

**AsahiKASEI**

Asahi Kasei Report 2014

**Creating for Tomorrow**

**ASAHI KASEI CORPORATION**

Group  
Mission

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

Group  
Vision

**Providing new value to society by enabling “living in health and  
comfort” and “harmony with the natural environment.”**

Group  
Values

**Sincerity—Being sincere with everyone.  
Challenge—Boldly taking challenges, continuously seeking change.  
Creativity—Creating new value through unity and synergy.**

Group  
Slogan

**Creating for Tomorrow**

## Editorial policy

For greater ease of understanding among our stakeholders, beginning in fiscal 2014 we are integrating information regarding our business strategy and financial performance, which had been published in our *Annual Report*, with information regarding our CSR activities, which had been published in our *CSR Report*, in a single *Asahi Kasei Report*.

We hope that this report will help you gain a clear perception of the Asahi Kasei Group's efforts toward sustainability in society in addition to our management strategy, business conditions, and management configuration. We will continue to strive for clear and appropriate information disclosure that facilitates communication with our stakeholders.

## Period under review

The period under review is fiscal 2013 (April 2013 – March 2014). Some qualitative information pertaining to April to July 2014 has also been included.

## Organizational scope

The scope of the report is Asahi Kasei Corp. and its consolidated subsidiaries, except with respect to Responsible Care, in which case the scope is operations in Japan that implement Asahi Kasei Group's Responsible Care program.

Asahi Kasei has nine core operating companies, with seven operating segments in fiscal 2013 corresponding to our main fields of business and an "others" category for the remainder of operations. Unless otherwise specified, the titles and positions of corporate officers and other personnel as shown in this report are current as of September 2014.

## Guidelines consulted

The Global Reporting Initiative's Sustainability Reporting Guidelines 3.1, ISO 26000, and other guidelines were consulted during the preparation of this report.

### Disclaimer

The forecasts and estimates shown in this report are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcome.

## Contents

2	To our Stakeholders
3	Asahi Kasei Group Management and CSR
4	Feature 1
	<b>Challenge and Creativity to Produce Value for Society</b>
8	Consolidated Performance Indexes
9	<b>Interview with the President</b>
16	Enhanced Sector Management and Business Expansion through Combined Strength
17	At a Glance
18	Operating Segments
18	Chemicals
20	Fibers
22	Homes
24	Construction Materials
26	Electronics
28	Health Care
30	Critical Care
32	Research & Development
34	Feature 2: Roundtable discussion
	<b>Achieving Results through Synergy</b>
38	Respect for Employee Individuality
40	Responsible Care
48	Corporate Citizenship
50	Corporate Governance
54	Directors, Corporate Auditors, Executive Officers
55	Financial Section
56	Consolidated Eleven-Year Summary
58	Management's Discussion and Analysis
64	Risk Analysis
66	Consolidated Financial Statements
72	Notes to Consolidated Financial Statements
96	Major Subsidiaries and Affiliates
98	Company Information
99	Investors Information

## To Our Stakeholders



Thank you for reading the *Asahi Kasei Report 2014*. In accordance with our Group Mission of *contributing to life and living for people around the world*, and our Group Vision of enabling *living in health and comfort and harmony with the natural environment*, we continue to increase corporate value through our diverse business operations.

The Asahi Kasei Group is now executing "For Tomorrow 2015," a five-year strategic management initiative ending in fiscal 2015, to expand and grow in our four business sectors of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. In fiscal 2014 we enhanced our governance configuration to have a Representative Director of the holding company with responsibility for each of the business sectors. This not only enables swifter decision-making in each sector, but also facilitates deeper synergy among the sectors with a greater sense of unity in management. Under the new configuration, we are aiming for even greater earnings growth as we complete our current plans, while accelerating innovation and preparing our next steps beginning in fiscal 2016.

The Asahi Kasei Group is committed to contributing to the sustainability of society by creating new products and services that benefit life and living for people around the world, continuously increasing corporate value, and providing solutions to various environmental and social challenges. We

consider our business activities themselves to be the ultimate expression of our corporate social responsibility, which we advance through a two-pronged effort of CSR Fundamentals that support our operations and CSR in Action that is manifested through our operations. Beginning this year we integrated the description of our management strategy, business operations, and financial performance, which had been published in our *Annual Report*, with the description of our CSR activities, which had been published in our *CSR Report*, in a single *Asahi Kasei Report* for greater ease of understanding by our various stakeholders.

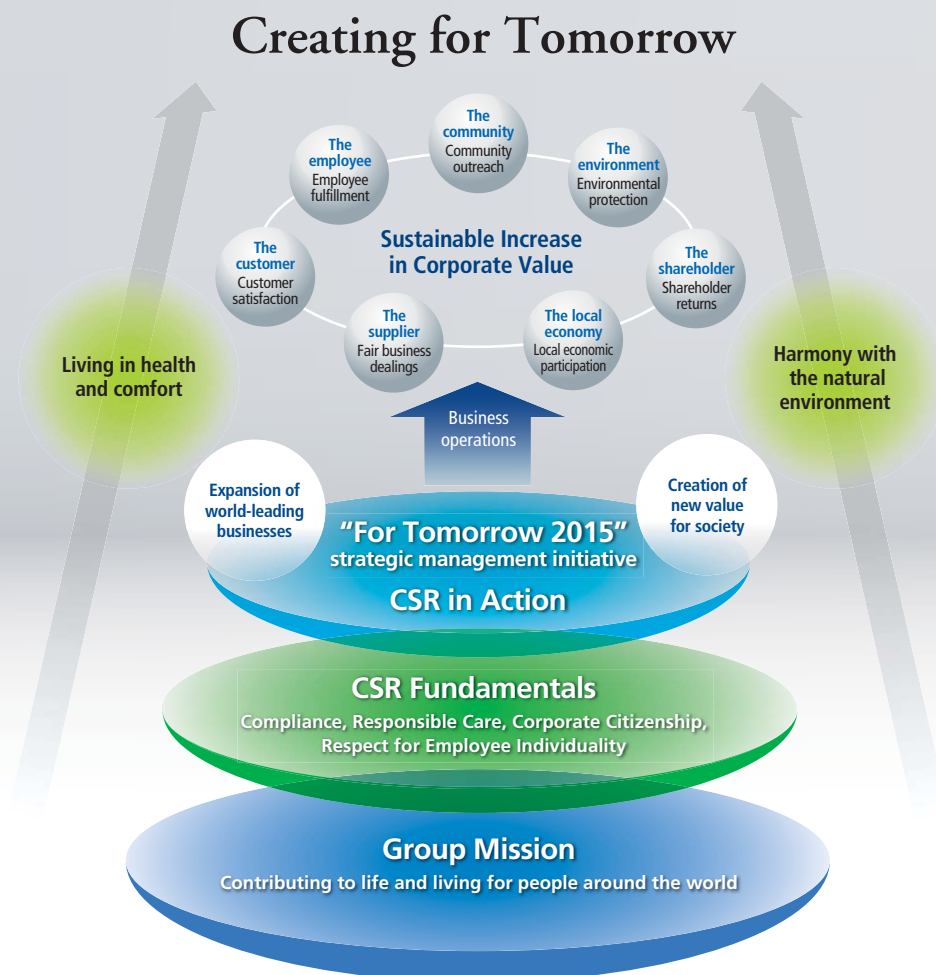
Although our operating climate continues to change dramatically, we will continue to grow by acting with sincerity, taking challenges, and creating new value with our Group Mission and Group Vision as our unchanging guide.

September 2014

**Toshio Asano**  
President

# Asahi Kasei Group Management and CSR

We believe that corporate social responsibility (CSR) is achieved by addressing a wide range of social challenges through the advancement of our diversified businesses based on our Group Mission of *contributing to life and living for people around the world*. Under our "For Tomorrow 2015" management initiative, we are now expanding operations that provide new value to society by enabling *living in health and comfort* and *harmony with the natural environment* in accordance with our Group Vision.



## CSR Fundamentals

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

## 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.

## Structure and organization for CSR

In April 2014, we simplified our structure by eliminating the CSR Council as the overarching organ for the committees under our CSR framework. Under the direct supervision of the holding company President, each committee now functions more efficiently and decisively. We also limited the framework to cross-organizational activities. Although the Market Compliance Committee and Export Control Committee have as a result been removed from the diagram at right, they continue to perform their functions in the ordinary course of duties at relevant organizations.



(as of July 1, 2014)

## Portfolio realignment meeting changing needs in every age

The Asahi Kasei Group has consistently grown through proactive transformation of its business portfolio to meet the evolving needs of every age. We have constantly provided products and services that form solutions to various environmental and social challenges. As society undergoes further changes, we will continue to contribute to life and living for people around the world by Creating for Tomorrow.



Shitagau Noguchi

### From 1922

Shitagau Noguchi, the founder of Asahi Kasei, succeeded in Japan's first industrial production of ammonia by chemical synthesis in Nobeoka, Miyazaki, in 1923 using technology licensed from Italy. The ammonia was used in the production of Bemberg™ regenerated cellulose fiber, part of a diverse range of business operations that included chemical fertilizer and viscose rayon. As industry modernized and the economy of Japan achieved self-sustainable growth, our operations made important contributions to the stability of people's lives.



Part of the ammonia plant completed in 1923 (Nobeoka, Miyazaki, Japan)



The Bemberg™ plant which started operation in 1931 (Nobeoka, Miyazaki, Japan)

### From 1950

In 1957 we began production of polystyrene, and in 1959 entered the synthetic fiber business. These were followed by the three new businesses of nylon fiber, synthetic rubber, and construction materials. In 1968 we began construction of a petrochemical complex in the Mizushima area of Kurashiki, Okayama, Japan, paving the way for our full-scale development of petrochemical operations. Our products during this period supported improvements in the quality of life during Japan's high-growth period.



Saran Wrap™ launched in Japan in 1960



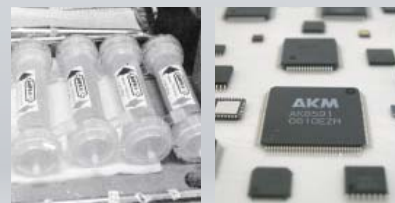
Naphtha cracker (Kurashiki, Okayama, Japan)

### From 1970

In 1972 we entered the homes business with the launch of the Hebel Haus™, and in 1974 we entered the medical device business with hollow-fiber membrane artificial kidneys. Our entry to the electronics business began with our launch of Hall elements (magnetic sensors) in 1980 and start of LSI manufacture in 1987. Our products continued to help make life more comfortable and convenient as society's needs diversified.

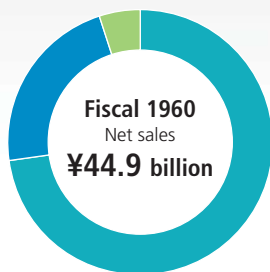
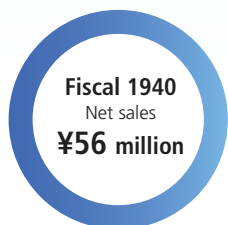


The first Hebel Haus™ (Kamata model home park)

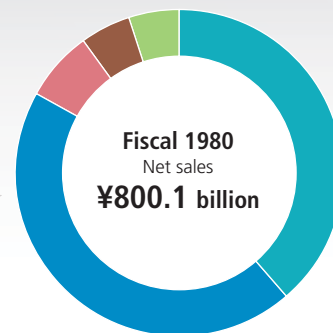


Hollow-fiber membrane artificial kidneys LSIs

### Portfolio transformation



Fibers Chemicals Foods



Fibers Chemicals Homes  
Construction Materials  
Foods and fermentation chemistry

### Backdrop in Japanese society and economy

#### Establishing the basis for modern life

- Development of chemical industry and modern agriculture
- Interbellum economic downturn and World War II

#### Sufficiency of daily necessities, improvement in quality of homes, development of public infrastructure

- Post-war recovery and modernization of industry
- Period of high economic growth

- Stable economic growth
- Economic bubble

## From 1990

In 1992 we acquired Toyo Jozo Co., Ltd. to reinforce pharmaceutical operations. From 1999, we executed a program to heighten selectivity and focus in operations, divesting our food business and closing some fiber businesses, achieving selective diversification. From 2000 onward, we also established many overseas operations, mainly in Asia, establishing the foundation for global management.



Pharmaceutical products after the Toyo Jozo merger



Asahi Kasei Electronics Materials (Suzhou) Co., Ltd., a major manufacturing base for photosensitive dry film

## From 2010

In 2011 we launched our "For Tomorrow 2015" management initiative focused on the two business strategies of expanding world-leading businesses and creating new value for society. In 2012 we entered the acute critical care business by acquiring ZOLL Medical Corporation. We continue to proactively expand and develop operations.

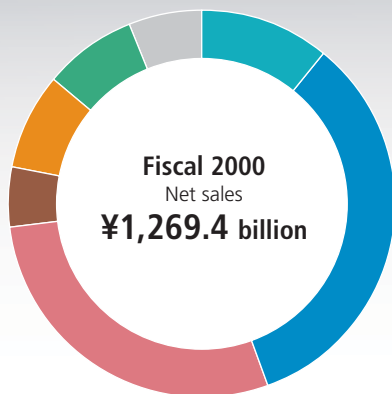


Propane-process acrylonitrile (AN) plant in Thailand

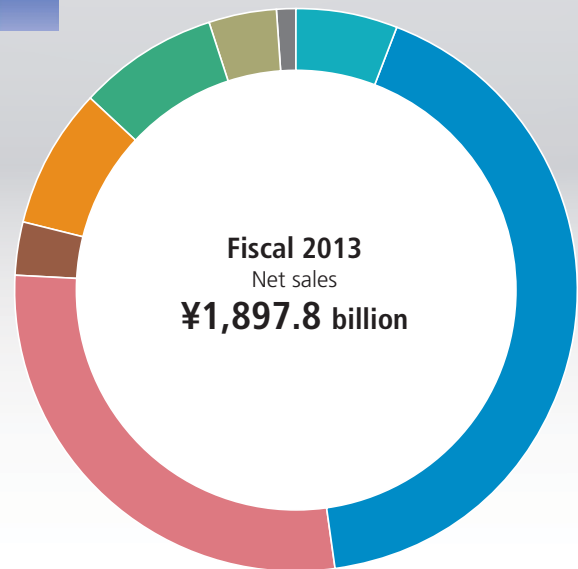


The LifeVest™ wearable defibrillator

**We are Creating for Tomorrow, providing new value to society by enabling living in health and comfort and harmony with the natural environment**



■ Fibers ■ Chemicals ■ Homes ■ Construction Materials  
■ Electronics ■ Health Care ■ Others



■ Fibers ■ Chemicals ■ Homes ■ Construction Materials  
■ Electronics ■ Health Care ■ Critical Care ■ Others

### Increased comfort and convenience

- Two decades of meager growth after collapse of bubble
- Effect of global economic crisis

### Heightened environmental consciousness

- Changing values after the Great East Japan Earthquake
- Emergence from period of slow economic growth

## Continuing to create solutions to social challenges

The Asahi Kasei Group continues to create new value for society by meeting needs in the three fields of the Environment & Energy, Residential Living, and Health Care.

### Providing value to society today

#### Environment & Energy

##### Social challenge

- Global warming
- Resources and energy

##### Asahi Kasei solution

- **Synthetic rubber**  
Solution-polymerized styrene-butadiene rubber (S-SBR) for tires that provide greater fuel efficiency while maintaining superior safety
- **Hipore™**  
Lithium-ion battery separator that contributed to the spread of cell phones and other mobile electronics
- **Neoma™**  
Phenolic foam insulation panels that provide the world's highest level of thermal insulation performance



S-SBR



Hipore™

#### Residential Living

- Declining birthrate and aging population
- Diversification of residential needs

- **Hebel Haus™**  
"Long Life Homes" that enable long-term comfort with superior resistance to earthquakes and fire
- **Two-generation and three-story homes**  
Various lifestyle proposals for comfort in urban living



Hebel Haus™

#### Health Care

- Meeting unmet medical needs
- Therapy for the elderly

- **Teribone™**  
Osteoporosis therapy that facilitates bone formation
- **LifeVest™**  
The world's first wearable defibrillator



Teribone™



LifeVest™



## Creating new value for tomorrow

Developing a variety of solutions to preserve resources and the environment, securing the energy we need for life and economic activity, reducing consumption, reducing CO<sub>2</sub> emissions, and diversifying energy sources

- **Ultraviolet light-emitting diodes (UV LEDs)** Development of UV LEDs that conserve energy and provide superior disinfection performance
- **Lithium ion capacitors (LICs)** Development of LICs that provide power storage with quick charging and discharging for higher efficiency
- **Phosphorus adsorbent** Development of a high-speed phosphorus adsorbent and phosphorus recovery systems that can help overcome water resource problems
- **Water electrolysis** Development of technology to extract pure hydrogen as a renewable source of energy



UV LED



LIC

Making new proposals for residential configurations and lifestyles that enable active living as the birthrate declines and the population ages, and lives become more diverse

- **Homes for seniors** Proposals that meet the residential needs of the senior generation
- **At-home therapy** Research on at-home dialysis systems, monitoring systems, etc.



HH2015 demonstration home for new business research

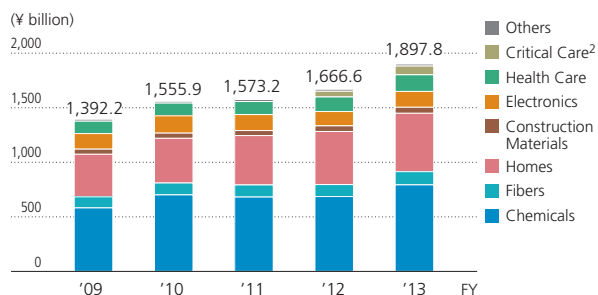
Contributing to greater health and comfort with products and services for advanced therapy as long-term needs for health care rise with increasing populations in developing countries and aging populations in developed countries

- **Electronic stethoscope system** Development of an electronic stethoscope system utilizing our speech recognition algorithm technology
- **Cell therapy and regenerative medicine** Development of equipment to culture and process cells, providing cells to hospitals for use in regenerative medicine

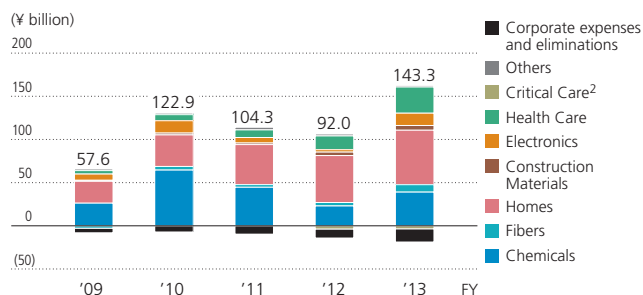
# Consolidated Performance Indexes

Asahi Kasei Corporation and consolidated subsidiaries

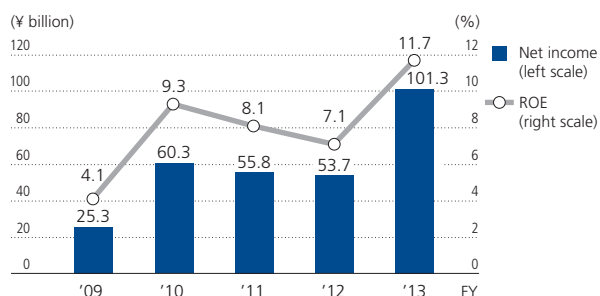
## Net sales<sup>1</sup>



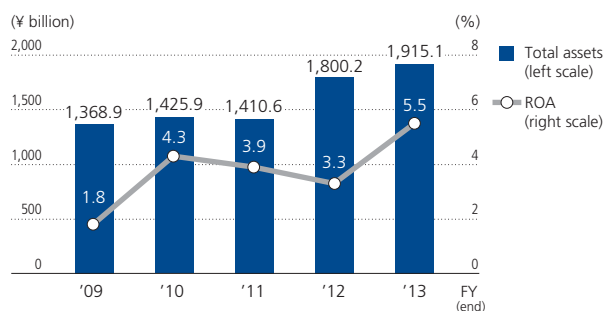
## Operating income



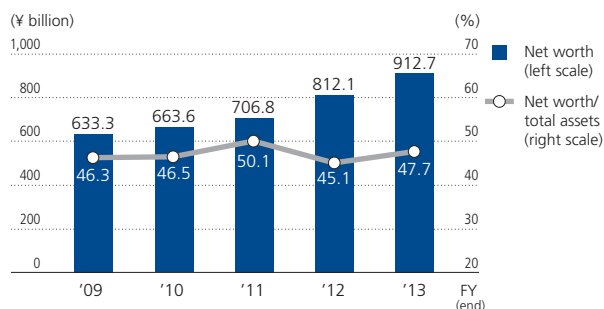
## Net income, ROE



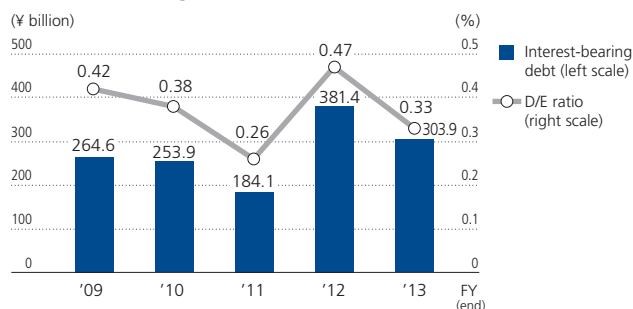
## Total assets, ROA



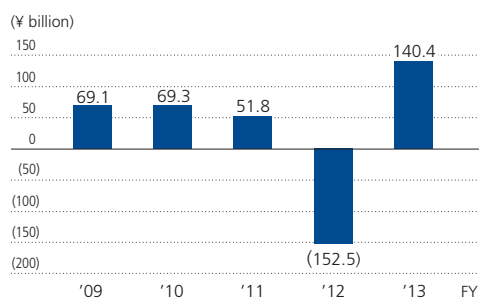
## Net worth<sup>3</sup>, net worth/total assets



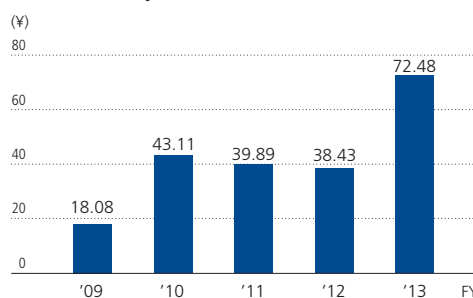
## Interest-bearing debt, D/E ratio



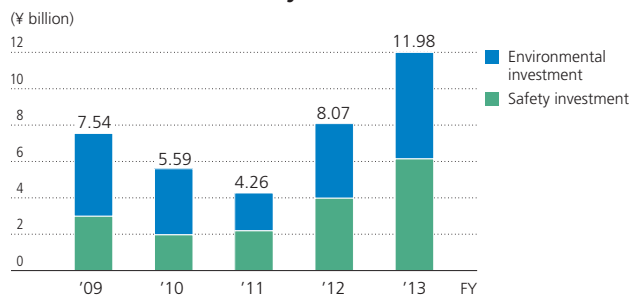
## Free cash flows



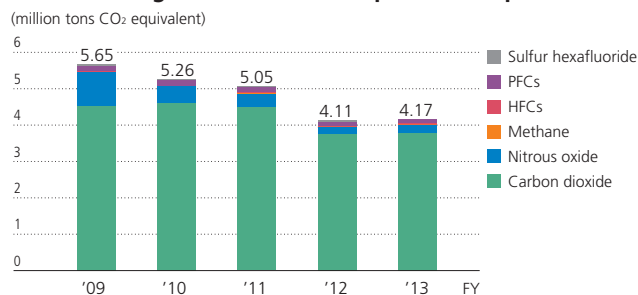
## Net income per share



## Environmental and safety investment



## Greenhouse gas emissions from production processes



1 Beginning with fiscal year 2011, the accounting policy for naphtha resale in the Chemicals segment was changed. This change is applied retroactively to net sales for fiscal 2009 and 2010.

2 The Critical Care segment, in which results of ZOLL Medical Corporation are reported, was added in fiscal 2012. Critical Care segment results were included beginning on April 27, 2012.

3 Net assets less minority interests.



**In fiscal 2013  
we achieved our best  
financial performance ever.  
We're aiming for further  
growth in fiscal 2014.**

By advancing the business strategy under our medium-term management initiative "For Tomorrow 2015," the Asahi Kasei Group achieved record-high consolidated results in fiscal 2013. Fiscal 2014 will be a year of further growth, as we reap the fruit of the strategic investments which we made during the past three years. We will continue to accelerate our growth strategy as we approach completion of our five-year plan.

Toshio Asano  
President

- 
- Q1. What kind of company would you like Asahi Kasei to be?**
  - Q2. How is your progress under "For Tomorrow 2015"?**
  - Q3. What is the status of your strategic investment?**
  - Q4. What is your strategy for Health Care?**
  - Q5. What was behind the change in your governance configuration?**
  - Q6. How do you view R&D?**
  - Q7. What is your policy on return to shareholders?**
- 

Brief Profile

March 1975	B.S., Pharmaceutical Sciences, University of Tokyo
April 1975	Joined Asahi Kasei
June 2001	General Manager, Institute for Life Science Research, Asahi Kasei Corp.
October 2003	Executive Officer, Asahi Kasei Pharma Corp.
April 2008	Director and Senior Executive Officer, Asahi Kasei Pharma Corp. (executive for R&D)
April 2010	President and Representative Director, Presidential Executive Officer, Asahi Kasei Pharma Corp.
April 2011	President and Representative Director, Presidential Executive Officer, Asahi Kasei Pharma Corp. Executive Officer, Asahi Kasei Corp.
April 2014	Presidential Executive Officer, Asahi Kasei Corp.
June 2014	President and Representative Director, Presidential Executive Officer, Asahi Kasei Corp.

