei Chemicals is advancing a project for the sustainable utilization of the forest resources of the Gokase River watershed area as biomass fuel for power generation at a new power plant currently under construction. The sustainable utilization of forest resources in this way is expected to make a significant contribution to the preservation of biodiversity in the area.

# Directors, Corporate Auditors, Executive Officers

(As of June 29, 2011)

Ichiro Itoh

Chairman &
Representative Director

Taketsugu Fujiwara

President & Representative Director
Presidential Executive Officer

Koji Fujiwara

Director
Primary Executive Officer

Yasuyuki Yoshida

Director
Primary Executive Officer

Tsutomu Inada

Director
Senior Executive Officer

Yuji Mizuno

Director
Senior Executive Officer

Masanori Mizunaga

Director
Senior Executive Officer

Yukiharu Kodama

Outside Director

Morio Ikeda

Outside Director

Norio Ichino

Outside Director

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Kenji Nakamae
Corporate Auditor

Toshiyuki Kawasaki
Corporate Auditor

Kazuo Tezuka
Outside Corporate Auditor

Yuji Aoki
Outside Corporate Auditor

Katsuhiko Yamazoe
Senior Executive Officer

Ryo Matsui
Lead Executive Officer

Toshikatsu Sunami
Lead Executive Officer

Shinichiro Nei
Lead Executive Officer

Makoto Konosu
Executive Officer

Masaki Sakamoto
Executive Officer

Masahito Hirai
Executive Officer

Toshio Asano
Executive Officer

Shoichiro Tonomura
Executive Officer

Yoshihiro Wada
Executive Officer

# Financial Section

Contents

# Consolidated Eleven-Year Summary

Asahi Kasei Corporation and Consolidated Subsidiaries

| For the years ended March 31 | 2011 | 2010 | 2009[d] | 2008 |
|---|---|---|---|---|
| **Net sales** | **¥1,598,387** | ¥1,433,595 | ¥1,553,108 | ¥1,696,789 |
| **Chemicals** | **742,243** | 622,093 | 689,323 | 879,235 |
| Life & Living[a] | **—** | — | — | — |
| Chemical and Chemical-related | **—** | — | — | — |
| Chemicals and Plastics | **—** | — | — | — |
| **Homes** | **409,224** | 389,728 | 409,882 | 386,227 |
| Housing and Construction Materials | **—** | — | — | — |
| **Health Care[b]** | **116,387** | 113,207 | 119,619 | 111,232 |
| **Fibers[b]** | **108,761** | 101,201 | 116,405 | 114,072 |
| **Electronics[b]** | **158,337** | 142,700 | 129,655 | 113,267 |
| **Construction Materials** | **47,418** | 47,024 | 60,927 | 55,732 |
| Special Products and Services | **—** | — | — | — |
| Electronics | **—** | — | — | — |
| Membranes and Systems | **—** | — | — | — |
| Biotechnology and Medical Products | **—** | — | — | — |
| Engineering and Others | **—** | — | — | — |
| **Others[b]** | **16,017** | 17,642 | 27,297 | 37,024 |
| **Domestic sales** | **1,149,098** | 1,063,186 | 1,159,143 | 1,209,452 |
| **Overseas sales** | **449,289** | 370,409 | 393,965 | 487,337 |
| **Operating income** | **122,927** | 57,622 | 34,959 | 127,656 |
| **Ordinary income** | **118,219** | 56,367 | 32,500 | 120,456 |
| **Income (loss) before income taxes** | **98,342** | 46,056 | 19,031 | 105,599 |
| **Net income (loss)** | **60,288** | 25,286 | 4,745 | 69,945 |
| **Comprehensive income** | **45,088** | — | — | — |
| **Net income (loss) per share, yen** | **43.11** | 18.08 | 3.39 | 50.01 |
| **Capital expenditure** | **66,014** | 83,990 | 126,725 | 82,911 |
| **Depreciation and amortization** | **84,092** | 86,166 | 79,436 | 73,983 |
| **R&D expenditures** | **62,320** | 62,924 | 60,849 | 56,170 |
| **Cash dividends per share, yen** | **11.00** | 10.00 | 10.00 | 13.00 |

| As of March 31 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|
| **Total assets** | **¥1,425,879** | ¥1,368,892 | ¥1,379,337 | ¥1,425,367 |
| **Inventories** | **256,248** | 251,084 | 273,539 | 272,372 |
| **Property, plant and equipment** | **418,354** | 447,497 | 441,271 | 424,193 |
| **Investments and other assets** | **220,773** | 226,331 | 218,477 | 234,873 |
| **Net worth[c]** | **663,566** | 633,343 | 603,846 | 666,244 |
| **Net worth per share, yen** | **474.59** | 452.91 | 431.77 | 476.39 |
| **Net worth/total assets, %** | **46.5** | 46.3 | 43.8 | 46.7 |
| **Number of employees** | **25,016** | 25,085 | 24,244 | 23,854 |

a. The Life & Living segment was combined with the Chemicals segment in the year ended March 31, 2008.

b. For continuity, figures for business categories which were renamed are shown on the same line.

- From the year ended March 31, 2004, through the year ended March 31, 2009: Figures shown as Health Care are for the previous Pharma segment, and figures shown as Electronics are for the previous Electronics Materials & Devices segment.
- From the year ended March 31, 2001, through the year ended March 31, 2003: Figures shown as Fibers are those for the previous Fibers and Textiles sector, and figures shown as Others are those for the former Liquors, Services and Others sector.
- From the year ended March 31, 2004, through the year ended March 31, 2010: Figures shown as Others are those for the previous Services, Engineering and Others segment.

c. Net assets less minority interest. Though the year ended March 31, 2006, figures for shareholders' equity shown.

d. For comparison purposes, results for the year ended March 31, 2009, are recalculated to reflect the April 2010 transfer of electronic materials operations from the Chemicals segment and from Corporate Expenses to the Electronics segment, and the April 2010 transfer of Leona™ nylon 66 filament operations from the Chemicals segment to the Fibers segment.

Millions of yen, except where noted

| 2007 | 2006 | 2005[e] | 2004 | 2003[f] | 2003 | 2002 | 2001[g] | 2001 |
|---|---|---|---|---|---|---|---|---|
| ¥1,623,791 | ¥1,498,620 | ¥1,377,697 | ¥1,253,534 | ¥1,193,614 | ¥1,193,614 | ¥1,195,393 | ¥1,269,415 | ¥1,269,415 |
| 752,632 | 660,402 | 570,182 | 453,707 | 424,673 | — | — | — | — |
| 52,558 | 51,942 | 59,149 | 59,813 | 52,908 | — | — | — | — |
| — | — | — | — | — | 477,581 | 440,698 | 449,470 | — |
| — | — | — | — | — | — | — | — | 430,934 |
| 405,695 | 404,539 | 375,755 | 361,273 | 320,553 | — | — | — | — |
| — | — | — | — | — | 383,654 | 408,474 | 433,440 | 433,440 |
| 104,474 | 105,842 | 103,933 | 105,965 | 105,463 | 105,463 | 98,686 | 95,481 | — |
| 106,639 | 89,704 | 91,518 | 101,514 | 110,551 | 110,551 | 125,908 | 134,791 | 134,791 |
| 112,094 | 102,859 | 93,024 | 82,484 | 71,579 | 71,579 | 64,062 | 95,999 | — |
| 60,818 | 56,512 | 59,908 | 60,622 | 63,101 | — | — | — | — |
| — | — | — | — | — | — | — | — | 270,250 |
| — | — | — | — | — | — | — | — | 96,228 |
| — | — | — | — | — | — | — | — | 18,307 |
| — | — | — | — | — | — | — | — | 95,481 |
| — | — | — | — | — | — | — | — | 60,234 |
| 28,881 | 26,821 | 24,228 | 28,156 | 44,786 | 44,786 | 57,565 | 60,234 | — |
| 1,195,751 | 1,125,454 | 1,067,893 | 1,011,366 | 981,064 | 981,064 | 1,006,810 | 1,086,219 | 1,086,219 |
| 428,040 | 373,166 | 309,804 | 242,168 | 212,550 | 212,550 | 188,583 | 183,196 | 183,196 |
| 127,801 | 108,726 | 115,809 | 60,932 | 61,555 | 61,555 | 45,664 | 96,024 | 96,024 |
| 126,507 | 104,166 | 112,876 | 53,643 | 50,389 | 50,389 | 39,849 | 86,747 | 86,747 |
| 114,883 | 94,481 | 91,141 | 54,820 | (100,869) | (100,869) | 10,679 | 50,318 | 50,318 |
| 68,575 | 59,668 | 56,454 | 27,672 | (66,791) | (66,791) | 5,180 | 25,177 | 25,177 |
| — | — | — | — | — | — | — | — | — |
| 49.00 | 42.46 | 40.16 | 19.62 | (47.63) | (47.63) | 3.61 | 17.45 | 17.45 |
| 84,413 | 66,310 | 68,479 | 86,387 | 93,985 | 93,985 | 74,826 | 69,188 | 69,188 |
| 71,646 | 69,399 | 71,531 | 64,408 | 60,808 | 60,808 | 60,676 | 62,222 | 62,222 |
| 52,426 | 51,467 | 50,715 | 48,420 | 49,311 | 49,311 | 49,574 | 49,768 | 49,768 |
| 12.00 | 10.00 | 8.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 | 6.00 |

| 2007 | 2006 | 2005[e] | 2004 | 2003 | 2003 | 2002 | 2001 | 2001 |
|---|---|---|---|---|---|---|---|---|
| ¥1,459,922 | ¥1,376,044 | ¥1,270,057 | ¥1,249,206 | ¥1,212,374 | ¥1,212,374 | ¥1,193,011 | ¥1,240,008 | ¥1,240,008 |
| 240,006 | 214,062 | 202,521 | 181,609 | 176,788 | 176,788 | 180,826 | 196,510 | 196,510 |
| 426,959 | 414,368 | 419,969 | 428,302 | 427,188 | 427,188 | 415,193 | 419,168 | 419,168 |
| 281,502 | 284,390 | 223,958 | 226,825 | 198,697 | 198,697 | 181,618 | 176,177 | 176,177 |
| 645,655 | 594,211 | 511,726 | 450,451 | 407,639 | 407,639 | 496,826 | 516,013 | 516,013 |
| 461.50 | 424.34 | 365.43 | 321.41 | 290.92 | 290.92 | 353.16 | 357.70 | 357.70 |
| 44.2 | 43.2 | 40.3 | 36.1 | 33.6 | 33.6 | 41.6 | 41.6 | 41.6 |
| 23,715 | 23,030 | 23,820 | 25,011 | 25,730 | 25,730 | 26,227 | 26,695 | 26,695 |

e. For comparison purposes, results for the year ended March 31, 2005, are recalculated to reflect the April 2005 transfer of Leona™ nylon 66 filament operations from the Fibers segment to the Chemicals segment.

f. For comparison purposes, results by business category for the year ended March 31, 2003, are recalculated in accordance with the revised categories for the year ended March 31, 2004, which are aligned with the core operating companies in the holding company configuration adopted on October 1, 2003.
- The "fabricated home products" segment of the Chemical and Chemical-related sector is separated to an independent Life & Living segment. The remainder of the Chemical and Chemical-related sector is reclassified as the Chemicals segment.
- The Housing and Construction Materials sector is separated into the Homes segment and the Construction Materials segment.
- The Fibers and Textiles sector is renamed the Fibers segment.
- With the divestment of liquors operations, the Liquors, Services and Others sector is renamed the Services, Engineering and Others segment.

g. For comparison purposes, results by business category for the year ended March 31, 2001, are recalculated in accordance with the revised categories for the year ended March 31, 2002.
- Operations of the "membranes and systems" segment combine with the Chemicals and Plastics sector to form the Chemical and Chemical-related sector.
- The "electronics" segment is reclassified as the Electronics sector.
- Operations of the "biotechnology and medical products" segment are reclassified as the Health Care sector.
- The remaining operations comprise the Liquors, Services and Others sector, in place of the "engineering and others" segment.

## Overview of Fiscal 2010 Consolidated Results

### Operating environment

The Japanese economy was recovering in the first half as corporate performance improved with the effect of government stimulus measures and thanks to economic recovery in emerging markets. In the second half, however, the economy was severely affected by the rapid rise of the yen, a decline in automotive sales due to the expiration of government subsidies for fuel-efficient vehicles, high feedstock prices driven by political unrest in North Africa and the Middle East, and the impact of the Great East Japan Earthquake, resulting in uncertainty regarding the economic outlook.

### Net sales, operating income

Consolidated net sales for the fiscal year increased by ¥164.8 billion (11.5%) from a year ago to ¥1,598.4 billion. Overseas sales increased, largely in Chemicals, by ¥78.9 billion (21.3%) to ¥449.3 billion, and increased by 2.3 percentage points as a portion of consolidated net sales from 25.8% to 28.1%. Domestic sales increased by ¥85.9 billion (8.1%) to ¥1,149.1 billion with high feedstock prices as well as high market prices buoyed by robust demand in the Chemicals segment.

Operating income increased by ¥65.3 billion (113.3%) to ¥122.9 billion. As a percentage of net sales, cost of sales increased by 2.1 percentage points to 74.7%, largely due to improved operating rates driven by demand recovery. SG&A increased by ¥6.5 billion, but decreased as a percentage of net sales by 1.6 percentage points to 17.6% due to the large increase in sales. Operating margin increased by 3.7 percentage points to 7.7%.

### Non-operating income and expenses, ordinary income

Net non-operating expenses were ¥4.7 billion, ¥3.5 billion higher than the ¥1.3 billion of a year earlier, largely due to an increase in foreign exchange loss and the occurrence of litigation related expenses, although equity in earnings of affiliates increased. As a result, ordinary income increased by ¥61.9 billion (109.7%) to ¥118.2 billion.

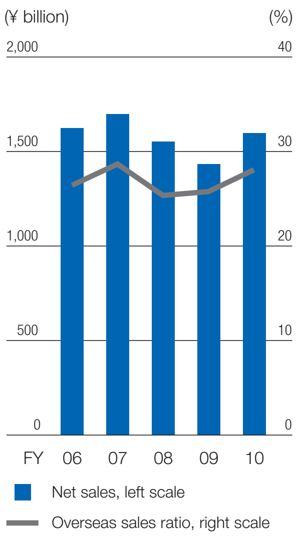
### Extraordinary income and loss

Extraordinary losses of ¥21.6 billion included ¥10.0 billion in business structure improvement expenses and a ¥4.9 billion loss on disposal of noncurrent assets. Combined with extraordinary income, the net extraordinary loss was ¥19.9 billion, ¥9.6 billion higher than a year earlier.

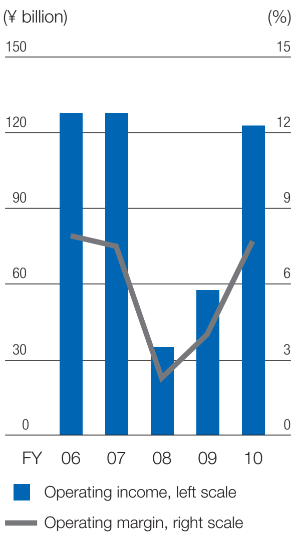
### Net income

With ordinary income of ¥118.2 billion and the net extraordinary loss of ¥19.9 billion, income before income taxes was ¥98.3 billion. Income tax expense was ¥36.7 billion (current income taxes of ¥39.6 billion less deferred income taxes of ¥3.0 billion). Minority interests in income of consolidated subsidiaries was ¥1.4 billion. As a result, net income increased by ¥35.0 billion (138.4%) to ¥60.3 billion, and net income per share increased by ¥25.03 to ¥43.11 from the ¥18.08 of a year earlier.

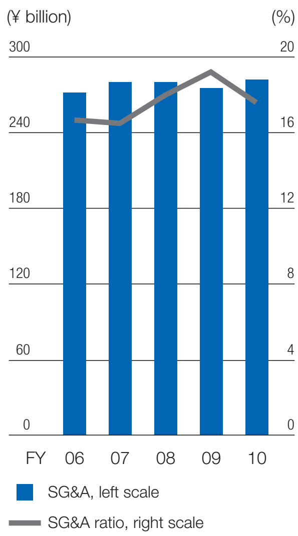
**Net Sales, Overseas Sales Ratio**



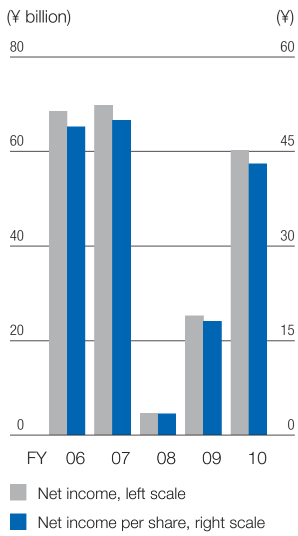

**Operating Income, Operating Margin**




**SG&A, SG&A Ratio**




**Net Income, Net Income per Share**



## Results by Operating Segment

Beginning in fiscal 2010, Accounting Standard for Disclosures about Segments of an Enterprise and Related Information issued by the Accounting Standards Board of Japan (ASBJ Statement No. 17) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20) have been applied, resulting in six reporting segments: Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials.

In describing the state of the Asahi Kasei Group's businesses by major business classification, businesses not included in the above six reporting segments are categorized as "Others." The "Others" category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

The operating expenses of one consolidated subsidiary previously included in Services, Engineering and Others have been included in "corporate expenses" beginning in fiscal 2010. The impact of this is immaterial.

### Chemicals

Sales increased by ¥120.1 billion (19.3%) from a year ago to ¥742.2 billion and operating income increased by ¥38.3 billion (147.0%) to ¥64.4 billion.

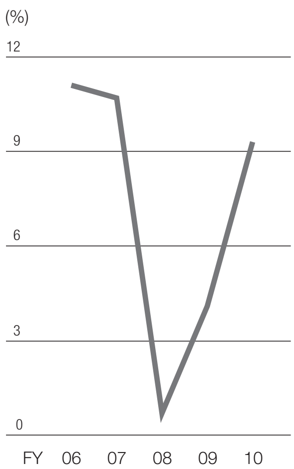
Operating income in chemicals and derivative products operations increased as market prices for acrylonitrile and adipic acid remained high, buoyed by favorable demand in Asia. Operating income in polymer products operations increased as demand recovery in automotive and electronics applications led to greater shipments. Operating income in specialty products operations increased as home-use products such as Saran Wrap™ as well as functional additives and coating materials performed well.

### Homes

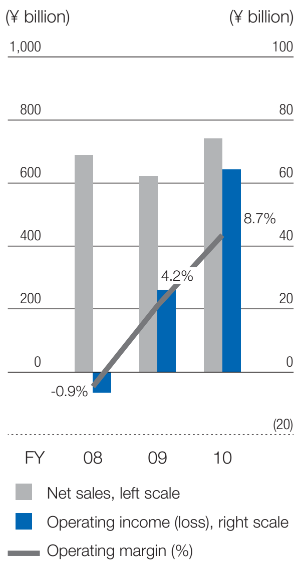
Sales increased by ¥19.5 billion (5.0%) from a year ago to ¥409.2 billion and operating income increased by ¥11.1 billion (43.9%) to ¥36.5 billion. Orders for order-built homes increased by ¥47.7 billion to ¥354.5 billion.