**Q1****What kind of company would you like Asahi Kasei to be?****A1 I want us to be a company that contributes even more to life and living for people around the world through innovation.**

Our Group Vision is to provide new value to society by enabling *living in health and comfort* and *harmony with the natural environment* based on our Group Mission of *contributing to life and living for people around the world*. I believe we can achieve these objectives through innovation.

Consider each of our business sectors. In Chemicals & Fibers, the shale gas revolution is dramatically changing the feedstock supply chain that has been based on petroleum for the past century. In Homes & Construction Materials, while we have thus far supplied products that met the needs of society, demands are becoming increasingly diverse. In Electronics, although the rise of information technology has already brought remarkable changes, further technological advances promise to transform our lives even more. In Health Care, aging populations in developed countries and growing populations in developing countries will pose various challenges that

necessitate new solutions. Changes afoot in every one of these fields provide many opportunities for us to contribute to society through innovation.

Innovation does not only mean technological development; it but can also happen in other ways, such as marketing. Anything is possible when all of our personnel pull together as one. By combining the accumulated technology and information from different businesses together—both within the Asahi Kasei Group and with other companies—we can obtain many new synergies. This will spark innovation that contributes to the people of the world, which is our mission. I think this is how we will foster new businesses for the future of Asahi Kasei.



## A2 Our strategic initiative is progressing on track. We are aiming for further earnings growth in fiscal 2014 by reaping the fruit of the strategic investments made thus far.

Our “For Tomorrow 2015” management initiative is making good progress. As we approach the final year of the plan, we are advancing our business strategies to obtain our objectives.

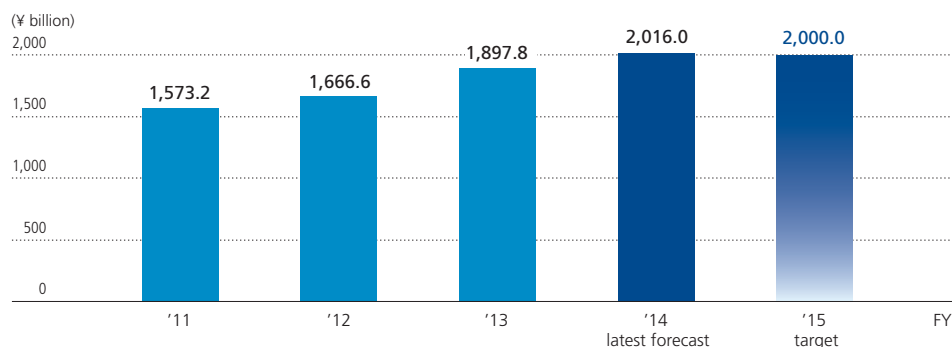
Under our first business strategy of expanding world-leading businesses, we started up several new facilities during 2012 and 2013. These included acrylonitrile (AN) plants in Thailand and Korea, a plant for solution-polymerized styrene-butadiene rubber (S-SBR) for fuel-efficient tires in Singapore, a spunbond plant in Thailand, and new lines for Hipore™ lithium-ion battery separators in Hyuga, Miyazaki, Japan. In June 2014 we started up a new production facility for Bemberg™ regenerated cellulose fiber in Nobeoka, Miyazaki, Japan. Full-fledged operation of these new facilities will enable expanded earnings in fiscal 2014.

Under our second business strategy of creating new value for society, we accelerated the expansion of established businesses and the creation of new

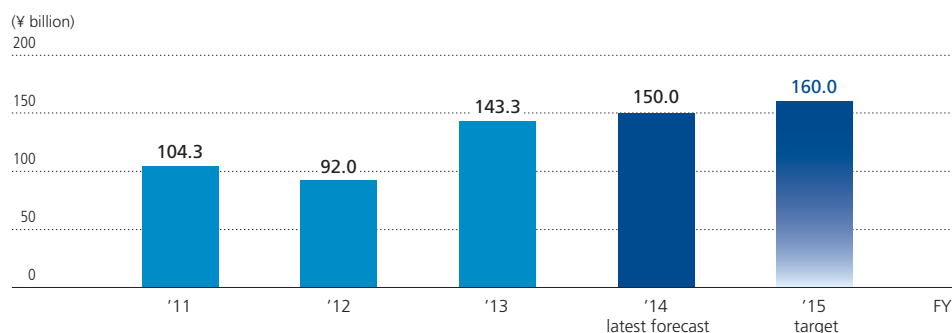
businesses. In the field of the environment and energy, we are advancing the development of lithium ion capacitors (LICs) at our joint venture with FDK Corp. We are also nearing the commercialization of ultraviolet light-emitting diodes (UV LEDs) based on aluminum nitride (AlN) substrates. We are now constructing a pilot line in Fuji, Shizuoka, Japan, and plan to begin product shipments in fiscal 2014.

In fiscal 2014 our homes business faces increased costs for materials and construction work, and our pharmaceuticals business will be impacted by reduced reimbursement prices and higher R&D expenses. Our chemicals business, on the other hand, will benefit from improved market prices and increased volume with the full operation of new plants. We are forecasting consolidated net sales of ¥2,016 billion and operating income of ¥150 billion, well on the path to our fiscal 2015 targets under “For Tomorrow 2015.”

### Net sales under “For Tomorrow 2015”



### Operating income under “For Tomorrow 2015”



# Q3

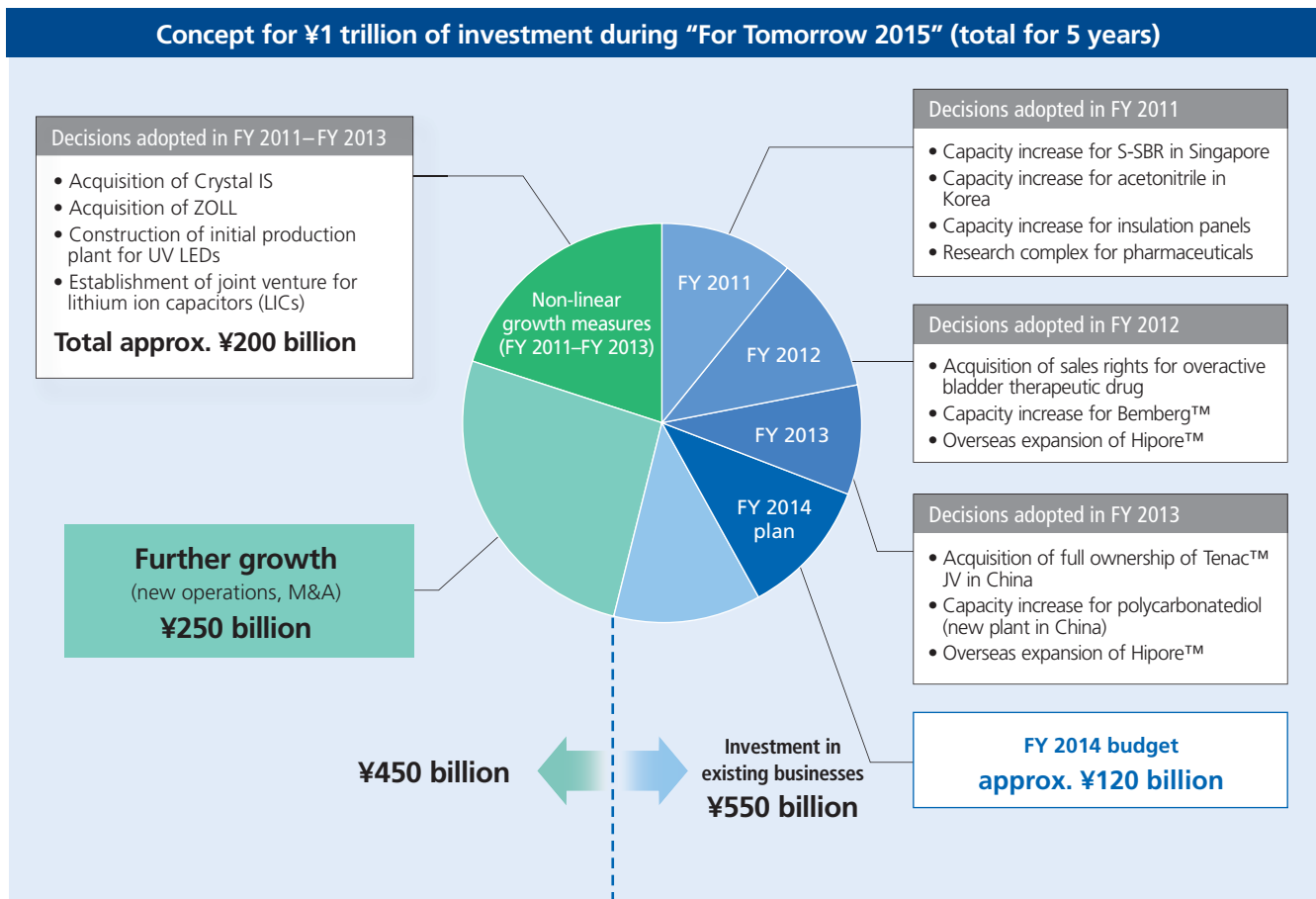
## What is the status of your strategic investment?

### A3 From fiscal 2014 onward, we will continue to make strategic investments for further growth.

Our plan provides for ¥1 trillion in strategic investment over the 5-year period of "For Tomorrow 2015." In addition to investments in established businesses, we made several investments in new operations and M&A in high-growth fields, including the acquisition of Crystal IS, Inc., a US venture developing UV LEDs, and the acquisition of ZOLL, a leading manufacturer of acute critical care devices. We still have ¥250 billion to invest in new operations and M&A through the end of fiscal 2015. Our appetite for further proactive

investment is undiminished. We are studying investment opportunities to heighten growth in all four of our business sectors.

#### Strategic investment for growth (decision-adopted basis)





## Q4

### What is your strategy for Health Care?

## A4 We will expand each business in this sector while pursuing synergies among them, growing Health Care into a third major pillar of operations alongside chemicals and homes.

We are strengthening Health Care as a growth engine which will form our third major pillar of operations alongside chemicals and homes.

In pharmaceuticals we are accelerating both post-marketing developments and new drug discovery. We will continue to expand business for the Teribone™ osteoporosis drug, and are now performing global clinical development of Recomodulin™ recombinant thrombomodulin in the US and some 20 other countries, advancing toward approval in overseas markets.

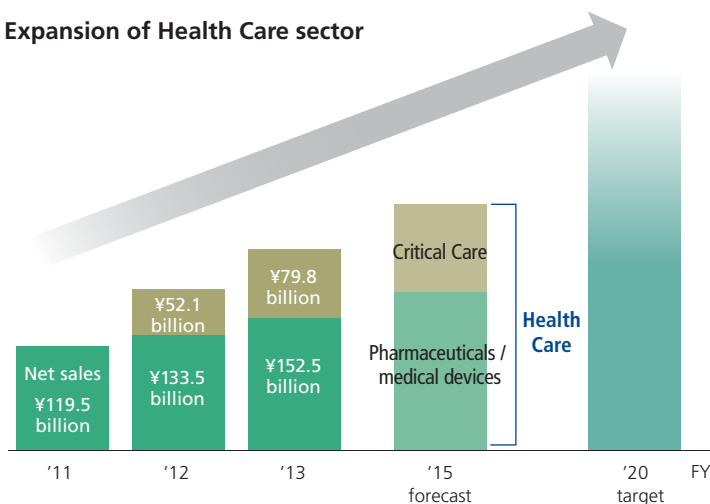
In blood-purification devices we are expanding worldwide by focusing on the specific needs of each country and region, and we are accelerating the expansion of our bioprocess business centered on Planova™ virus removal filters.

In acute critical care, we obtained approval in Japan for ZOLL's main products, including the high-growth LifeVest™ wearable defibrillator, Thermogard™ intravascular temperature management system, and X Series™ defibrillator for emergency medical services. The acute critical care business continues to grow steadily, and in fiscal 2014 we forecast positive consolidated operating income even after amortization of goodwill, etc., related to our acquisition of ZOLL.

Our Health Care Council, comprising representatives of Asahi Kasei Pharma, Asahi Kasei Medical, ZOLL, and the holding company, is sharing technology, know-how, and product information to identify new synergies within the Health Care sector.

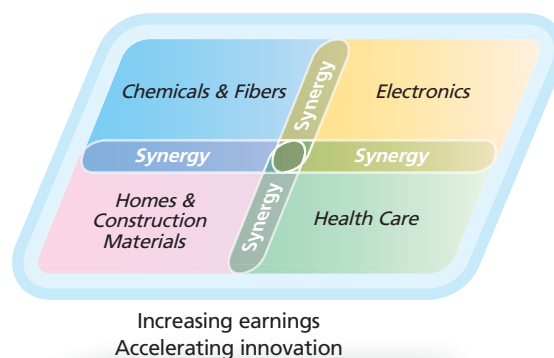
From a longer-term perspective, we are performing R&D at the holding company for cell therapy, medical IT, and related fields in our Healthcare R&D Center, part of Corporate Research & Development, and at-home therapy is being studied as part of our Residential Synergy Initiative.

Expansion of Health Care sector



**Q5****What was behind the change in your governance configuration?****A5 Having a Representative Director responsible for each of our business sectors will enable swifter, more closely coordinated management.**

In fiscal 2014 we adopted an enhanced governance configuration having a holding company Representative Director with responsibility for each of our four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. Management decisions that concern the Asahi Kasei Group overall and other important strategic matters are now determined through discussion among the four Representative Directors, each of whom is an experienced specialist in their respective business sectors. The new configuration enables greater speed and agility by drawing on our collective expertise, and also facilitates deeper synergy among the different sectors with a stronger sense of unity in the Asahi Kasei Group.

**Enhanced governance configuration****Q6****How do you view R&D?****A6 While emphasizing R&D in the core operating companies, we reorganized the holding company R&D configuration to accelerate commercialization and advance longer-term projects.**

The most important R&D is that which directly connects to the businesses of the core operating companies. This includes not only short-term efforts focused on quick results, but also ongoing efforts to develop new products and technology for the future.

When we launched the "For Tomorrow 2015" management initiative, we established "For Tomorrow" projects to create new businesses that extend across different business units in the three strategic fields of the environment & energy, residential living, and health care.

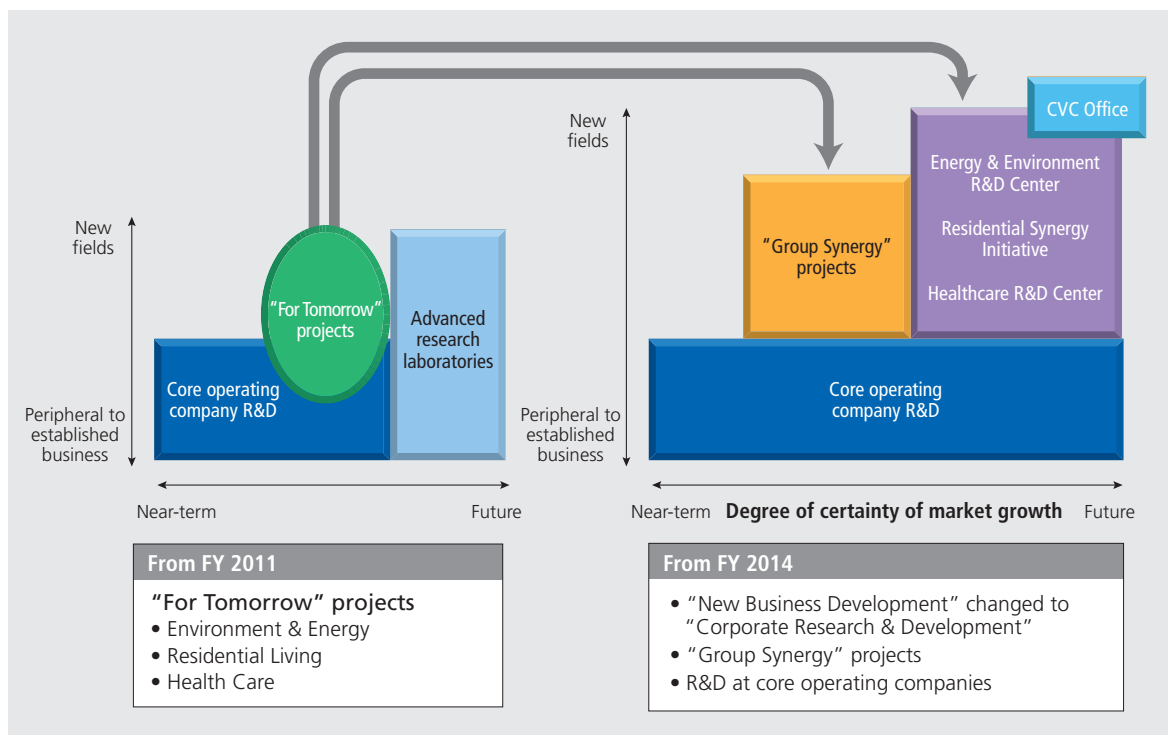
After three years of progress, the "For Tomorrow" projects were replaced by "Group Synergy" projects in fiscal 2014. Research subjects were divided between longer-term efforts at the holding company and

efforts to be commercialized by core operating companies.

R&D for UV LEDs and LICs are advanced as "Group Synergy" projects, and an Energy & Environment R&D Center, Residential Synergy Initiative, and Healthcare R&D Center were established within Corporate Research & Development to carry out exploratory and basic research from a medium- to long-term perspective.



## Reorganized R&D configuration



# Q7

## What is your policy on return to shareholders?

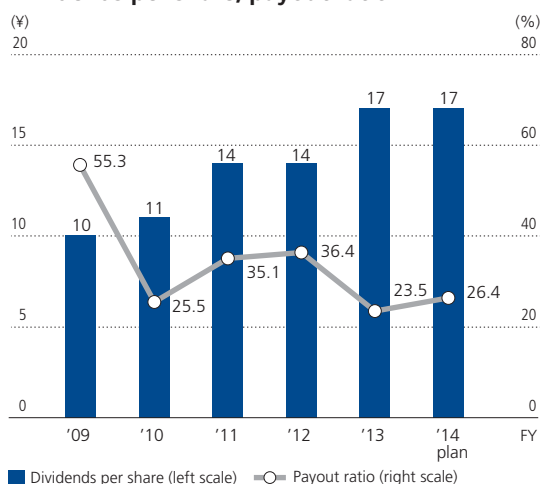
### A7 We strive to continuously increase dividends through continuous earnings growth, with a payout ratio of 30% as our basic standard.

Our basic policy is to strive to continuously increase dividends with a payout ratio of 30% as our basic standard, through continuous earnings growth while maintaining an appropriate cash reserve based on consolidated financial results. Our cash reserve will be used as a source of funds required to achieve future earnings growth by expanding operations, both through investments in established businesses and through strategic investments, including M&A, and new business development expenditures in the environment & energy, residential living, and health care as fields of strategic focus.

In accordance with this policy and considering our recording of extraordinary income, the annual dividend for fiscal 2013 was increased by ¥3 per share from the previous year to ¥17 per share. We plan to maintain this dividend for fiscal 2014 reflecting forecasted consolidated financial results. We will continue to strive for greater corporate value by

executing our "For Tomorrow 2015" strategy, providing appropriate returns to our shareholders.

#### Dividends per share, payout ratio



# Enhanced Sector Management and Business Expansion through Combined Strength

The Asahi Kasei Group operates in the four business sectors of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care under the organization of a holding company and core operating companies. In fiscal 2014 we enhanced our governance configuration by installing four holding company Representative Directors, each with responsibility for one of the business sectors, facilitating swifter management judgment and advancement of business strategy, with deeper coordination to achieve greater synergy among the business sectors.



## Hideki Kobori

Representative Director  
Primary Executive Officer  
Responsibility for Electronics  
business sector

## Masahito Hirai

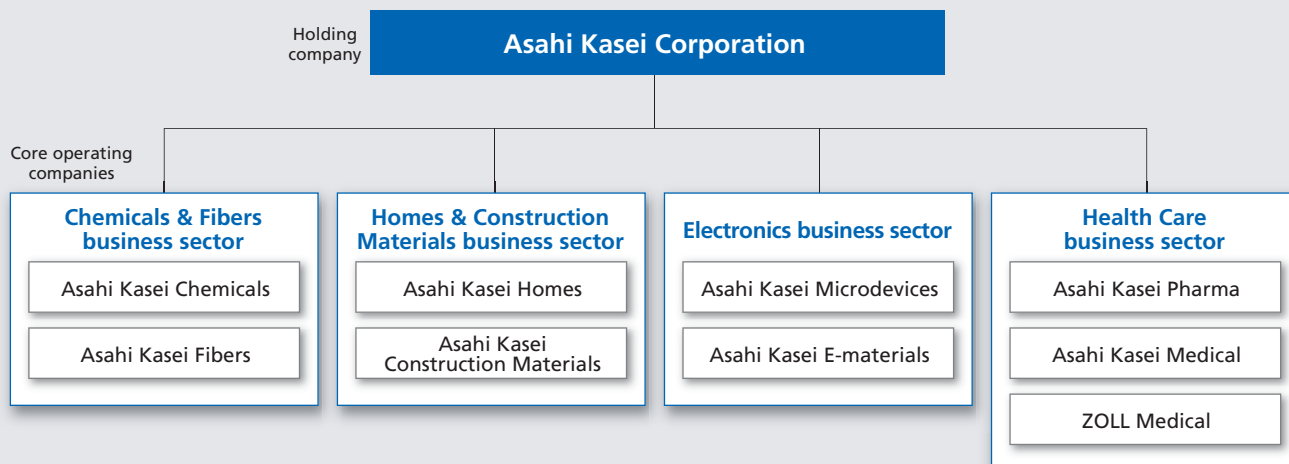
Representative Director  
Vice-Presidential Executive Officer  
Responsibility for Homes &  
Construction Materials business sector

## Toshio Asano

President & Representative Director  
Presidential Executive Officer  
Responsibility for Health Care  
business sector

## Yuji Kobayashi

Representative Director  
Primary Executive Officer  
Responsibility for Chemicals &  
Fibers business sector



# At a Glance

Segment<sup>1</sup>

Fiscal 2013 sales composition,  
operating income composition<sup>2</sup>

Net sales

Operating income, operating margin



1 Please refer to pp. 59–61 for information on performance by segment.

2 Not including corporate expenses and eliminations.

3 The Critical Care segment, in which results of ZOLL Medical Corporation are reported, was added in fiscal 2012. Critical Care segment results were included beginning on April 27, 2012.

# Chemicals



**Yuji Kobayashi**  
President,  
Asahi Kasei Chemicals

We are pursuing global growth opportunities and realigning our operating portfolio in line with the changing management climate, with a focus on enabling “living in health and comfort” and “harmony with the natural environment” through the creation of new businesses and new technologies.

## Major businesses/products

### Chemicals and derivative products

Nitric acid, caustic soda, acrylonitrile (AN), styrene, adipic acid, methyl methacrylate (MMA), 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, Frosch™ detergent, plastic film, sheet, and foam

## Financial Highlights

(¥ billion)

Fiscal year	2011	2012	2013
Net sales	680.1	684.6	<b>791.6</b>
Overseas sales ratio	41.3%	42.4%	<b>44.8%</b>
Operating income	44.5	22.9	<b>38.9</b>
Operating margin	6.5%	3.3%	<b>4.9%</b>
R&D expenditure	16.2	15.9	<b>15.2</b>
R&D expenditure as % of net sales	2.4%	2.3%	<b>1.9%</b>
Capital expenditure	39.1	47.3	<b>30.8</b>
Depreciation and amortization	29.6	30.0	<b>31.1</b>

## Major Projects under Construction

- Capacity expansion for S-SBR in Singapore
- Capacity expansion for Duranate™ HDI-based polyisocyanate in China
- New polycarbonatediol (PCD) plant in China

## “For Tomorrow 2015” Strategies

Through flexible investment of management resources, we are building a business portfolio that will meet society’s future needs.

### 1. Aiming for leading position in globally competitive businesses

- AN: Securing stable earnings with an optimum production configuration based on the competitiveness of each plant and demand in each region
- S-SBR: Proactive capacity expansion to meet strong demand growth in the fuel-efficient tire market

### 2. Business expansion in growing markets, particularly in Asia

- Performance plastics: Expanding established position in Asian markets through enhanced application development capability and global production infrastructure
- Water treatment/membrane business: Further reinforcing membrane business, expanding operations in China
- Duranate™ HDI-based polyisocyanate: Expanding business in the rapidly growing Chinese market
- Health care materials: Major expansion of Ceolus™ microcrystalline cellulose in emerging markets, reinforcement of acetonitrile supply infrastructure

### 3. Creation of new businesses and business fields as next strategic pillars

- Establishment and expansion of new businesses in promising markets

### 4. Optimization of petrochemical operations in Japan for stable profitability



### Synthetic rubber for fuel-efficient tires (S-SBR)

S-SBR is enjoying rapid demand growth as a material for fuel-efficient tires. Leveraging our continuous polymerization process and technology to enable both safety and lower fuel consumption, we will capture global demand growth by proactively expanding production capacity in Singapore and other overseas locations.



Electrolysis plant

### Ion-exchange membranes and electrolysis systems

Asahi Kasei is the world's only manufacturer of both ion-exchange membranes and electrolysis systems, which are used to produce caustic soda and chlorine by electrolyzing brine. With advantages over the conventional process including lower energy consumption and elimination of the need to use harmful mercury, our world-leading membrane-process technology has been adopted at over 120 plants in 24 countries around the world.



### Saran Wrap™ cling film

Originally used to protect ammunition from moisture, polyvinylidene chloride film was reborn in the mid-20th century as Saran Wrap™ cling film for wrapping food at home. It features outstanding barrier performance, moisture retention, and transparency. A new box design was launched in Japan in June 2014.

## Highlights

### Opening ceremony for new S-SBR plant in Singapore

An opening ceremony for a new S-SBR plant in Singapore was held in July 2013. Especially in Asia, demand for S-SBR for fuel-efficient tires is expected to grow rapidly with tightening environmental regulations and increasing production of tires in line with greater motorization in emerging countries. To meet further growth, a second line at the new plant is currently under construction with start-up scheduled for the first half of 2015, and the addition of other overseas plants is also being studied.



S-SBR plant in Singapore

### Opening ceremony for new acetonitrile plant in Korea

An opening ceremony for a new acetonitrile plant at Korean subsidiary Tongsoh Petrochemical was held in March 2014. Acetonitrile is mainly used as a solvent in the manufacture of active pharmaceutical ingredients and pharmaceutical intermediates, with other notable uses including as an analytical reagent and in the field of agrichemicals. The start-up of the new plant provides Asahi Kasei Chemicals with a second production base for acetonitrile in addition to its plant in Kawasaki, Kanagawa, Japan, enhancing its ability to assure reliable supply as Asia's leading supplier, and enabling it to meet growing demand for acetonitrile in line with the expanding pharmaceutical industry in India and other countries.

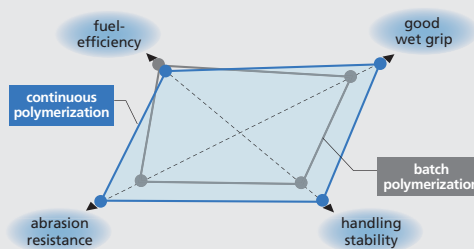


The opening ceremony



### S-SBR (synthetic rubber for fuel-efficient tires)

- Material for tread of fuel-efficient tires
- Manufacturing value-added products with advanced performance through continuous polymerization process utilizing unique technology
- Expanding overseas to meet growing demand due to labeling requirements



Four essential characteristics of fuel-efficient tires

# Fibers



Toshio Takanashi  
President,  
Asahi Kasei Fibers

Together with our customers, we are contributing to life and living for people around the world by securing the presence of our unique technologies and high-performance products with growth potential in world-leading fields.

## Major businesses/products

Bemberg™ cupro fiber,  
Roica™ elastic polyurethane filament,  
Eltas™ spunbond,  
Lamous™ artificial suede, and other nonwovens,  
Leona™ nylon 66 filament

## Financial Highlights

(¥ billion)

Fiscal year	2011	2012	2013
Net sales	110.8	109.6	120.9
Overseas sales ratio	31.9%	35.2%	39.9%
Operating income	3.1	4.0	8.6
Operating margin	2.8%	3.6%	7.1%
R&D expenditure	2.8	2.8	3.1
R&D expenditure as % of net sales	2.6%	2.6%	2.6%
Capital expenditure	5.7	6.8	8.0
Depreciation and amortization	6.4	6.1	5.9

## Major Projects under Construction

- Capacity expansion for Bemberg™ cupro fiber in Nobeoka, Miyazaki, Japan (commercial operation started in June 2014)

## "For Tomorrow 2015" Strategies

Enhancing the stable profit base in our unique established businesses with expansion and growth in world-leading fields, in accordance with the two perspectives of "harmony with the natural environment" and "living in health and comfort."

Creating new businesses and markets by enhancing basic and applied technologies with technology collaboration both inside and outside the company.

### 1. Bemberg™ cupro fiber

- Expansion in global markets for functional apparel, traditional garments, and especially in Europe and China, linings and outerwear
- Production processes innovation

### 2. Roica™ elastic polyurethane filament

- Establishment of the world-leading brand in fields where we have superiority in quality and function, in collaboration with customers
- Securing a presence in growing Asian markets and globally, with the plant in Thailand as a key manufacturing base

### 3. Nonwovens

- Spunbond: Earnings growth in Asia with polypropylene spunbond for hygienic products produced at a new plant in Thailand, expansion of original differentiated products such as Precisé™
- Bemliese™ cupro cellulosic nonwoven: Expansion in facial masks, securing stable earnings in the IT and medical fields in Asia
- Lamous™ artificial suede: Steady expansion in Japanese, European, and US markets for automotive interior applications, development of new applications in industrial fields
- Eutec™ oil-water separation filter: Establishing niche market leadership in oil-water separation, expansion in fields peripheral to microfiltration

### 4. Leona™ nylon 66 filament

- Expansion in air-bag applications
- Stable earnings in tire cord applications



An Indian sari made with Bemberg™

### Bemberg™ cupro fiber

Bemberg™ is a regenerated cellulose fiber made from cotton linter, the short fibers on cotton seeds. The world's only manufacturer, we have been producing Bemberg™ for over 80 years. Featuring a silk-like smooth feel and attractive luster, it is used in applications ranging from high-quality suit linings to outerwear, innerwear, sportswear, and beddings. The use of Bemberg™ for traditional garments is growing in India and Pakistan.



### Nonwovens

We have wide range of highly functional nonwoven products made with advanced and innovative production technology. Demand for Eltas™ spunbond is rising in diapers and other hygienic product applications, most notably in Asia. Precisé™ is a multifunctional nonwoven fabric with high barrier efficiency used in electronic applications. Bemliese™ is the world's only 100% cellulose continuous-filament nonwoven. Lamous™ artificial suede is used for upholstery and automotive interiors.

## Highlights

### Expansion of spunbond business in Thailand

An opening ceremony for a new spunbond plant in Thailand was held in February 2013. To meet growing demand in the field of hygienic products such as disposable diapers in Asian countries, in May 2014 we made a decision to expand the new plant. A second production line is scheduled to begin commercial operation in November 2015. This will further expand our presence in Asian markets with swift response to customer needs and stable supply to hygienic product manufacturers from Japan and other countries that are expanding operations in Asia.



The opening ceremony

### Completion of new production facility for Bemberg™

The construction of a new production facility for Bemberg™ cupro fiber in Nobeoka, Miyazaki, Japan, was completed and commercial operation began in June 2014, increasing production capacity by approximately 10%. Bemberg™ is increasingly used for functional innerwear and Indian traditional garments, and demand is forecasted to continue growing especially in emerging countries. We will continue to expand production capacity and enhance the production infrastructure in order to strengthen the Bemberg™ supply configuration in line with additional growth in the global market.



The new production facility



### Bemberg™ cupro fiber

Bemberg™ is regenerated cellulose fiber made from cotton linter. Being naturally biodegradable, it is harmless to the environment. With a soft and smooth feel, its function of absorbing and releasing moisture provides year-around comfort, feeling cool to wear in warm weather and warm to wear in cool weather.



Cotton linter

# Homes

## ■ Financial Highlights

(¥ billion)

Fiscal year	2011	2012	2013
Net sales	452.0	486.2	534.4
Overseas sales ratio	—	—	—
Operating income	46.3	54.3	63.0
Operating margin	10.3%	11.2%	11.8%
R&D expenditure	2.1	2.2	2.2
R&D expenditure as % of net sales	0.5%	0.5%	0.4%
Capital expenditure	6.3	9.5	8.7
Depreciation and amortization	4.8	5.3	5.9



Eisuke Ikeda  
President,  
Asahi Kasei Homes

We are focused on expansion by securing a high market share in urban areas with products that provide security and comfort. Housing-related operations will be developed as a unique array of businesses that build and leverage new strengths in residential-related services.

### Major businesses/products

#### Order-built homes operations (unit homes and apartment buildings)

Hebel Haus™ unit homes, Hebel Maison™ apartments

#### Real estate-related operations

Management of Hebel Maison™ rental units, Atlas™ condominiums, Hebel Town™ housing developments, brokerage of used Hebel Haus™ homes

#### Remodeling

Exterior wall refurbishing, reroofing, redesign, interior renovation, solar panel installation

#### Financial and other services

Mortgage financing, etc.

## “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 to 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.

### 1. Order-built homes (houses and apartment buildings)

- Establishment of the leading brand for urban homes with new residential lifestyle proposals that meet emerging social needs
- Promotion of community-specific proposals to increase market share, and reinforcing marketing capabilities in selected urban areas of Japan
- Expansion of multi-dwelling homes business

### 2. Real estate

- Reinforcing condominium business based on obtaining accord among owners regarding exchange of equivalent value and the rebuilding of older condominiums
- Maximizing utilization of land value through brokerage-related operations
- Heightening capability to secure tenants for rental units

### 3. Expansion of housing-related operations

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





Hebel Haus™



Hebel Maison™



### Atlas™ condominiums

Our residential development business is centered on Atlas™ series condominium buildings, with a focus on exchange of equivalent value and replacing older housing complexes in urban areas with new condominiums together with comprehensive plans for urban renewal. The exceptional negotiating skills we have accumulated through experience in the order-built homes business has proved to be effective as we advance the process of consensus-building and planning, providing full support for customers from the first step of consideration through final completion.

### Hebel Haus™, Hebel Maison™

Our "Long Life Homes" provide long-lasting safety, security, and comfort for over 60 years, through a combination of Hebel™ autoclaved aerated concrete (AAC) panels with our original steel-frame structural systems. We offer order-built homes featuring outstanding strength and durability which can withstand earthquake, fire, and typhoon.

## Highlights

### Hebel Haus™ FREX RESIDENCE

The Hebel Haus™ FREX RESIDENCE series of two-story houses was launched in May 2013. Built with a heavy steel-frame structural system previously employed in three- and four-story houses, FREX RESIDENCE features added flexibility in designing broad open spaces. With its massive horizontal line formed of Hebel™ AAC panels, elegant flat roof, and protruding canopy, it presents a truly stately appearance.

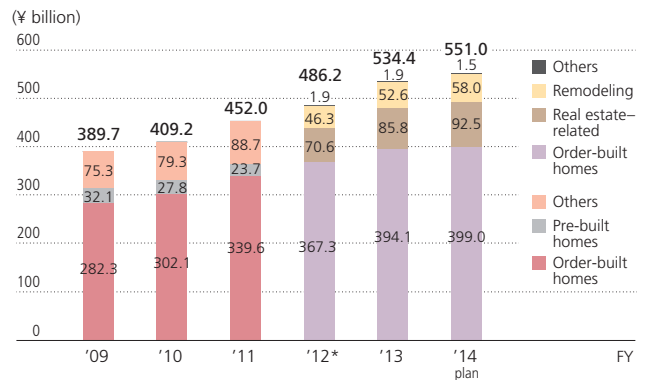


### NEXT Hebel Haus™

NEXT Hebel Haus™ series was launched in November 2013. It features an original steel-frame structural system with added reinforcement which enables an intermediate floor to be placed between the first and second floors. The intermediate floor is 80 cm lower than the second floor, providing added flexibility in design and high-level utilization of land area.

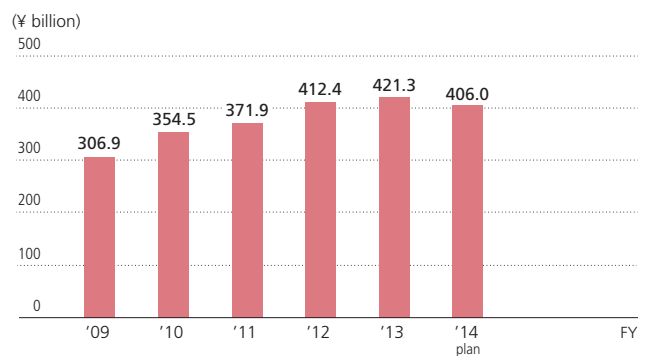


## Net Sales (Asahi Kasei Homes consolidated)



\* Product categories are revised from FY 2012. A portion of sales previously included in pre-built homes is now included in order-built homes. Otherwise, sales in the previous pre-built homes category are now included in real estate-related.

## Orders Received



### "Long Life Homes"

Featuring long-term durability for lasting comfort, Hebel Haus™ unit homes provide exceptional security even in the event of a disaster. Backed by a full range of after-sale services including an original 60-year maintenance and inspection system, Hebel Haus™ homes enable long-lasting comfort, satisfaction and asset value retention.

# Construction Materials

## ■ Financial Highlights

(¥ billion)

Fiscal year	2011	2012	2013
Net sales	46.1	51.5	55.0
Overseas sales ratio	—	—	—
Operating income	1.8	4.0	5.5
Operating margin	4.0%	7.8%	10.0%
R&D expenditure	1.1	1.0	0.9
R&D expenditure as % of net sales	2.4%	1.9%	1.6%
Capital expenditure	1.6	2.2	6.4
Depreciation and amortization	2.4	2.3	2.2



**Tomihiro Maeda**  
President,  
Asahi Kasei  
Construction Materials

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

## “For Tomorrow 2015” Strategies

### Pursuing business expansion in fields of competitive superiority while transforming the business to be more solution oriented.

We are focusing management resources 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. We are also advancing a transformation of business to achieve a shift from simply selling products to a more solution-oriented configuration encompassing peripheral fields and including systems and combination products based on the customer's perspective.

#### 1. AAC-related

Enhancing cost competitiveness with measures to gain further efficiency and maintain stable profitability. Strengthening business for Hebel Powerboard™ AAC panels for wood-frame houses by extending peripheral operations, including with broader lineup of specialty coatings for greater durability and longer service life. Leveraging our superior technology to strengthen the exterior renovation business targeting the extensive number of houses built with our AAC panels.

#### 2. 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.

#### 3. Foundation systems

Expanding business by further development of fields that make the most of our product features, including mobile phone masts, transportation infrastructure, and seismic retrofitting, centered on competitive Eazet™ and ATT Column™ small-diameter steel-pipe piling systems.

#### 4. Structural materials

Increasing sales of BasePack™ column base attachment systems by raising awareness of its superior earthquake resistance. Expanding the overall structural materials business by reinforcing the product lineup with both new products and new variations of current products.

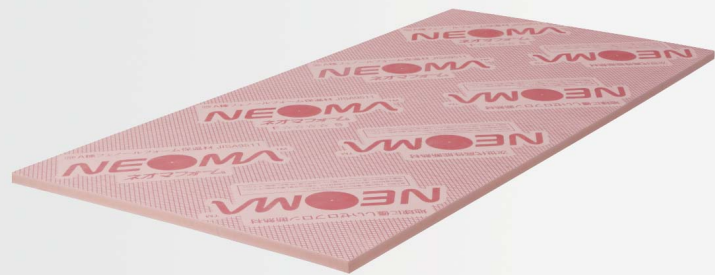
#### Major businesses/products

Hebel™ and Hebel Powerboard™ autoclaved aerated concrete (AAC) panels, Neoma™ and Jupii™ phenolic foam insulation panels, Eazet™, ATT Column™, and other piling systems, BasePack™ column base attachment systems



**Hebel™ autoclaved aerated concrete (AAC) panels**

Featuring light weight which enables easy installation as well as excellent durability, thermal insulation, and flame resistance, Hebel™ panels are used in various applications ranging from unit homes to skyscrapers. Hebel™ panels have maintained the leading position in Japan since their market launch in 1967, with continuous R&D and quality improvements.



**Neoma™ phenolic foam insulation panels**

Neoma™ phenolic foam insulation panels featuring world-leading insulation performance are used not only in construction applications but also for insulation in transportation vehicles. Further demand growth is expected due to the Japanese government's announcement of a roadmap toward mandatory energy conservation standards for homes.

**Highlights**

**Completion of new production line for Neoma™ phenolic foam insulation panels**

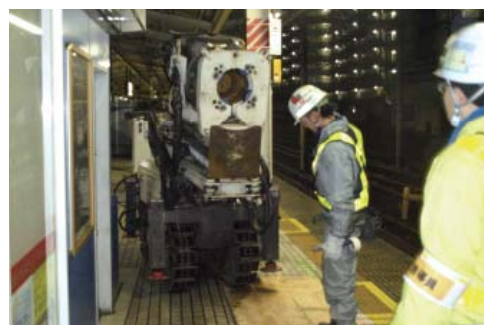
In March 2014, an opening ceremony was held for a new production line for Neoma™ phenolic foam insulation panels in Sashima, Ibaraki, Japan. The market for high-performance insulation panels is anticipated to grow dramatically against a background of heightened demand for energy conservation and better insulated homes, with renewed consumer interest in “smart” and “zero-energy” homes after the Great East Japan Earthquake, as well as the Japanese government's roadmap toward mandatory energy conservation standards for homes in 2020.



The new production line

**Adoption of Eazet™ screw-tip piles for platform barriers**

The Eazet™ piling system was adopted by East Japan Railway Co. in a project to install platform barriers at Yamanote Line stations beginning in 2008. Eazet™ met the demanding conditions for platform reinforcement work within railroad stations, including constrained spaces, high safety standards, and the need to complete work within narrow time frames. Adoption of Eazet™ began in 2009 at Meguro Station, and has proceeded at a pace of 3 to 4 stations per year since then. After installation on the Yamanote Line is completed in 2014, Eazet™ is expected to be adopted for similar installations on other lines and by other railway companies in the Tokyo area and around Japan.



Installing Eazet™



**Neoma™ phenolic foam insulation panels**

With its world's top-class insulation performance, Neoma™ is used in various applications, mainly for exterior insulation of wood-frame houses. Made from phenolic resin, Neoma™ features outstanding flame resistance. Although it will become charred and scorched when exposed to flame, Neoma™ itself does not burn. Its insulation performance is maintained over the long term, for comfortable and energy-conserving homes.



Wood-frame houses with Neoma™

# Electronics

## ■ Financial Highlights

(¥ billion)

Fiscal year	2011	2012	2013
Net sales	146.1	131.1	<b>145.0</b>
Overseas sales ratio	50.8%	57.1%	<b>62.4%</b>
Operating income	6.4	2.8	<b>14.2</b>
Operating margin	4.4%	2.1%	<b>9.8%</b>
R&D expenditure	19.2	17.6	<b>16.4</b>
R&D expenditure as % of net sales	13.1%	13.4%	<b>11.3%</b>
Capital expenditure	13.4	17.0	<b>14.6</b>
Depreciation and amortization	21.0	15.0	<b>14.3</b>



Shinsuke Kido  
President,  
Asahi Kasei Microdevices

With original mixed-signal LSIs such as our electronic compass for portable appliances, and sensing devices such as magnetic sensors, current sensors, and infrared sensors that make the most of our unique technology, we are building our position as a leading supplier of electronic components, continuing to develop and supply category-leading products to the global market, and expanding business as an electronic device manufacturer that customers throughout the world can rely on.



Shigeki Takayama  
President,  
Asahi Kasei E-materials

We contribute to life and living for people around the world by providing high-performance materials for energy and electronics, and related materials that enable energy conservation, including Hipore™ Li-ion battery (LIB) separator for mobile electronics and electric vehicles, photosensitive dry film for printed wiring boards, and other products produced with our exceptional chemical technology and product development capability.

### Major businesses/products

#### 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/PBO precursor, Sunfort™ photosensitive dry film, glass fabric for printed wiring boards

## “For Tomorrow 2015” Strategies

### Electronic devices

**We are continuing to develop and supply category-leading products to the global electronic devices market, with a strategic product lineup that makes the most of our unique strength in having both silicon semiconductor technology and compound semiconductor technology.**

We are advancing business expansion through the development of new electronic devices such as infrared sensors and current sensors with the potential to establish market leadership in their respective categories, as exemplified in our electronic compass which has a dominant market share as an essential component of portable devices. In each application we are developing new high-quality products that keenly match customer's needs, further building relationships of mutual trust and reliance, in a wide range of fields including infrastructure, industrial, and automotive, in addition to consumer electronics.

### Electronic materials

**We are expanding business and enhancing supply capabilities for our leading businesses such as semiconductor process materials and circuit board materials, with a focus on high-performance, green electronic materials that reduce environmental burdens.**

For Hipore™ LIB separator, by leveraging our superior technology and marketing platform gained as the market leader in consumer electronics applications, we will proactively increase production capacity and develop new membranes that match individual customer needs to expand sales in rapidly emerging automotive applications. We will also continue expanding production capacity for Sunfort™ photosensitive dry film in China to meet growing demand, in accordance with our focus on expanding business in growth markets based on our technological advantage.



### LSIs

Our semiconductors are defined by high-value added features for the next generation, such as low-energy consumption, high speed, and high precision. Working as a bridge between the analog information of the natural world and the digital information of electronic systems, mixed-signal LSIs are widely used for smartphones, mobile devices, in-car navigation systems, and other electronics devices. We are also advancing development of new products combining magnetic sensors and LSIs, such as the electronic compass.



### Hipore™ LIB separator

A flat microporous sheet of polyolefin, Hipore™ is the world's leading separator membrane for LIBs used in smartphones, tablet PCs, and other electronic applications. Available pore sizes range from 0.05 μm to 0.5 μm. Demand is forecasted to increase notably in electric vehicle applications. Ongoing technological innovation and product development are advancing as part of our commitment as the market leader to maintain stable product supply in accordance with emerging market needs.

## Highlights

### Start-up of new line for Hipore™

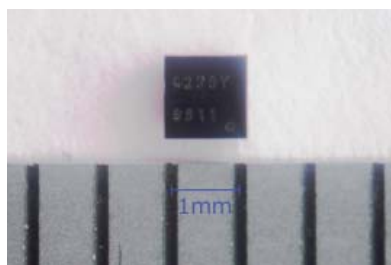
A new production line was added to our plant for Hipore™ in Hyuga, Miyazaki, Japan, with commercial operation beginning in July 2013. The new line has a capacity of 50 million m<sup>2</sup> per year, the world's highest for a single line, raising our total production capacity for Hipore™ to 250 million m<sup>2</sup> per year including our plant in Moriyama, Shiga, Japan.



### Launch of AK09911C 3-axis electronic compass for portable appliances

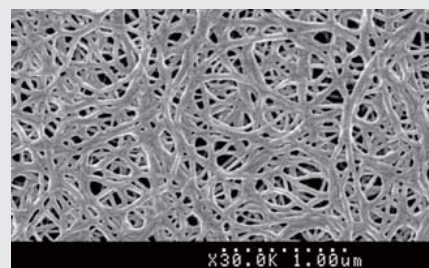
The AK09911C, a new 3-axis electronic compass for portable appliances, was launched in October 2013. It features a package size of 1.2 mm × 1.2 mm × 1.5 mm, which in terms of area makes it the world's smallest at the time of its launch. This reduced size enables further miniaturization of portable appliances. The electronic compass is used for electronic map applications such as pedestrian navigation systems to rotate the map to match the direction the users are facing.

In April 2014, Asahi Kasei Group Fellow Masaya Yamashita was awarded The Commendation for Science and Technology by the Minister of Education, Culture, Sports, Science and Technology (Development Category) in recognition of his development of the electronic compass and the function of automatically compensating for magnetic offset.



### Hipore™ Li-ion battery separator

Hipore™ is the world's leading LIB separator, a microporous membrane that insulates the electrodes electrically while allowing lithium ions to pass through. Notable demand growth for Hipore™ is forecasted in automotive applications in accordance with heightening environmental awareness, and we continue to focus on technological developments for Hipore™ as a high-performance and eco-friendly material.



A close-up of Hipore™

# Health Care

## ■ Financial Highlights

(¥ billion)

Fiscal year	2011	2012	2013
Net sales	119.5	133.5	152.5
Overseas sales ratio	23.9%	21.4%	23.1%
Operating income	8.8	15.9	30.3
Operating margin	7.4%	11.9%	19.9%
R&D expenditure	17.5	20.0	19.7
R&D expenditure as % of net sales	14.6%	15.0%	12.9%
Capital expenditure	10.7	14.3	9.5
Depreciation and amortization	11.5	10.5	10.0



Kazuyoshi Hori  
President,  
Asahi Kasei Pharma

**We are focused on the discovery and development of new drugs in the fields of orthopedics and urology for the worldwide market, as a specialized global pharmaceutical company. In our diagnostic reagent business, we are concentrating management resources on products with growth potential.**



Yutaka Shibata  
President,  
Asahi Kasei Medical

**We are advancing as a leading company in blood-related healthcare through the creation, establishment, and improvement of therapies, with both innovative therapeutic devices and products which enhance safety in the production of pharmaceuticals, developed by a combination of our core technologies of filtration and adsorption with broad insight in science, mechanical engineering, and pharmacology.**

### Major businesses/products

#### Pharmaceutical-related

Teribone™, Recomodulin™, Elcitonin™, Flivas™, Toledomin™, Bredinin™, and other pharmaceuticals, Lucica™ GA-L glycosylated albumin assay kit, L-series enriched liquid diets

#### Medical device-related

APST™ polysulfone-membrane artificial kidneys (dialyzers), therapeutic apheresis devices, Planova™ virus removal filters, Sepacell™ leukocyte reduction filters

## “For Tomorrow 2015” Strategies

### Pharmaceutical-related

**We are growing business with our new high-selling drugs as major pillars of earnings, and focusing on the development of novel drugs in the fields of orthopedics and urology for worldwide markets.**

#### 1. Japanese operations

We will continue to increase earnings by advancing 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. In diagnostics, we are working to expand use of the Lucica™ GA-L glycosylated albumin assay kit, while advancing the development of infectious disease diagnostic kits.