Operating income in order-built and pre-built homes operations increased with a rise in orders resulting in greater deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings, and with continuous cost reductions. Although our in-house mortgage securitization business was impacted by an increase in the proportion of customers utilizing the "Flat 35" fixed-rate mortgage, remodeling and real estate businesses performed well and operating income in housing-related operations was level with a year ago.

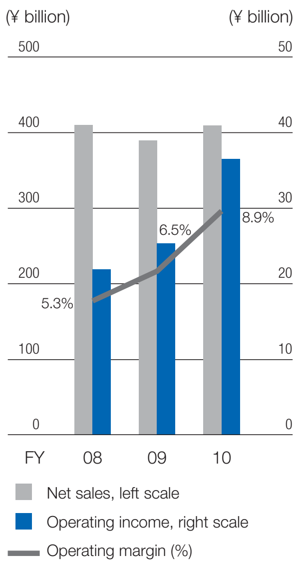
**ROE**




**Chemicals**




**Homes**



## Health Care

Sales increased by ¥3.2 billion (2.8%) from a year ago to ¥116.4 billion and operating income increased by ¥3.0 billion (76.1%) to ¥7.0 billion.

Operating income in pharmaceuticals operations increased as Recomodulin™ recombinant thrombomodulin made a substantial contribution to results, and as shipments of the Flivas™ therapy for benign prostatic hyperplasia increased although NHI price revisions had a negative impact on product prices. Operating income in devices-related operations increased with greater shipments of APS™ polysulfone-membrane artificial kidneys and of therapeutic apheresis devices, although the strong yen had an impact on performance in each product category.

## Fibers

Sales increased by ¥7.6 billion (7.5%) from a year ago to ¥108.8 billion and operating income increased by ¥7.0 billion to ¥4.2 billion.

Operations throughout the segment were impacted by the strong yen and high feedstock costs. Operating income from Bemberg™ regenerated cellulose increased with substantially greater shipments in non-lining applications such as innerwear and outerwear. Operating income from Roica™ elastic polyurethane filament increased with growing sales of functional yarns, from nonwovens with growing shipments in disposable diaper applications, and from Leona™ nylon 66 filament with growing shipments in automotive applications.

## Electronics

Sales increased by ¥15.6 billion (11.0%) from a year ago to ¥158.3 billion and operating income increased by ¥7.0 billion (96.9%) to ¥14.3 billion.

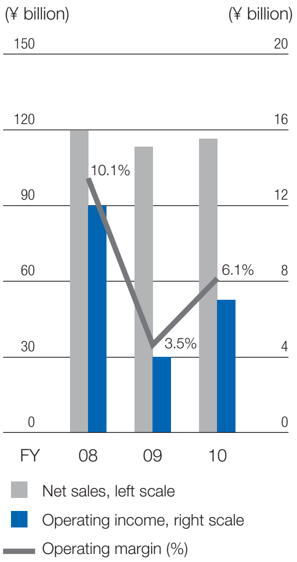
Operating income in electronic devices operations increased as growth in shipments of LSIs for smartphones and other portable devices, particularly overseas, outweighed a sharp impact from the strong yen. In electronic materials operations, although shipments grew, most notably in Hipore™ Li-ion battery separator, operating income decreased slightly with the impact of declining product prices and high feedstock costs.

## Construction Materials

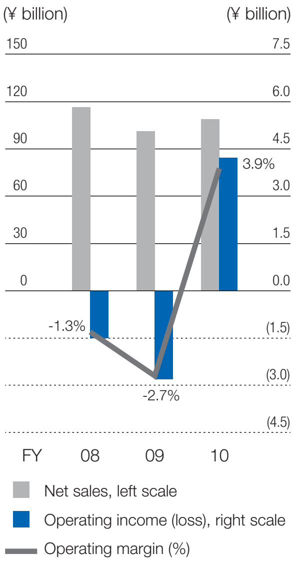
Sales increased by ¥0.4 billion (0.8%) from a year ago to ¥47.4 billion and operating income increased by ¥0.9 (74.0%) billion to ¥2.1 billion.

Although operating costs in housing and building materials operations were reduced, operating income decreased with fewer shipments of Hebel™ autoclaved aerated concrete panels. Operating income in foundation system operations increased with growing shipments of Eazet™ and ATT Column™ small-scale piles in new applications. Operating income in insulation materials operations increased as shipments of Neoma™ phenolic foam insulation panels grew substantially, supported by government policy such as the eco-point program for energy conservation. Operating income in structural materials operations increased with growing shipments of the BasePack™ earthquake-resistant column base attachment system.

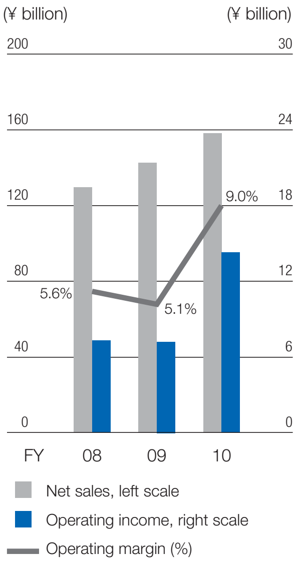
**Health Care**




**Fibers**




**Electronics**



## Others

Sales decreased by ¥1.6 billion (9.2%) from a year ago to ¥16.0 billion and operating income decreased by ¥0.1 billion (6.4%) to ¥1.7 billion.

## Liquidity and Capital Resources

### Financial position

Total assets at fiscal year end were ¥1,425.9 billion, ¥57.0 billion (4.2%) higher than a year earlier.

Current assets increased by ¥95.2 billion (14.4%) to ¥755.7 billion, mainly because cash and deposits increased by ¥46.4 billion and notes and accounts receivable, trade, increased by ¥34.5 billion primarily due to a year-on-year increase in fourth quarter net sales.

Noncurrent assets decreased by ¥38.3 billion (5.4%) to ¥670.2 billion, with property, plant and equipment decreasing by ¥29.1 billion largely because capital expenditure was lower than depreciation and amortization, and with investment securities decreasing by ¥8.7 billion mainly due to decreased fair value.

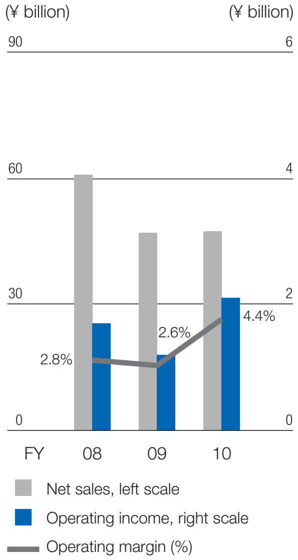
Current liabilities increased by ¥55.1 billion (12.7%) to ¥489.9 billion, with a ¥15.0 billion increase in notes and accounts payable, trade, a ¥14.9 billion increase in short-term loans payable, and a ¥14.5 billion increase in advances received.

Noncurrent liabilities decreased by ¥29.0 billion (10.0%) to ¥260.4 billion, largely due to a ¥30.2 billion decrease in long-term loans payable.

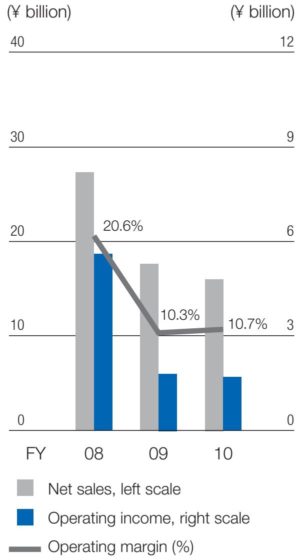
Interest-bearing debt decreased by ¥10.7 billion to ¥253.9 billion.

Net assets increased by ¥30.9 billion (4.8%) from ¥644.7 billion to ¥675.6 billion. Net income was ¥60.3 billion, and dividend payments were ¥14.0 billion. Foreign currency translation adjustments decreased by ¥9.2 billion, and valuation difference on other securities decreased by ¥7.0 billion. As a result, net worth per share increased by ¥21.68 to ¥474.59, net worth/total assets increased from 46.3% to 46.5%, and debt-to-equity ratio decreased by 0.04 to 0.38.

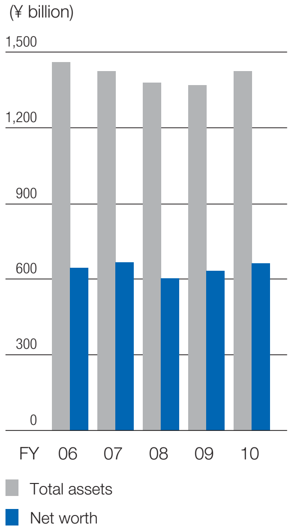
**Construction Materials**



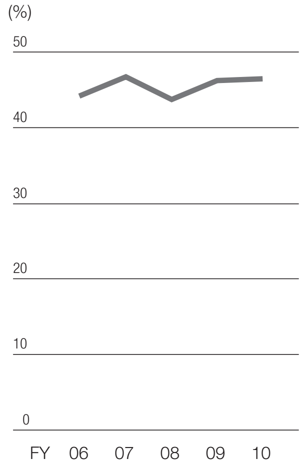

**Others**




**Total Assets, Net Worth**




**Net Worth to Total Assets**



## Capital expenditure

Capital expenditure (capex) was primarily for new and expanded production plant and equipment in long-term growth fields. Investments were also made for rationalization, modification, maintenance, and IT systems to bring greater product reliability and cost reductions.

Capex by operating segment shown below is for property, plant and equipment and intangible assets, combined, before consumption tax.

A total of ¥66.0 billion was invested during the fiscal year for the expansion of businesses with competitive superiority, particularly in the Chemicals and Electronics segments, as well as for modification and rationalization.

| | Totals for the year (¥ million) | Compared to previous year (%) |
|---|---|---|
| Chemicals | 23,174 | 83.8 |
| Homes | 6,304 | 104.9 |
| Health Care | 7,427 | 81.0 |
| Fibers | 3,668 | 80.5 |
| Electronics | 20,267 | 89.0 |
| Construction Materials | 1,684 | 141.4 |
| Others | 981 | 105.8 |
| Combined | 63,505 | 87.9 |
| Corporate assets and eliminations | 2,509 | 21.4 |
| Consolidated | 66,014 | 78.6 |

Notable capex by operating segment was as follows.

### Chemicals
Rationalization of equipment in Mizushima, other rationalization, labor-saving, and maintenance.

### Homes
Leases, rationalization, labor-saving, and maintenance.

### Health Care
New molding plant for Planova™ virus removal filters, new plant for therapeutic apheresis devices, rationalization, labor-saving, and maintenance.

### Fibers
Rationalization, labor-saving, and maintenance.

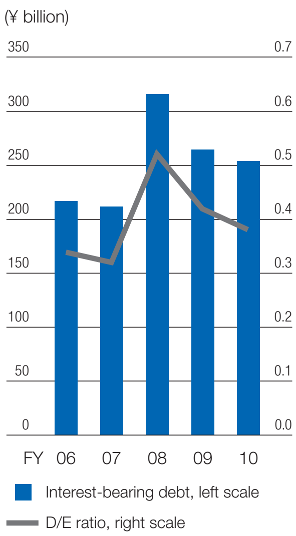
### Electronics
Capacity expansion for Hipore™ Li-ion battery separator, capacity expansion for LSIs, IT systems, rationalization, labor-saving, and maintenance.

### Construction Materials
Rationalization, labor-saving, and maintenance.

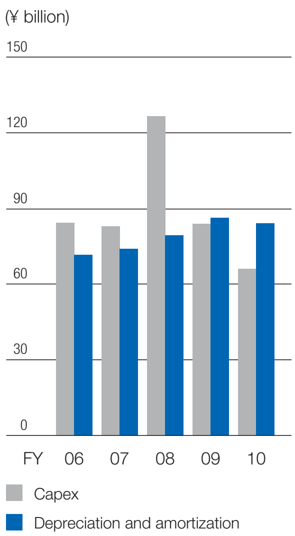
### Others
Rationalization, labor-saving, and maintenance.

### Corporate assets
R&D equipment, IT systems, maintenance.

**Interest-Bearing Debt, D/E Ratio**




**Capex, Depreciation and Amortization**



## Cash flows

Free cash flows* were a positive ¥69.3 billion, as cash generated, principally from operating income and depreciation and amortization, exceeded cash used, principally for acquisition of noncurrent assets and acquisition of investment securities. Cash flows from financing activities were a net ¥26.1 billion cash used, principally due to repayment of long-term loans payable. As a result, cash and cash equivalents at fiscal year end were ¥134.4 billion, ¥41.3 billion more than a year earlier.

### Cash flows from operating activities

Cash used included a ¥36.5 billion increase in notes and accounts receivable, trade, largely in Chemicals, and ¥25.3 billion in income taxes paid. Income before income taxes generated ¥98.3 billion, and depreciation and amortization generated ¥84.1 billion. Net cash provided by operating activities was ¥148.1 billion, ¥21.2 billion less than a year earlier.

### Cash flows from investing activities

Cash used included ¥63.7 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness, ¥5.3 billion for purchase of intangible assets, and ¥7.6 billion for purchase of investment securities. Net cash used in investing activities was ¥78.8 billion, ¥21.3 billion less than a year earlier.

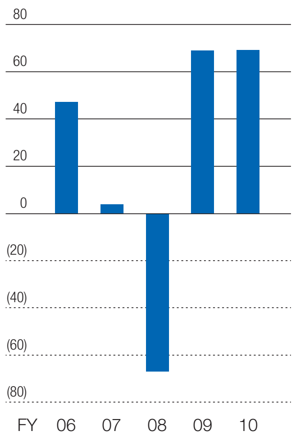
### Cash flows from financing activities

In addition to ¥11.7 billion of net cash used to reduce interest-bearing debt, including loans, ¥14.0 billion was used for dividend payments. Net cash used in financing activities was ¥26.1 billion, ¥48.9 less than a year earlier.

* Total of net cash provided by (used in) operating activities and net cash provided by (used in) investment activities.

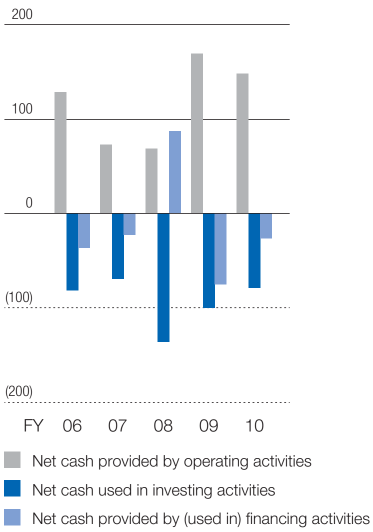
**Free Cash Flows**

(¥ billion)




**Cash Flows**

(¥ billion)



Operating risks and non-operating risks which may materially influence investor decisions are described below. The management maintains awareness of the possibility that these scenarios may emerge and, to the fullest possible extent, implements measures to avoid their emergence and to minimize their impact on corporate performance in the event that they do emerge.

The description of risks given here includes elements which may emerge in the future, but as it is based on current evaluations at the time of preparation of this report, it does not include risks which could not be foreseen.

### Crude oil and naphtha prices

Operating costs in operations based on petrochemicals are affected by prices for crude oil and naphtha. If crude oil and naphtha prices rise, selling prices for products derived from these feedstocks must be increased in a timely manner to maintain sufficient price spreads. Price spreads may diminish, thereby affecting our consolidated performance and financial condition.

### Exchange rate fluctuation

Operations based overseas maintain accounts in the local currency where they operate. The yen value of items carried in these accounts is affected by the rate of exchange at the time of conversion to yen. Although measures such as currency exchange hedges are utilized to minimize the short-term effects of exchange rate fluctuations, such fluctuations may exceed the foreseeable range over the short to long term, thereby affecting our consolidated performance and financial condition.

### Overseas operations

Overseas operations may face a variety of risks which cannot be foreseen, including the existence or emergence of economically unfavorable circumstances due to legal and regulatory changes, vulnerability of infrastructure, difficulty in hiring/retaining qualified employees, or other factors, and social or political instability due to terrorism, war, or other factors. Overseas operations may be impaired by such scenarios, thereby affecting our consolidated performance and business plans.

### Housing-related tax policy, interest rate fluctuation

Operations in the Homes segment are affected by Japanese tax policies as they relate to home acquisition and by fluctuations in Japanese interest rates. Changes in Japanese tax policy, including consumption taxes, or fluctuations in Japanese interest rates may result in diminished housing demand, thereby affecting our consolidated performance and financial condition.

### Profitability of electronics-related businesses

The electronics industry is characterized by sharp market cycles. The profitability of electronics-related businesses may decline significantly in a relatively short time, thereby affecting our consolidated performance and financial condition. Because products in this field rapidly become obsolete, the timely development and commercialization of leading-edge devices and materials is required. New product development may be delayed, or demand fluctuations may exceed expectations, thereby affecting our consolidated performance and financial condition.

### Pharmaceuticals and medical devices

Pharmaceutical and medical device businesses may be significantly affected by government measures to curtail health care expenditure or other changes in government policy. Unforeseeable side effects or complications may emerge, significantly affecting these businesses. The pharmaceutical business additionally faces the possibility that product approval may be withdrawn as a result of Japan's reexamination system, and that competition may intensify as a result of the market entry of generics. For pharmaceuticals and medical devices under development, regulatory approval may fail to be obtained, market demand may be lower than expected, and the national reimbursement prices may be lower than expected. Such scenarios may affect our consolidated performance and financial condition.

### Industrial accidents and natural disasters

The occurrence of a significant industrial accident or natural disaster at a plant or elsewhere may result in a loss of public trust, the emergence of costs associated with accident response, including compensation, and opportunity loss due to plant shutdown caused by damage to plant facilities, supply chain disruptions which impede raw materials procurement, etc., thereby affecting our consolidated performance and financial condition.

### Intellectual property, product liability, and legal regulation

An unfavorable ruling may emerge in a dispute relating to intellectual property, a product defect resulting in a large-scale recall and compensation whose costs exceed insurance coverage may emerge, and detrimental legal and regulatory changes may emerge in any country where we operate. Such scenarios may affect our consolidated performance and financial condition.

### Irrecoverable credits

Credits extended to customers may become irrecoverable to an unforeseeable extent, necessitating additional losses or allowances to be recorded in financial accounts, and thereby affecting our consolidated performance and financial condition.

# Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| ASSETS | 2011 | 2010 | 2011 |
| **Current assets:** | | | |
| Cash and deposits (Notes 9 and 11) | ¥ 140,319 | ¥ 93,928 | $ 1,690,589 |
| Notes and accounts receivable, trade | 273,414 | 238,931 | 3,294,144 |
| Short-term investment securities (Notes 9, 11 and 12) | 371 | 985 | 4,472 |
| Merchandise and finished goods | 129,898 | 124,557 | 1,565,031 |
| Work in progress | 76,551 | 75,044 | 922,300 |
| Raw materials and supplies | 49,799 | 51,484 | 599,990 |
| Deferred tax assets—current (Note 15) | 23,131 | 23,106 | 278,689 |
| Other | 63,240 | 54,027 | 761,930 |
| Allowance for doubtful accounts | (1,072) | (1,654) | (12,921) |
| Total current assets | 755,651 | 660,408 | 9,104,224 |
| **Noncurrent assets:** | | | |
| Property, plant and equipment | | | |
| Buildings and structures (Note 5(b), (d)) | 409,263 | 404,974 | 4,930,883 |
| Accumulated depreciation | (231,474) | (224,608) | (2,788,847) |
| Buildings and structures, net | 177,789 | 180,366 | 2,142,036 |
| Machinery, equipment and vehicles (Note 5(b), (d)) | 1,192,132 | 1,169,979 | 14,363,040 |
| Accumulated depreciation | (1,047,912) | (1,005,094) | (12,625,447) |
| Machinery, equipment and vehicles, net | 144,220 | 164,885 | 1,737,593 |
| Land (Note 5(d)) | 55,243 | 55,031 | 665,580 |
| Lease assets (Note 10) | 8,581 | 5,808 | 103,383 |
| Accumulated depreciation | (3,118) | (1,132) | (37,561) |
| Lease assets, net | 5,463 | 4,676 | 65,822 |
| Construction in progress | 22,173 | 27,380 | 267,140 |
| Other (Note 5(b), (d)) | 118,718 | 115,024 | 1,430,339 |
| Accumulated depreciation | (105,252) | (99,867) | (1,268,097) |
| Other, net | 13,466 | 15,158 | 162,242 |
| Subtotal | 418,354 | 447,497 | 5,040,413 |
| Intangible assets | | | |
| Goodwill | 5,087 | 5,927 | 61,287 |
| Other | 26,015 | 28,729 | 313,429 |
| Subtotal | 31,101 | 34,656 | 374,715 |
| Investments and other assets | | | |
| Investment securities (Notes 5(a), 11 and 12) | 166,317 | 175,059 | 2,003,822 |
| Long-term receivable (Note 11) | 5,181 | 6,074 | 62,416 |
| Deferred tax assets—noncurrent (Note 15) | 22,005 | 15,383 | 265,122 |
| Other | 27,507 | 29,962 | 331,404 |
| Allowance for doubtful accounts | (237) | (147) | (2,851) |
| Subtotal | 220,773 | 226,331 | 2,659,913 |
| Total noncurrent assets | 670,228 | 708,485 | 8,075,042 |
| Total assets | ¥ 1,425,879 | ¥1,368,892 | $ 17,179,265 |

The accompanying notes are an integral part of these statements.

| LIABILITIES AND NET ASSETS | Millions of yen 2011 | Millions of yen 2010 | Thousands of U.S. dollars (Note 1) 2011 |
|---|---|---|---|
| **Liabilities:** | | | |
| **Current liabilities:** | | | |
| Notes and accounts payable, trade (Note 11) | ¥ 136,407 | ¥ 121,409 | $ 1,643,461 |
| Short-term loans payable (Notes 5(b), 11 and 21) | 108,889 | 93,962 | 1,311,915 |
| Commercial paper (Notes 11 and 21) | 23,000 | 19,000 | 277,108 |
| Lease obligations (Notes 10, 11 and 21) | 1,522 | 1,123 | 18,333 |
| Income taxes payable (Note 11) | 24,085 | 12,160 | 290,183 |
| Accrued expenses | 97,745 | 91,371 | 1,177,649 |
| Advances received | 52,346 | 37,815 | 630,680 |
| Provision for periodic repairs | 3,239 | 8,191 | 39,021 |
| Provision for product warranties | 2,465 | 3,607 | 29,701 |
| Asset retirement obligations (Notes 3(b) and 17) | 512 | — | 6,164 |
| Other | 39,668 | 46,189 | 477,928 |
| Total current liabilities | 489,878 | 434,827 | 5,902,143 |
| **Noncurrent liabilities:** | | | |
| Bonds payable (Notes 11 and 21) | 25,000 | 25,000 | 301,205 |
| Long-term loans payable (Notes 5(b), 11 and 21) | 91,722 | 121,921 | 1,105,090 |
| Lease obligations (Notes 10 and 11) | 3,802 | 3,593 | 45,812 |
| Deferred tax liabilities (Note 15) | 6,374 | 7,597 | 76,794 |
| Provision for retirement benefits (Note 14) | 107,309 | 109,450 | 1,292,878 |
| Provision for directors' retirement benefits | 1,119 | 1,225 | 13,486 |
| Provision for periodic repairs | 2,131 | 169 | 25,679 |
| Asset retirement obligations (Notes 3(b) and 17) | 3,316 | — | 39,957 |
| Long-term guarantee deposited (Note 11) | 18,340 | 18,321 | 220,966 |
| Other | 1,284 | 2,101 | 15,468 |
| Total noncurrent liabilities | 260,399 | 289,378 | 3,137,336 |
| Total liabilities | 750,277 | 724,204 | 9,039,479 |
| **Net assets:** | | | |
| Shareholders' equity | | | |
| Capital stock | | | |
| Authorized—4,000,000,000 shares | | | |
| Issued and outstanding—1,402,616,332 shares | 103,389 | 103,389 | 1,245,645 |
| Capital surplus | 79,402 | 79,403 | 956,656 |
| Retained earnings (Note 8(b)(ii)) | 478,681 | 432,114 | 5,767,244 |
| Treasury stock (2011—4,420,688 shares, 2010—4,228,468 shares) | (2,115) | (2,017) | (25,481) |
| Total shareholders' equity | 659,357 | 612,888 | 7,944,064 |
| Accumulated other comprehensive income | | | |
| Valuation difference on other securities | 29,647 | 36,692 | 357,196 |
| Deferred gains (losses) on hedges | (140) | (109) | (1,686) |
| Foreign currency translation adjustments | (25,299) | (16,128) | (304,802) |
| Total accumulated other comprehensive income | 4,209 | 20,455 | 50,708 |
| Minority interests | 12,036 | 11,346 | 145,014 |
| Total net assets | 675,602 | 644,688 | 8,139,787 |
| Commitments and contingent liabilities (Notes 5(c) and 10) | | | |
| Total liabilities and net assets | ¥1,425,879 | ¥1,368,892 | $17,179,265 |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Net sales (Note 18) | ¥1,598,387 | ¥1,433,595 | $19,257,678 |
| Cost of sales (Note 6(a), (b)) | 1,193,646 | 1,100,688 | 14,381,278 |
| Gross profit | 404,741 | 332,907 | 4,876,400 |
| Selling, general and administrative expenses (Note 6(a)) | 281,814 | 275,285 | 3,395,350 |
| Operating income (Note 18) | 122,927 | 57,622 | 1,481,051 |
| Non-operating income: | | | |
| Interest income | 1,118 | 1,071 | 13,471 |
| Dividends income | 2,273 | 2,276 | 27,380 |
| Equity in earnings of affiliates | 2,212 | 1,151 | 26,649 |
| Other | 4,248 | 3,394 | 51,187 |
| Total non-operating income | 9,851 | 7,891 | 118,686 |
| Non-operating expenses: | | | |
| Interest expense | 3,313 | 3,714 | 39,921 |
| Foreign exchange loss | 3,880 | 702 | 46,745 |
| Litigation related expenses | 1,908 | — | 22,992 |
| Other | 5,458 | 4,730 | 65,758 |
| Total non-operating expenses | 14,560 | 9,146 | 175,416 |
| Ordinary income | 118,219 | 56,367 | 1,424,321 |
| Extraordinary income: | | | |
| Gain on sales of investment securities | 416 | 112 | 5,014 |
| Gain on sales of noncurrent assets (Note 6(c)) | 463 | 152 | 5,574 |
| Reversal of allowance for doubtful accounts | 84 | — | 1,017 |
| Gain on change in equity | — | 153 | — |
| Gain on business transfer (Note 16) | 736 | — | 8,869 |
| Gain as a result of arbitration award | — | 6,502 | — |
| Total extraordinary income | 1,699 | 6,919 | 20,474 |
| Extraordinary loss: | | | |
| Loss on sales of investment securities | 380 | — | 4,578 |
| Loss on valuation of investment securities | 651 | 1,918 | 7,845 |
| Loss on disposal of noncurrent assets (Note 6(d)) | 4,879 | 2,944 | 58,779 |
| Impairment loss (Notes 6(e) and 18) | 2,404 | 836 | 28,959 |
| Environmental expenses (Note 6(f)) | 1,185 | 1,482 | 14,277 |
| Cumulative adjustment for adoption of accounting standard for asset retirement obligations (Note 17) | 1,240 | — | 14,944 |
| Loss on disaster (Note 6(g)) | 821 | — | 9,890 |
| Business structure improvement expenses (Notes 6(h) and 18) | 10,016 | 10,050 | 120,674 |
| Total extraordinary loss | 21,576 | 17,230 | 259,946 |
| Income before income taxes and minority interests | 98,342 | 46,056 | 1,184,848 |
| Income taxes (Note 15) — current | 39,628 | 17,107 | 477,440 |
| — deferred | (2,952) | 3,377 | (35,568) |
| Total income taxes | 36,675 | 20,483 | 441,873 |
| Income before minority interests | 61,667 | 25,573 | 742,976 |
| Minority interests in income | 1,379 | 286 | 16,620 |
| Net income | ¥ 60,288 | ¥ 25,286 | $ 726,356 |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Income before minority interests | ¥ 61,667 | ¥ — | $ 742,976 |
| Other comprehensive income | | | |
| Valuation difference on other securities | (7,059) | — | (85,052) |
| Deferred gains (losses) on hedges | (31) | — | (368) |
| Foreign currency translation adjustment | (7,114) | — | (85,711) |
| Share of other comprehensive income of affiliates accounted for using equity method | (2,375) | — | (28,612) |
| Total other comprehensive income (Note 7(b)) | (16,579) | — | (199,743) |
| Comprehensive income (Note 7(a)) | 45,088 | — | 543,233 |
| Comprehensive income attributable to: | | | |
| Owners of the parent | 44,042 | — | 530,624 |
| Minority interests | ¥ 1,047 | ¥ — | $ 12,609 |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2011 and 2010

Millions of yen

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings (Note 8(b)) | Treasury stock | Total shareholders' equity | Valuation difference on other securities | Deferred gains (losses) on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income | Minority interests | Total net assets |
| Balance at March 31, 2010 | ¥103,389 | ¥79,403 | ¥432,114 | ¥(2,017) | ¥612,888 | ¥36,692 | ¥(109) | ¥(16,128) | ¥20,455 | ¥11,346 | ¥644,688 |
| Changes during the fiscal year | | | | | | | | | | | |
| Dividends from surplus | | | (13,984) | | (13,984) | | | | | | (13,984) |
| Net income | | | 60,288 | | 60,288 | | | | | | 60,288 |
| Purchase of treasury stock | | | | (116) | (116) | | | | | | (116) |
| Disposal of treasury stock | | (0) | | 18 | 18 | | | | | | 18 |
| Change of scope of consolidation | | | 307 | | 307 | | | | | | 307 |
| Change of scope of equity method | | | (43) | | (43) | | | | | | (43) |
| Net changes of items other than shareholders' equity | | | | | | (7,045) | (31) | (9,170) | (16,246) | 691 | (15,555) |
| Total changes of items during the period | — | (0) | 46,568 | (98) | 46,469 | (7,045) | (31) | (9,170) | (16,246) | 691 | 30,914 |
| Balance at March 31, 2011 | ¥103,389 | ¥79,402 | ¥478,681 | ¥(2,115) | ¥659,357 | ¥29,647 | ¥(140) | ¥(25,299) | ¥ 4,209 | ¥12,036 | ¥675,602 |

Millions of yen

| | Shareholders' equity | | | | | Valuation, translation adjustments | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings (Note 8(b)) | Treasury stock | Total shareholders' equity | Valuation difference on other securities | Deferred gains (losses) on hedges | Foreign currency translation adjustment | Total valuation, translation adjustments | Minority interests | Total net assets |
| Balance at March 31, 2009 | ¥103,389 | ¥79,404 | ¥418,292 | ¥(1,946) | ¥599,139 | ¥23,301 | ¥(178) | ¥(18,416) | ¥ 4,708 | ¥ 7,504 | ¥611,351 |
| Changes during the fiscal year | | | | | | | | | | | |
| Dividends from surplus | | | (11,188) | | (11,188) | | | | | | (11,188) |
| Net income | | | 25,286 | | 25,286 | | | | | | 25,286 |
| Purchase of treasury stock | | | | (96) | (96) | | | | | | (96) |
| Disposal of treasury stock | | (1) | | 25 | 24 | | | | | | 24 |
| Change of scope of consolidation | | | (10) | | (10) | | | | | | (10) |
| Change of scope of equity method | | | (267) | | (267) | | | | | | (267) |
| Net changes of items other than shareholders' equity | | | | | | 13,391 | 68 | 2,287 | 15,747 | 3,841 | 19,588 |
| Total changes of items during the period | — | (1) | 13,821 | (71) | 13,749 | 13,391 | 68 | 2,287 | 15,747 | 3,841 | 33,338 |
| Balance at March 31, 2010 | ¥103,389 | ¥79,403 | ¥432,114 | ¥(2,017) | ¥612,888 | ¥36,692 | ¥(109) | ¥(16,128) | ¥20,455 | ¥11,346 | ¥644,688 |

Thousands of U.S. dollars (Note 1)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings (Note 8(b)) | Treasury stock | Total shareholders' equity | Valuation difference on other securities | Deferred gains (losses) on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income | Minority interests | Total net assets |
| Balance at March 31, 2010 | $1,245,645 | $956,657 | $5,206,187 | $(24,297) | $7,384,192 | $442,075 | $(1,317) | $(194,318) | $246,440 | $136,695 | $7,767,328 |
| Changes during the fiscal year | | | | | | | | | | | |
| Dividends from surplus | | | (168,478) | | (168,478) | | | | | | (168,478) |
| Net income | | | 726,356 | | 726,356 | | | | | | 726,356 |
| Purchase of treasury stock | | | | (1,399) | (1,399) | | | | | | (1,399) |
| Disposal of treasury stock | | (1) | | 215 | 214 | | | | | | 214 |
| Change of scope of consolidation | | | 3,700 | | 3,700 | | | | | | 3,700 |
| Change of scope of equity method | | | (521) | | (521) | | | | | | (521) |
| Net changes of items other than shareholders' equity | | | | | | (84,878) | (369) | (110,485) | (195,732) | 8,319 | (187,413) |
| Total changes of items during the period | — | (1) | 561,057 | (1,185) | 559,872 | (84,878) | (369) | (110,485) | (195,732) | 8,319 | 372,459 |
| Balance at March 31, 2011 | $1,245,645 | $956,656 | $5,767,244 | $(25,481) | $7,944,064 | $357,196 | $(1,686) | $(304,802) | $ 50,708 | $145,014 | $8,139,787 |

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries
Years ended March 31, 2011 and 2010

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| **Cash flows from operating activities:** | | | |
| Income before income taxes | ¥ 98,342 | ¥ 46,056 | $ 1,184,848 |
| Depreciation and amortization | 84,092 | 86,166 | 1,013,162 |
| Impairment loss | 2,404 | 836 | 28,959 |
| Amortization of goodwill | 1,073 | 1,089 | 12,923 |
| Amortization of negative goodwill | (266) | (190) | (3,199) |
| (Decrease) increase in provision for periodic repairs | (2,990) | 2,187 | (36,020) |
| Decrease in provision for product warranties | (1,139) | (5,790) | (13,726) |
| Decrease in provision for retirement benefits | (2,050) | (1,284) | (24,703) |
| Interest and dividend income | (3,391) | (3,347) | (40,850) |
| Interest expense | 3,313 | 3,714 | 39,921 |
| Equity in earnings of affiliates | (2,212) | (1,151) | (26,649) |
| Gain on sales of investment securities | (36) | (112) | (436) |
| Loss on valuation of investment securities | 651 | 1,918 | 7,845 |
| Gain on sale of property, plant and equipment | (463) | (152) | (5,574) |
| Loss on disposal of noncurrent assets | 4,879 | 2,944 | 58,779 |
| Gain on business transfer | (736) | — | (8,869) |
| Gain as a result of arbitration award | — | (6,502) | — |
| Increase in notes and accounts receivable, trade | (36,454) | (25,106) | (439,207) |
| (Increase) decrease in inventories | (4,841) | 33,994 | (58,320) |
| Increase in notes and accounts payable, trade | 13,618 | 1,603 | 164,069 |
| Increase in accrued expenses | 6,676 | 2,555 | 80,437 |
| Increase (decrease) in advances received | 15,309 | (2,476) | 184,446 |
| Other, net | (3,405) | 20,048 | (41,018) |
| Subtotal | 172,376 | 157,003 | 2,076,817 |
| Interest and dividend income, received | 4,458 | 4,418 | 53,715 |
| Interest expense, paid | (3,424) | (3,758) | (41,256) |
| Proceeds from arbitration award | — | 6,502 | — |
| Income taxes (paid) refund | (25,282) | 5,143 | (304,599) |
| Net cash provided by operating activities | 148,128 | 169,308 | 1,784,676 |
| **Cash flows from investing activities:** | | | |
| Payments into time deposits | (11,720) | — | (141,204) |
| Proceeds from withdrawal of time deposits | 6,773 | — | 81,601 |
| Purchase of property, plant and equipment | (63,651) | (84,482) | (766,875) |
| Proceeds from sales of property, plant and equipment | 1,092 | 675 | 13,156 |
| Purchase of intangible assets | (5,333) | (6,876) | (64,254) |
| Purchase of investment securities | (7,619) | (11,291) | (91,792) |
| Proceeds from sales of investment securities | 1,303 | 5,272 | 15,702 |
| Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation | — | 914 | — |
| Additional purchase of investments in consolidated subsidiaries | (408) | — | (4,918) |
| Proceeds from business transfer | 2,538 | — | 30,574 |
| Payments of loans receivable | (5,840) | (12,623) | (70,363) |
| Collection of loans receivable | 6,513 | 11,665 | 78,473 |
| Other, net | (2,486) | (3,438) | (29,956) |
| Net cash used in investing activities | (78,838) | (100,185) | (949,855) |
| **Cash flows from financing activities:** | | | |
| Increase in short-term loans payable | 71,335 | 7,744 | 859,459 |
| Decrease in short-term loans payable | (72,682) | (9,956) | (875,685) |
| Proceeds from issuance of commercial paper | 46,000 | 59,000 | 554,217 |
| Redemption of commercial paper | (42,000) | (95,000) | (506,024) |
| Proceeds from long-term loans payable | 6,910 | 5,633 | 83,258 |
| Decrease in long-term loans payable | (19,878) | (29,863) | (239,491) |
| Proceeds from issuance of bonds | — | 20,000 | — |
| Redemption of bonds | — | (20,000) | — |
| Repayment of lease obligations | (1,345) | (908) | (16,208) |
| Purchase of treasury stock | (119) | (99) | (1,432) |
| Proceeds from disposal of treasury stock | 18 | 24 | 212 |
| Cash dividends paid | (13,984) | (11,188) | (168,478) |
| Cash dividends paid to minority shareholders | (547) | (342) | (6,586) |
| Other, net | 147 | (115) | 1,772 |
| Net cash provided by (used in) financing activities | (26,144) | (75,071) | (314,986) |
| Effect of exchange rate change on cash and cash equivalents | (2,698) | 620 | (32,501) |
| Net increase (decrease) in cash and cash equivalents | 40,449 | (5,327) | 487,333 |
| Cash and cash equivalents at beginning of year | 93,125 | 98,092 | 1,121,989 |
| Increase in cash and cash equivalents resulting from changes in scope of consolidation | 876 | 360 | 10,557 |
| Cash and cash equivalents at end of year (Note 9) | ¥ 134,450 | ¥ 93,125 | $ 1,619,879 |

The accompanying notes are an integral part of these statements.

## 1. Major policies for preparing the consolidated financial statements

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the financial statements. In addition, the notes to the consolidated financial statements include certain financial information which is not required under the disclosure regulations in Japan, but is presented herein as additional information. In addition, certain reclassifications of previously reported amounts have been made to conform to current year's presentation. Such modifications or reclassifications have no effect on net income or retained earnings.

The U.S. dollar amounts presented in the financial statements are included solely for the convenience of readers. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥83=US$1 prevailing on March 31, 2011, has been used.

### Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 101 subsidiaries (98 subsidiaries at March 31, 2010, hereinafter collectively referred to as the "Company") which, with minor exceptions due to materiality, are all majority and wholly owned companies, including 9 core operating companies (Asahi Kasei Chemicals Corp., Asahi Kasei Homes Corp., Asahi Kasei Pharma Corp., Asahi Kasei Kuraray Medical Co., Ltd., Asahi Kasei Medical Co., Ltd., Asahi Kasei Fibers Corp., Asahi Kasei Microdevices Corp., Asahi Kasei E-materials Corp. and Asahi Kasei Construction Materials Corp.), Tong Suh Petrochemical Corp. Ltd. (Korea), and Sanyo Petrochemical Co., Ltd. Material inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and 20% to 50% owned companies in which the Company exercises significant influence are accounted for, with minor exceptions due to materiality, using the equity method of accounting. There were 49 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2011 (49 at March 31, 2010), including Asahi Kasei Metals Ltd., Asahi Kasei Geotechnologies Co., Ltd. and Asahi Organic Chemicals Industry Co., Ltd.

Certain subsidiaries results are reported in the consolidated financial statements using a December 31 year-end. Material differences in inter-company transactions and accounts arising from the use of different fiscal year-ends are appropriately adjusted for through consolidation procedures.

All assets and liabilities of consolidated subsidiaries are valued using the fair value method. The excess of the cost over the underlying net equity of investments in subsidiaries and affiliated companies accounted for using the equity method of accounting is allocated to identifiable assets and liabilities based on fair values at the date of acquisition. The unassigned residual value in excess of the cost over the underlying net equity (the cost below the underlying net equity) is recognized as goodwill or negative goodwill. Amortization of goodwill and negative goodwill incurred through business combinations which took place before April 1, 2010, are performed by straight-line amortization over a reasonable period during which their effects would last, with the exception of minor amounts which are charged or credited to income in the year of acquisition.

## 2. Significant accounting policies

### (a) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of changes in value due to changes in interest rates.

### (b) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. Residential lots and dwellings for sale are stated at specifically identified costs.

### (c) Noncurrent assets and depreciation/amortization

Property, plant and equipment (except for lease assets) are stated at cost. Significant renewals and improvements are capitalized at cost, while maintenance and repairs are charged to income as incurred. Depreciation is provided for under the declining-balance method for property, plant and equipment, except for buildings which are depreciated using the straight-line method, at rates based on estimated useful lives of the assets, principally ranging from 5 to 60 years for buildings and from 4 to 22 years for machinery and equipment and vehicles.

Intangible fixed assets (except for lease assets), including software for internal use, are amortized using the straight-line method over the estimated useful lives of the assets. The estimated useful life of software for internal use is mainly 5 years.

Lease assets (financing lease transactions without title transfer) are depreciated/amortized on a straight-line basis over the period of the lease with no residual value. For financing lease transactions without title transfer whose transaction date is before March 31, 2008, the previous method of accounting for lease transactions continues to be applied, with periodic lease charges for financing leases charged to income as incurred.

### (d) Significant allowances

**i) Allowance for doubtful accounts**

Estimates of the unrecoverable portion of receivables, generally based on historical rates and for specific receivables of particular concern based on individual estimates of recoverability, are recognized as allowance for doubtful accounts.

**ii) Provision for periodic repairs**

The portion of foreseeable periodic repair expenses deemed to correspond to normal wear and tear of plant and equipment as of the closing date of the consolidated fiscal period is recognized as provision for periodic repairs.

**iii) Provision for product warranties**

Estimates of product warranty expenses based on historical rates and the amount required for remediation of deficient eave assembly specification are recognized as provision for product warranties.

**iv) Provision for retirement benefits**

Provision for retirement benefits represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. Unrecognized actuarial gains/losses, resulting from variances between actual results and economic estimates or actuarial assumptions, are amortized on a straight-line basis primarily over the following 10 years. Unrecognized prior service costs are amortized on a straight-line basis primarily over the following 10 years.

**v) Provision for directors' retirement benefits**

Provision is made for lump-sum indemnities to directors and corporate auditors equal to the estimated liability calculated under the internal rules of the Company.

### (e) Significant revenue and expense recognition

**i) Construction activities that are realizable as of current fiscal year end.**

The percentage-of-completion method (progress of work is estimated using the percentage of costs incurred to the total projected costs).

**ii) Other construction activities**

The completed-contract method.

### (f) Financial instruments

#### i) Securities

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of unconsolidated subsidiaries and affiliates, and other securities. At March 31, 2011 and 2010, the Company did not have trading securities or held-to-maturity debt securities.

Equity securities of unconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to materiality, using the equity method of accounting.

Other securities whose fair values are readily determinable are carried at fair value with net unrealized gains or losses included as a component of net assets, net of related taxes. Other securities whose fair values are not readily determinable are stated at cost. In cases where any significant decline in the realizable value is assessed to be other than temporary, the cost of other securities is devalued by the impaired amount and is charged to income.

Realized gains and losses are determined using the average cost method and are reflected in the income statements.

#### ii) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are charged or credited to income for the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of these qualifying hedges are deferred as "Deferred gains or losses on hedges" to be offset against gains or losses of the underlying hedged assets and liabilities.

### (g) Taxes

Accrued income taxes are stated at the estimated amount payable for corporation, enterprise, and inhabitant taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

In Japan, the consumption tax system is designed so that all goods and services are taxed at a flat rate of 5% unless specified otherwise. Assets, liabilities, and profit and loss accounts are stated net of consumption tax.

The Company has elected to file its return under the consolidated tax filing system.

### (h) Translation of foreign currencies

Foreign currency receivables and payables are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged or credited to income for the period.

Assets and liabilities of foreign subsidiaries and 20% to 50% owned companies accounted for using the equity method of accounting are translated into Japanese yen at year-end exchange rates, and income and expenses of same are translated into Japanese yen at the average exchange rate for the fiscal year. Shareholders' equity of foreign subsidiaries and 20% to 50% owned companies is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustments in the balance sheets.

A portion of the foreign currency translation adjustment is allocated to minority interest and the Company's portion is presented as a separate component of net assets in the balance sheets.

## 3. Changes in significant accounting policies

### (a) Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Affiliates Accounted for Using the Equity Method

Accounting Standard for Equity Method of Accounting for Investments (Accounting Standards Board of Japan (ASBJ) Statement No. 16) and Practical Solution on Unification of Accounting Policies Applied to Affiliates Accounted for Using the Equity Method (PITF No. 24) have been applied beginning from the fiscal year ended March 31, 2011. This change has no impact on the consolidated financial statements.

### (b) Application of Accounting Standard for Asset Retirement Obligations

Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21) have been applied beginning from the fiscal year ended March 31, 2011. As a result, income before income taxes and minority interests was ¥1,738 million (US$20,936 thousand) lower than it would have been if the previous method had been used. The impact on operating income and ordinary income was immaterial.

### (c) Application of Accounting Standard for Business Combinations and related matters

Accounting Standard for Business Combinations (ASBJ Statement No. 21), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10) have been applied beginning from the fiscal year ended March 31, 2011. With the application of Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22), the evaluation method for assets and liabilities of consolidated subsidiaries changed from the partial fair value evaluation method to the full fair value evaluation method. The impact of this change on the consolidated financial statements was immaterial.

## 4. Additional information

A consolidated subsidiary, Asahi Kasei Pharma Corp. has an ongoing legal action against Actelion Ltd. of Switzerland which acquired CoTherix, Inc. of the US, claiming compensation for damages incurred due to unlawful acts in relation to performance of a license agreement to develop Fasudil Rho-kinase inhibitor. For this, a total of ¥1,908 million (US$22,993 thousand) was recorded as litigation related expenses under non-operating expenses in the consolidated statements of income for the year ended March 31, 2011.

## 5. Notes to Consolidated Balance Sheets

### (a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2011 and 2010, amounted to ¥63,690 million (US$767,346 thousand) and ¥61,501 million, respectively.

Included in those amounts are investments in joint ventures of ¥34,266 million (US$412,839 thousand) and ¥33,654 million, respectively.

### (b) Hypothecated assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2011 and 2010, is shown below:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Hypothecated assets | | | |
| Buildings and structures | ¥341 | ¥433 | $4,114 |
| Machinery, equipment and vehicles | 12 | 16 | 139 |
| Other | 0 | 0 | 2 |
| | ¥353 | ¥449 | $4,255 |
| Secured debt | | | |
| Short-term loans payable | ¥109 | ¥ 24 | $1,308 |
| Long-term loans payable | 423 | 620 | 5,092 |
| | ¥531 | ¥644 | $6,400 |

Besides the above, investment securities pledged to suppliers as transaction guarantee at March 31, 2011 and 2010, were ¥87 million (US$1,047 thousand) and ¥98 million, respectively.

### (c) Contingent liabilities

Contingent liabilities at March 31, 2011 and 2010, arising in the ordinary course of business are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Loans guaranteed | ¥31,592 | ¥ 8,920 | $380,630 |
| Commitment for guarantees | 760 | 1,144 | 9,151 |
| Letters of awareness | 309 | 797 | 3,725 |
| Completion guarantees | 15,002 | 10,605 | 180,746 |
| Notes discounted | 37 | 13 | 452 |
| | ¥47,700 | ¥21,479 | $574,703 |

The parent company and certain of its subsidiaries and affiliates are defendants in several pending lawsuits. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that any damages from such lawsuits will not have a material effect on the Company's consolidated financial statements.

### (d) Reduction entries due to state subsidies, etc.

Cumulative reduction entries due to state subsidies, etc. for the acquisition of property, plant and equipment as of March 31, 2011 and 2010, were ¥7,268 million (US$87,570 thousand) and ¥5,936 million, respectively. The breakdown of reduction entries as of March 31, 2011, is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Buildings and structures | ¥3,095 | ¥2,612 | $37,291 |
| Machinery, equipment and vehicles | 3,810 | 2,958 | 45,904 |
| Land | 226 | 252 | 2,728 |
| Other | 137 | 113 | 1,646 |
| | ¥7,268 | ¥5,936 | $87,570 |

## 6. Notes to Consolidated Statements of Income

### (a) Selling, general and administrative expenses

Major components of selling, general and administrative expenses are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Freight and storage | ¥33,946 | ¥32,102 | $ 408,985 |
| Salaries and benefits | 94,383 | 90,623 | 1,137,148 |
| Research and development* | 44,745 | 44,846 | 539,094 |

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2011 and 2010, were ¥62,320 million (US$750,846 thousand) and ¥62,924 million, respectively.

### (b) Loss on devaluation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. Loss on devaluation of inventories for the years ended March 31, 2011 and 2010, was as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| | ¥(429) | ¥(5,241) | $(5,172) |

### (c) Gain on sales of noncurrent assets

Gain on sales of noncurrent assets for the year ended March 31, 2011, was primarily gain on the sale of land, etc. amounting to ¥423 million (US$5,097 thousand). Gain on sales of noncurrent assets for the year ended March 31, 2010, was comprised of sales of machinery and equipment, etc. amounting to ¥152 million.

### (d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2011 and 2010, was primarily loss on abandonment and sale of buildings, machinery and equipment, etc. The abandonment and sale of buildings, machinery and equipment, etc. was performed under a single, all-inclusive contract for each facility.

### (e) Impairment losses

Impairment losses for the years ended March 31, 2011 and 2010, were as follows:

| | | | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|---|---|
| Use | Asset class | Location | 2011 | 2010 | 2011 |
| Production facility for ammonia | Machinery and equipment, etc. | Kurashiki, Okayama | ¥3,154 | ¥ — | $37,994 |
| Production facility for synthetic fibers | Machinery and equipment, etc. | USA | 1,977 | — | 23,821 |
| Production facility for autoclaved aerated concrete (AAC) panels | Machinery and equipment, etc. | Mizuho, Gifu | — | 1,365 | — |
| Production facility for synthetic resin | Machinery and equipment, etc. | Sodegaura, Chiba | — | 955 | — |
| Production facility for resin molding | Machinery and equipment, etc. | Fuji, Shizuoka | 708 | — | 8,525 |
| Production facility for benzene | Machinery and equipment, etc. | Kurashiki, Okayama | 651 | — | 7,841 |
| Production facility for performance paper | Machinery and equipment, etc. | Gobo, Wakayama | — | 531 | — |
| Research facility for pharmaceuticals | Machinery and equipment, etc. | Fuji, Shizuoka | 330 | — | 3,979 |
| Rental facilities | Buildings, etc. | Nobeoka, Miyazaki | 295 | — | 3,555 |
| Idle assets | Land | Atsugi, Kanagawa, and elsewhere | — | 198 | — |
| Production facility for fine-pattern devices | Machinery and equipment, etc. | Hyuga, Miyazaki | 79 | 108 | 956 |
| Production facility for synthetic resin | Machinery and equipment, etc. | Kurashiki, Okayama | 52 | — | 627 |

Grouping of operating assets is based on managerial accounting categories, with consideration given to production process, geographic location, and domain of authority for making investment decisions. Idle assets are recorded separately in each fixed assets class.

With respect to assets shown in the above table, the book value was reduced to the recoverable amount due to diminished profitability. The recoverable amount is stated as value for future usage, which is calculated as discounted future cash flow with applicable discount rate of 6% and 5%, as of March 31, 2011 and 2010, respectively. The resulting extraordinary losses for production facility for ammonia, production facility for resin molding, production facility for benzene and research facility for pharmaceuticals were recorded under business structure improvement expenses for the year ended March 31, 2011. The resulting extraordinary losses for production facility for autoclaved aerated concrete (AAC) panels and production facility for synthetic resin was recorded under business structure improvement expenses for the year ended March 31, 2010. For idle land of which the market value has significantly decreased, the book value is reduced to the recoverable amount. The recoverable amount is measured at the net selling price primarily based on the value appraised by real estate appraisers.

### (f) Environmental expenses

Environmental expenses for the year ended March 31, 2011, were mainly for decontamination of idle land, etc. and those for the year ended March 31, 2010, were mainly for the treatment of polychlorinated biphenyl (PCB) wastes, etc.

### (g) Loss on disaster

Loss on disaster for the year ended March 31, 2011, was primarily fixed costs incurred during suspension of operations amounting to ¥410 million (US$4,940 thousand), loss on disposal of inventories amounting to ¥332 million (US$4,002 thousand) and loss on disposal of facilities, etc. amounting to ¥79 million (US$948 thousand).

### (h) Business structure improvement expenses

Major components of business structure improvement expenses were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Loss on disposal and devaluation of assets and others | ¥ 5,174 | ¥ 7,730 | $ 62,335 |
| Impairment of fixed assets | 4,842 | 2,320 | 58,339 |
| | ¥10,016 | ¥10,050 | $120,674 |

## 7. Notes to Consolidated Statements of Comprehensive Income

### For the year ended March 31, 2011
### (a) Comprehensive income for the previous fiscal year

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2010 | 2010 |
| Comprehensive income attributable to owners of the parent company | ¥41,033 | $494,377 |
| Comprehensive income attributable to minority interests | 458 | 5,523 |
| | ¥41,492 | $499,900 |

### (b) Other comprehensive income for the previous fiscal year

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2010 | 2010 |
| Valuation difference on other securities | ¥13,332 | $160,625 |
| Deferred gains on hedges | 69 | 827 |
| Foreign currency translation adjustment | 2,045 | 24,643 |
| Share of other comprehensive income of affiliates accounted for using equity method | 473 | 5,700 |
| | ¥15,919 | $191,796 |

(Additional information)
Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25) has been applied beginning from the fiscal year ended March 31, 2011. The items "accumulated other comprehensive income" and "total accumulated other comprehensive income" are exactly the same as "valuation and translation adjustments" and "total valuation and translation adjustments" of the previous fiscal year, respectively.

## 8. Notes to Consolidated Statements of Changes in Net Assets

### For the year ended March 31, 2011
### (a) Class and total number of issued and outstanding shares and treasury stock

| | Thousands of shares | | | |
|---|---|---|---|---|
| | Number of shares as of March 31, 2010 | Increase in number of shares during the fiscal year | Decrease in number of shares during the fiscal year | Number of shares as of March 31, 2011 |
| Issued and outstanding shares | | | | |
| Common stock | 1,402,616 | — | — | 1,402,616 |
| Total | 1,402,616 | — | — | 1,402,616 |
| Treasury stock | | | | |
| Common stock (Notes 1 & 2) | 4,228 | 230 | 37 | 4,421 |
| Total | 4,228 | 230 | 37 | 4,421 |

Notes: 1. The increase of 230 thousand shares in common stock of treasury stock was due to purchase of shares in quantities of less than one share unit.
2. The decrease of 37 thousand shares in common stock of treasury stock was due to sale of shares in quantities of less than one share unit.

### (b) Dividends

**i) Cash dividends paid**

**1) The following was resolved by the Board of Directors on May 10, 2010.**

Dividends for common stock

| | |
|---|---|
| Total dividends | ¥6,992 million (US$84,240 thousand) |
| Dividend per share | ¥5.00 (US$0.06) |
| Date of record | March 31, 2010 |
| Payment date | June 7, 2010 |

**2) The following was resolved by the Board of Directors on November 2, 2010.**

Dividends for common stock

| | |
|---|---|
| Total dividends | ¥6,992 million (US$84,245 thousand) |
| Dividend per share | ¥5.00 (US$0.06) |
| Date of record | September 30, 2010 |
| Payment date | December 1, 2010 |

**ii) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year**

**1) The following was resolved by the Board of Directors on May 11, 2011.**

Dividends for common stock

| | |
|---|---|
| Total dividends | ¥8,389 million (US$101,074 thousand) |
| Source of dividends | Retained earnings |
| Dividend per share | ¥6.00 (US$0.07) |
| Date of record | March 31, 2011 |
| Payment date | June 7, 2011 |

### For the year ended March 31, 2010

### (a) Class and total number of issued and outstanding shares and treasury stock

| | Thousands of shares | | | |
|---|---|---|---|---|
| | Number of shares as of March 31, 2009 | Increase in number of shares during the fiscal year | Decrease in number of shares during the fiscal year | Number of shares as of March 31, 2010 |
| Issued and outstanding shares | | | | |
| Common stock | 1,402,616 | — | — | 1,402,616 |
| Total | 1,402,616 | — | — | 1,402,616 |
| Treasury stock | | | | |
| Common stock (Notes 1 & 2) | 4,071 | 211 | 53 | 4,228 |
| Total | 4,071 | 211 | 53 | 4,228 |

Notes: 1. The increase of 211 thousand shares in common stock of treasury stock was due to purchase of shares in quantities of less than one share unit.
2. The decrease of 53 thousand shares in common stock of treasury stock was due to sale of shares in quantities of less than one share unit.