#### 2. Overseas operations

We are entering a new phase as a specialized global pharmaceutical company through the advancement of the clinical development of Recomodulin™ worldwide, as well as reinforcement of our capabilities for clinical development and marketing in East Asia. In diagnostics, we are reinforcing efforts to obtain approval for Lucica™ GA-L overseas.



### Teribone™ osteoporosis drug

Teribone™ is a human parathyroid hormone preparation that facilitates bone formation, for the indication of osteoporosis with high risk of fracture. With weekly subcutaneous injections, Teribone™ decreases the risk of developing new vertebral fracture.

### Medical device-related

Leveraging our technological strengths in membrane separation and selective absorption, we are expanding our dialysis-related business and developing new applications that meet therapeutic needs as we reinforce our global presence.

#### 1. Blood purification

We are committed to contributing to the efficiency of treatment at medical institutions as a global leader in blood purification. We are strengthening our hemodialysis business by developing safe and reliable new technologies and products that enable improved quality of life for patients and meet the needs of medical professionals. For therapeutic apheresis devices that enable new possibilities for the treatment of intractable diseases and for the prevention of illnesses, we are enhancing our manufacturing process technology and heightening competitiveness as we continue to grow as the world leader in this field.

#### 2. Blood transfusion

We will continue to meet expanding global needs for our world leading Sepacell™ leukocyte reduction filters by enhancing the product lineup and reinforcing our supply capability.

#### 3. Bioprocess products

As the manufacturer of Planova™, a hollow-fiber membrane filter that is the world's leading virus removal filter for enhancing safety in the production of biotherapeutics, we will maintain the stable supply of high-quality products to meet growing demand.



### APS™ polysulfone-membrane artificial kidneys

APS™ polysulfone-membrane artificial kidneys, sold in over 70 countries, are used for the clinical purification of blood as a substitute for normal kidney function. We are advancing further product development to meet the different needs of various patients, while expanding local production in cooperation with other companies.

### Highlights

#### Completion of the second manufacturing facility at the Nagoya Pharmaceuticals Plant

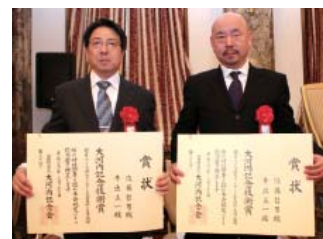
In February 2014, Asahi Kasei Pharma completed the construction of the second manufacturing facility at its Nagoya Pharmaceuticals Plant in Miyoshi, Aichi, Japan. The new facility is used to manufacture Asahi Kasei Pharma's flagship products Teribone™ osteoporosis drug and Recomodulin™ anticoagulant.



The second manufacturing facility at the Nagoya Pharmaceuticals Plant

#### Receipt of the 60th Okochi Memorial Technology Prize

Asahi Kasei Medical received the 60th Okochi Memorial Technology Prize in March 2014, for the development of production technology for virus removal filters and establishment of a market for them. This prize was awarded in recognition of the contribution to enhanced safety in the manufacture of biotherapeutic products through the establishment of production technology for Planova™ virus removal filters and obtaining their widespread use by manufacturers of plasma derivatives and biopharmaceuticals worldwide.



### Teribone™ osteoporosis drug

Teribone™ is a human parathyroid hormone preparation that facilitates bone formation with weekly subcutaneous injections. The efficacy in inhibiting fracture is obtained by increasing bone strength with both improved bone quality and increased bone density. In Japan, the number of osteoporosis patients is increasing as the population ages. Since osteoporosis carries an increased risk of a fracture which results in confinement to bed, the implementation of effective measures against osteoporosis is an important social issue. Asahi Kasei Pharma believes that, with its efficacy in inhibiting fracture, Teribone™ will make a significant contribution to the treatment of osteoporosis.

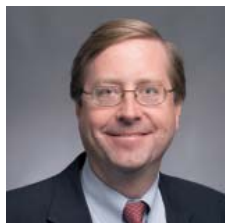
# Critical Care

## Financial Highlights

(¥ billion)

Fiscal year	2012*	2013
Net sales	52.1	79.8
Overseas sales ratio	99.5%	99.3%
Operating income (loss)	(3.7)	(3.5)
Operating margin	—	—
R&D expenditure	3.9	6.2
R&D expenditure as % of net sales	7.5%	7.8%
Capital expenditure	5.4	8.7
Depreciation and amortization	6.9	10.0

Results for fiscal 2012 were included beginning on April 27, 2012.



Richard A. Packer  
CEO, ZOLL Medical Corporation

ZOLL became a member of the Asahi Kasei Group in April 2012. While sales continue to grow in the U.S. as our principal market, we are building a global presence in the field of acute critical care by expanding our reach throughout Europe and Asia. We are focused on business expansion in Japan through our subsidiary Asahi Kasei ZOLL Medical, established in 2012.

## "For Tomorrow 2015" Strategies

In order to expand from a focus primarily on resuscitation to the broader acute critical care market, we have two key areas of concentration over the next several years.

### 1. Rapidly expand today's businesses

- Dramatically increase the LifeVest™ salesforce to bring this one-of-a-kind product to more patients globally
- Accelerate the clinical trial program for Intravascular Temperature Management (IVTM™) in an effort to expand the approved indications for use worldwide, including in Japan where this type of technology was the first to receive regulatory approval in 2012
- Extend the reach of our core defibrillator and data segments to include significantly more international customers
- Having achieved approval in Japan for all major products, rapidly build our commercial operations to penetrate the market

### 2. Leverage ZOLL's strength in resuscitation to capture the broader acute critical care market

- Identify products, technologies and services that are synergistic with our existing resuscitation platform, including those that can predict or monitor symptoms of acute fatal risks, or treat such high-risk patients
- Expand geographically, with greater focus on areas outside the US and Europe

## Major businesses/products

### Defibrillators

R Series™, X Series™ and other defibrillators; AED Plus™ and AED Pro™ automated external defibrillators

### Wearable defibrillator

LifeVest™

### Automated CPR

AutoPulse™

### Temperature management system

Intravascular Temperature Management (IVTM™): Thermogard XP™

### Data solutions

RescueNet™ Software





**LifeVest™ wearable defibrillator**

It is worn by patients at risk of sudden cardiac arrest (SCA), which is responsible for more than 350,000 deaths every year in the US alone. Over 100,000 patients have used LifeVest™ in the US, Europe, and Japan to date.



**Intravascular Temperature Management (IVTM™)—Thermogard XP™**

A system to adjust body temperature using intravascular catheters, it is used at leading medical centers. It enables effective management of body temperature with reduced workload for nursing staff. Clinical studies to expand indications for use are planned.

**Highlights**

**Approval in Japan for manufacturing and marketing of the X Series™ defibrillator for emergency medical and hospital use**

In November 2013, Asahi Kasei ZOLL Medical received approval to manufacture and market the X Series™ defibrillator from Japan's Ministry of Health, Labor and Welfare, and is advancing sales in Japan. The X Series™, a portable defibrillator that includes monitoring functions, is suited for use in a wide range of circumstances at the scene of an emergency, during patient transport, and within medical facilities. It features light weight and a compact form without compromising high functionality and large display size.



**ZOLL Foundation established**

In November 2013, ZOLL established the ZOLL Foundation, an independent entity organized for scientific and educational purposes. The ZOLL Foundation will provide grants to support research, education, and public awareness related to improving resuscitation practices, preventing patient deterioration associated with cardiac arrest and morbidity, and enhancing the care of acute patients to reduce mortality and morbidity. The Foundation website has a full description of the Foundation, the process for submitting grant applications, and will provide a report on awarded grants.



The ZOLL Foundation website  
[www.zollfoundation.org](http://www.zollfoundation.org)



**LifeVest™ wearable defibrillator**

LifeVest™ wearable defibrillator provides protection for patients at risk of SCA by constantly monitoring the patient's heart and, if a life-threatening heart rhythm is detected, delivering a treatment shock to restore normal heart rhythm. The LifeVest™ has one set of electrodes to measure electrocardiogram data, and another set of electrodes to deliver the treatment shock. As the detection of life-threatening heart rhythm and delivery of the defibrillation shock are performed automatically, a patient's life can be saved without the assistance of any other person. Furthermore, as the LifeVest™ is wearable, its use can be easily initiated or discontinued in accordance with changes in the patient's condition, enabling use to be limited to the period when a patient is at high risk of SCA.

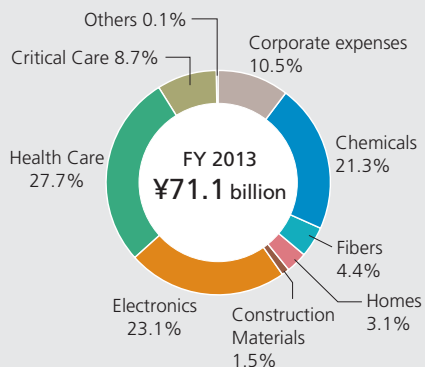


# Research & Development

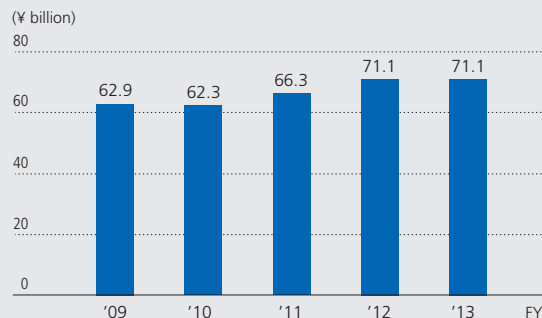
The holding company and core operating companies of the Asahi Kasei Group each have their own R&D organization, with R&D at the holding company focused on the creation of new businesses that will drive the future growth of the Asahi Kasei Group, and R&D at the core operating companies focused on heightening existing operations and expanding in peripheral areas.

In fiscal 2014, the “For Tomorrow” projects established for the creation of new businesses were replaced by “Group Synergy” projects to advance commercialization, with Corporate Research & Development carrying out R&D from a medium- to long-term perspective.

## Breakdown of R&D expenses



## R&D expenses



## R&D strategies

### Holding Company

Group-wide strategic projects in the fields of the environment & energy, residential living, and health care are established in the holding company, with proactive investment of resources for R&D and the creation of new businesses, including M&A and alliances with other companies.

In the environment & energy, we are advancing the development of high-efficiency, long-life ultraviolet light emitting diodes (UV LEDs) using high-quality aluminum nitride (AlN) substrates, and the lithium ion capacitor (LIC) as a next-generation energy storage device. In residential living, we are advancing the development of new lifestyle proposals through the “HH2015” demonstration house which incorporates the latest products and services related to the environment and home health care. In health care, we are advancing R&D in the field of cell therapy and regenerative medicine, including cell processing equipment for cancer treatment. In addition, we are working on creating new businesses through synergy between our established health care businesses and the acute critical care businesses of ZOLL.

### Chemicals

Throughout the Chemicals segment, R&D focused on the environment, resources, and energy is advanced to create new value for 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 C2 fractions or bioethanol as feedstock, and the “BB-flex” process to produce butadiene from butene, with studies on their commercialization in progress. Industrial technology to produce diphenyl carbonate from carbon dioxide feedstock has been completed, and studies on its commercialization are in progress.

In polymer products, we are advancing the development of a number of innovative products including polyamide with ultra-high heat resistance, high rigidity, and excellent moldability using novel molecular design; S-SBR for next-generation fuel-efficient tires; and AZP™ as a new optical polymer featuring zero birefringence achieved through novel molecular design. We are also heightening our own advanced computer aided engineering technology, and accelerating the development of new business and overseas expansion in performance polymers.

Projects in specialty products include the development of LED encapsulants based on our silicone modification technology, and the development of low-cost, safe, and low-waste processes to manufacture active pharmaceutical ingredients (APIs) through a combination of our organic synthesis technology and process technology, with studies for commercialization advancing. In the field of membrane separation we have developed a phosphorus adsorbent with a porous structure to enable the world’s fastest selective, high-level removal and high-purity recovery of phosphorus from treated water, and trials at large-scale water treatment facilities have been completed.

### Fibers

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. While developing products with new value marked by originality, we are advancing manufacturing process innovation for Bemberg™ cupro, Roica™ polyurethane, various nonwovens, and Leona™ nylon 66. In addition, the commercialization of new cellulose materials and the development of new functional textiles and novel nonwovens are advancing in accordance with the concepts of “living in health and comfort” and “harmony with the natural environment.”

## Pharmaceutical Product Pipeline (as of May 2014)

	Code name, form, generic name	Classifications	Indication	Remarks	Origin
Phase III	AK-156, injection, zoledronic acid	Bisphosphonate	Osteoporosis	New efficacy, new dose; once-yearly administration	Licensed
	AK-160, injection	Collagenase clostridium histolyticum	Dupuytren's contracture	New biologic	Licensed
Phase II	AT-877, oral, fasudil hydrochloride hydrate	Rho-kinase inhibitor	Pulmonary arterial hypertension	Additional indication, new dosage form	In-house
	HC-58, injection, elcatonin	Calcitonin	Shoulder-hand syndrome	Additional indication	In-house
Phase III (overseas)	ART-123, injection, recombinant thrombomodulin alpha	Recombinant human thrombomodulin	Sepsis with coagulopathy	New biologic	In-house
Phase II (overseas)	AK106	Anti-inflammatory	Rheumatoid arthritis	New chemical entity	In-house

### Homes

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<sub>2</sub> 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.

### Construction Materials

R&D guided by our vision of "the development and provision of products that provide safety, security, and comfort" is focused on heightening basic technology in our four businesses of AAC, phenolic foam insulation materials, high-function foundation systems, and steel-frame structural materials. We are also proactively advancing R&D to establish new solution-oriented businesses by creating services and products in fields peripheral to existing businesses, such as remodeling services for exterior AAC walls and non-construction applications for steel-pipe piling systems.

### Electronics

With a wealth of design assets and an organically integrated organization of design engineers, we develop unique electronic devices in a timely fashion to keep pace with the rapid technology innovation of the electronics industry. 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.

### Health Care

In pharmaceuticals, we are focused on contributing to "living in health and comfort" by addressing unmet medical needs which are increasing together with maturing markets and the aging population, particularly in the fields of orthopedics and urology. 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 utilizing our comprehensive strength to advance R&D to provide products, technology, and services that extend the potential of medical treatment as well as heighten medical standards. We are further advancing technological developments in established fields of hemodialysis, therapeutic apheresis, leukocyte reduction, and virus removal, while also focusing on next-generation fields of research including regenerative medicine utilizing autohemotherapy.

### Critical Care

With sudden cardiac arrest still a major cause of death around the world, the importance of research and development in both the resuscitation and acute critical care areas cannot be underestimated. New therapies, technologies, and solutions that are designed to improve patient care are paramount to reducing the hundreds of thousands of lives senselessly lost each year. Whether assisting lay rescuers or clinicians to deliver high-quality chest compressions, delivering a necessary defibrillating shock that doesn't require bystander intervention, or cooling the body to preserve heart and brain tissue, the research and development efforts in the Critical Care segment are undeniably lifesaving. Integration of medical devices that work together to get the job done rely on a backbone supported by data solutions. The combination of hardware or capital equipment with supporting software, which enables consistent performance, enhances functionality, and helps to document progress and outcomes, is what makes the work of this segment universally important.

# Achieving results through synergy

Four female researchers, one from each of our four business sectors, discuss ways of research, working as a woman, and support for working while raising children



### Ryoko Takao

Team Leader  
Laboratory for Pharmacology,  
Musculoskeletal Disorders  
Asahi Kasei Pharma

M.S., Pharmacology. Joined Asahi Kasei in 1992. Worked on evaluating the efficacy and elucidating the mechanism of an osteoporosis drug. In 2011 the Teribone™ osteoporosis drug, which she worked on since joining the company, was approved. Currently working as the leader of a team focused on investigation of new osteoporosis therapies and research for post-marketing developments. In a family of three with her husband and 8th grade daughter.



### Eiko Tanaka

Performance Coating Materials  
R&D Dept.  
Asahi Kasei Chemicals

M.S., Bioagricultural Sciences. Joined Asahi Kasei in 2011. Working on R&D for polycarbonate diol (PCD), a material for paint and synthetic leather. Mainly focused on analysis to achieve greater productivity at the PCD plant. Currently involved as a researcher in the start-up of a new plant in China.



### Naomi Morito

Researcher  
Housing R&D Center  
Asahi Kasei Homes

Master of Engineering. Joined Asahi Kasei in 2002. Worked on research in fibers before transferring to Asahi Kasei Homes. Currently working on R&D related to Hebel Haus™ heating and ventilation. Performing experiments and verifications regarding the thermal environment and conditions of air circulation in residential spaces; creating proposals focused on health, comfort, and environmental friendliness.



### Yoko Tanizaki

General Manager  
Electronic Materials Technology  
Development Dept.  
Asahi Kasei E-materials

B.S., Synthetic Chemistry. Joined Asahi Kasei in 1986. Worked on development of new grades of Sunfort™ photosensitive dry film and Pimel™ photosensitive polyimide precursor, and provided technical support to customers. Currently serving in a leadership position with responsibility for development of electronic materials technology. In a family of three with her husband and 7th grade son.

## Attitude as a researcher

**Tanaka:** Corporate research requires experimental results to be reproducible. We also need to be swift. It's important to provide good things to our customers as quickly as possible. I think that's a big difference from university research. At university, my motivation for research was curiosity to elucidate phenomena with chemistry. Now I'm always focused on how to provide good products that meet the needs of our customers. It's important to meet deadlines, and prioritize things.

**Takao:** Pharmaceutical research aims to provide research results to patients in the form of medicine. Developing a drug is a long process that takes years. Teribone™, which I was involved in, took over twenty years before it was available to patients.

**Tanaka:** How do you stay motivated over such a long period of research?

**Takao:** We just steadily perform each experiment, moving from one stage to the next. As a leader, I have to look ahead to the next hurdle, and discuss with the team how we can overcome it. I try to stay focused on the quality of our research. We do a lot of joint research with universities. It's a win-win situation where the university researchers get to satisfy their scientific curiosity, and we get the quality results we need as a corporation. I also think it stimulates the imagination of our younger researchers to observe the depth of research at universities.

**Morito:** My research closely affects the lives of our customers who live in Hebel Haus™ homes. In addition to carefully verifying experimental data, I think it's important to consider

# Working as a researcher, working as a woman in the Asahi Kasei Group

the perspective of the residents when making proposals. And since my research results are conveyed to the customers through the salespeople, I have to describe things in a way that the salespeople can clearly understand. If I used the specialist words and phrases that we researchers use among ourselves, the salespeople would be overwhelmed. I'm always thinking about how to describe things in a way that is easily understood. This is probably because of my own experience. When I first transferred to Asahi Kasei Homes after researching fibers, I was dumbfounded by the technical jargon in this field.

**Tanizaki:** In contrast to a consumer-oriented business like that, my customers are other manufacturers. Their requirements are becoming more and more demanding. While achieving the necessary performance characteristics, we also need to balance the cost, development period, and timing of product launch.

## Interaction among personnel within the Asahi Kasei Group, and “synergy”

**Tanizaki:** Since the Asahi Kasei Group has four business sectors, I think we should do more to leverage internal connections. I try to maintain active interaction with researchers in fields related to mine. It's easy for the R&D organizations of different businesses to become secluded. But when you're hitting a dead end, it's often possible to find a breakthrough by talking to someone in a different field. Greater interaction among different sectors will increase the likelihood that you will know someone who can help when you get stuck. I think it's a great advantage to be able to discuss things with researchers from different core operating companies.

**Tanaka:** There is a networking initiative among young researchers of the Asahi Kasei Group. Even if it doesn't bear fruit immediately, I think having various acquaintances will be useful across the course of one's career.

**Takao:** Various training sessions are held by rank and function, which provides periodic opportunities to make connections across different fields. It should be possible to make use of such connections. Within health care, there has also been personnel interchange between Asahi Kasei Pharma and Asahi Kasei Medical. I hope we will have more interaction with ZOLL as well.

**Morito:** I once took part in a collaboration project between

Asahi Kasei Fibers and Asahi Kasei Homes. It was a good experience that provided many examples of solutions from fibers that matched needs in homes. It's exciting to discover new things. I'm doing research focused on comfort. Both fibers and homes are concerned with comfort. It would be great if we could establish technology to evaluate comfort in its entirety. The Asahi Kasei Group is now seeking synergy. If we had more opportunities for casual interaction, and not just official interaction, I think we could achieve even more synergy in our R&D departments.

## Advantages of being a female researcher, satisfaction in research

**Takao:** In both daily life and in the research lab, I think women are better at coming up with incisive little ideas. For example, I know a woman researcher who, upon learning about the technical collaboration between Asahi Kasei Homes and Asahi Kasei Medical in the HH2015 demonstration house, thought “Why not develop a system in the home to enable consultation with a pediatrician?” But when working in research there's a tendency to take costs and profits too lightly. We need to be good at financial numbers, too.

For me, in long-term research as a team with each individual working in a professional manner, the greatest satisfaction is when we obtain reliable data that enable clear judgment. It really was a great feeling when Teribone™ was approved after a twenty-year effort. We were not only congratulated within the company, but researchers at other companies said “Good work!” when we met at scientific conferences. There is a camaraderie among researchers, even those working for different companies, because we have all experienced similar challenges. It's a special feeling when even your competitors offer a kind comment like that.

**Tanaka:** I'm only in my fourth year, and still have many experiences to look forward to, but the most rewarding moment for me so far was when a production process I experimented on and studied was adopted in a commercial plant. The process I worked on provided greater productivity, enabling us to overcome a slight supply shortage without expanding the plant. It felt great to know that this directly contributed to increased profits.

**Morito:** Since my research focuses on the residential environment, I feel a close connection between my work and my daily life. Sometimes I can't help thinking about my

research when I'm at home. Sometimes I even try little experiments! I have applied my personal experience to my research on hanging laundry to dry inside a room. I'd like to continue to apply a woman's perspective to my research work. It's rewarding to know that the results of my research are provided directly to Hebel Haus™ customers.

**Tanizaki:** I think the feeling I get from knowing that a product I developed is being used around the world is something that only a researcher can understand. Another satisfying experience I had was when I traveled alone to a customer's facility to help start up a production line. It gave me the chance to apply my technical knowledge without anybody's help. My most memorable experience, though, has to be a difficult customer complaint we got when I was section chief in technical service. A solution required close coordination among sales, production, QA, and R&D. In the end the customer was satisfied, and we maintained our supply relationship. Everybody involved with the product pulled together and worked with a single purpose to solve that problem. We were all relying on each other. That case really showed me what great teamwork can do, and gave me a deeper appreciation of the value of the trust that customers place in us. As General Manager, I try to constantly keep these lessons in mind, and instill them in my people.

### An atmosphere that allows different ways of working, maintaining a career while raising children

**Tanaka:** I think it must be difficult to keep working as a researcher when you have a small child. If you reduce your working hours, it must be hard to continue research. What's it really like?

**Takao:** For me, the hardest thing was to come to a compromise with myself that I couldn't do everything. One part of me wanted to keep trying harder and harder in order to do everything by myself. But I learned that it's better not to try too hard, and instead let yourself ask other people for help. Once I realized that, things became better for me, and better for my daughter, too. Every day is still trial and error, but I think my daughter is more understanding than anyone else.

First of all I think we need to change preconceptions about how women should be, how mothers should be. When I had my daughter, I only took maternity leave. I didn't take any parental leave afterward. The workplace atmosphere at that time was not conducive to taking parental leave. Nowadays, there are various provisions and benefits available, and it's considered normal for a woman to return to work after having a child. Ideally, one can efficiently achieve results while adjusting the pace of work.



**Tanizaki:** To accommodate diverse working styles, I think male personnel also need to make adjustments. Many years ago, my supervisor told me "We don't discriminate against women, but we do make distinctions." I took this to mean that they would provide a fair workplace while giving due consideration to our needs, which I thought was reasonable. When I was pregnant, I hesitated to tell the overseas customer whose account I was responsible for. I was afraid they would resent being inconvenienced by my leave of absence. But when I met them later after returning to work, they were very supportive.

I think we do tend to try to do too much as working mothers, but when raising a child it's okay to slow down a little. It takes persistence to find the best way.

**Tanaka:** I always feel it's regrettable when I see women researchers quit working when they get married or when they have a child. I'm afraid if this happens too often, our male colleagues and supervisors will get the impression that women won't continue working for long. Women need to have a certain will to keep working, I think it requires determination and resolve.

**Tanizaki:** In my case, each time I rose up another rank, the scope of my work broadened and broadened. It's not easy to take on more responsibility, but it also deepened my sense of satisfaction. Everyone has different individual circumstances when it comes to raising children or caring for elderly family members. Different people value work differently. But our company provides an environment that makes it possible for



women to continue working. I hope more women will choose to do so, believing in their own possibilities.

**Tanaka:** After hearing about your experiences, I think I could continue working as a researcher even if I get married and have children.

**Morito:** Asahi Kasei Homes still has few female researchers, but I hope the number of women in leadership positions will increase.

### What kind of company is Asahi Kasei?

**Morito:** I think we have an atmosphere of easy communication irrespective of gender or position in the hierarchy. People aren't called by their titles, but by their names. Personal connections are highly valued. Collaboration among different business sectors can be difficult sometimes, but I think it's extraordinary that they launch initiatives like the Residential Living for Tomorrow project to advance synergy by utilizing the diverse strengths of the Asahi Kasei Group to address the needs of society.

**Tanaka:** You get to meet many different people, which is stimulating. We have many different kinds of people in the research department where I work, and diversity is appreciated. To be able to talk to people in different research fields, people with different ways of thinking, helps to broaden one's own horizons. I think the way that people listen to ideas from young researchers is another positive aspect of the organization.

**Takao:** "Sincerity" is listed first among our Group Values, and I feel that we are organizationally very thorough about compliance. I think that "Challenge" means we not only respect personnel who try new things, but also encourage them to do so.

**Tanizaki:** I feel that we are an enterprise that manufactures things with sincerity. And not content with the status quo, the company has continued to uphold "Creativity" as part of its culture.

### Prospects for the future as a researcher

**Tanaka:** My task at hand is to help start up a new plant, and I'm completely focused on this now. As a next step, I want to develop new chemical products with higher added value. I feel that Asahi Kasei is an appealing place to do research because we operate in various different business fields. Someday I hope that my research will enable the launch of a whole new business. It would be fantastic to be able to create the kind of new product that opens a whole new avenue of business for the company. Working in the field of chemicals, I feel that there are endless possibilities. I will continue to hold this ambition in the years ahead.

**Tanizaki:** As I am now in a position of responsibility for R&D in electronic materials, I need to keep looking toward future business needs even as I continually try to provide the best possible research environment for the personnel I supervise. By drawing together the respective strengths of each member, and continuing to take on new challenges, I believe we can accomplish both the expansion of our established operations and the launch of new operations. I want to achieve technology management that benefits the people of the world.

**Morito:** I'm now focused on the thermal environment in homes. I study effective ways of heating and how to utilize wind. Ultimately my results are useful for residents. Surveys of Hebel Haus™ owners indicate increasing satisfaction with the comfort of the homes in the summer and winter. It's encouraging to feel that I have contributed to this improvement. As I continue to go deeper into my current subject of research, I am always looking for new approaches. I want to continue to help people achieve greater comfort in their homes.

**Takao:** I always feel invigorated when I look at new experimental data. I try to share this feeling with my colleagues and subordinates, encouraging new discoveries. Our efforts every day are bolstered by the sense of purpose to create drugs that contribute to the health of people around the world.

# Respect for employee individuality

The Asahi Kasei Group considers fulfilling and satisfying working conditions and workplace culture, in which personnel feel motivated to achieve and take pride in their career, to be key to business performance.

Our human resources policies are focused on the maintenance and reinforcement of a corporate culture emphasizing Asahi Kasei characteristics, the personal growth of each employee, and the creation and expansion of business through superior people and organizations, based on the understanding that the exceptional power of our people and organizations is the source of our competitive strength.

## Human Resources Principles

The Human Resources Principles of the Asahi Kasei Group are a distillation of the values and beliefs held in common by all employees, a key aspect of a corporate culture where personal growth and corporate development are mutually reinforcing.

### Corporate Commitment

The basic commitment to human resources is to provide the venue for a dynamic and fulfilling career as a part of a lively and growing corporate group.

### Basic Expectations

- Enterprise and growth through challenge and change
- Integrity and responsibility in action
- Respect for diversity

### Expectations of Leaders

- Building the team, heightening performance and achievement
- Going beyond conventional boundaries, in thought and action
- Contributing to mutual development and growth

## Human resource development

### Group Masters

The Asahi Kasei Group employs a “Group Masters” program to recognize employees who have developed and exercised extraordinary expertise and skills that hold universal value, and to facilitate their application throughout the Group. As of April 2014, 110 Group Masters are designated: two as Group Fellows, 28 as Senior Group Experts, and 80 as Group Experts, with rank and remuneration commensurate with division general manager, department general manager, and section manager, respectively.

### Development of global human resources

To support the expansion of world-leading businesses under our medium-term management initiative “For Tomorrow 2015” from the perspective of human resources, we are implementing

measures such as internship programs for young personnel, expanding overseas study programs, appointing new personnel and managers at overseas subsidiaries and affiliates, and holding “One Asahi Kasei Area Meet” training sessions for managers at overseas subsidiaries in Europe, the US, and China.

### Development of engineers and technical specialists

Under “For Tomorrow 2015,” we are accelerating the creation of new businesses which provide new value for society. Engineers and technical specialists in R&D and manufacturing are essential human resources for successful business development, and therefore we are reinforcing measures to create better, more vibrant workplaces for them as well as examining programs that provide a wide range of career opportunities to enable their personal and professional growth.

## Valuing human rights and diversity

### Basic policy

Corporate HR & Labor Relations leads the effort to ensure that there will be no discrimination on the basis of gender, nationality, age, or otherwise, to maintain a lively workplace culture which enables personnel to perform at their best, to advance employment of persons with disability, and to rehire personnel after mandatory retirement.

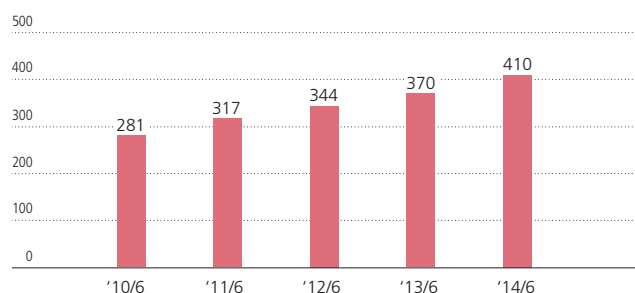
### Fiscal 2014 hiring

In April 2014, 288 new graduates were hired: 228 men and 60 women. In addition, 80 persons were hired in mid-career between April 2013 and March 2014.

### Expansion of opportunities for women

We established a dedicated corporate organ to promote equal opportunity, and have proactively increased the proportion of women hired and expanded the distribution of job assignments for women. In 1993, only five employees at the rank of manager or above were women. This has risen to 410 in June 2014, and the variety of posts where women are assigned continues to expand.

### Number of women as managers\*



\* Results as of June 30 each year for personnel employed by Asahi Kasei Corp., Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Microdevices Corp., Asahi Kasei E-materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd.

### Preventing harassment

Sexual harassment is clearly prohibited in the Asahi Kasei Group by our *Corporate Ethics – Code of Conduct* and by our corporate employment regulations. Prevention is reinforced through training at each level of promotion in rank, and through periodic

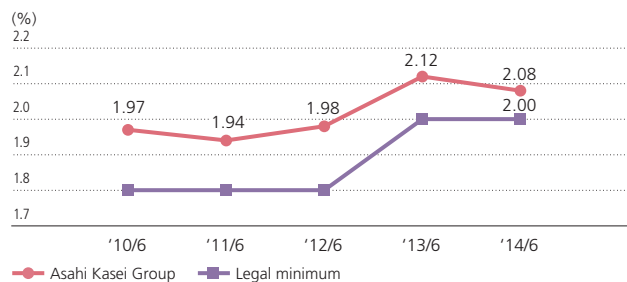


company-wide training within each core operating company for conformance with corporate ethics. A central point of contact is established for consultation about related issues and concerns in the Asahi Kasei Group.

### Employment of persons with disabilities

Asahi Kasei Ability Corp. was established in 1985 for the employment of disabled persons, performing a wide range of services for the Asahi Kasei Group, including data entry, digitizing documents, website design, printing of business cards, document printing and binding, dispatch of sample products, cleaning, copying, and planter box gardening.

### Rate of employment of disabled persons at applicable Group companies\*



\* Results as of June 1 each year at applicable Group companies. Calculation based on total employment of 23,579.5 persons in the 17 applicable companies. As of June 1, 2014, the number of disabled persons employed by Asahi Kasei Ability Corp. stood at 308.5 of the total 491.5 disabled employees. Calculated in accordance with the Act on Employment Promotion etc. of Persons with Disabilities.

## Balancing work and family life

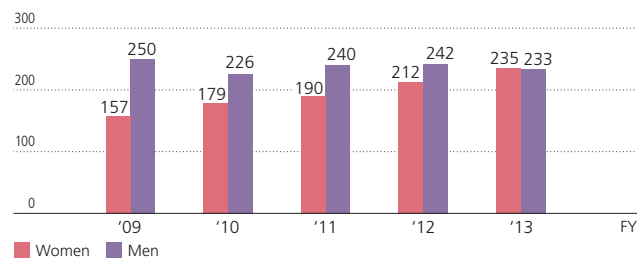
### Basic policy

We provide various forms of support for personnel to work with security and vitality in accordance with their individual circumstances and values from the perspective of balancing work and family life.

### Parental leave

Our parental leave is available through the fiscal year in which the child turns three years old. In fiscal 2013, 468 personnel utilized parental leave. This is included 233 men, 40% of those who were qualified, and 235 women.

### Employees using parental leave\*



\* Results for personnel employed by Asahi Kasei Corp., Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Microdevices Corp., Asahi Kasei E-materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd.

### Support for family care

Our personnel are allowed to take leave of up to one year for the purpose of attending to any family member who requires care. Enhanced provisions for days off and flexible working hours are also available to help personnel continue working while providing care for family members. In fiscal 2013, seven personnel utilized leave of absence for family care.

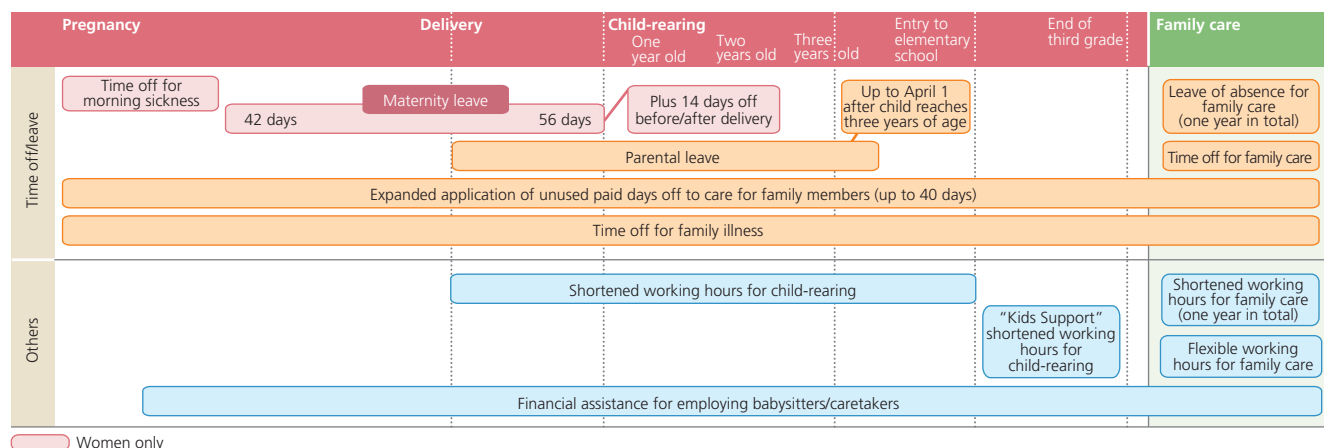
### Leave of absence to accompany spouse on overseas assignment

As globalization continues to advance, an increasing number of personnel have a spouse who is transferred to an overseas assignment. In fiscal 2013 we adopted a provision for such personnel to take a leave of absence to accompany their spouses living overseas.

### Employee survey

Management and labor work in concert to resolve people-related issues based on mutual understanding and awareness. We regularly perform a survey of employees to gauge improvements to previously identified problems and track changes in employee perceptions over time. Survey results are also utilized in the evaluation of various measures and the consideration of new measures.

### Main provisions to support balance in work and family life



# Responsible Care

**Safety is a fundamental prerequisite for the continuation of operations as a corporate member of society. To ensure that every aspect of safety is maintained, the Asahi Kasei Group implements a Responsible Care (RC) program comprising the six pillars of operational safety, workplace safety and hygiene, environmental protection, health maintenance, product safety, and community outreach.**



**Hiroshi Kobayashi**  
Director  
Senior Executive Officer  
Asahi Kasei Corp.

## Message from the Executive for Technology

The spirit of RC is autonomy, responsibility, and open disclosure. At the Asahi Kasei Group, we go beyond mere compliance with laws and regulations as we operate our businesses with due consideration for all matters related to the environment, health, and safety. In fiscal 2013, we established our Global Environment Action Committee to further deepen and expedite our efforts to achieve a low-carbon and recycling-oriented society, to protect water resources, and to coexist in harmony with nature. We are integrating global environmental measures together with business activities to fulfill our social responsibility in accordance with our Group Vision of enabling harmony with the natural environment. In addition, we advanced a wide range of RC efforts including training and education at all organizational levels. In certain areas where we can perform better, we are redoubling our efforts to raise results in line with our commitment to prevent accidents and disasters, maintain product safety, and promote employee health, for complete achievement of all RC objectives.

## Responsible Care at Asahi Kasei

RC 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, together with measures to gain greater public trust through disclosure and communication. RC was conceived in Canada in 1985, and was strengthened on a global scale with the establishment of the International Council of Chemical Associations (ICCA) in 1990. In 1995, the chemical industry in Japan began implementing RC with the establishment of the Japan Responsible Care Council (JRCC\*). Asahi Kasei was among the founding members of the JRCC, and played a leading role in the expansion and development of RC in Japan.

RC at the Asahi Kasei Group is not limited to chemicals-related operations but encompasses operations in all fields, including fibers, homes, construction materials, electronics, and health care.

\* JRCC: Operated as the Japan Chemical Industry Association's RC Committee since April 2011.

### Responsible Care at the Asahi Kasei Group



### Asahi Kasei Group RC Principles

Throughout the product life cycle from R&D to disposal, utmost consideration is given to environmental preservation, product safety, operational safety, and workplace hygiene and health as preeminent management tasks in all operations worldwide.

- Environmental preservation is achieved by ameliorating the environmental burden of operations while giving full consideration to the environment in the development of new technologies and products.
- Efforts are made to design and develop products which contribute to the sustainability of the global environment, and to disseminate such products worldwide.
- Product safety is ensured by evaluating the safety of products and providing safety information.
- The safety of personnel and members of the community is secured through endeavors to maintain stable operation and improve technologies for safety and disaster prevention.
- Workplace accidents are prevented through improvements to the workplace environment and plant modifications to achieve inherent safety.
- Maintenance and promotion of employee health is supported by efforts to achieve a comfortable workplace environment.

In addition to maintaining legal compliance, continuous improvement is pursued through attainment of self-imposed targets based on results of risk assessment. Public understanding and trust is gained through proactive communication and information disclosure.

July 7, 2014

## RC Management System

The efficiency and effectiveness of Asahi Kasei Group RC is maintained in accordance with our Group RC Management Guidelines and other internal standards, with the President of the holding company serving as chair of our RC Committee. Continuous reevaluation and improvement are systematically pursued with "plan-do-check-act" (PDCA) cycles—for the Asahi Kasei Group as a whole, within each core operating company and Region\*, and within individual plants and facilities.

Certified compliance with internationally standardized

management systems is obtained for the RC Management System of the Asahi Kasei Group. We have obtained ISO 14001 environmental management system certification for environmental protection and ISO 9001 quality management system certification for product safety. An Occupational Health & Safety Management System (OHSMS) is adopted for workplace safety, hygiene, and health.

\* A site or group of sites consisting of several plants and facilities of various core operating companies. Each Region General Manager is responsible for the unified implementation of RC in the respective Region.



**RC objectives and results**

★★★ Complete ★★ Satisfactory ★ Unsatisfactory

	FY 2013 RC Objectives	FY 2013 Results	Attainment	FY 2014 RC Objectives
RC compliance	Enhance RC compliance	Improved	★★★	Review RC framework Enhance RC compliance
	Advance RC education and training	RC training course for section managers and assistant chiefs revised Supplement for assistant chiefs created Follow-up enhanced	★★	Advance RC education and training Enhance RC at affiliates Enhance dialog with the public
	Enhance RC at affiliates	Expanded range of affiliates implementing RC RC at affiliates enhanced through instructions and support by core operating companies	★★	
	Enhance dialog with the public	RC reports of 4 core operating companies and 8 plant complex sites were used in community outreach	★★★	
Environmental protection	Avoid all polluting accidents and minor incidents	No polluting accidents, two intermediate incidents	★★	Avoid all polluting accidents and minor incidents
	Promote recycling-oriented society: • Final disposal of 0.3% or less of generated industrial waste • Recycling rate of at least 85%	Goal not reached with final disposal rate of 0.5% Goal reached with recycling rate of 91%	★★	Promote recycling-oriented society: • Maintain rate of final disposal at 0.3% of generated industrial waste or less • Maintain recycling rate of at least 85% Curtailed GHG emissions: • Reduce CO <sub>2</sub> emissions in Japan by 12% from FY 2005 level • Reduce CO <sub>2</sub> emissions in Japan and overseas by 2% from FY 2010 level • Reduce GHG emissions in Japan by 14% from FY 2005 level • Achieve LCA/CO <sub>2</sub> contribution ratio of 5.9
	Curtailed greenhouse gas (GHG) emissions: • Reduce CO <sub>2</sub> emissions in Japan by 3.0% from FY 2005 level • No increase of global CO <sub>2</sub> emissions • Reduce GHG emissions in Japan by 4.5% from FY 2005 level • LCA/CO <sub>2</sub> contribution ratio <sup>1</sup> of 4.7	23.5% reduction from FY 2005 level 15.3% reduction from FY 2010 level 29.2% reduction from FY 2005 level LCA/CO <sub>2</sub> contribution ratio of 7.0	★★★	Protect water resources: • Water resource contribution ratio <sup>2</sup> of 5.6 Control emissions of chemical substances: • Control emissions of PRTR specified substances • Control emissions of air and water pollutants
	Protect water resources: • Water resource contribution ratio <sup>2</sup> of 1.8	Water resource contribution ratio of 6.6	★★★	Preserve biodiversity when procuring biological resources Advance CSR procurement
	Control emissions of chemical substances: • Control emissions of PRTR-specified substances • Control emissions of air and water pollutants	Release of PRTR-specified substances and emission of VOCs reduced by 90% and 87%, respectively, from FY 2000 level	★★★	
	Preserve biodiversity when procuring biological resources	Investigated impact of our business activities on biodiversity, including use of new materials; no problem found	★★★	
	Advance CSR procurement	Implemented CSR procurement	★★★	
	Avoid all industrial accidents	No industrial accidents	★★★	Avoid all industrial accidents Continue to monitor for hazards of fire, explosion, and leaks: • Ongoing review to prevent abnormal reactions and confirm interlock functions Review earthquake response and enhance emergency response systems Control changes to equipment and operating conditions Enhance risk assessment
	Control changes to equipment and operating conditions	Some inadequacy in control was confirmed after approval for change	★★	Monitor for items in need of replacement and uninspected items, implement remediation: • Implement seismic retrofitting for specific buildings as planned for FY 2013 • Completion of the evaluation of seismic capacity for non-specific buildings and implement retrofitting as planned for FY 2013
	Enhance risk assessment, prevent abnormal reactions, confirm interlock functions on-site	On-site confirmation related to preventing abnormal reactions and securing interlock functions indicated no major problems (39 departments)	★★★	
Monitor for hazards of fire, explosion, and leaks; implement remediation	Review performed at time of on-site confirmation for preventing abnormal reactions	★★★	Enhance safety management guidance of on-site contractors: • Enhance safety management structure as the contracting manufacturer • Enhance safety management of on-site contractors	
Enhance emergency response systems	Confirmed enhanced disaster response capabilities (two disaster response trucks deployed in Mizushima)	★★★	Reinforce management of safety on equipment work: • Enhance implementation of safety management standards	
Workplace safety and hygiene	Avoid all workplace injuries: • Achieve frequency rate <sup>3</sup> of 0.1 or less • Achieve severity rate <sup>4</sup> of 0.005 or less	0.40 0.013	★	Avoid all workplace injuries: • Achieve frequency rate of 0.1 or less • Achieve severity rate of 0.005 or less Deepen utilization of OHSMS: • Reduce latent risks at workplaces • Enhance internal audits • Make the effects of OHSMS more visible • Ensure thorough compliance with safe working standards
	Deepen utilization of OHSMS: • Reduce latent risks at workplaces • Enhance internal audits • Make the effects of OHSMS more visible • Ensure thorough compliance with safe working standards	Review of risk assessment confirmed at audit Improvement confirmed at audit with reference to internal audit records Confirmed at audit with reference to risk level changes Compliance records confirmed at audit	★★★	Avoid all accidents in "caught in/between" category: • No lost-time injury due to "caught in/between" accidents Enhance safety management guidance of on-site contractors: • Enhance safety management structure as the contracting manufacturer • Enhance safety management of on-site contractors
	Avoid all accidents in "caught in/between" category: • No lost-time injury due to "caught in/between" accidents	One lost time injury (one in FY 2012); continued comprehensive equipment inspection at plants	★	Reinforce management of safety on equipment work: • Enhance implementation of safety management standards
	Enhance safety management guidance of on-site contractors: • Enhance safety management structure as the contracting manufacturer • Enhance safety management of on-site contractors	Satisfactory improvement confirmed in audit with reference to check sheets at each site Self-evaluation results and safety management guidance at each site confirmed at audit	★★★	
	Reinforce management of safety on equipment work: • Enhance implementation of safety management standards	Confirmed issues at audit with reference to work management records	★★	
	Promote health maintenance and improvement among personnel: • Promote the prevention of and countermeasures to lifestyle-related diseases • Prevent falls	Proportion of personnel health warning signs generally unchanged, BMI and ratio of employees who smoke gradually decreasing Fall prevention measures tested and manual prepared	★★★	Promote countermeasures to mental health issues and enhance support system
	Promote countermeasures to mental health issues and enhance support system	Stress survey and follow-up implemented	★★★	Develop the health management system
	Develop the health management system	Specialist industrial physicians supporting independent plants and smaller offices Start of guidance using video conferencing systems, etc.	★★★	
Product safety and management of chemical substances	Avoid serious product safety incidents	No product safety incidents	★★★	Avoid serious product safety incidents Enhance management of chemical substances: • Promote compliance with laws and regulations on management of chemical substances in Japan and overseas • Encourage JIPS activities • Promote JAMP tools
	Enhance management of chemical substances: • Promote compliance with laws and regulations on management of chemical substances in Japan and overseas • Encourage JIPS activities • Promote JAMP tools	Compliance maintained and system enhanced Continued risk assessment and public disclosure of safety documents Provided and received information via MSDSplus and AIS, cooperated with dissemination of JAMP-IT	★★★	
	Number of people our health care business contributed to: • 18% increase over FY 2010	24% increase over FY 2010	★★★	Number of residents in Hebel Haus™ homes: • 16% increase over FY 2010
Living in health and comfort	Number of residents in Hebel Haus™ homes: • 12% increase over FY 2010	12% increase over FY 2010	★★★	

1 LCA is used to determine the amount of reduction in CO<sub>2</sub> emissions enabled by Asahi Kasei products and technologies in comparison with conventional products and technologies. The ratio is calculated by dividing this amount by the global CO<sub>2</sub> emissions of the entire Asahi Group.  
 2 The water resource contribution ratio is calculated by adding up the total quantity of water clarified and recycled using Asahi Kasei filtration technology and dividing this by the quantity of the Asahi Kasei Group's water intake.  
 3 Number of accidental deaths and injuries resulting in the loss of one or more workdays, per million man-hours worked.  
 4 Lost workdays, severity-weighted, per thousand man-hours worked.

## Environmental protection

The Asahi Kasei Group's environmental protection measures include efforts for the achievement of a low-carbon society, the establishment of a recycling-oriented society, and the preservation of biodiversity. As our operations involve the use of large volumes of chemical substances, we implement measures under our ISO14001 environmental management system to prevent pollution-causing accidents.

### Quantitative indicators and targets to curtail global warming

In June 2012, we established our Global Environment Committee to oversee an expanded scope of activities related to global warming. At its second meeting, the Global Environment

Committee formulated policy on environmental initiatives that apply to the entire Asahi Kasei Group. Quantitative indicators and targets were revised in order to clearly visualize and confirm ongoing progress of these environmental initiatives.

### The Asahi Kasei Group's global environmental policy

#### 1. Contributing to a low-carbon society

- (1) Sharing the international goal of cutting worldwide greenhouse gas emissions in half by the year 2050, the Asahi Kasei Group will establish targets for reduction of emissions from its business activities by 2020.
- (2) The Asahi Kasei Group will contribute to the establishment of a low-carbon society by providing the world with products, technologies, and services that enable reduced greenhouse-gas emissions through our proprietary technology.
- (3) The Asahi Kasei Group will monitor and clearly visualize the amount of CO<sub>2</sub> emissions from its supply chain.