### (b) Dividends

**i) Cash dividends paid**

**1) The following was resolved by the Board of Directors on May 12, 2009.**

Dividends for common stock

| | |
|---|---|
| Total dividends | ¥4,196 million |
| Dividend per share | ¥3.00 |
| Date of record | March 31, 2009 |
| Payment date | June 3, 2009 |

**2) The following was resolved by the Board of Directors on November 2, 2009.**

Dividends for common stock

| | |
|---|---|
| Total dividends | ¥6,992 million |
| Dividend per share | ¥5.00 |
| Date of record | September 30, 2009 |
| Payment date | December 1, 2009 |

**ii) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year**

**1) The following was resolved by the Board of Directors on May 10, 2010.**

Dividends for common stock

| | |
|---|---|
| Total dividends | ¥6,992 million |
| Source of dividends | Retained earnings |
| Dividend per share | ¥5.00 |
| Date of record | March 31, 2010 |
| Payment date | June 7, 2010 |

## 9. Note to Consolidated Statements of Cash Flows

### Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2011 and 2010, is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2011** | 2010 | **2011** |
| Cash and deposits | **¥140,319** | ¥93,928 | **$1,690,589** |
| Time deposits with deposit term of over 3 months | **(6,240)** | (1,788) | **(75,182)** |
| Money market funds and others included in short-term investment securities | **371** | 985 | **4,472** |
| Cash and cash equivalents | **¥134,450** | ¥93,125 | **$1,619,879** |

## 10. Leases

### (a) Financing lease transactions

Financing lease transactions without title transfer

**i) Components of lease assets are as follows:**

1) Property, plant and equipment: Mainly model homes (buildings and structures) for housing operations
2) Intangible fixed assets: Software

**ii) Depreciation of lease assets:**

As stated in 2. Significant accounting policies (c) Noncurrent assets and depreciation/amortization. The financing lease transactions without title transfer which occurred prior to March 31, 2008, are accounted for on a basis similar to operating lease.

Such lease transactions accounted for as operating lease be accounted for as financing lease, cost and related accumulated amortization, computed using the straight-line method over the term of the lease, at March 31, 2011 and 2010, would have been as follows:

| | Millions of yen | | |
|---|---|---|---|
| | 2011 | | |
| | Cost | Accumulated amortization | Net amount |
| Buildings and structures | ¥2,118 | ¥1,868 | ¥250 |
| Machinery, equipment and vehicles | 212 | 134 | 78 |
| Property, plant and equipment, other | 639 | 497 | 142 |
| Intangible fixed assets, other | 241 | 179 | 62 |
| | ¥3,210 | ¥2,678 | ¥532 |

| | Millions of yen | | |
|---|---|---|---|
| | 2010 | | |
| | Cost | Accumulated amortization | Net amount |
| Buildings and structures | ¥5,863 | ¥4,503 | ¥1,360 |
| Machinery, equipment and vehicles | 269 | 156 | 113 |
| Property, plant and equipment, other | 981 | 678 | 303 |
| Intangible fixed assets, other | 259 | 149 | 110 |
| | ¥7,372 | ¥5,486 | ¥1,886 |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | 2011 | | |
| | Cost | Accumulated amortization | Net amount |
| Buildings and structures | $25,524 | $22,512 | $3,012 |
| Machinery, equipment and vehicles | 2,549 | 1,609 | 940 |
| Property, plant and equipment, other | 7,698 | 5,991 | 1,707 |
| Intangible fixed assets, other | 2,898 | 2,152 | 746 |
| | $38,669 | $32,264 | $6,405 |

The future lease payments under the Company's financing leases at March 31, 2011 and 2010, including amounts representing interest, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Due within one year | ¥412 | ¥1,333 | $4,968 |
| Due after one year | 119 | 552 | 1,437 |
| | ¥532 | ¥1,886 | $6,405 |

Lease charges were ¥1,213 million (US$14,610 thousand) and ¥2,229 million for the years ended March 31, 2011 and 2010, respectively. The amortization amounts of the leased assets, computed using the straight-line method over the term of the leases and no residual value, were ¥1,213 million (US$14,610 thousand) and ¥2,229 million for the years ended March 31, 2011 and 2010, respectively.

No impairment loss is allocated to the leased assets.

### (b) Operating lease transactions

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2011 and 2010, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Due within one year | ¥ 4,456 | ¥ 4,651 | $ 53,688 |
| Due after one year | 7,856 | 11,697 | 94,655 |
| | ¥12,312 | ¥16,349 | $148,342 |

## 11. Financial instruments

### (a) State of financial instruments

i) **Policy related to financial instruments**

The Company raises long-term funds as required mainly for its planned capital expenditures by borrowing from banks, borrowing from life insurance companies, issuing bonds, etc. A portion of the surplus funds is invested only in highly stable financial assets. Short-term working funds are raised by bank borrowings, issuance of commercial paper, etc. Derivative transactions are mainly entered into for the purpose of reducing risks related to assets and liabilities which are exposed to risks of fluctuations of exchange rate and interest rate. Derivatives are not traded for speculative purposes.

**ii) Components of financial instruments, their risks, and management of risks**

As operating receivables, notes and accounts receivable, trade, are exposed to credit risk of customers. As the business of the Company spans a wide range of fields, operating receivables are not excessively concentrated on specific customers, but each group company monitors and manages the state of credit for each customer.

Investment securities are exposed to the risk of fluctuations in market price, but they are mainly shares in supplier companies, etc., held for policy purposes. Fair value is periodically evaluated, and the financial condition of the issuing company is monitored.

As operating liabilities, notes and accounts payable, trade, generally have a payment term of 1 year or less.

Variable interest-rate borrowings are exposed to the risk of interest rate fluctuations, but derivatives (interest currency swaps, interest-rate swaps) are used as hedges to fix interest expenses for a portion of long-term variable interest-rate borrowings.

Operating receivables and operating liabilities include those denominated in currencies other than Japanese yen, and are thus exposed to the risk of exchange rate fluctuations. In order to minimize the effects of short-term exchange-rate fluctuations, the Company hedges with derivative transactions (forward exchange contracts) in principle within the range of the underlying receivables and liabilities.

Derivative transactions are exposed to the credit risk of transacting financial institutions, but the state of credit is verified through periodical monitoring. Such transactions are performed and managed in accordance with each company's internal regulations which stipulate the related authority, procedures, limits, etc.

Borrowings are exposed to liquidity risk, but the parent company specifies standards for required on-hand funds based on the Company's funding plans, prepares and revises plans for cash receipts and disbursements as appropriate, and enters into commitment-line agreements with transacting financial institutions to manage such risk.

Loan securitization in housing operations is exposed to the risk of interest rate fluctuations between the time of execution of housing loans and the time of execution of their securitization, but derivative transactions (interest rate swaps) are entered into to reduce such risk.

**iii) Supplementary explanation of fair value of financial instruments**

Fair value of financial instruments includes value based on market price, and, in the case where no market price exists, a reasonably calculated value. As variable factors are incorporated in its calculation, fair value may change due to the adoption of different assumptions, conditions, etc. Amount of contract regarding derivative transactions in the note 13 "Derivative financial instruments" is not itself an indication of the market risk of the derivative transactions.

### (b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2011 and 2010, are as shown below.

Financial instruments whose fair values are deemed extremely difficult to determine are not included in this table (See Notes 2), 3) and 4) below).

| | Millions of yen | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying amount | Fair value | Difference |
| Cash and deposits | ¥140,319 | ¥140,319 | ¥ — |
| Notes and accounts receivable, trade | 273,414 | | |
| Allowance for doubtful accounts (*1) | (1,028) | | |
| | 272,386 | 272,386 | — |
| Short-term investment securities | | | |
| Other securities | 116 | 116 | — |
| Investment securities | | | |
| Other securities | 93,921 | 93,921 | — |
| Long-term receivables | 5,860 | | |
| Allowance for doubtful accounts (*1) | (11) | | |
| | 5,849 | 6,249 | 400 |
| Total assets | 512,590 | 512,991 | 400 |
| Notes and accounts payable, trade | 136,407 | 136,407 | — |
| Short-term loans payable | 76,611 | 76,611 | — |
| Commercial paper | 23,000 | 23,000 | — |
| Income taxes payable | 24,085 | 24,085 | — |
| Bonds payable | 25,000 | 25,311 | (311) |
| Long-term loans payable | 123,493 | 125,156 | (1,663) |
| Lease obligations | 5,324 | 5,343 | (19) |
| Long-term guarantee deposited | 5,845 | 5,731 | 114 |
| Total liabilities | 419,766 | 421,644 | (1,879) |
| Derivative financial instruments (*2) | (419) | (419) | — |

| | Millions of yen | | |
|---|---|---|---|
| | 2010 | | |
| | Carrying amount | Fair value | Difference |
| Cash and deposits | ¥ 93,928 | ¥ 93,928 | ¥ — |
| Notes and accounts receivable, trade | 238,931 | | |
| Allowance for doubtful accounts (*1) | (1,543) | | |
| | 237,388 | 237,388 | — |
| Short-term investment securities | | | |
| Other securities | 112 | 112 | — |
| Investment securities | | | |
| Other securities | 105,303 | 105,303 | — |
| Long-term receivables | 6,844 | | |
| Allowance for doubtful accounts (*1) | (73) | | |
| | 6,770 | 7,125 | 355 |
| Total assets | 443,501 | 443,856 | 355 |
| Notes and accounts payable, trade | 121,409 | 121,409 | — |
| Short-term loans payable | 78,302 | 78,302 | — |
| Commercial paper | 19,000 | 19,000 | — |
| Income taxes payable | 12,160 | 12,160 | — |
| Bonds payable | 25,000 | 24,808 | 192 |
| Long-term loans payable | 137,406 | 138,385 | (980) |
| Lease obligations | 4,716 | 4,774 | (58) |
| Long-term guarantee deposited | 5,694 | 5,583 | 111 |
| Total liabilities | 403,686 | 404,421 | (735) |
| Derivative financial instruments (*2) | (200) | (200) | — |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying amount | Fair value | Difference |
| Cash and deposits | $1,690,589 | $1,690,589 | $ — |
| Notes and accounts receivable, trade | 3,294,144 | | |
| Allowance for doubtful accounts (*1) | (12,386) | | |
| | 3,281,758 | 3,281,758 | — |
| Short-term investment securities | | | |
| Other securities | 1,394 | 1,394 | — |
| Investment securities | | | |
| Other securities | 1,131,577 | 1,131,577 | — |
| Long-term receivables | 70,601 | | |
| Allowance for doubtful accounts (*1) | (130) | | |
| | 70,471 | 75,292 | 4,821 |
| Total assets | 6,175,788 | 6,180,610 | 4,821 |
| Notes and accounts payable, trade | 1,643,461 | 1,643,461 | — |
| Short-term loans payable | 923,023 | 923,023 | — |
| Commercial paper | 277,108 | 277,108 | — |
| Income taxes payable | 290,183 | 290,183 | — |
| Bonds payable | 301,205 | 304,949 | (3,745) |
| Long-term loans payable | 1,487,870 | 1,507,902 | (20,032) |
| Lease obligations | 64,146 | 64,376 | (230) |
| Long-term guarantee deposited | 70,424 | 69,052 | 1,372 |
| Total liabilities | 5,057,420 | 5,080,054 | (22,634) |
| Derivative financial instruments (*2) | (5,051) | (5,051) | — |

(*1) Specific allowance for doubtful accounts is deducted from notes and accounts receivable, trade, and long-term loans receivable.
(*2) Net amount of assets and liabilities resulted from derivative transactions is shown. In the case of a net liability, the amount is shown in parentheses.

Note 1) Method of calculating fair value of financial instruments; securities and derivative financial instruments

i) Assets

1) Cash and deposits; notes and accounts receivable, trade

As their fair value approximates book value due to their short maturity, the corresponding book value amount is used as fair value.

2) Short-term investment securities, investment securities

The stock exchange price is used to determine fair value of these traded stocks. Refer to the Note 12 "Marketable securities and investment securities" for information regarding securities based on each objective for which they are held.

3) Long-term receivables

The carrying amount shown includes long-term loans receivable scheduled for repayment within one year. Their fair value is determined by a method of calculation in which the total amount of principal and interest is discounted using the interest rate that would apply if equivalent long-term loans were newly issued. For long-term loans receivable that have a variable interest rate, as they are deemed to reflect market interest rates within a short term, book value is used as fair value.

ii) Liabilities

1) Notes and accounts payable, trade; short-term loans payable; commercial paper; income taxes payable

As their fair value approximates book value due to their short maturity, the corresponding book value amount is used as fair value.

2) Bonds payable

With regard to fair value of the bonds payable issued by the parent company, for those with market price, fair value is determined by the market price. For those without market price that are subject to exceptional treatment for interest rate swaps, fair value is determined by a method of calculation in which the total amount of principal and interest, treated as a unit with such interest rate swaps, is discounted using the interest rate that would apply if equivalent bonds were newly issued.

3) Long-term loans payable

The carrying amount shown includes long-term loans payable that are scheduled for repayment within one year of March 31, 2011 and 2010, amounted to ¥32,278 million (US$388,892 thousand) and ¥15,660 million, respectively. Their fair value is determined by a method of calculation in which the total amount of principal and interest is discounted using the interest rate that would apply if equivalent long-term loans were newly entered. Of long-term loans payable that have a variable interest rate, fair value of those subject to exceptional treatment of interest rate swaps is determined by a method of calculation in which the total amount of principal and interest, treated as a unit with such interest rate swaps, is discounted using the interest rate that would apply if equivalent long-term loans were newly entered, and book value is used as fair value of others, as they are deemed to reflect market interest rates within a short term.

4) Lease obligations

The carrying amount shown is the total amount of lease obligations under current liabilities and lease obligations under noncurrent liabilities. Present value, calculated by discounting the total amount of principal and interest using the presumed interest rate that would apply if lease transactions were newly made, is used as the fair value.

5) Long-term guarantee deposited

In case where the deposit period can be estimated, the fair value of long-term guarantee deposited is determined through calculation of the discount over that period.

iii) Derivative transactions

Refer to the Note 13 "Derivative financial instruments."

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2011 and 2010, amounting to ¥72,652 million (US$875,323 thousand) and ¥70,630 million, respectively, fair value is not included in short-term investment securities or in investment securities, as no market price exists and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 3) A portion of the carrying amount of long-term loans payable, as of March 31, 2011 and 2010, amounting to ¥507 million (US$6,112 thousand) and ¥176 million, respectively, is for loans from the Japan Science and Technology Agency, and the timing of repayment is yet to be determined as it begins after development success is certified. Fair value is not included as it is deemed extremely difficult to determine due to the impossibility of estimating future cash flows.

Note 4) Within long-term guarantee deposited, the fair value of a portion having a carrying amount as of March 31, 2011 and 2010, amounting to ¥12,495 million (US$150,542 thousand) and ¥12,628 million, respectively, is not included as no market price exists and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 5) For monetary credits and securities with maturity, amount scheduled for redemption subsequent to the closing date.

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Due within one year | Due after one year, within five years | Due after five years, within ten years | Due after more than ten years |
| Cash and deposits | ¥140,319 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable, trade | 273,414 | — | — | — |
| Short-term investment securities, investment securities | | | | |
| Government and municipal bonds | 2 | 2 | — | — |
| Long-term receivables | 679 | 5,166 | 15 | — |
| | ¥414,414 | ¥5,168 | ¥15 | ¥ — |

| | Millions of yen | | | |
|---|---|---|---|---|
| | 2010 | | | |
| | Due within one year | Due after one year, within five years | Due after five years, within ten years | Due after more than ten years |
| Cash and deposits | ¥ 93,928 | ¥ — | ¥ — | ¥ — |
| Notes and accounts receivable, trade | 238,931 | — | — | — |
| Short-term investment securities, investment securities | | | | |
| Government and municipal bonds | 2 | 5 | — | — |
| Long-term receivables | 769 | 6,059 | 15 | — |
| | ¥333,631 | ¥6,064 | ¥15 | ¥ — |

| | Thousands of U.S. dollars | | | |
|---|---|---|---|---|
| | 2011 | | | |
| | Due within one year | Due after one year, within five years | Due after five years, within ten years | Due after more than ten years |
| Cash and deposits | $1,690,589 | $ — | $ — | $ — |
| Notes and accounts receivable, trade | 3,294,144 | — | — | — |
| Short-term investment securities, investment securities | | | | |
| Government and municipal bonds | 27 | 27 | — | — |
| Long-term receivables | 8,184 | 62,236 | 181 | — |
| | $4,992,944 | $62,263 | $181 | $ — |

Note 6) For bonds payable, long-term loans payable, lease obligations, and other interest-bearing debt, amount scheduled for repayment subsequent to the closing date.
Refer to Note 21 "Borrowings"

## 12. Marketable securities and investment securities

### (a) Other securities with available fair value

The aggregate cost, carrying amount which was identical to fair value, and gross unrealized gains and losses of debt and equity securities classified as other securities for which fair values were available at March 31, 2011 and 2010, were as follows:

| | Millions of yen | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying amount | Cost | Unrealized gains (losses) |
| Securities with unrealized gains: | | | |
| Equity securities | ¥ 85,780 | ¥32,629 | ¥53,151 |
| Securities with unrealized losses: | | | |
| Equity securities | 8,141 | 11,440 | (3,299) |
| Debt securities | 116 | 116 | — |
| | 8,256 | 11,555 | (3,299) |
| | ¥ 94,037 | ¥44,185 | ¥49,852 |

Note) For equity investment in nonpublic companies, with a carrying amount of ¥72,652 million, fair value is not included in short-term investment securities or in investment securities, as no market price exists and it is deemed extremely difficult to determine fair value.

| | Millions of yen | | |
|---|---|---|---|
| | 2010 | | |
| | Carrying amount | Cost | Unrealized gains (losses) |
| Securities with unrealized gains: | | | |
| Equity securities | ¥ 96,284 | ¥33,280 | ¥63,004 |
| Securities with unrealized losses: | | | |
| Equity securities | 9,019 | 10,415 | (1,396) |
| Debt securities | 0 | 0 | — |
| | 9,019 | 10,415 | (1,396) |
| | ¥105,303 | ¥43,695 | ¥61,608 |

Note) For equity investment in nonpublic companies, with a carrying amount of ¥70,630 million, fair value is not included in short-term investment securities or in investment securities, as no market price exists and it is deemed extremely difficult to determine fair value.

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | 2011 | | |
| | Carrying amount | Cost | Unrealized gains (losses) |
| Securities with unrealized gains: | | | |
| Equity securities | $1,033,499 | $393,126 | $640,372 |
| Securities with unrealized losses: | | | |
| Equity securities | 98,078 | 137,829 | (39,750) |
| Debt securities | 1,394 | 1,394 | — |
| | 99,472 | 139,222 | (39,750) |
| | $1,132,970 | $532,348 | $600,622 |

Note) For equity investment in nonpublic companies, with a carrying amount of US$875,323 thousand, fair value is not included in short-term investment securities or in investment securities, as no market price exists and it is deemed extremely difficult to determine fair value.

### (b) The realized gains and losses on the sale of other securities during the year ended March 31 2011 and 2010, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Selling amount | ¥1,292 | ¥275 | $15,567 |
| Gain on sales of securities | 416 | 112 | 5,014 |
| Loss on sales of securities | 380 | — | 4,578 |

### (c) Loss on other devaluation of investment securities whose fair values are readily determinable for the years ended March 31, 2011 and 2010, was ¥651 million (US$7,845 thousand) and ¥1,918 million, respectively.