#### 2. Preserving water resources

The Asahi Kasei Group will help preserve water resources around the world through its domestic and international water supply filtration membrane module business and industrial water recycling service business. The Asahi Kasei Group will measure the quantity of its water intake while striving to maintain and improve the efficiency of its water usage.

#### 3. Promoting a recycling-oriented society

The Asahi Kasei Group will promote the reduction of environmental impacts

and the efficient utilization of resources and energy throughout the entire life cycle in its business activities in order to contribute to a recycling-oriented society. Specifically, we will raise the percentage of reduction, reuse, and recycling (3Rs), and increase the usage of resources and energy with lower environmental impacts as well as renewable resources and energy.

#### 4. Achieving harmony with nature

The Asahi Kasei Group will monitor and carefully manage its business activities to preserve natural capital, maintain consciousness of biodiversity, and ensure the environmental impacts of its business activities are within acceptable ranges. First, we will study the current situation pertaining to our use of land and biological resources.

#### 5. Overseas locations (factories)

The Asahi Kasei Group will create systematic monitoring items that will enable environmental management practices equivalent to those at its factories in Japan.

#### 6. Supply chain

The Asahi Kasei Group will proactively collaborate with members of its supply chain to undertake the abovementioned activities.

### Contributing to a low-carbon society

As a participant in the Commitment to a Low Carbon Society launched in April 2013 by the Japan Chemical Industry Association and Nippon Keidanren, the Asahi Kasei Group is implementing activities in line with this commitment. We will also pursue activities under global indicators and targets set for our overseas manufacturing sites as well.

In July 2014 we established a Global Environment Action Committee and changed the membership of the Global Environment Committee from the Presidents of the core operating companies to the Executives for the Environment.

#### The Asahi Kasei Group's activities for building a low-carbon society

1. Reducing greenhouse gas (GHG) emissions of the Asahi Kasei Group
  - (1) CO<sub>2</sub> and GHG emissions in Japan
  - (2) Global CO<sub>2</sub> emissions
  - (3) Scope 3 emissions\*
2. Helping reduce CO<sub>2</sub> emissions throughout the entire lifecycle of products
3. Making international contributions
4. Developing innovative new technologies

\* Scope 3 emissions: Greenhouse gases emitted indirectly by a company throughout its supply chain.

### Quantitative indicators and targets of environmental initiatives

#### 1. Contributing to a low-carbon society

##### Reducing CO<sub>2</sub> emissions

- Reduce CO<sub>2</sub> emissions in Japan to 30% below the FY 2005 level by FY 2020
- Hold total CO<sub>2</sub> emissions in Japan and overseas in FY 2020 to 5% below the FY 2010 level

##### GHG emissions

- Reduce GHG emissions in Japan to 35% below the FY 2005 level by FY 2020

##### LCA/CO<sub>2</sub> contribution ratio\*

- Achieve ratio of 10.0 by FY 2020 (7.0 in FY 2013 and 3.2 in FY 2010)

\* LCA is used to determine the amount of reduction in CO<sub>2</sub> emissions enabled by Asahi Kasei products and technologies in comparison with conventional products and technologies. The ratio is calculated by dividing this amount by the global CO<sub>2</sub> emissions of the entire Asahi Group.

#### 2. Preserving water resources

##### Water resource contribution ratio\*

- Achieve ratio of 7.0 in FY 2015 (1.2 in FY 2011)

\* The water resource contribution ratio is calculated by adding up the total quantity of water clarified and recycled using Asahi Kasei filtration technology and dividing this by the quantity of the Asahi Kasei Group's water intake.

### The Asahi Kasei Group's environmental initiative framework

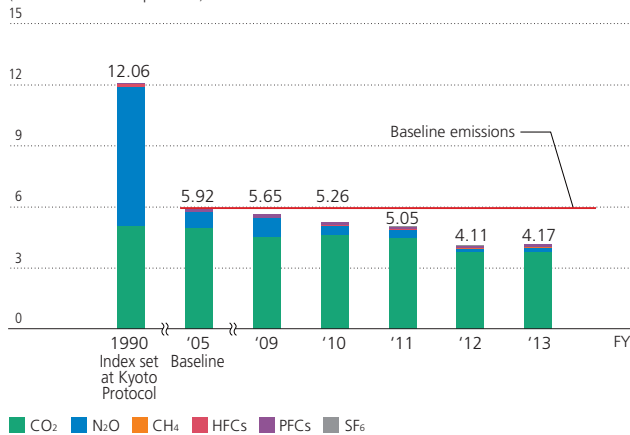
Global Environment Committee	This committee deliberates and adopts group-wide environmental measures. It is chaired by the holding company Executive for RC, vice-chaired by the General Manager of Corporate Research & Development, and has the Executives for the Environment of the core operating companies as members. It meets twice per year.
Global Environment Action Committee	This committee is chaired by the General Manager of Corporate ESH & QA, and has the RC Promoters of the core operating companies and Corporate Research & Development as members. Based on decisions of the Global Environment Committee, it develops concrete measures. It meets twice per year.
LCA Committee	This committee consists of the chair from the holding company and members from the core operating companies and from Corporate Research & Development. It promotes LCA throughout the Asahi Kasei Group and performs LCA for the Group's products and technologies, including those under development. It meets five to six times per year, and reports results of its activities to the Global Environment Committee.

### Reducing GHG emissions from production processes

The Asahi Kasei Group's GHG emissions from production processes in fiscal 2013 were equivalent to 4.17 million tons of CO<sub>2</sub>, which represents a reduction of 29.2% compared to the 5.92 million tons from our baseline year of fiscal 2005. Significant factors that contributed to this reduction include the suspension of ammonia and benzene production, and the start of biomass power generation. Compared to the emissions level in 1990, the index year set under the Kyoto Protocol, we continue to maintain a reduction of GHG emissions by more than 50%, most notably through the development of technology for thermal decomposition nitrous oxide (N<sub>2</sub>O) byproduct.

### GHG emissions from production processes

(Million tons CO<sub>2</sub> equivalent)



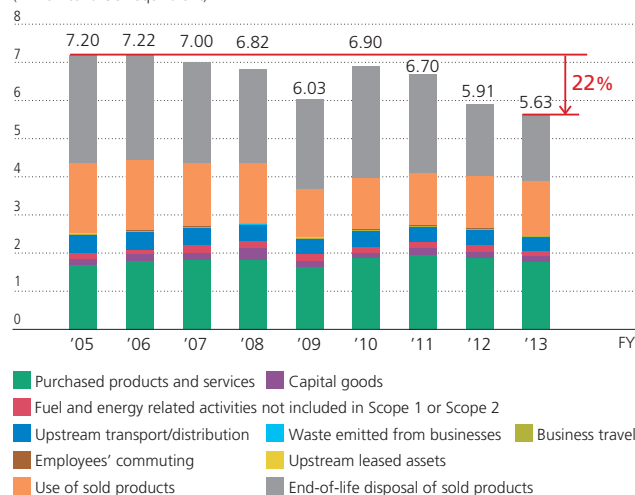
### Scope 3 emissions

The domestic Japanese portion of Scope 3 emissions over time has been calculated for all operations except Asahi Kasei Pharma, yielding data on 99% of such emissions for the entire Asahi Kasei Group.

Our Scope 3 emissions have steadily declined from fiscal 2005 to fiscal 2013, with some fluctuation due to the global financial crisis, and in fiscal 2013 they were some 22% lower than in fiscal 2005.

### Scope 3 emissions in Japan

(Million tons CO<sub>2</sub> equivalent)



This reduction can be attributed to the launch and growing sales of Hebel Haus™ products with power generation, efficiency, and conservation functions which reduced Category 11 emissions (use of sold products), and to the reduced use of fossil resources and fossil fuels which reduced Category 12 emissions (end-of-life disposal of sold products).

### Life cycle assessment of reduced CO<sub>2</sub> emission

Although CO<sub>2</sub> is generated during the manufacture of materials and intermediate products in the Asahi Kasei Group, there are also many examples of products which contribute to reduced CO<sub>2</sub> emissions during use. LCA calculation takes such contribution into account and determines the amount of CO<sub>2</sub> reduction achieved over the product life cycle. By expanding sales of such products and commercializing new products and technologies that enable significant reduction of CO<sub>2</sub> emission based on LCA, we contribute to the overall reduction of greenhouse gas emission throughout the supply chain.

### Global warming conscious products

In April 2012, we formulated guidelines on global warming conscious products. Having formulated a similar set of guidelines in 2003 for eco-friendly products, the Asahi Kasei Group decided to formulate a new set of guidelines for global warming conscious products given recent demand both in Japan and overseas.

In accordance with these guidelines, we have certified the products in the following chart as global warming conscious products.

### List of global warming conscious products

Rank	Product name
A	Hall ICs and Hall elements for DC motors used in air conditioners
A	Ion-exchange membrane electrolysis system for caustic soda
A	Synthetic rubber for fuel-efficient tires
A	Phosgene-free polycarbonate production process
A	Fusion™ 3D woven fabric for energy saving humidifier filters
B	Hebel Haus™ with power generating, efficiency, and conservation functions
B	Hebel Haus™ with next-generation insulation
B	Sunfort™ photosensitive dry film
B	Hipore™ lithium-ion battery separator for electric and hybrid electric vehicles
B	Asaclean™ plastic molding machine purging agent
C	Neoma™ foam insulation panels for homes

Rank A: LCA/CO<sub>2</sub> reduction of at least 500,000 t-CO<sub>2</sub>/y

Rank B: LCA/CO<sub>2</sub> reduction of at least 100,000 t-CO<sub>2</sub>/y

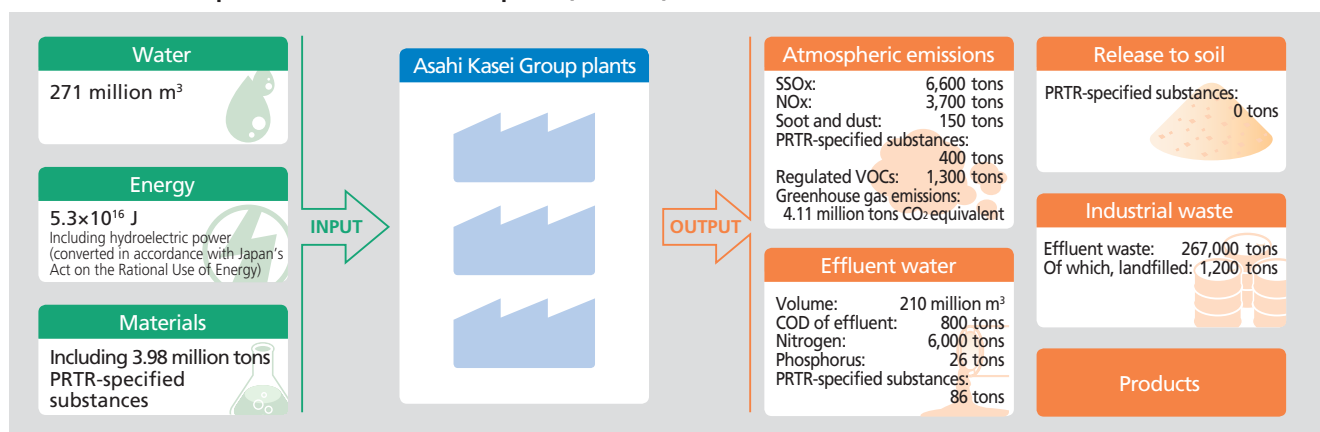
Rank C: LCA/CO<sub>2</sub> reduction of at least 10,000 t-CO<sub>2</sub>/y

## Overview of environmental impacts

The diagram below describes the environmental impacts of business activities at Asahi Kasei Group plants. As in our Group Vision of “harmony with the natural environment,” the Asahi Kasei Group considers environmental preservation as one of the most important tasks. Our major focuses are on 1) prevention of global warming, 2) promotion of a recycling-oriented society, 3) management of chemical substances, and 4) preservation of biodiversity.

For prevention of global warming, we have established new indexes and targets to curtail greenhouse gas emissions to be achieved by fiscal 2020. Regarding promotion of a recycling-oriented society, we achieved zero emissions of industrial wastes in fiscal 2010 and are working to maintain this. Furthermore, as a chemical company, we are working to promote safe handling of chemical substances and actively provide safety information. We are also making efforts to reduce the impact of our business activities on biodiversity.

### Asahi Kasei Group Main Environmental Impacts (FY 2013)



## Preservation of biodiversity

### Basic policy

To ensure the sustainable utilization of living resources, due consideration is given to reducing the impact of our business activities on biodiversity, and we have established guidelines for the preservation of biodiversity. Based on this guideline, the Asahi Kasei Group began examining the impact of our business activities on biodiversity. In order to promote business activity with due concern for biodiversity, we are working to raise awareness among personnel by various means including our RC education program.

### Notable actions in fiscal 2013

Through the examination of the impact of our business activities on biodiversity, we came to realize the extreme importance of biological resources and ecosystem services for our operations. In any case of ecosystem services being newly used or a change in use of biological resources, we confirm that no problem will be caused. Our plants and offices are undertaking a variety of initiatives to preserve biodiversity in each location.

#### Nobeoka:

In Nobeoka, we are studying the impact of forest thinning as part of the Nobeoka City Satoyama Preservation Initiative. Our study is focused on the impact on the forest environment of our use of forest thinnings as biomass fuel for power generation, depending on the method of thinning. In fiscal 2012 we studied the forest prior to thinning, and in fiscal 2013 we performed thinning and studied the forest immediately afterward. In fiscal 2014 we will evaluate effect on the forest one year after thinning.

#### Fuji:

In Fuji, we created a local biotope called the Asahi Woods of Life at our plant and laboratory complex, recreating the ecosystem of the local area. Many of our employees and local residents participate in biodiversity-related activities such as planting trees, planting and harvesting rice, and watching fireflies.

#### Moriyama:

In Moriyama, we are working to remove foreign species and protect native species of fish based on a vision of being the world's best factory site located near freshwater fish, as part of a program to protect the natural water environment of Lake Biwa. When effluent water flow was suspended during a plant shut-down for maintenance in fiscal 2013, we removed some 1,400 fish of foreign species, totaling 95 kg. We also initiated a program to utilize green space within the plant grounds as a place for personnel to relax and enjoy the natural biodiversity of the area.

## Promoting a recycling-oriented society

The Asahi Kasei Group is working to reduce the amount of industrial waste for final disposal through the “3-Rs” of reduction, reuse, and recycling in order to help build a recycling-oriented society.

In fiscal 2013, we adopted more challenging targets of a final disposal rate of 0.3% or less and a recycling rate of 85% or more of the total amount of industrial waste generated. Although we achieved a recycling rate of 91%, we missed our target final disposal rate by achieving 0.5%, the same as the previous year. We are working to gain further improvements through increased separation and greater selectivity in disposal contractors.

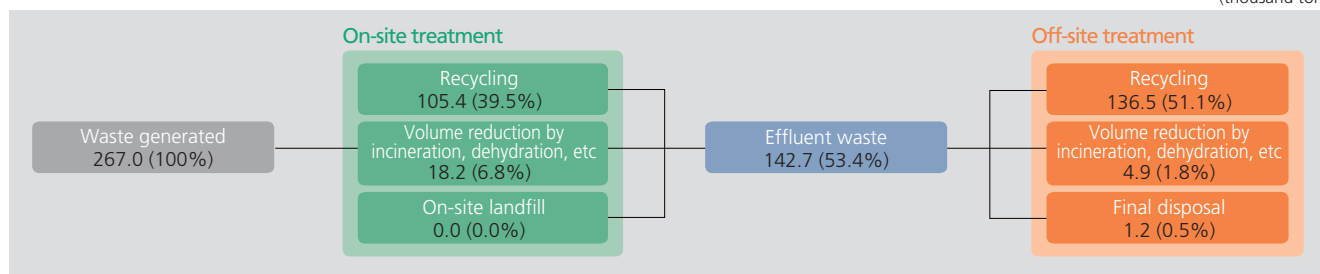
Waste containing PCBs\* is stored under strict control in stainless steel vessels. Plans for disposal are advancing, including for waste with minimal amounts of PCBs.

We enhanced our management of off-site treatment of industrial waste by expanding the use of electronic manifests. We also performed periodic on-site inspections of consigned firms to ensure that proper disposal is performed in accordance with sound systems of control.

\* PCBs (polychlorinated biphenyls) are persistent and pose a risk to the living environment and human health. Their manufacture and use is essentially prohibited in Japan.

## Flow of industrial waste, FY 2013\*

(thousand tons)



\* Excluding industrial waste generated at the construction sites of Asahi Kasei Homes.

## Reduction of chemical substances

The Asahi Kasei Group makes an effort to reduce the release of chemical substances. These chemicals include substances specified in the Air Pollution Control Act, Water Pollution Control Act, and the PRTR<sup>1</sup> Law, and other substances which we have voluntarily designated for reduction. Priority for reduction is based on the degree of hazardousness and amount of release. Release of PRTR-specified substances and VOC<sup>2</sup> emission were reduced by 90% and 87%, respectively from fiscal 2000.

1 PRTR: Pollutant release and transfer register. Under the PRTR Law, releases to the environment and off-site transfers of specific hazardous chemical substances must be monitored and recorded for each production facility and operating site. Results are reported to the government, which publishes aggregate results.

2 VOC: Volatile organic compound. Although the term generally applies to any organic compound which is in gaseous state at the time of release, regulations for the control of their release exclude methane and some fluorocarbons which do not form oxidants.

## Product safety

**To ensure the provision of products that the customer can use safely and reliably, the Asahi Kasei Group constantly strives to improve product safety and product quality, while maintaining consistent production control. In fiscal 2013, we once again met our target of no serious product safety incidents.**

### Prevention of product safety incidents

#### Consumer satisfaction and safety

Products sold by the Asahi Kasei Group range from industrial materials to consumer products. Many of the materials we sell are used in products which are purchased by ordinary consumers. Consumer satisfaction is therefore the ultimate measure of our success in the provision of safe, high-quality products. We strive to maintain product quality and safety through continual attention to production control to ensure that the products used by consumers are completely free of safety defects.

### Product safety guidelines

Group-wide product safety guidelines have been prepared to secure product safety and prevent the occurrence of product safety incidents. The guidelines specify matters to be controlled throughout the process from material purchase through use and disposal. The guidelines are centered on risk assessment during the development stage to ensure product safety prior to marketing. Specific product safety measures for individual products are applied by each core operating company in accordance with the guidelines.

## Managing chemical substances

**To ensure the safety of products and production processes in the Asahi Kasei Group, we maintain awareness of the properties of the chemical substances we use, and manage them strictly and appropriately throughout each phase from materials procurement to production, use, and disposal.**

### Outline of efforts for product safety and chemical substance management

The Asahi Kasei Group routinely performs employee education on product liability, chemical product safety, and equipment safety, along with risk assessment. We examine the substance of complaints about our products and apply lessons learned to our quality assurance systems (QMS and GMP) as part of the continuing effort to ensure product safety and avoid complaints.

With regard to the safety of chemical products, the Global Harmonized System of Classification and Labeling of Chemicals

(GHS) has been introduced in Japan in accordance with a United Nations advisory. We have revised our SDSs for compatibility with GHS and have labeled our chemical products to make safety information more visible.

In addition to their useful properties, many of our products are potentially hazardous if handled improperly. We therefore provide a range of information for safe use and handling of our products, continuously review the safety of our products, and strive to ensure that the safety information that we provide is easy to understand and apply.

## Operational safety

To achieve safe operations, it is essential to build highly safe plants based on process hazard assessment prior to construction, to perform sound plant maintenance, and to operate facilities in a stable and safe manner. The Asahi Kasei Group avoids industrial accidents through risk assessments prior to the construction of new plants, periodic inspections of existing plants performed by auditors specialized in fire and explosion prevention, process reviews from the perspective of preventing abnormal reactions and ensuring interlock functions, and process reviews corresponding to the age of facilities. In fiscal 2013, we completed a program of on-site confirmation from the perspective of preventing abnormal reactions and ensuring interlock functions. There were no industrial accidents during fiscal 2013.

### Management of operational safety

Our ongoing, autonomous program to ensure operational safety includes safety assessment and hazard identification in accordance with a basic safety management policy, and specific plans are implemented on both annual and multi-year cycles.

### Safe, stable plant operation

Given our diverse range of operations that include Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, the Asahi Kasei Group has plants with a wide variety of different characteristics. No single approach to safety would be appropriate for all plants.

We employ a systematic process to tailor the safety effort to each plant's specific requirements. This includes the use of PDCA cycles to ensure the appropriateness of the maintenance standards for each individual unit of equipment.

In addition, safety information and know-how are shared across the Asahi Kasei Group through group-wide plant engineering conferences with four specialist panels: Formulation of optimum systematic maintenance programs, establishment of standards and criteria, formulation of training systems for maintenance engineers, and sharing engineering information.

### Training for operational safety

At our petrochemical sites in Mizushima and Kawasaki, the Asahi Operation Academy (AOA) serves as the training center to cultivate the skills necessary to operate petrochemical plants. AOA teaches the principles and structures of equipment, heightening the ability to identify the cause of equipment failure and to respond it. Miniature plants and simulators are used at AOA to provide hands-on experience with controls and instrumentation.

## Workplace safety and hygiene

The effort to prevent workplace accidents is integrated in a comprehensive OHSMS\* program that combines conventional safety initiatives—such as tidiness/orderliness/cleanliness, reporting of near-accidents and potential hazards, hazard prediction analysis, safety patrols, and case studies—with risk assessments and a prevention-oriented plan-do-check-act (PDCA) system.

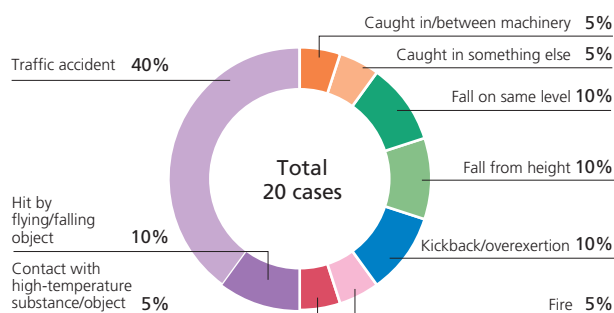
\* Occupational Health and Safety Management System. A standardized management system used to confirm that continuous improvement is being applied to measures to minimize the risks of workplace injuries and to prevent the emergence of future risks.

### Occurrence of workplace injuries

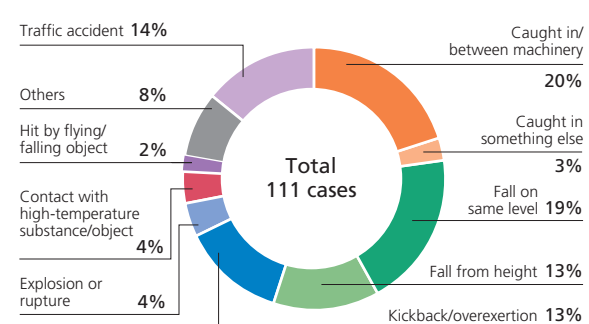
Of the 20 workplace injuries that occurred during fiscal 2013, 10% fell into the "caught in/between" category, which can easily result in severe injury. Although the proportion is lower than the 22%, average of fiscal 2003 to 2012, we continue to strive to reduce accidents in the "caught in/between" category by eliminating sources of danger and enhancing safeguards. In fiscal 2012, we began an ongoing program of comprehensive plant

inspections that incorporates fresh perspectives from outside experts and from our personnel of different sites and different core operating companies. We also formulated a set of guidelines on machinery safety in accordance with ISO12100\* and in fiscal 2014 began machinery risk assessments by designers in the case of building new equipment or modifying existing equipment, with deliberation among related parties as part of the equipment inspection. The four categories of fall on the same level, fall from

**Incidence of workplace injury by event category, FY 2013 in Japan**



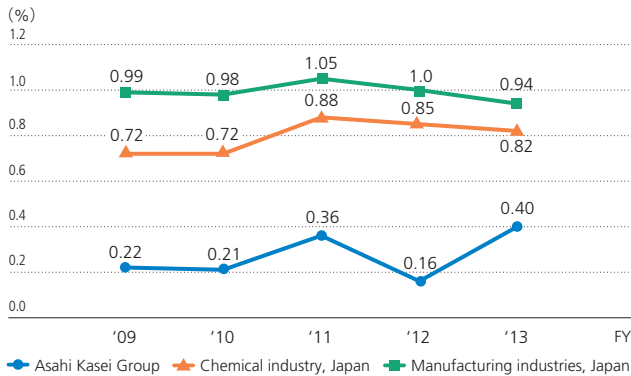
**Incidence of workplace injury by event category, FY 2003–2012 in Japan**





height, kickback/overexertion, and traffic accident accounted for 70% of all workplace injuries in fiscal 2013. To prevent these common accidents that could occur even in non-factory workplaces such as sales offices or headquarters, we are

### Frequency rate\*



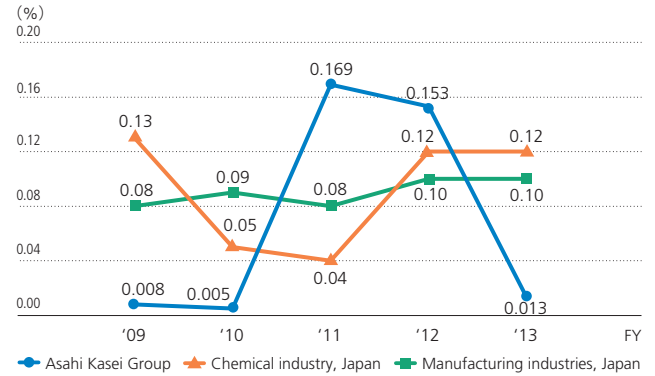
Note: Fiscal years for the Asahi Kasei Group, calendar years for the chemical industry and manufacturing industries in Japan.