## 13. Derivative financial instruments

### (a) Derivative financial instruments for which hedge accounting is not applied

#### i) Foreign exchange forward contracts

| | | Millions of yen | | | |
|---|---|---|---|---|---|
| | | 2011 | | | |
| Classification | Items | Amount of contract | Amount of contract over 1 year | Fair value | Profit (loss) from valuation |
| Off–market transactions | Foreign exchange forward contracts | | | | |
| | Selling | | | | |
| | U.S. dollar | ¥13,234 | ¥ — | ¥ (159) | ¥ (159) |
| | Euro | 2,359 | — | (104) | (104) |
| | Thai baht | 469 | — | (15) | (15) |
| | Buying | | | | |
| | U.S. dollar | 1,505 | — | 12 | 12 |
| | | ¥17,567 | ¥ — | ¥ (268) | ¥ (268) |

| | | Millions of yen | | | |
|---|---|---|---|---|---|
| | | 2010 | | | |
| Classification | Items | Amount of contract | Amount of contract over 1 year | Fair value | Profit (loss) from valuation |
| Off–market transactions | Foreign exchange forward contracts | | | | |
| | Selling | | | | |
| | U.S. dollar | ¥11,406 | ¥ — | ¥ (105) | ¥ (105) |
| | Euro | 3,518 | — | (8) | (8) |
| | Thai baht | 479 | — | (27) | (27) |
| | Buying | | | | |
| | U.S. dollar | 1,311 | — | 16 | 16 |
| | | ¥16,714 | ¥ — | ¥ (124) | ¥ (124) |

| | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|
| | | 2011 | | | |
| Classification | Items | Amount of contract | Amount of contract over 1 year | Fair value | Profit (loss) from valuation |
| Off–market transactions | Foreign exchange forward contracts | | | | |
| | Selling | | | | |
| | U.S. dollar | $159,445 | $ — | $ (1,922) | $ (1,922) |
| | Euro | 28,425 | — | (1,259) | (1,259) |
| | Thai baht | 5,648 | — | (184) | (184) |
| | Buying | | | | |
| | U.S. dollar | 18,130 | — | 139 | 139 |
| | | $211,648 | $ — | $ (3,225) | $ (3,225) |

### (b) Derivative financial instruments for which hedge accounting is applied

#### i) Foreign exchange forward contracts

| | | | Millions of yen | | |
|---|---|---|---|---|---|
| | | | 2011 | | |
| Classification | Items | Hedged assets / liabilities | Amount of contract | Amount of contract over 1 year | Fair value |
| Principled treatment | Foreign exchange forward contracts | | | | |
| | Selling | | | | |
| | U.S. dollar | Accounts receivable, trade | ¥ 9,467 | ¥ — | ¥(121) |
| | Euro | Accounts receivable, trade | 936 | — | (40) |
| | Buying | | | | |
| | U.S. dollar | Accounts payable, trade | 370 | — | 9 |
| | Euro | Accounts payable, trade | 4 | — | (0) |
| | Singapore dollar | Accounts payable, trade | 13 | — | 0 |
| | | | ¥10,790 | ¥ — | ¥(152) |

| Classification | Items | Hedged assets / liabilities | Millions of yen 2010 Amount of contract | Amount of contract over 1 year | Fair value |
|---|---|---|---|---|---|
| Principled treatment | Foreign exchange forward contracts | | | | |
| | Selling | | | | |
| | U.S. dollar | Accounts receivable, trade | ¥3,263 | ¥ — | ¥(79) |
| | Euro | Accounts receivable, trade | 698 | — | 5 |
| | Buying | | | | |
| | U.S. dollar | Accounts payable, trade | 53 | — | (1) |
| | Euro | Accounts payable, trade | 60 | — | (1) |
| | | | ¥4,075 | ¥ — | ¥(77) |

| Classification | Items | Hedged assets / liabilities | Thousands of U.S. dollars 2011 Amount of contract | Amount of contract over 1 year | Fair value |
|---|---|---|---|---|---|
| Principled treatment | Foreign exchange forward contracts | | | | |
| | Selling | | | | |
| | U.S. dollar | Accounts receivable, trade | $114,059 | $ — | $(1,453) |
| | Euro | Accounts receivable, trade | 11,278 | — | (480) |
| | Buying | | | | |
| | U.S. dollar | Accounts payable, trade | 4,460 | — | 106 |
| | Euro | Accounts payable, trade | 45 | — | (3) |
| | Singapore dollar | Accounts payable, trade | 159 | — | 4 |
| | | | $130,002 | $ — | $(1,826) |

### ii) Interest rate swaps, and interest rate and currency swaps

| Classification | Items | Hedged assets / liabilities | Millions of yen 2011 Amount of contract | Amount of contract over 1 year | Fair value |
|---|---|---|---|---|---|
| Exceptional treatment for an interest rate swaps | Interest rate swaps | | | | |
| | Receive fixed/pay floating | Long-term loans payable | ¥ 5,000 | ¥ — | (*) |
| | Pay fixed/receive floating | Long-term loans payable | 43,884 | 25,915 | (*) |
| Exceptional treatment for an interest rate swap and currency swaps | Interest rate and currency swaps | | | | |
| | U.S. dollar receive fixed/ Japanese yen pay floating | Bonds payable | 5,000 | 5,000 | (*) |
| | U.S. dollar receive floating/ Thai baht pay fixed | Long-term loans payable | 1,093 | 820 | (*) |
| | | | ¥54,978 | ¥31,735 | — |

| Classification | Items | Hedged assets / liabilities | Millions of yen 2010 Amount of contract | Amount of contract over 1 year | Fair value |
|---|---|---|---|---|---|
| Exceptional treatment for an interest rate swaps | Interest rate swaps | | | | |
| | Receive fixed/pay floating | Long-term loans payable | ¥ 5,000 | ¥ 5,000 | (*) |
| | Pay fixed/receive floating | Long-term loans payable | 45,178 | 44,054 | (*) |
| Exceptional treatment for an interest rate swap and currency swaps | Interest rate and currency swaps | | | | |
| | U.S. dollar receive fixed/ Japanese yen pay floating | Bonds payable | 5,000 | 5,000 | (*) |
| | U.S. dollar receive floating/ Thai baht pay fixed | Long-term loans payable | 731 | 585 | (*) |
| | | | ¥55,909 | ¥54,638 | — |

| Classification | Items | Hedged assets / liabilities | Thousands of U.S. dollars 2011 Amount of contract | Amount of contract over one year | Fair value |
|---|---|---|---|---|---|
| Exceptional treatment for an interest rate swaps | Interest rate swaps | | | | |
| | Receive fixed/pay floating | Long-term loans payable | $ 60,241 | $ — | (*) |
| | Pay fixed/receive floating | Long-term loans payable | 528,727 | 312,231 | (*) |
| Exceptional treatment for an interest rate swap and currency swaps | Interest rate and currency swaps | | | | |
| | U.S. dollar receive fixed/ Japanese yen pay floating | Bonds payable | 60,241 | 60,241 | (*) |
| | U.S. dollar receive floating/ Thai baht pay fixed | Long-term loans payable | 13,174 | 9,881 | (*) |
| | | | $662,383 | $382,353 | — |

(*) Fair value of interest rate swaps and interest currency swaps for which exceptional treatment is applied, is included in fair value of the corresponding long-term loans payable and bonds payable for which hedge accounting is applied.

## 14. Provision for retirement benefits

Upon terminating employment, employees of the parent company and its major subsidiaries in Japan are entitled, under most circumstances, to lump-sum severance indemnities and/or pension payments determined by reference mainly to their current basic rate of pay and length of service. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs. Certain foreign subsidiaries have defined benefit pension plans or defined contribution plans.

The obligation for these severance indemnity benefits is provided for through accruals, contributory funded defined benefit pension plans, contributory funded defined benefit enterprise pension plans and non-contributory funded tax-qualified pension plans.

Information on provision for retirement benefits at March 31, 2011 and 2010, was as follows:

| | Millions of yen 2011 | 2010 | Thousands of U.S. dollars 2011 |
|---|---|---|---|
| (a) Projected benefit obligations | ¥(310,990) | ¥(295,842) | $(3,746,865) |
| (b) Fair value of plan assets | 164,396 | 170,895 | 1,980,680 |
| (c) Unfunded benefit obligations [(a)+(b)] | (146,593) | (124,947) | (1,766,185) |
| (d) Unrecognized actuarial gains/losses | 46,746 | 24,478 | 563,210 |
| (e) Unrecognized prior service costs | (2,692) | (4,019) | (32,440) |
| (f) Amount shown on balance sheet [(c)+(d)+(e)] | (102,539) | (104,488) | (1,235,415) |
| (g) Prepaid pension cost | 4,769 | 4,961 | 57,463 |
| (h) Provision for retirement benefits [(f)-(g)] | ¥(107,309) | ¥(109,450) | $(1,292,878) |

Note: The figures in the above table do not include additional benefit payables amounting to ¥111 million (US$1,341 thousand) and ¥45 million at March 31, 2011 and 2010, respectively. The amounts were recorded as part of current liabilities on the consolidated balance sheets at March 31, 2011 and 2010.

Periodic retirement benefit expenses for employees for the years ended March 31, 2011 and 2010, include the following components:

| | Millions of yen 2011 | 2010 | Thousands of U.S. dollars 2011 |
|---|---|---|---|
| Service cost* | ¥ 9,031 | ¥ 9,235 | $108,804 |
| Interest cost | 7,237 | 7,313 | 87,193 |
| Expected return on plan assets | (4,219) | (3,797) | (50,831) |
| Amortization of unrecognized actuarial gains/losses | 2,317 | 3,969 | 27,910 |
| Amortization of unrecognized prior service costs | (1,378) | (1,375) | (16,602) |
| Retirement benefit expenses | ¥12,987 | ¥15,346 | $156,474 |

Note: In addition to the above costs, additional benefits amounting to ¥878 million (US$10,584 thousand) and ¥717 million were charged to income for the years ended March 31, 2011 and 2010, respectively.

* Not including contributions made by employees.

The assumptions used in calculation of the above information are as follows:

| | 2011 | 2010 |
|---|---|---|
| Discount rate | Mainly 2.0% | Mainly 2.5% |
| Expected rate of return on plan assets | Mainly 2.5% | Mainly 2.5% |
| Method of attributing the projected benefits to periods of employee service | Straight-line basis | Straight-line basis |
| Amortization of unrecognized prior service costs | Mainly 10 years | Mainly 10 years |
| Amortization of unrecognized actuarial gains/losses | Mainly 10 years | Mainly 10 years |

## 15. Taxes

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax, and (3) inhabitants tax.

Significant components of the deferred tax assets and liabilities at March 31, 2011 and 2010, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Deferred tax assets: | | | |
| Provision for retirement benefits | ¥ 43,436 | ¥ 44,158 | $ 523,329 |
| Tax loss carryforwards | 12,741 | 11,377 | 153,501 |
| Accrued bonuses | 8,904 | 6,994 | 107,274 |
| Loss on disposal of noncurrent assets | 5,533 | 4,061 | 66,660 |
| Impairment loss | 4,605 | 2,684 | 55,485 |
| Unrealized gain on noncurrent assets and others | 4,302 | 4,053 | 51,834 |
| Devaluation of investment securities | 3,287 | 2,853 | 39,604 |
| Accrued enterprise tax | 2,322 | 1,330 | 27,976 |
| Provision for repairs | 2,316 | 3,346 | 27,901 |
| Depreciation | 2,146 | 649 | 25,856 |
| Devaluation of inventories | 1,459 | 1,296 | 17,576 |
| Asset retirement obligations | 1,456 | — | 17,542 |
| Provision for product warranties | 1,171 | 1,636 | 14,106 |
| Environmental expenses | 953 | 1,146 | 11,484 |
| Allowance for doubtful accounts | 412 | 823 | 4,967 |
| Other | 7,445 | 9,267 | 89,703 |
| Subtotal deferred tax assets | 102,488 | 95,673 | 1,234,799 |
| Less: Valuation allowance | (21,904) | (18,336) | (263,900) |
| Total deferred tax assets | 80,585 | 77,336 | 970,899 |
| Deferred tax liabilities: | | | |
| Valuation difference on other securities | (22,454) | (27,166) | (270,534) |
| Reserve for noncurrent assets reduction | (13,402) | (13,316) | (161,466) |
| Reserve for special depreciation | (247) | (149) | (2,971) |
| Other | (5,720) | (5,814) | (68,912) |
| Total deferred tax liabilities | (41,822) | (46,445) | (503,882) |
| Net deferred tax assets | ¥ 38,762 | ¥ 30,891 | $ 467,017 |

Net deferred tax assets (liabilities) at March 31, 2011 and 2010, were included in the following line items on the consolidated balance sheets.

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Current assets—deferred tax assets | ¥23,131 | ¥23,106 | $278,689 |
| Non-current assets—deferred tax assets | 22,005 | 15,383 | 265,122 |
| Current liabilities—deferred tax liabilities | — | — | — |
| Non-current liabilities—deferred tax liabilities | (6,374) | (7,597) | (76,794) |

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2011 and 2010, was as follows:

| | 2011 |
|---|---|
| Statutory tax rate | 40.7% |
| Increase (reduction) in taxes resulting from: | |
| Non-deductible expenses and non-taxable income | 1.4 |
| Equalization of inhabitants taxes | 0.4 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (0.8) |
| Undistributed earnings of foreign subsidiaries | 0.7 |
| Difference of tax rates for foreign subsidiaries | (4.4) |
| Valuation allowance | 4.0 |
| R&D expenses deductible from income taxes | (5.1) |
| Other | 0.4 |
| Effective income tax rate | 37.3% |

| | 2010 |
|---|---|
| Statutory tax rate | 40.7% |
| Increase (reduction) in taxes resulting from: | |
| Non-deductible expenses and non-taxable income | 4.0 |
| Equalization of inhabitants taxes | 1.0 |
| Amortization of goodwill | 0.4 |
| Equity in earnings of unconsolidated subsidiaries and affiliates | (0.8) |
| Undistributed earnings of foreign subsidiaries | 1.5 |
| Valuation allowance | 7.2 |
| Unrealized profit | (2.2) |
| R&D expenses deductible from income taxes | (8.1) |
| Other | 0.8 |
| Effective income tax rate | 44.5% |

## 16. Business combinations, etc.

### For the year ended March 31, 2011

Business divestiture

Business divestiture in the fiscal year ended March 31, 2011, was as follows:

**(a) Outline of the business divestiture**

i) **Name of the transferee**

Aime Corp.

ii) **Nature of the divested businesses**

Contact lens and lens-care product businesses of Asahi Kasei Aime Co., Ltd, a consolidated subsidiary of the parent company

iii) **Main reasons for the divestiture**

Asahi Kasei Aime Co., Ltd. had developed its businesses with conventional (long-term use) hard and soft contact lenses as the main products. During the past 10 years in the contact lens market, demand for disposable lenses increased rapidly, while demand for conventional lenses decreased dramatically. As disposable lenses became dominant in the soft contact lens market where Asahi Kasei Aime had enjoyed strength, the expansion of this business was significantly impacted. Under these circumstances, US-based CooperVision, Inc., with which Asahi Kasei Aime had a business alliance in the development of contact lens materials, etc., suggested a transfer of Asahi Kasei Aime's business to them. After extensive negotiations, on December 1, 2010, Asahi Kasei Aime's contact lens and lens-care product businesses (excluding manufacturing functions), were transferred to Aime Corp., which was newly established in Japan by CooperVision. This was based on a judgment that joint development with CooperVision's product lineup, rather than Asahi Kasei Aime on its own, would enhance business efficiency and competitiveness, and thus be optimal for the development of businesses focused on contact lenses.

iv) **Date of divestiture**

December 1, 2010

v) **Overview of transactions including statutory form**

Business transfer for which consideration received is limited to assets including cash.

**(b) Overview of accounting treatment implemented**

i) **Amount of gain on business transfer**

¥736 million (US$8,869 thousand)

ii) **Appropriate book value of assets and liabilities pertaining to the transferred businesses**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2011 | 2011 |
| Current assets | ¥1,677 | $20,204 |
| Noncurrent assets | 133 | 1,598 |
| Total assets | 1,810 | 21,802 |
| Current liabilities | 4 | 52 |
| Total liabilities | 4 | 52 |

iii) **Accounting treatment**

Considering that investments related to the transferred contact lens and lens-care businesses were liquidated, the differences between the fair value of assets received in consideration of such transfer and the amount corresponding to shareholders' equity pertaining to the transferred businesses was recognized as gain on transfer.

**(c) Name of reporting segment in which the divested businesses were included**

Health Care

**(d) Approximate amount of income (loss) pertaining to the divested businesses recorded in the consolidated statements of income during the fiscal year ended March 31, 2011.**

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2011 | 2011 |
| Net sales | ¥2,077 | $25,026 |
| Operating loss | (302) | (3,639) |

### For the year ended March 31, 2010

Transactions under common control, etc.

Transactions under common control, etc. in the fiscal year ended March 31, 2010, were as follows:

**(a) Establishment of Asahi Kasei E-materials Corp. through a business split of the electrochemicals-related operations of Asahi Kasei Chemicals Corp. and Asahi Kasei Microdevices Corp.**

i) **Name and nature of business subject to transaction, statutory form of business combination, name of company after transaction, and outline and purpose of transaction**

1) Name and nature of business subject to transaction

Name of business:

Electronics-related operations of the parent company and of consolidated subsidiaries Asahi Kasei Chemicals Corp. and Asahi Kasei Microdevices Corp.

Nature of business:

Production and sales of Hipore™ Li-ion rechargeable battery separators, light diffusion plates, APR™ photopolymer and printing plate making systems, Pimel™ photosensitive polyimide precursor, Sunfort™ dry film photoresist, glass fabric for printed wiring boards, photomask pellicles, etc.

2) Statutory form of business combination

Establishment of Asahi Kasei E-materials Corp. by business split of electrochemicals-related operations of the parent company, Asahi Kasei Chemicals Corp., and Asahi Kasei Microdevices Corp.

3) Name of company after transaction

Asahi Kasei E-materials Corp.

4) Outline and purpose of transaction

Asahi Kasei E-materials Corp. was established through a business split of the electrochemicals-related operations of the parent company, Asahi Kasei Chemicals Corp., and Asahi Kasei Microdevices Corp. in order to clarify those operations as a field of focus for growth for the Asahi Kasei Group and to facilitate greater management efficiency in a structure for swift execution of strategic decisions and resource investment.

ii) **Outline of the accounting treatment implemented**

This transaction was accounted for as a transaction under common control based on the Accounting Standard for Business Combinations issued by the Business Accounting Council in Japan and the Accounting Standard for Business Divestitures (Accounting Standard No. 7) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting

Standard Guidance No. 10) issued by the Accounting Standards Board of Japan.

**(b) Business split of Leona™ filament business from Asahi Kasei Chemicals Corp. to Asahi Kasei Fibers Corp.**

**i) Name and nature of business subject to transaction, statutory form of business combination, name of company after transaction, and outline and purpose of transaction**

1) Name and nature of business subject to transaction
Name of business:
Leona™ filament business of consolidated subsidiary Asahi Kasei Chemicals Corp.
Nature of business:
Production and sale of Leona™ nylon 66 filament

2) Statutory form of business combination
Business split from Asahi Kasei Chemicals Corp. to Asahi Kasei Fibers Corp.