\* Frequency rate: Number of accidental deaths and injuries resulting in the loss of one or more workdays, per million man-hours worked. Our goal of 0.1 or less is extremely ambitious. At a plant with 100 workers, it would mean only one worker in 50 years suffered from a workplace injury which resulted in a day off.

promoting safety activities in all workplaces and renewing our emphasis on a culture of safety.

\* ISO12100 specifies principles for achieving safety in machinery design and principles of risk assessment and risk reduction.

### Severity rate\*



Notes:

1. Fiscal years for the Asahi Kasei Group, calendar years for the chemical industry and manufacturing industries in Japan.
2. The severity rate increased in fiscal 2011 because of one fatal "caught in machinery" accident and in fiscal 2012 because of one "fall on same level" accident that caused lasting injury (Level 2 Disability).

\* Lost workdays, severity-weighted, per thousand man-hours worked.

## Health maintenance

The Asahi Kasei Group implements various activities to help employees maintain and advance their mental and physical well-being in accordance with its health management guidelines, including screening for lifestyle-related diseases and mental health checkups.

### Enhanced health management framework

In fiscal 2013 we enhanced the health maintenance system for independent plants and smaller offices by establishing a framework for them to receive the support of specialist industrial physicians as necessary in the main regions. We also began providing health guidance to salespeople stationed throughout Japan and to personnel stationed overseas using video conferencing systems, etc.

### Health maintenance and promotion for employees

The Asahi Kasei Group has provided personnel with health guidance and exercise guidance by outside experts and health maintenance staff in each location.

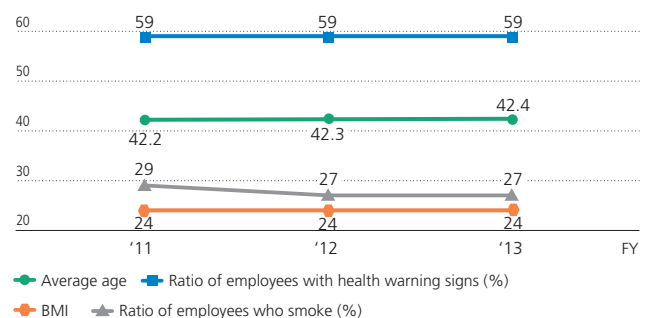
In April 2013, with a revision of the standards applied to indicate health warning signs based on the results of annual checkups, we reevaluated past results to identify trends based on the new standards. This indicated that the proportion of employees with health warning signs is remaining generally unchanged, while BMI and the ratio of employees who smoke are gradually decreasing.

Beginning in fiscal 2013 our employee health insurance association revised its specified health guidance in accordance with the Act of Assurance of Medical Care for Elderly People, utilizing a health improvement program that enables exercise guidance to be selected in addition to health guidance.

### Mental health and care

The Asahi Kasei Group is working to improve the workplace environment by enhancing its four complimentary approaches to care in accordance with its mental health care guidelines. For self-care by individual employees and care by industrial medical staff, in fiscal 2013 we began full implementation of an intranet-based electronic diagnosis system developed by Fujitsu Software Technologies Ltd. The system has been used to survey stress at 20 locations, with appropriate follow-up implemented. Ongoing stress surveys will be performed annually at each location. In addition to surveying the stress level of individual employees, this system analyzes workplace stress to help improve the workplace environment as part of our effort for care by line of authority.

### Ratio of employees with health warning signs

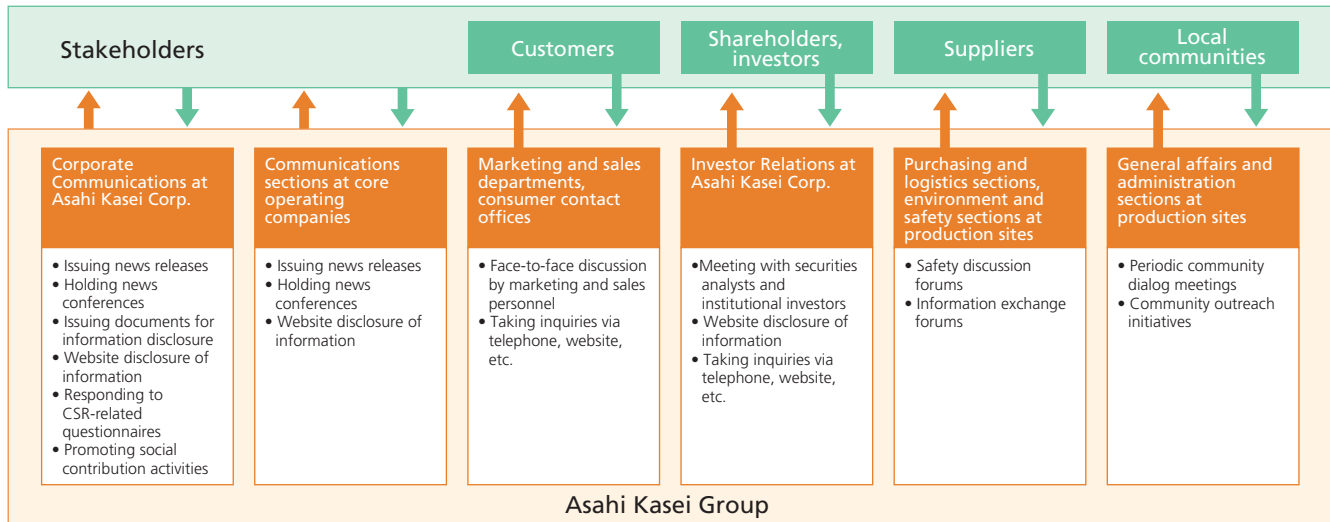


# Corporate citizenship

We are committed to advancing in harmony with society from a global perspective through fair information disclosure and the proactive employment of management resources for corporate responsibility and citizenship.

## Stakeholder dialog

Different corporate organs hold responsibility for fair and open dialog with each of our different groups of stakeholders.



## Customer relations

For materials, intermediates, and devices, communication with our customers is handled by sales departments and R&D departments. For consumer products such as Saran Wrap™ and Frosch™, pharmaceuticals, and Hebel Haus™, communication with our customers is handled by the customer support center of each product.

## Principled supplier relationships

A relationship of mutual trust with our suppliers is fostered through fair and principled purchasing practices based on regulatory compliance and respect for the environment and human rights.

### The Asahi Kasei Group Purchasing and Procurement Policy

Purchasing departments throughout the Asahi Kasei Group regard suppliers as important partners and work to build relationships with them based on sincerity in accordance with our Group Philosophy. To this end, we are placing greater emphasis on CSR in accordance with our Procurement Policy which was revised in fiscal 2011.

#### The Asahi Kasei Group Purchasing and Procurement Policy—Basic Policy

1 Compliance	We uphold all laws relevant to purchasing transactions as well as the Asahi Kasei Group's internal regulations.
2 Fairness and impartiality	Selection of bids and conclusion of contracts are performed in a fair and impartial manner.
3 Open door principle	We provide fair opportunities to any potential supplier, both domestic and overseas.
4 CSR-focused procurement	We perform purchasing in close coordination with our group-wide activities for CSR.
5 Partnership	We strive to deepen mutual understanding and build relationships of trust with our suppliers.

### Focus on CSR in purchasing and procurement

In fiscal 2013, Asahi Kasei Group asked major suppliers of materials and construction services to participate in a CSR survey. Items covered included CSR promotion systems, compliance, environmental safety, risk management, product safety, human rights and labor, and information security management. The survey helped to promote understanding of our efforts for CSR, and we are encouraging suppliers to consider CSR issues in their dealings with the Asahi Kasei Group.

### Supplier relations at production sites

Safety seminars are periodically held at our principal production sites to discuss accident prevention and exchange information with suppliers.



Safety seminar in Kawasaki, Kanagawa

## Public outreach

We work to honor and respect the local culture of each community where our operations are based, and to maintain effective dialog and communication with community members.

### Openness to the community

Measures for community dialog and interaction include regularly held forums and meetings with representatives of local governments and members of local residents associations, and the hosting a variety of events. We also offer plant tours to provide better understanding of our operations and the measures we implement for the environment and safety. In the

Nobeoka/Hyuga region of Miyazaki, Japan, we have advanced a comprehensive review of the vulnerability of operations to possible earthquakes and tsunamis, and in fiscal 2013 we constructed two evacuation towers to enable people to quickly reach a safe height in the event of a tsunami. The evacuation towers are available for use not only by our personnel, but also by nearby community members.



Neighborhood clean-up (Izunokuni, Shizuoka)



Local residents at a cherry blossom event (Suzuka, Mie)



Community dialog meeting (Kurashiki, Okayama)



Plant tour (Moriyama, Shiga)



Evacuation tower (Nobeoka, Miyazaki)

## Community fellowship

The Asahi Kasei Group is involved in a wide range of community-focused activities in accordance with its Basic Framework focused on the three themes of Nurturing the Next Generation, Coexistence with the Environment, and Promotion of Culture, Art, and Sports, under our Community Fellowship Policy.

### Community Fellowship Policy

- 1 Effective utilization of our human resources and technologies to advance community fellowship based on the unique characteristics of the Asahi Kasei Group.
- 2 Striving for meaningful community fellowship actions with a constant awareness of our objectives and effectiveness.
- 3 Supporting and nurturing participation in community fellowship by employees, encouraging volunteerism and individual initiative.

#### Basic Framework

Nurturing the Next Generation

Coexistence with the Environment

Promotion of Culture, Art, and Sports

### Community fellowship activities

#### Nurturing the Next Generation

To promote understanding and heighten interest in science and technology among elementary, junior high, and high school students, we visit schools and host visits by students to factories to give explanations and demonstrations of science and technology and on environmental issues. We also support career development with occupational lectures and problem-solving training. In fiscal 2013, a total of some 3,100 students of 90 schools participated.

The Asahi Kasei Group provides sponsorship for chemistry experiment shows and other science-related events that give children an opportunity to learn about science and chemistry in a fun way. We also sponsor educational events organized by newspaper companies that provide opportunities for children to

learn about science and the environment.

#### Coexistence with the Environment

In addition to our afforestation activities in Miyazaki and Shizuoka, Japan, since June 2011 we have participated in an afforestation project in the Horqin Desert of Inner Mongolia, China. In fiscal 2013, trees were planted on April 18.

#### Promotion of Culture, Art, and Sports

The Asahi Kasei Himuka Cultural Foundation was established in 1985 to enrich the environment of day-to-day life and culture in Miyazaki Prefecture, with a wide range of cultural activities being held. We also contribute to community fellowship through our corporate distance running and judo teams.



Science class (Fuji, Shizuoka)



Children's chemistry experiment show (Chiyoda-ku, Tokyo)



Japan Student Science Award (Koto-ku, Tokyo)



Tree planting (Inner Mongolia, China)



Judo lesson for students (Nobeoka, Miyazaki)

# Corporate Governance

## 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.

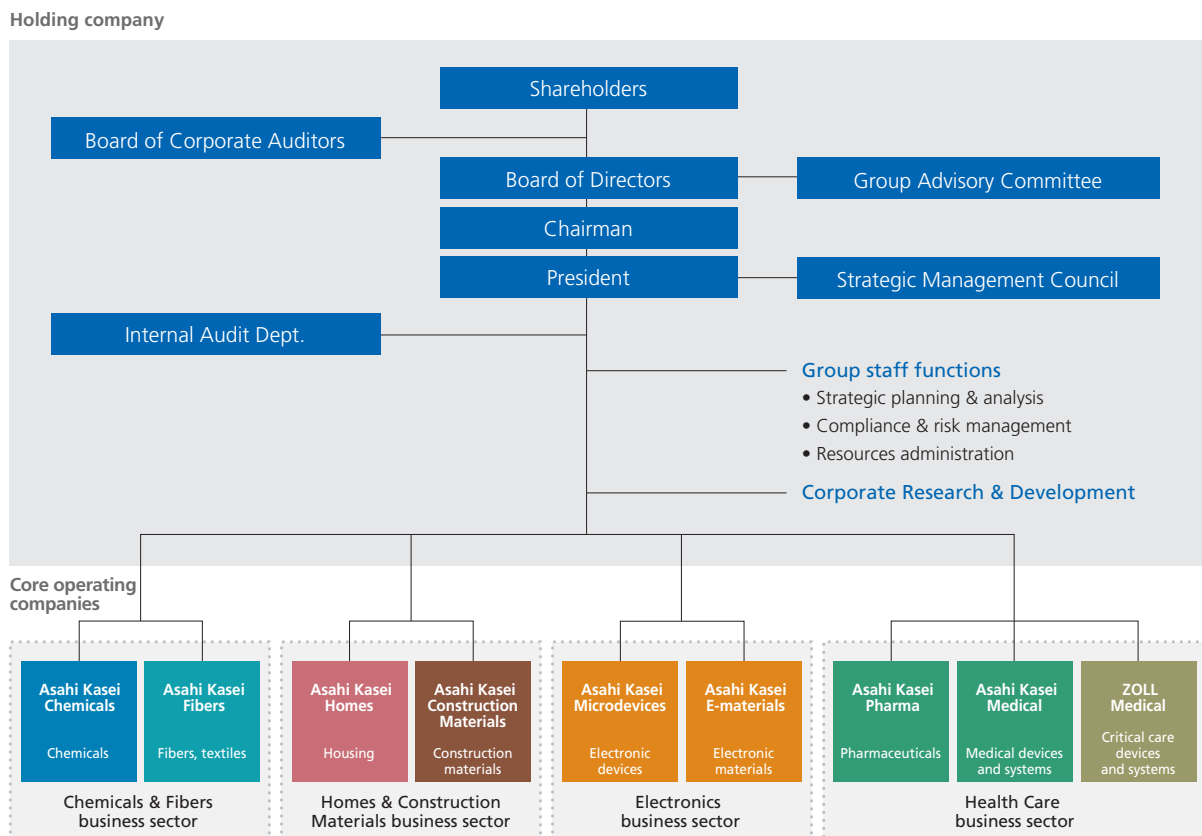
- 1) Based on the structure of a holding company and core operating companies, the core operating companies are responsible for business execution and the holding company is responsible for oversight.
- 2) The Group Approval Authority Regulations are positioned as

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 an Internal Audit Dept. 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 June 27, 2014)



### 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 five Corporate Auditors, three 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 nine Directors, including three Outside Directors, and thirteen Executive Officers, including five who concurrently serve as Director, as well as a Corporate Auditor system, under which we have five Corporate Auditors, including three Outside Corporate

Auditors (as of June 27, 2014).

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

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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 nine 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) The Internal Audit Dept. 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 the Internal Audit Dept., so that all information regarding results of internal audits in the Asahi Kasei Group are centralized at the Internal Audit Dept.
- 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, 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.

## Outside Directors and Corporate Auditors

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We have three Outside Directors and three Outside Corporate Auditors. The function of Outside Directors is to confirm that management decisions are made appropriately from an independent perspective based on their wealth of experience and broad range of insight. The function of Outside Corporate Auditors is to audit based on their wealth of experience, broad range of insight, and specialized knowledge of corporate law, finance, and accounting.

Although we do not have specific standards for judging the independence of Outside Directors and Corporate Auditors, in the selection of candidates for election as Outside Director and Outside Corporate Auditor, we investigate their independence in

accordance with the standards for "Independent Director/Auditor" established by relevant financial instruments exchanges to confirm if they have ever been employed by the company, ever been an important counterparty, and ever been employed by an important counterparty, and furthermore if they have ever received a large amount of money or other property from the company. We then make a comprehensive judgment as to whether or not any conflict with the interests of ordinary shareholders would arise. The relevant financial instruments exchanges have been notified that all of our Outside Directors and Outside Corporate Auditors are designated as Independent Director/Auditor.

## Audits

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The Internal Audit Dept. (16 personnel as of March 31, 2014) is a corporate organ under the direct authority of the President of the holding company. Each year, the Internal Audit Dept. 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 2012 were Mr. Keiichi Ohtsuka, Mr. Takahiro Nakazawa, and Mr. Taisuke Shiino. 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.

The Internal Audit Dept., 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.

## Withdrawal of Shareholder Rights Plan

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The Company adopted measures to respond to large acquisitions of shares (takeover defense measures) based on a resolution at the 117th Ordinary General Meeting of Shareholders held on June 27, 2008, and after partial revision the takeover defense measures were renewed through a resolution at the 120th Ordinary General Meeting of Shareholders held on June 29, 2011 (the revised takeover defense measures hereinafter referred to as the Shareholder Rights Plan).

Subsequently, the Company has concentrated on achieving its "For Tomorrow 2015" strategic management initiative in order to increase corporate value and the common interest of shareholders, and the Company is striving to enhance corporate governance including by increasing the number of Outside Corporate Auditors.

Under these circumstances, with the duration of the Shareholder Rights Plan approaching its end, and with the Company's operating climate having changed since the time of the renewal of the Shareholder Rights Plan, the Company carefully considered the necessity of the Shareholder Rights Plan. The Company determined that the importance of continuation of

the Shareholder Rights Plan has declined in relative terms for the further enhancement of the corporate value of the Asahi Kasei Group, and on May 9, 2014, the Company's Board of Directors adopted a resolution not to renew the Shareholder Rights Plan but to withdraw it at the close of the 123rd Ordinary General Meeting of Shareholders.

Irrespective of whether or not the Shareholder Rights Plan exists, the Company will continue to strive to secure and enhance corporate value and the common interest of shareholders from a medium-to-long term perspective.

Even after the withdrawal of the Shareholder Rights Plan, with respect to parties who would make large acquisitions of the Company's shares, the Company will seek to obtain information as necessary and sufficient for all shareholders to make an appropriate judgment regarding such large acquisitions of shares, disclose the opinion of the Company's Board of Directors, work to secure a time period for all shareholders to consider the matter, and otherwise take appropriate measures within the scope permitted by the Financial Instruments and Exchange Act, the Companies Act, and other relevant laws and ordinances.

## Compliance

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### 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

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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

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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

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The Asahi Kasei Group has a Risk Management Committee 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.

As part of the effort for preparedness for the possibility of a major earthquake in the Greater Tokyo Metropolitan area, we held drills of the initial actions of our emergency response

headquarters four times during fiscal 2013. We also advanced preparations for an alternative emergency response headquarters to use if it becomes impossible to use the head office in Tokyo, including by specifying the functions and duties of the alternative emergency response headquarters. To enhance the ability of local operating sites to deal with emergencies, we held media training workshops including mock press conferences.

In addition, we began studying the adoption of a system to efficiently confirm the well-being of personnel stationed overseas and travelling on business overseas in the event of an emergency.

# Directors, Corporate Auditors, Executive Officers

(As of June 27, 2014)



**Ichiro Ito**  
Chairman & Director



**Toshio Asano**  
President & Representative Director  
Presidential Executive Officer



**Masahito Hirai**  
Representative Director  
Vice-Presidential Executive Officer



**Yuji Kobayashi**  
Representative Director  
Primary Executive Officer



**Hideki Kobori**  
Representative Director  
Primary Executive Officer



**Hiroshi Kobayashi**  
Director  
Senior Executive Officer



**Norio Ichino**  
Outside Director



**Masumi Shiraishi**  
Outside Director



**Kenyu Adachi**  
Outside Director

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**Toshiyuki Kawasaki**  
Corporate Auditor

**Kazuo Tezuka**  
Outside Corporate Auditor

**Katsuhiko Yamazoe**  
Senior Executive Officer

**Naoki Okada**  
Executive Officer

**Hajime Nagahara**  
Corporate Auditor

**Koji Kobayashi**  
Outside Corporate Auditor

**Shinichiro Nei**  
Lead Executive Officer

**Atsushi Nakamura**  
Executive Officer

**Akio Makabe**  
Outside Corporate Auditor

**Masafumi Nakao**  
Lead Executive Officer

**Shigehiro Horimoto**  
Executive Officer

**Hiroshi Sawayama**  
Lead Executive Officer

**Yoshihiro Wada**  
Lead Executive Officer



## Contents

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56	Consolidated Eleven-Year Summary
58	Management's Discussion and Analysis
64	Risk Analysis
66	Consolidated Financial Statements
66	Consolidated Balance Sheets
68	Consolidated Statements of Income
69	Consolidated Statements of Comprehensive Income
70	Consolidated Statements of Changes in Net Assets
71	Consolidated Statements of Cash Flows
72	Notes to Consolidated Financial Statements
72	1. Major policies for preparing the consolidated financial statements
72	2. Significant accounting policies
73	3. Changes in significant accounting policies
73	4. Notes to Consolidated Balance Sheets
74	5. Notes to Consolidated Statements of Income
76	6. Notes to Consolidated Statements of Comprehensive Income
77	7. Notes to Consolidated Statements of Changes in Net Assets
78	8. Note to Consolidated Statements of Cash Flows
79	9. Leases
80	10. Financial instruments
83	11. Marketable securities and investment securities
84	12. Derivative financial instruments
86	13. Provision for retirement benefits
88	14. Taxes
89	15. Asset retirement obligations
90	16. Business segment information
92	17. Information on related parties
93	18. Per share information
93	19. Subsequent events
94	20. Borrowings

# Consolidated Eleven-Year Summary

Asahi Kasei Corporation and Consolidated Subsidiaries

For the years ended March 31	2014	2013 <sup>c</sup>	2012	2011 <sup>d, e</sup>	2010 <sup>d, f</sup>
<b>Net sales<sup>a</sup></b>	<b>¥1,897,766</b>	¥1,666,640	¥1,573,230	¥1,555,945	¥1,392,212
<b>Chemicals</b>	<b>791,615</b>	684,582	680,112	699,801	580,709
Life & Living	—	—	—	—	—
<b>Fibers</b>	<b>120,890</b>	109,613	110,849	108,761	101,201
<b>Homes</b>	<b>534,377</b>	486,182	451,965	409,224	389,728
<b>Construction Materials</b>	<b>55,003</b>	51,504	46,146	47,418	47,024
<b>Electronics</b>	<b>144,995</b>	131,148	146,113	158,337	142,700
<b>Health Care</b>	<b>152,546</b>	133,450	119,483	116,387	113,207
<b>Critical Care</b>	<b>79,840</b>	52,131	—	—	—
<b>Others</b>	<b>18,499</b>	18,031	18,562	16,017	17,642
<b>Domestic sales</b>	<b>1,289,054</b>	1,181,429	1,151,705	1,106,656	1,021,803
<b>Overseas sales</b>	<b>608,712</b>	485,211	421,525	449,289	370,409
<b>Operating income</b>	<b>143,347</b>	91,960	104,258	122,927	57,622
<b>Ordinary income</b>	<b>142,865</b>	95,125	107,567	118,219	56,367
<b>Income before income taxes</b>	<b>163,860</b>	82,302	94,866	98,342	46,056
<b>Net income</b>	<b>101,296</b>	53,712	55,766	60,288	25,286
<b>Comprehensive income</b>	<b>146,102</b>	117,515	62,561	45,088	—
<b>Net income per share, yen</b>	<b>72.48</b>	38.43	39.89	43.11	18.08
<b>Capital expenditure</b>	<b>92,397</b>	113,785	85,124	66,014	83,990
<b>Depreciation and amortization</b>	<b>86,052</b>	80,050	78,440	84,092	86,166
<b>R&amp;D expenditures</b>	<b>71,101</b>	71,120	66,269	62,320	62,924
<b>Cash dividends per share, yen</b>	<b>17.00</b>	14.00	14.00	11.00	10.00

As of March 31	2014	2013	2012	2011	2010
<b>Total assets</b>	<b>¥1,915,089</b>	¥1,800,170	¥1,410,568	¥1,425,879	¥1,368,892
<b>Inventories</b>	<b>328,540</b>	309,677	279,206	256,248	251,084
<b>Property, plant and equipment</b>	<b>480,535</b>	461,581	416,119	418,354	447,497
<b>Investments and other assets</b>	<b>285,735</b>	263,704	227,489	220,773	226,331
<b>Net worth<sup>b</sup></b>	<b>912,699</b>	812,080	706,846	663,566	633,343
<b>Net worth per share, yen</b>	<b>653.15</b>	581.05	505.72	474.59	452.91
<b>Net worth/total assets, %</b>	<b>47.7</b>	45.1	50.1	46.5	46.3
<b>Number of employees</b>	<b>29,127</b>	28,363	25,409	25,016	25,085

a. Beginning with the year ended March 31, 2014, the sequence of segments has been changed to correspond with the classification of our four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care.

b. Net assets less minority interests. Through the year ended March 31, 2006, figures for shareholders' equity shown.

c. Beginning with the year ended March 31, 2013, Critical Care was added as a new segment in which results of ZOLL Medical Corporation of the US are reported. Critical Care segment results were included beginning on April 27, 2012.

d. Beginning with the year ended March 31, 2012, the accounting policy for naphtha resale in the Chemicals segment was changed. This change is applied retroactively to net sales for the years ended March 31, 2008, through March 31, 2011.

e. In the year ended March 31, 2011, the Services, Engineering and Others segment was replaced with the Others category.

f. In the year ended March 31, 2010, the following segment name changes and intersegment transfers were made. For comparison purposes, results for the year ended March 31, 2009, are recalculated to reflect these intersegment transfers.