3) Name of company after transaction
Asahi Kasei Fibers Corp.

4) Outline and purpose of transaction
For the further expansion and development of the Leona™ filament business, it is essential to reinforce and accelerate applications development based on advanced technical know-how in the field of fibers. Asahi Kasei Fibers Corp. holds the realignment of its business portfolio from apparel to industrial-use materials as a pillar of mid-term management strategy, and it can be expected that by transferring the Leona™ filament business, which is focused on industrial applications such as tire cord and air bags, this portfolio realignment can be accelerated through the pursuit of synergies with existing fiber business, in both technology and marketing. The Leona™ filament business of Asahi Kasei Chemicals Corp. was therefore split off to be absorbed by Asahi Kasei Fibers Corp.

**ii) Outline of the accounting treatment implemented**

This transaction was accounted for as a transaction under common control based on the Accounting Standard for Business Combinations issued by the Business Accounting Council in Japan and the Accounting Standard for Business Divestitures (Accounting Standard No. 7) and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standard Guidance No. 10) issued by the Accounting Standards Board of Japan.

## 17. Asset retirement obligation

### As of March 31, 2011

Asset retirement obligations recorded on the consolidated balance sheet

### (a) Outline of relevant asset retirement obligations

Due to commitments pertaining to restoration to original state before vacating in accordance with land lease agreements such as for offices, and due to commitments to dismantle leased buildings upon termination of lease period, etc., in accordance with lease agreements for model home parks, relevant asset retirement obligations are recorded in the consolidated balance sheet.

In accordance with building lease agreements such as for the head offices, commitments pertaining to restoration to original state before vacating are recognized as asset retirement obligations. However, instead of recording the relevant asset retirement obligations as liabilities, the amount of deposit that can not ultimately be expected to be collected was calculated in a reasonable manner, and of that, the amount corresponding to the fiscal year ended March 31, 2011, was recorded under operating expenses.

### (b) Method of calculating the amount of relevant asset retirement obligations

The calculation of asset retirement obligations is based on the following: expected term of use of 4 to 55 years, inflation rate of 0.0% to 3.3%, and discount rate of 0.3% to 6.0%.

### (c) Increase (decrease) in the total amount of asset retirement obligations in the fiscal year ended March 31, 2011.

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| | 2011 | 2011 |
| Balance at beginning of year* | ¥ 4,038 | $ 48,648 |
| Increase due to asset retirement obligations accrued | 346 | 4,168 |
| Adjustment due to passage of time | 173 | 2,090 |
| Decrease due to fulfillment of asset retirement obligations | (420) | (5,056) |
| Decrease due to foreign exchange fluctuation | (310) | (3,729) |
| Balance at end of year | ¥ 3,828 | $ 46,121 |

* Balance at beginning of year after application of Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21).

With regard to asset retirement obligations for which the method of calculating the amount of deposit that can not ultimately be expected to be collected and then recording the amount corresponding to the fiscal year ended March 31, 2011, under operating expenses rather than recording the asset retirement obligations as liabilities, the amount of such deposit calculated at the beginning of the fiscal year was ¥1,553 million. With adjustment to include ¥66 million accrued due to lease agreements newly entered into, the total amount recorded in the fiscal year was ¥1,619 million.

## 18. Business segment information

### (a) Overview of reportable segments

The Company is organized under a holding company configuration with core operating companies performing operations in eight business fields.

Separate financial information is available in these eight units, and the Board of Directors carries out periodic review to allocate management resources and evaluate business performance.

The eight units are combined into six reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials through application of Paragraph 13 of “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information.”

Main products of the six reportable segments are as follows:

### Chemicals

The Company produces, processes and sells chemicals and derivative products (such as ammonia, nitric acid, caustic soda, acrylonitrile, styrene, adipic acid, methyl methacrylate (MMA) and acrylic resin), polymer products (such as Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), Leona™ poyamide 66, Suntec™ polyethylene, synthetic rubber, and polystyrene), specialty products (such as coating materials, latex, Ceolus™ microcrystalline cellulose, explosives, explosion-bonded metal clad, Microza™ UF and MF membranes and systems, ion-exchange membranes and electrolysis systems, Saran Wrap™ cling film, Ziploc™ storage bags, and plastic films, sheets, and foams).

### Homes

The Company constructs Hebel Haus™ order-built unit homes and Hebel Maison™ apartments, and operates related businesses such as condominiums, residential land development, remodeling, real estate, and home financing.

### Health Care

The Company manufuctures and sells pharmaceuticals (such as Recomodulin™, Elcitonin™, Flivas™, Toledomin™, and Bredinin™), Lucica™GA-L assay kits, L series enriched liquid diets, APS™ polysulfone-membrane artificial kidneys, therapeutic apheresis devices, Planova™ virus removal filters, and Sepacell™ leukocyte reduction filters.

### Fibers

The Company produces, processes, and sells Roica™ elastic polyurethane filament, Bemberg™ cupro fiber, nonwoven fabrics (such as Eltas™ spunbond and Lamous™ artificial suede), Leona™ nylon 66 filament, and polyester filament.

### Electronics

The Company manufactures and sells Hipore™ Li-ion battery separators, photomask pellicles, APR™ photosensitive resin and printing plate making systems, Pimel™ photosensitive polyimide precursor, Sunfort™ dry film photoresist, mixed-signal LSIs, Hall elements, and glass fabric for printed wiring boards.

### Construction Materials

The Company produces and sells Hebel™ autoclaved aerated concrete (AAC) panels, Neoma™ phenolic foam insulation panels, foundation piles, and steel-frame structural components.

## (b) Methods to determine net sales, income or loss, assets, and other items by reportable business segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

## (c) Information concerning net sales, income or loss, assets, and other items for each repotable segment

Millions of yen — 2011

| | Chemicals | Homes | Health Care | Fibers | Electronics | Construction Materials | Sub total | Others (Note 1) | Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales: | | | | | | | | | |
| External customers | ¥742,243 | ¥409,224 | ¥116,387 | ¥108,761 | ¥158,337 | ¥47,418 | ¥1,582,370 | ¥ 16,017 | ¥1,598,387 |
| Intersegment | 18,657 | 160 | 81 | 1,732 | 729 | 14,152 | 35,510 | 23,950 | 59,461 |
| Total | 760,899 | 409,384 | 116,468 | 110,493 | 159,066 | 61,570 | 1,617,880 | 39,968 | 1,657,848 |
| Operating income | 64,379 | 36,476 | 7,045 | 4,197 | 14,258 | 2,091 | 128,444 | 1,706 | 130,151 |
| Assets | 563,034 | 265,342 | 165,277 | 102,163 | 178,739 | 39,570 | 1,314,126 | 49,268 | 1,363,394 |
| Other items | | | | | | | | | |
| Depreciation (Note 2) | 31,460 | 4,266 | 10,833 | 6,945 | 23,882 | 2,795 | 80,181 | 862 | 81,043 |
| Amortization of goodwill | 443 | — | 610 | 5 | 14 | — | 1,073 | — | 1,073 |
| Investments in affiliates accounted for using equity method | 36,295 | — | 272 | 4,124 | 2,759 | — | 43,450 | 15,975 | 59,425 |
| Increase in property, plant and equipment, and intangible assets | 23,174 | 6,304 | 7,427 | 3,668 | 20,267 | 1,684 | 62,524 | 981 | 63,505 |

Millions of yen — 2010

| | Chemicals | Homes | Health Care | Fibers | Electronics | Construction Materials | Sub total | Others (Note 1) | Total |
|---|---|---|---|---|---|---|---|---|---|
| Sales: | | | | | | | | | |
| External customers | ¥622,093 | ¥389,728 | ¥113,207 | ¥101,201 | ¥142,700 | ¥47,024 | ¥1,415,953 | ¥ 17,642 | ¥1,433,595 |
| Intersegment | 16,495 | 24 | 96 | 1,772 | 1,159 | 13,048 | 32,593 | 23,541 | 56,134 |
| Total | 638,588 | 389,752 | 113,303 | 102,973 | 143,859 | 60,072 | 1,448,547 | 41,182 | 1,489,729 |
| Operating income (loss) | 26,068 | 25,340 | 3,999 | (2,764) | 7,243 | 1,202 | 61,087 | 1,822 | 62,909 |
| Assets | 533,296 | 232,031 | 164,161 | 110,426 | 174,131 | 39,981 | 1,254,027 | 46,506 | 1,300,533 |
| Other items | | | | | | | | | |
| Depreciation (Note 2) | 31,968 | 4,309 | 11,556 | 7,719 | 23,587 | 3,263 | 82,403 | 799 | 83,201 |
| Amortization of goodwill | 447 | — | 635 | — | 6 | — | 1,089 | — | 1,089 |
| Investments in affiliates accounted for using equity method | 17,302 | — | 356 | 4,228 | 2,315 | — | 24,202 | 16,489 | 40,691 |
| Increase in property, plant and equipment, and intangible assets | 27,649 | 6,009 | 9,173 | 4,556 | 22,761 | 1,191 | 71,339 | 927 | 72,266 |

| | Thousands of U.S. dollars | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | | | | | | | |
| | Chemicals | Homes | Health Care | Fibers | Electronics | Construction Materials | Sub total | Others (Note 1) | Total |
| Sales: | | | | | | | | | |
| External customers | $8,942,683 | $4,930,410 | $1,402,253 | $1,310,373 | $1,907,673 | $571,307 | $19,064,699 | $ 192,980 | $19,257,678 |
| Intersegment | 224,778 | 1,930 | 976 | 20,863 | 8,786 | 170,503 | 427,837 | 288,558 | 716,395 |
| Total | 9,167,461 | 4,932,341 | 1,403,229 | 1,331,236 | 1,916,459 | 741,810 | 19,492,535 | 481,538 | 19,974,073 |
| Operating income | 775,646 | 439,466 | 84,876 | 50,565 | 171,779 | 25,190 | 1,547,521 | 20,559 | 1,568,080 |
| Assets | 6,783,545 | 3,196,891 | 1,991,295 | 1,230,880 | 2,153,485 | 476,747 | 15,832,843 | 593,585 | 16,426,428 |
| Other items | | | | | | | | | |
| Depreciation (Note 2) | 379,036 | 51,402 | 130,514 | 83,676 | 287,734 | 33,674 | 966,036 | 10,383 | 976,419 |
| Amortization of goodwill | 5,339 | — | 7,355 | 60 | 168 | — | 12,923 | — | 12,923 |
| Investments in affiliates accounted for using equity method | 437,283 | — | 3,277 | 49,687 | 33,247 | — | 523,495 | 192,465 | 715,960 |
| Increase in property, plant and equipment, and intangible assets | 279,203 | 75,955 | 89,482 | 44,194 | 244,180 | 20,287 | 753,301 | 11,818 | 765,119 |

Notes: 1. The "Others" category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.
2. Amortization of goodwill is not included.

### (d) Reconciliation of differences between total amounts of reportable segments and amounts appearing in the consolidated financial statements (adjustment of difference)

| Sales | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Total of reporting segments | ¥1,617,880 | ¥1,448,547 | $19,492,535 |
| Net sales in "Others" category | 39,968 | 41,182 | 481,538 |
| Elimination of intersegment transactions | (59,461) | (56,134) | (716,395) |
| Net sales on consolidated statements of income | ¥1,598,387 | ¥1,433,595 | $19,257,678 |

| Operating income | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Total of reporting segments | ¥128,444 | ¥ 61,087 | $1,547,521 |
| Operating income in "Others" category | 1,706 | 1,822 | 20,559 |
| Elimination of intersegment transactions | 708 | 1,438 | 8,532 |
| Corporate expenses, etc.* | (7,932) | (6,726) | (95,561) |
| Operating income on consolidated statements of income | ¥122,927 | ¥ 57,622 | $1,481,051 |

*Corporate expenses, etc. include corporate revenue, basic research expense, and group management expense, etc. which are not allocated to reporting segments.

| Assets | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Total of reporting segments | ¥1,314,126 | ¥1,254,027 | $15,832,843 |
| Assets in "Others" category | 49,268 | 46,506 | 593,585 |
| Elimination of intersegment transactions | (167,618) | (164,202) | (2,019,494) |
| Corporate assets* | 230,103 | 232,562 | 2,772,331 |
| Total net assets on consolidated balance sheets | ¥1,425,879 | ¥1,368,892 | $17,179,265 |

*Corporate assets include assets of the parent company and those of a financial subsidiary—surplus operating funds (cash and deposits), long-term investment capital (investment securities, etc.), and land, etc.

| | Total of reportable segments | | | Others | | | Adjustments (Note 1) | | | Amounts from consolidated financial statements | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars | Millions of yen | | Thousands of U.S. dollars |
| Other items | 2011 | 2010 | 2011 | 2011 | 2010 | 2011 | 2011 | 2010 | 2011 | 2011 | 2010 | 2011 |
| Depreciation (Note 2) | ¥80,181 | ¥82,403 | $966,036 | ¥ 862 | ¥ 799 | $ 10,383 | ¥3,049 | ¥ 2,965 | $36,738 | ¥84,092 | ¥86,166 | $1,013,158 |
| Amortization of goodwill | ¥ 1,073 | ¥ 1,089 | $ 12,923 | ¥ — | ¥ — | $ — | ¥ — | ¥ — | $ — | ¥ 1,073 | ¥ 1,089 | $ 12,923 |
| Investments in associates accounted for using equity method | ¥43,450 | ¥24,202 | $523,495 | ¥15,975 | ¥16,489 | $192,465 | ¥ — | ¥ — | $ — | ¥59,425 | ¥40,691 | $ 715,960 |
| Increase in property, plant and equipment, and intangible assets | ¥62,524 | ¥71,339 | $753,301 | ¥ 981 | ¥ 927 | $ 11,818 | ¥2,509 | ¥11,724 | $30,224 | ¥66,014 | ¥83,990 | $ 795,344 |

Notes: 1. Adjustments include elimination of intersegment transactions and Corporate expenses, etc.
2. Amortization of goodwill is not included.

(Additional information)
Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and the Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20) have been applied beginning from the fiscal year ended March 31, 2011.

### (e) Related Information

**i) Information on products and services**

Please refer to (c) Information concerning net sales, income or loss, assets, and other items for each reportable segment.

**ii) Geographic information**

1) Net sales

| Millions of yen | | | | | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2011 | | | | 2010 | | | | 2011 | | | |
| Japan | China | Other regions | Total | Japan | China | Other regions | Total | Japan | China | Other regions | Total |
| ¥1,149,098 | ¥169,637 | ¥279,652 | ¥1,598,387 | ¥1,063,186 | ¥134,271 | ¥236,138 | ¥1,433,595 | $13,844,558 | $2,043,814 | $3,369,307 | $19,257,678 |

2) Property, plant and equipment

Geographic information is not shown because over 90% of the amount of property, plant and equipment on the consolidated balance sheets is located in Japan.

3) Information by major customer

Information by major customer is not shown because no customer accounts for 10% or more of net sales on the statements of income.

## 19. Information about related parties

### For the year ended March 31, 2011

Related party transactions
Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties
Subsidiaries, affiliates, etc. of the company submitting the consolidated financial statements

| | |
|---|---|
| Type of related party | An affiliated company |
| Name of company | PTT Asahi Chemical Co., Ltd. |
| Location | Rayong, Thailand |
| Paid-in capital | 14,246 million Thai baht |
| Business line | Chemicals |
| Holding ratio of voting rights (of which, indirect holding ratio) | 48.5% (48.5%) |
| Relationship with the related party | Debt guarantee |
| Nature of transaction | Completion guarantee |
| Transaction amount | ¥15,002 million |
| Item | — |
| Balance at end of year | — |

## 20. Per share information

Reconciliation of the differences between basic and diluted net assets per share and net income per share for the years ended March 31, 2011 and 2010, was as follows:

| | Yen | | U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Basic net assets per share | ¥474.59 | ¥452.91 | $5.72 |
| Basic net income per share | ¥ 43.11 | ¥ 18.08 | $0.52 |

### (a) Net assets per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Total net assets | ¥ 675,602 | ¥ 644,688 | $8,139,787 |
| Amount deducted from total net assets | 12,036 | 11,346 | 145,014 |
| *of which, minority interest* | *12,036* | *11,346* | *145,014* |
| Net assets allocated to capital stock | ¥ 663,566 | ¥ 633,343 | $7,994,772 |
| Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand) | 1,398,196 | 1,398,388 | 1,398,196 |

### (b) Net income per share

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Net income | ¥ 60,288 | ¥ 25,286 | $ 726,356 |
| Amount not allocated to capital stock | — | — | — |
| Net income allocated to capital stock | ¥ 60,288 | ¥ 25,286 | $ 726,356 |
| Weighted-average number of shares of capital stock (thousand) | 1,398,311 | 1,398,463 | 1,398,311 |

As the Company had no dilutive securities at March 31, 2011 and 2010, the Company does not disclose diluted net income per share for the years ended March 31, 2011 and 2010.

## 21. Borrowings

### (a) Bonds payable at March 31, 2011 and 2010, comprised the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Unsecured 1.90% Euro yen bonds due in 2013 | ¥ 5,000 | ¥ 5,000 | $ 60,241 |
| Unsecured 1.46% yen bonds due in 2019 | 20,000 | 20,000 | 240,964 |
| | ¥25,000 | ¥25,000 | $301,205 |

Notes 1) The current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.
2) In the case of floating interest rates, the rate at the end of March is shown.
3) The aggregate annual maturities of long-term debt after March 31, 2011, are as follows:

| Year ending March 31 | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| 2012 | ¥ — | $ — |
| 2013 | — | — |
| 2014 | 5,000 | 60,241 |
| 2015 | — | — |
| 2016 and thereafter | 20,000 | 240,964 |
| | ¥25,000 | $301,205 |

### (b) Loans payable at March 31, 2011 and 2010, are comprised of the following:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | 2011 | 2010 | 2011 |
| Short-term loans payable with interest rate 0.88% | ¥ 76,611 | ¥ 77,763 | $ 923,023 |
| Current portion of long-term loans payable with interest rate 1.10% | 32,278 | 16,199 | 388,892 |
| Current portion of lease obligations with interest rate 2.36% | 1,522 | 1,123 | 18,333 |
| Long-term loans payable (except portion due within one year) with interest rate 1.07% | 91,722 | 121,921 | 1,105,090 |
| Lease obligations (except portion due within one year) with interest rate 2.28% | 3,802 | 3,593 | 45,812 |
| Commercial paper with interest rate 0.20% (due within one year) | 23,000 | 19,000 | 277,108 |
| | ¥228,935 | ¥239,600 | $2,758,259 |

Notes 1) Interest rates shown are weighted average interest rates for the balance outstanding at the end of March.
2) The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2012, are as follows:

| | Long-term loans payable | | Lease obligations | |
|---|---|---|---|---|
| Year ending March 31 | Millions of yen | Thousands of U.S. dollars | Millions of yen | Thousands of U.S. dollars |
| 2013 | ¥29,805 | $ 359,092 | ¥1,556 | $ 18,747 |
| 2014 | 23,404 | 281,980 | 1,363 | 16,423 |
| 2015 | 7,444 | 89,686 | 658 | 7,924 |
| 2016 | 1,891 | 22,788 | 206 | 2,483 |
| 2017 and thereafter | 28,671 | 345,432 | 20 | 236 |

3) The timing of repayments for the loan payables from Japan Science and Technology Agency have yet to be determined as they begin after the development success is certified. Thus, the related aggregate annual maturities for these long-term loans payable after March 31, 2011 are not included in the above.

# Report of Independent Auditors

To the Board of Directors of Asahi Kasei Corporation

We have audited the accompanying consolidated balance sheet of Asahi Kasei Corporation ("the Company") and its subsidiaries as of March 31, 2011, and the related consolidated statements of income, comprehensive income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2011, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

July 26, 2011

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# Major Subsidiaries and Affiliates

As of April 1, 2011

| Company | Main products/business line | Paid-in capital (million) | | Equity interest (%) |
|---|---|---|---|---|
| **Chemicals Segment** | | | | |
| Asahi Kasei Chemicals Corp.* | Chemicals | ¥ | 3,000 | 100.0 |
| Asahi Kasei Pax Corp.* | Packaging products and solutions | ¥ | 490 | 100.0 |
| Asahi Kasei Home Products Corp.* | Cling film, other household products | ¥ | 250 | 100.0 |
| Asahi Kasei Metals Ltd. | Aluminum paste | ¥ | 250 | 100.0 |
| Asahi Kasei Finechem Co., Ltd.* | Specialty chemicals | ¥ | 325 | 100.0 |
| Asahi Kasei Geotechnologies Co., Ltd. | Sale of civil engineering materials | ¥ | 132 | 100.0 |
| Asahi SKB Co., Ltd. | Shotgun cartridges | ¥ | 100 | 100.0 |
| Asahi Kasei Clean Chemical Co., Ltd. | Water treatment equipment, environmental chemicals | ¥ | 100 | 100.0 |
| Asahi Kasei Technoplus Co., Ltd.* | Processing of plastic and fiber | ¥ | 160 | 99.4 |
| Japan Elastomer Co., Ltd.* | Synthetic rubber | ¥ | 1,000 | 75.0 |
| Sundic Inc. | Biaxially oriented polystyrene sheet | ¥ | 1,500 | 50.0 |
| Wacker Asahikasei Silicone Co., Ltd. | Silicone | ¥ | 1,050 | 50.0 |
| Okayama Chemical Co., Ltd. | Caustic soda, chlorine | ¥ | 1,000 | 50.0 |
| Kayaku Japan Co., Ltd. | Industrial explosives | ¥ | 60 | 50.0 |
| PS Japan Corp.* | Polystyrene | ¥ | 5,000 | 62.1 |
| Asahikasei Plastics (America) Inc.* | Compounded performance resin operations | US$ | 17.8** | 100.0 |
| Asahi Kasei Plastics North America, Inc.* | Coloring and compounding of performance resin | US$ | 21.7** | 100.0 |
| Sun Plastech Inc.* | Sale of purging compound | US$ | 1.0 | 100.0 |
| Tong Suh Petrochemical Corp., Ltd.* | Acrylonitrile, sodium cyanide | W | 50,642 | 100.0 |
| Asahi Kasei Chemicals Korea Co., Ltd. | Sale of adipic acid | W | 1,500 | 100.0 |
| Asahikasei Plastics (Shanghai) Co., Ltd. | Sale of performance resin | CNY | 18 | 100.0 |
| Asahikasei (Suzhou) Plastics Compound Co., Ltd. | Coloring and compounding of performance resin | CNY | 50 | 51.0 |
| Asahi-DuPont POM (Zhangjiagang) Co., Ltd. | Polyacetal | US$ | 32.0 | 50.0 |
| Asahi Kasei Performance Chemicals Corp.* | High-performance HDI-based polyisocyanate | CNY | 149 | 100.0 |
| Asahi Kasei Microza (Hangzhou) Co., Ltd.* | Industrial filtration membranes and systems | CNY | 49 | 100.0 |
| Asahi Kasei Plastics (Hong Kong) Co., Ltd. | Sale of performance resin | US$ | 2.6 | 100.0 |
| Asahi Kasei Plastics Singapore Pte. Ltd.* | Performance resin | US$ | 46.0 | 100.0 |
| Polyxylenol Singapore Pte. Ltd.* | PPE powder | US$ | 35.0 | 70.0 |
| Asahi Kasei Synthetic Rubber Singapore Pte. Ltd. | Synthetic rubber | US$ | 15.0 | 100.0 |
| PTT Asahi Chemical Co., Ltd. | Acrylonitrile, methyl methacrylate | B | 12,400 | 48.5 |
| Asahikasei Plastics (Thailand) Co., Ltd. | Coloring and compounding of performance resin | B | 140 | 100.0 |
| PT Nippisun Indonesia | Coloring and compounding of styrenic resin | US$ | 6.3 | 25.7 |
| Asahi Kasei Plastics Europe SA/NV* | Sale of compounded performance resin | € | 5.0 | 100.0 |
| **Homes Segment** | | | | |
| Asahi Kasei Homes Corp.* | Housing | ¥ | 3,250 | 100.0 |
| Asahi Kasei Jyuko Co., Ltd.* | Steel frames | ¥ | 2,820 | 100.0 |
| Asahi Kasei Mortgage Corp.* | Financial services | ¥ | 1,000 | 100.0 |
| Asahi Kasei Reform Co., Ltd.* | Home maintenance and remodeling | ¥ | 250 | 100.0 |
| Asahi Kasei Real Estate, Ltd.* | Home leasing, real estate brokerage | ¥ | 200 | 100.0 |
| Asahi Kasei Home Construction Corp.* | Construction of homes | ¥ | 100 | 100.0 |
| **Health Care Segment** | | | | |
| Asahi Kasei Pharma Corp.* | Pharmaceuticals | ¥ | 3,000 | 100.0 |
| Asahi Kasei Kuraray Medical Co., Ltd.* | Hemodialyzers, therapeutic apheresis devices | ¥ | 800 | 93.0 |
| Asahi Kasei Medical Co., Ltd.* | Medical devices, medical systems | ¥ | 200 | 100.0 |
| Med-Tech Inc.* | Medical devices | ¥ | 140 | 68.3 |
| Asahi Kasei Bioprocess, Inc.* | Bioprocess equipment and systems | US$ | 30.0 | 100.0 |
| Asahi Kasei Medical America Inc.* | Sale of medical devices, medical systems | US$ | 0.5 | 93.0 |
| Asahi Kasei Medical Trading (Korea) Co., Ltd.* | Sale of medical devices, medical systems | W | 1,000 | 100.0 |
| Asahi Kasei Medical (Hangzhou) Co., Ltd.* | Hemodialyzers; sale of medical devices | CNY | 163 | 93.0 |
| Asahi Kasei Medical Trading (Taiwan) Co. Ltd.* | Sale of medical devices, medical systems | NT$ | 5 | 100.0 |
| Asahi Kasei Medical Europe GmbH* | Sale of medical devices, medical systems | € | 0.2 | 93.0 |

* Consolidated subsidiary

** Including capital reserve

| Company | Main products/business line | Paid-in capital (million) | | Equity interest (%) |
|---|---|---|---|---|
| Asahi Kasei Medical Trading Ltd. Sti. | Sale of medical devices, medical systems | YTL | 5,000 | 100.0 |
| Asahi Kasei Bioprocess Europe SA/NV* | Sale of virus removal filters | € | 0.5 | 100.0 |
| Asahi Pharma Spain, SL | Pharmaceuticals | € | 0.1 | 100.0 |
| **Fibers Segment** | | | | |
| Asahi Kasei Fibers Corp.* | Fibers, textiles | ¥ | 3,000 | 100.0 |
| Kyokuyo Sangyo Co., Ltd.* | Processing of fibers and textiles | ¥ | 80 | 100.0 |
| DuPont-Asahi Flash Spun Products Co., Ltd. | Flash spun products | ¥ | 450 | 50.0 |
| Asahi Kasei Spandex America, Inc.* | Spandex | US$ | 32.3** | 100.0 |
| Hangzhou Asahikasei Spandex Co., Ltd.* | Spandex | CNY | 132 | 100.0 |
| Hangzhou Asahikasei Textiles Co., Ltd.* | Warp-knit spandex textiles | CNY | 78 | 82.5 |
| Formosa Asahi Spandex Co., Ltd. | Spandex | NT$ | 802 | 50.0 |
| Asahi Chemical (HK) Ltd.* | Promotion and marketing of fibers and textiles | HK$ | 65 | 100.0 |
| Thai Asahi Kasei Spandex Co., Ltd.* | Spandex | B | 1,350 | 60.0 |
| Asahi Kasei Spunbond (Thailand) Co., Ltd. | Spunbond nonwovens | B | 225 | 100.0 |
| Asahi Kasei Spandex Europe GmbH* | Spandex | € | 19.6** | 100.0 |
| Asahi Kasei Fibers Italy SRL* | Sale of cupro cellulosic fiber | € | 3.0 | 100.0 |
| Asahi Kasei Fibers Deutschland GmbH | Sale of artificial suede | € | 0.3 | 100.0 |
| **Electronics Segment** | | | | |
| Asahi Kasei Microdevices Corp.* | Electronic devices | ¥ | 3,000 | 100.0 |
| Asahi Kasei E-materials Corp.* | Electronic materials | ¥ | 3,000 | 100.0 |
| Asahi Kasei Epoxy Co., Ltd.* | Epoxy resin | ¥ | 300 | 100.0 |
| Asahi Kasei Microsystems Co., Ltd.* | LSIs | ¥ | 50 | 100.0 |
| Asahi-Schwebel Co., Ltd.* | Glass fabric | ¥ | 50 | 100.0 |
| Asahi Kasei Electronics Co., Ltd.* | Hall elements | ¥ | 50 | 100.0 |
| Asahi Kasei Power Devices Corp.* | Power management semiconductors | ¥ | 100 | 80.0 |
| AKM Semiconductor, Inc.* | Sale of LSIs | US$ | 2.9 | 100.0 |
| Asahi Kasei Microdevices Korea Corp. | Electronic devices marketing and technical support | W | 820 | 100.0 |
| Asahi Kasei E-materials Korea Inc. | Energy and electronic materials | W | 5,500 | 100.0 |
| Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.* | Dry film photoresist | CNY | 181 | 100.0 |
| Asahi Kasei Microdevices (Shanghai) Co., Ltd. | Electronic devices marketing and technical support | CNY | 14 | 100.0 |
| Asahi Kasei Microdevices Taiwan Corp. | Electronic devices marketing and technical support | NT$ | 10 | 100.0 |
| Asahi Kasei EMD Taiwan Corp. | Sale of pellicles | NT$ | 1.0 | 100.0 |
| Asahi Kasei Wah Lee Hi-Tech Corp.* | Dry film photoresist | NT$ | 49 | 80.6 |
| Asahi-Schwebel (Taiwan) Co., Ltd.* | Glass fabric | NT$ | 326 | 51.0 |
| Asahi Kasei Microdevices Europe SAS | Electronic devices marketing and technical support | € | 0.4 | 100.0 |
| Asahi Photoproducts (Europe) SA/NV* | Sale of photopolymer, printing-plate making systems | € | 3.4 | 100.0 |
| Asahi Photoproducts (UK) Ltd.* | Sale of photopolymer, printing-plate making systems | £ | 0.3 | 100.0 |
| **Construction Materials Segment** | | | | |
| Asahi Kasei Construction Materials Corp.* | Construction materials | ¥ | 3,000 | 100.0 |
| Asahi Kasei Foundation Systems Corp.* | Installation of piles | ¥ | 200 | 100.0 |
| Asahi Kasei Extech Corp.* | Exterior wall panel installation | ¥ | 50 | 100.0 |
| **Others (formerly Services, Engineering and Others segment)** | | | | |
| Asahi Research Center Co., Ltd.* | Information and analysis | ¥ | 1,000 | 100.0 |
| Asahi Finance Co., Ltd. | Investment, finance | ¥ | 800 | 100.0 |
| Asahi Kasei Engineering Corp.* | Plant, equipment, process engineering | ¥ | 400 | 100.0 |
| Asahi Kasei Trading Co., Ltd.* | Sale of Asahi Kasei products | ¥ | 98 | 100.0 |
| Sun Trading Co., Ltd.* | Sale of Asahi Kasei products | ¥ | 94 | 100.0 |
| Asahi Kasei Amidas Co., Ltd.* | Employment agency, consulting | ¥ | 80 | 100.0 |
| AJS Inc. | Computer software, IT systems | ¥ | 800 | 49.0 |
| Asahi Organic Chemicals Industry Co., Ltd. | Synthetic resin, fabricated plastic products | ¥ | 5,000 | 30.1 |
| Asahi Kasei America, Inc.* | Business support services | US$ | 0.1 | 100.0 |
| Asahi Kasei Business Management (Shanghai) Co., Ltd. | Business support services | US$ | 3.0 | 100.0 |

* Consolidated subsidiary
** Including capital reserve

# Corporate Profile

As of March 31, 2011

| | |
|---|---|
| **Company Name** | Asahi Kasei Corporation |
| **Date of Establishment** | May 21, 1931 |
| **Paid-in Capital** | ¥103,388,521,767 |
| **Employees** | 25,016 (consolidated) |
| | 810 (non-consolidated) |

### Asahi Kasei Group Offices

#### Asahi Kasei Corporation

**Tokyo Head Office**
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3000
Fax: +81-3-3296-3161

**Osaka Head Office**
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Osaka 530-8205 Japan
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Fax: +81-6-7636-3077

**Beijing Office**
Room 1407
New China Insurance Tower
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**Asahi Kasei Business Management (Shanghai) Co., Ltd.**
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Shanghai International Commerce Centre
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Fax: +86-21-6391-6686

**Asahi Kasei America, Inc.**
535 Madison Avenue, 33rd Floor
New York, NY 10022 USA
Phone: +1-212-371-9900
Fax: +1-212-371-9050

#### Core Operating Companies

**Asahi Kasei Chemicals**
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3200

**Asahi Kasei Homes**
1-24-1 Nishi-shinjuku, Shinjuku-ku
Tokyo 160-8345 Japan
Phone: +81-3-3344-7111

**Asahi Kasei Pharma**
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3600

**Asahi Kasei Kuraray Medical**
1-105 Kanda Jinbocho, Chiyoda-ku
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Phone: +81-3-3296-3750

**Asahi Kasei Medical**
1-105 Kanda Jinbocho, Chiyoda-ku
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Phone: +81-3-3296-3750

**Asahi Kasei Fibers**
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Osaka 530-8205 Japan
Phone: +81-6-7636-3500

**Asahi Kasei Microdevices**
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3911

**Asahi Kasei E-materials**
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3939

**Asahi Kasei Construction Materials**
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3500

# Investors Information

As of March 31, 2011

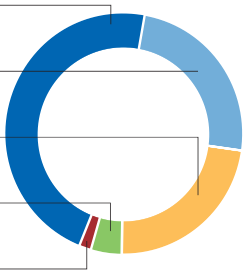
| | |
|---|---|
| **Stock Listings** | Tokyo, Osaka, Nagoya, Fukuoka, Sapporo |
| **Stock Code** | 3407 |
| **Authorized Shares** | 4,000,000,000 |
| **Outstanding Shares** | 1,402,616,332 |
| **Transfer Agent** | Sumitomo Trust & Banking Co., Ltd.<br>4-5-33 Kitahama, Chuo-ku<br>Osaka 541-8639 Japan |
| **Independent Auditors** | PricewaterhouseCoopers Aarata |
| **Number of Shareholders** | 116,237 |

| **Largest Shareholders** | % of equity* |
|---|---|
| Master Trust Bank of Japan, Ltd. (trust account) | 6.63 |
| Japan Trustee Services Bank, Ltd. (trust account) | 5.67 |
| Nippon Life Insurance Co. | 5.22 |
| Asahi Kasei Group Employee Stockholding Assn. | 3.25 |
| Sumitomo Mitsui Banking Corp. | 2.53 |
| Tokio Marine & Nichido Fire Insurance Co., Ltd. | 1.84 |
| SSBT OD05 Omnibus Account Treaty Clients | 1.77 |
| Japan Trustee Services Bank, Ltd. (trust account 9) | 1.56 |
| Mizuho Corporate Bank, Ltd. | 1.45 |
| Sumitomo Life Insurance Co. | 1.40 |

* Percentage of equity ownership after exclusion of treasury stock.

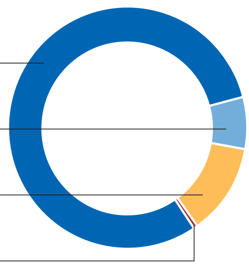
### Distribution by Type of Shareholder

| | |
|---|---|
| Japanese financial institutions | 46.86% |
| Foreign investors | 24.52% |
| Japanese individuals and groups | 22.79% |
| Other Japanese companies | 4.42% |
| Japanese securities companies | 1.41% |

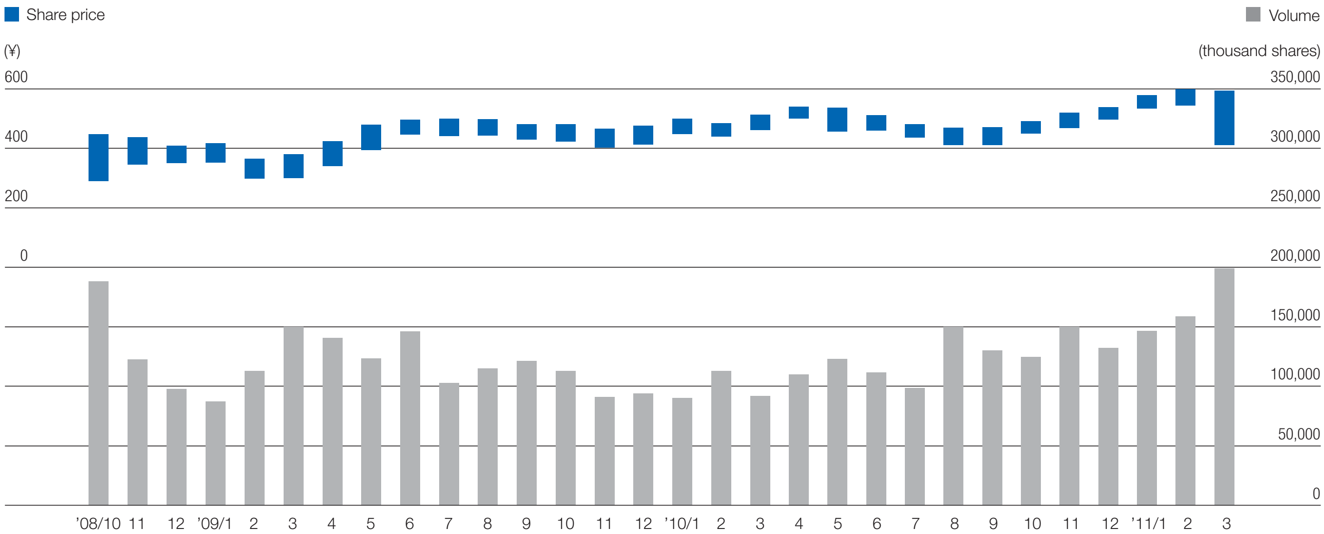


### Distribution by Number of Shares Held

| | |
|---|---|
| 100,000 or more | 80.38% |
| 10,000–99,999 | 6.96% |
| 1,000–9,999 | 12.33% |
| Less than 1,000 | 0.33% |



### Stock Chart

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