- The Pharma segment was renamed the Health Care segment, and the Electronics Materials & Devices segment was renamed the Electronics segment. Figures under the previous classifications are shown on the same line.
- Electronic materials operations were transferred from the Chemicals segment and from corporate expenses to the Electronics segment.
- Leona™ nylon 66 filament operations were transferred from the Chemicals segment to the Fibers segment.

g. In the year ended March 31, 2008, the Life & Living segment was combined with the Chemicals segment.

h. In the year ended March 31, 2006, Leona™ nylon 66 filament operations were transferred from the Fibers segment to the Chemicals segment.

Millions of yen, except where noted

2009 <sup>d, f</sup>	2009 <sup>d</sup>	2008 <sup>d, g</sup>	2007	2006 <sup>h</sup>	2005	2004
¥1,521,178	¥1,521,178	¥1,663,778	¥1,623,791	¥1,498,620	¥1,377,697	¥1,253,534
657,393	709,556	846,224	752,632	660,402	557,439	453,707
—	—	—	52,558	51,942	59,149	59,813
116,405	102,176	114,072	106,639	89,704	104,261	101,514
409,882	409,882	386,227	405,695	404,539	375,755	361,273
60,927	60,927	55,732	60,818	56,512	59,908	60,622
129,655	91,721	113,267	112,094	102,859	93,025	82,484
119,619	119,619	111,232	104,474	105,842	103,933	105,965
—	—	—	—	—	—	—
27,297	27,297	37,024	28,881	26,821	24,228	28,156
1,127,213	1,127,213	1,176,441	1,195,751	1,125,454	1,067,893	1,011,366
393,965	393,965	487,337	428,040	373,166	309,804	242,168
34,959	34,959	127,656	127,801	108,726	115,809	60,932
32,500	32,500	120,456	126,507	104,166	112,876	53,643
19,031	19,031	105,599	114,883	94,481	91,141	54,820
4,745	4,745	69,945	68,575	59,668	56,454	27,672
—	—	—	—	—	—	—
3.39	3.39	50.01	49.00	42.46	40.16	19.62
126,725	126,725	82,911	84,413	66,310	68,479	86,387
79,436	79,436	73,983	71,646	69,399	71,531	64,408
60,849	60,849	56,170	52,426	51,467	50,715	48,420
10.00	10.00	13.00	12.00	10.00	8.00	6.00

2009	2009	2008	2007	2006	2005	2004
¥1,379,337	¥1,379,337	¥1,425,367	¥1,459,922	¥1,376,044	¥1,270,057	¥1,249,206
273,539	273,539	272,372	240,006	214,062	202,521	181,609
441,271	441,271	424,193	426,959	414,368	419,969	428,302
218,477	218,477	234,873	281,502	284,390	223,958	226,825
603,846	603,846	666,244	645,655	594,211	511,726	450,451
431.77	431.77	476.39	461.50	424.34	365.43	321.41
43.8	43.8	46.7	44.2	43.2	40.3	36.1
24,244	24,244	23,854	23,715	23,030	23,820	25,011

# Management's Discussion and Analysis

Fiscal year 2013 (April 1, 2013 – March 31, 2014)

## Operating Environment

The global economy during the fiscal year was on a path of gradual recovery with continuing growth in the US and signs of improvement in Europe, but the management climate was obscured by slower growth in China and other emerging economies. Although the Japanese economy was on a path of recovery with a correction of the overvalued yen and a wealth effect from higher stock prices resulting in improved corporate earnings and revived consumer spending, the effect of instability in the global economy remained a concern.

## Overview of Consolidated Results

### Net sales, operating income

Consolidated net sales for the fiscal year increased by ¥231.1 billion (13.9%) to ¥1,897.8 billion. Overseas sales increased by ¥123.5 billion (25.5%) to ¥608.7 billion, largely in the Chemicals segment, and increased by 3.0 percentage points as a portion of consolidated net sales from 29.1% to 32.1%. Domestic sales increased by ¥107.6 billion (9.1%) to ¥1,289.1 billion with strong performance in the Homes segment.

Operating income increased by ¥51.4 billion (55.9%) to ¥143.3 billion. As a percentage of net sales, cost of sales decreased by 1.4 percentage points to 73.0%. SG&A increased by ¥33.5 billion, but decreased as a portion of net sales by 0.7 percentage points to 19.4% due to the increase in net sales. Operating margin increased by 2.0 percentage points to 7.6%.

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

Net non-operating expenses were ¥0.5 billion, a ¥3.6 billion decline from the ¥3.2 billion net non-operating income of a year earlier. Equity in losses of affiliates increased, and foreign exchange gains decreased. As a result, ordinary income increased by ¥47.7 billion (50.2%) to ¥142.9 billion.

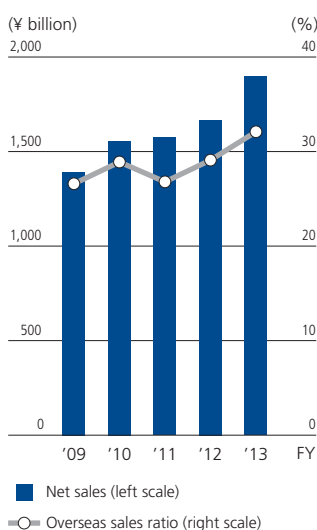
### Extraordinary income and loss

Extraordinary income of ¥55.5 billion included ¥53.5 billion in income from compensation for damage. Extraordinary loss of ¥34.5 billion included ¥22.5 billion in business structure improvement expenses and ¥5.6 billion in loss on disposal of noncurrent assets. The net extraordinary income of ¥21.0 billion was a ¥33.8 billion improvement from a year ago.

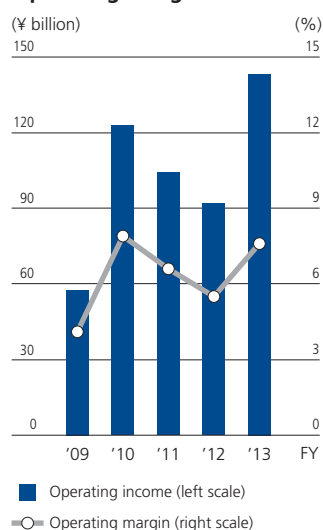
### Net income

With ordinary income of ¥142.9 billion and net extraordinary income of ¥21.0 billion, income before income taxes and minority interests was ¥163.9 billion. Income tax expense was ¥61.8 billion (current income taxes of ¥68.2 billion less deferred income taxes of ¥6.4 billion). Minority interests in income of consolidated subsidiaries were ¥0.8 billion. As a result, net income increased by ¥47.6 billion (88.6%) to ¥101.3 billion, and net income per share increased by ¥34.05 to ¥72.48 from the ¥38.43 of the previous year.

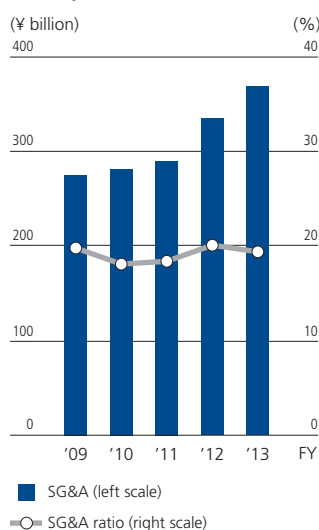
### Net Sales, Overseas Sales Ratio



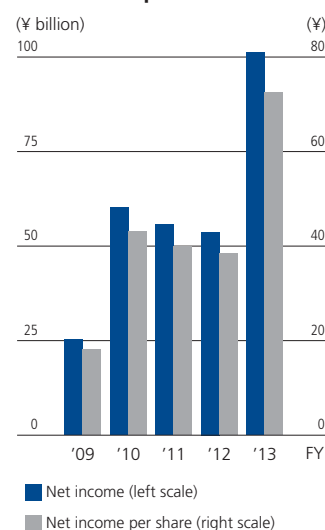
### Operating Income, Operating Margin



### SG&A, SG&A Ratio



### Net Income, Net Income per Share



## Results by Operating Segment

The Asahi Kasei Group's operations are described by major business classification: seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Health Care, and Critical Care, together with an "Others" category. Beginning with fiscal 2013, the sequence of reportable segments has been changed to correspond with the classification of our four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. In the Critical Care segment, results for the year-ago period were included beginning on April 27, 2012, while results were subject to consolidation throughout the entire period beginning with fiscal 2013.

### Chemicals

Sales increased by ¥107.0 billion (15.6%) from a year ago to ¥791.6 billion, and operating income increased by ¥16.0 billion (69.6%) to ¥38.9 billion.

Chemicals and derivative products operations were impacted by low market prices for acrylonitrile and high feedstock prices, but operating income increased with the effect of the depreciation of the yen and improved market prices for styrene monomer. Polymer products operations were impacted by high feedstock prices for polyethylene and other products, but operating income increased with the effect of the depreciation of the yen and firm shipments of engineering plastics and of synthetic rubber for fuel-efficient tires. Operating income in specialty products operations increased

with the effect of the depreciation of the yen, most notably for ion-exchange membranes, and firm shipments of coating materials and of functional chemicals for pharmaceutical manufacture.

### Fibers

Sales increased by ¥11.3 billion (10.3%) from a year ago to ¥120.9 billion, and operating income increased by ¥4.5 billion (112.5%) to ¥8.6 billion.

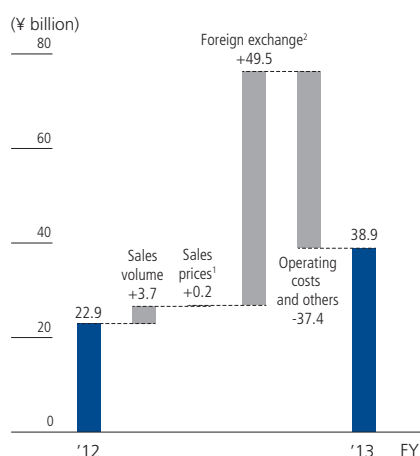
Although the cost of various feedstocks rose, operating income in Fibers increased with the effect of the weaker yen and firm shipments of nonwovens such as Lamous™ artificial suede for automotive upholstery and of Roica™ elastic polyurethane filament.

### Homes

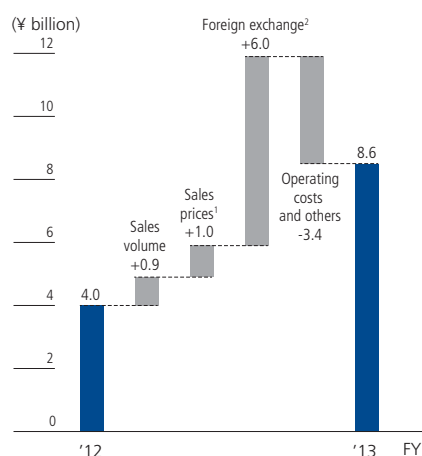
Sales increased by ¥48.2 billion (9.9%) from a year ago to ¥534.4 billion, and operating income increased by ¥8.7 billion (16.1%) to ¥63.0 billion. Orders for order-built homes increased by ¥8.9 billion (2.2%) to ¥421.3 billion.

In order-built homes operations, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased based on strong orders in the previous fiscal year. Operating income rose in real estate operations, with firm rental management, and in remodeling operations, which enjoyed strong orders for exterior wall painting work.

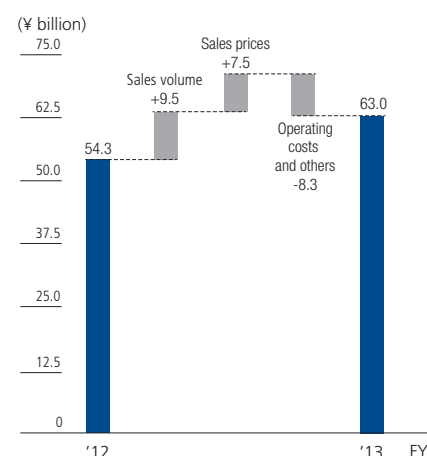
#### Chemicals segment operating income increases/decreases



#### Fibers segment operating income increases/decreases



#### Homes segment operating income increases/decreases



1 Excluding impact of foreign exchange

2 Impact of foreign exchange on sales prices

## Construction Materials

Sales increased by ¥3.5 billion (6.8%) from a year ago to ¥55.0 billion, and operating income increased by ¥1.5 billion (39.0%) to ¥5.5 billion.

In autoclaved aerated concrete (AAC) operations, sales of Hebel™ AAC panels increased. In insulation materials, shipments of Neoma™ high-performance phenolic foam panels increased. In foundation systems, orders for Eazet™ and ATT Column™ piling systems for small-scale construction expanded with the development of new applications. Sales of structural materials increased.

## Electronics

Sales increased by ¥13.8 billion (10.6%) from a year ago to ¥145.0 billion, and operating income increased ¥11.4 billion (404.1%) to ¥14.2 billion.

Although electronic devices operations were impacted by reduced sales prices in each product category, operating income increased with the effect of the depreciation of the yen and increased shipments of electronic compasses and magnetic sensors for smartphones and other mobile applications. Although electronic materials operations were impacted by reduced sales prices, especially for Hipore™ Li-ion battery separator, operating income increased with the effect of the depreciation of the yen and increased sales of high-end products in each product category.

## Health Care

Sales increased by ¥19.1 billion (14.3%) from a year ago to

¥152.5 billion, and operating income increased by ¥14.3 billion (90.0%) to ¥30.3 billion.

Although pharmaceuticals operations were impacted by higher selling, general and administrative expenses such as R&D expenses, operating income grew with increased shipments of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin. In devices-related operations, operating income increased with the effect of the depreciation of the yen, increased sales of dialysis products and of therapeutic apheresis devices, and increased shipments of Planova™ virus removal filters.

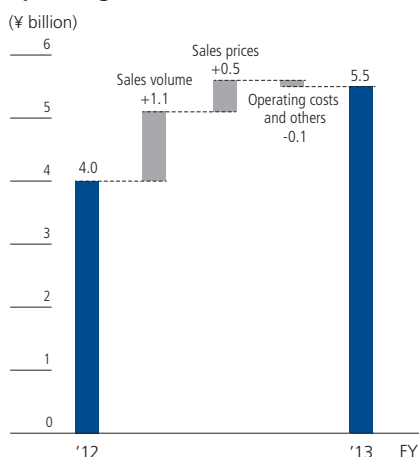
## Critical Care

Sales increased by ¥27.7 billion (53.2%) from a year ago to ¥79.8 billion, gross operating income\* increased by ¥2.2 billion (29.4%) to ¥9.5 billion, and the consolidated operating loss decreased by ¥0.1 billion to ¥3.5 billion. The effect of amortization of goodwill and other intangible assets, etc., related to acquisition of ZOLL Medical Corporation increased by ¥2.0 billion to ¥13.0 billion.

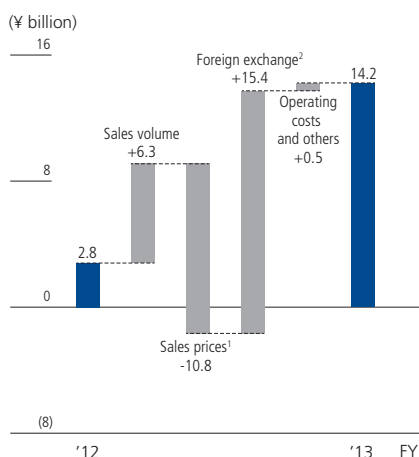
LifeVest™ wearable defibrillator operations expanded smoothly, and sales of other products such as defibrillators for use by medical professionals increased, but selling, general and administrative expenses grew with reinforced sales activity. The increase in sales and the operating loss were enlarged by the difference in the period subject to consolidation.

\* Operating income before amortization of goodwill and other intangible assets, etc., related to acquisition of ZOLL by Asahi Kasei.

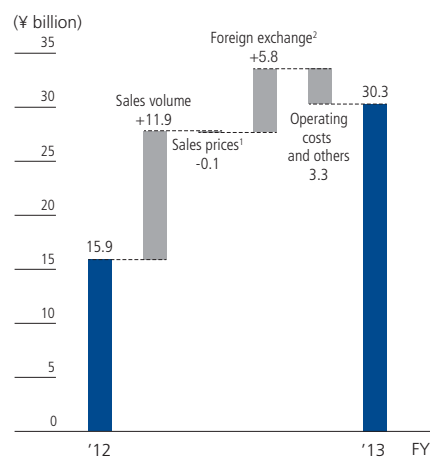
### Construction Materials segment operating income increases/decreases



### Electronics segment operating income increases/decreases



### Health Care segment operating income increases/decreases



1 Excluding impact of foreign exchange

2 Impact of foreign exchange on sales prices

## Others

Sales in "Others" increased by ¥0.5 billion (2.6%) from a year ago to ¥18.5 billion, and operating income decreased by ¥0.5 billion (20.5%) to ¥1.7 billion.

## Liquidity and Capital Resources

### Financial position

Total assets at fiscal year end were ¥1,915.1 billion, ¥114.9 billion (6.4%) higher than a year earlier.

Current assets increased by ¥70.9 billion (8.7%) to ¥890.4 billion, mainly as cash and deposits increased by ¥42.0 billion, inventories increased by ¥18.9 billion, and notes and accounts receivable–trade increased by ¥10.5 billion.

Noncurrent assets increased by ¥44.0 billion (4.5%) to ¥1,024.7 billion, notably with a ¥19.0 billion increase in property, plant and equipment and a ¥13.5 billion increase in investment securities largely due to higher fair market value.

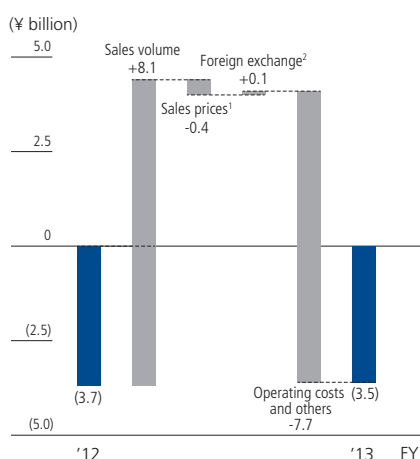
While income taxes payable increased by ¥34.5 billion, current liabilities decreased by ¥26.1 billion (4.3%) to ¥576.8 billion, mainly as a result of a ¥60.0 billion decrease in commercial paper and a ¥9.4 billion decrease in short-term loans payable.

Noncurrent liabilities increased by ¥39.7 billion (10.6%) to ¥412.5 billion, largely as ¥107.8 billion in provision for retirement benefits was replaced by ¥143.5 billion in net defined benefit liability due to a new accounting standard.

Interest-bearing debt decreased by ¥77.6 billion (20.3%) to ¥303.9 billion.

Net assets increased by ¥101.3 billion (12.3%) from ¥824.5 billion to ¥925.8 billion. Net income was ¥101.3 billion, foreign currency translation adjustments increased by ¥30.3 billion, and net unrealized gain on other securities increased by ¥13.0 billion, while negative ¥25.1 billion was recorded as remeasurements of defined benefit plans, and dividend payments were ¥19.6 billion. As a result, net worth per share increased by ¥72.09 to ¥653.15, net worth/total assets increased from 45.1% to 47.7%, and debt-to-equity ratio decreased by 0.14 points to 0.33.

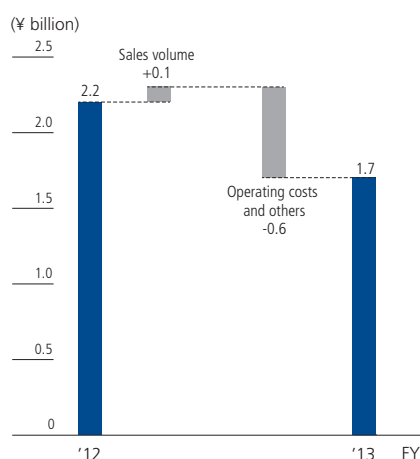
### Critical Care segment operating income increases/decreases



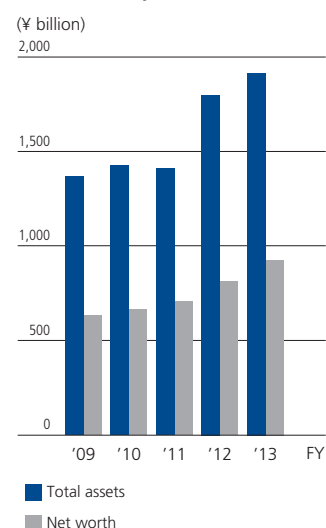
1 Excluding impact of foreign exchange

2 Impact of foreign exchange on sales prices

### Others operating income increases/decreases



### Total Assets, Net Worth



## 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, labor-saving, 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 (other than goodwill), combined, excluding consumption tax.

A total of ¥92.4 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	30,754	63.0
Fibers	8,008	117.2
Homes	8,666	91.0
Construction Materials	6,371	291.5
Electronics	14,583	85.7
Health Care	9,457	66.2
Critical Care	8,697	160.6
Others	1,395	122.4
Combined	87,930	84.8
Corporate assets and eliminations	4,466	44.2
Consolidated	92,397	81.2

Notable capex by operating segment was as follows.

### Chemicals

Construction of facilities for solution-polymerized styrene-butadiene rubber (S-SBR) in Singapore, construction of facilities for acetonitrile in Korea, rationalization, labor-saving, and maintenance.

### Fibers

Rationalization, labor-saving, and maintenance.

### Homes

Rationalization, labor-saving, and maintenance.

### Construction Materials

Capacity expansion for Neoma™ high-performance phenolic foam insulation panels, rationalization, labor-saving, and maintenance.

### Electronics

Construction of facilities for Sunfort™ photosensitive dry film in Changshu, China, capacity expansion for Hipore™ Li-ion battery separator, rationalization, labor-saving, and maintenance.

### Health Care

Construction of new research complex in the Pharmaceuticals Research Center, construction of second manufacturing facility at the Nagoya Pharmaceuticals Plant, rationalization, labor-saving, and maintenance.

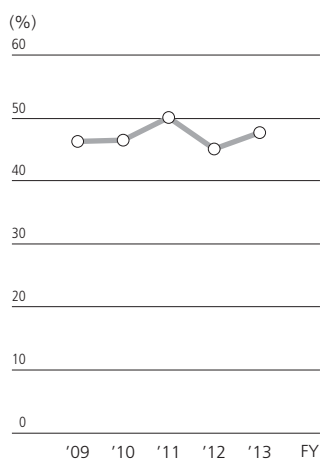
### Critical Care

Rationalization, labor-saving, and maintenance.

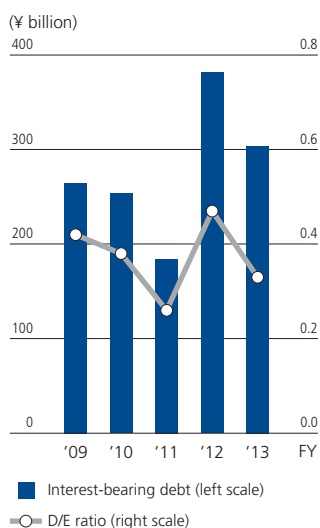
### Others

Rationalization, labor-saving, and maintenance.

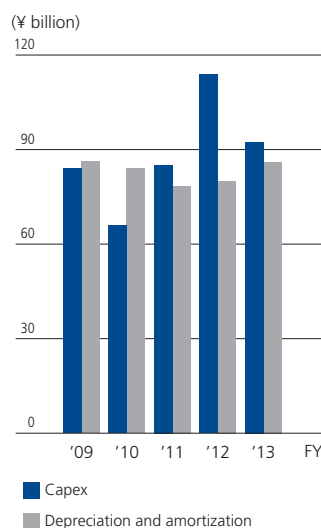
### Net Worth to Total Assets



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



### Capex, Depreciation and Amortization





## Corporate assets

R&D equipment, IT systems, and maintenance.

## Cash flows

Free cash flows\* were a positive ¥140.4 billion, as cash generated, principally from income before income taxes and minority interests and from depreciation and amortization, exceeded cash used, principally for purchase of property, plant and equipment, purchase of intangible assets, and purchase of investment securities. Cash flows from financing activities were a net ¥105.1 billion used, principally due to redemptions of commercial paper. As a result, cash and cash equivalents at fiscal year end were ¥143.1 billion, ¥39.1 billion more than a year earlier.

### Cash flows from operating activities

Cash used included ¥29.5 billion for income taxes paid and a ¥17.8 billion decrease in notes and accounts payable–trade. Income before income taxes and minority interests generated ¥163.9 billion and depreciation and amortization generated ¥86.1 billion. Net cash provided by operating activities was ¥244.2 billion, ¥118.1 billion more than a year earlier.

### Cash flows from investing activities

Cash used included ¥80.9 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness, ¥15.6 billion for purchase of intangible assets, and ¥2.7 billion for purchase of investment securities. Net cash used in investing activities was ¥103.8 billion, ¥174.8 billion less than a year earlier.

### Cash flows from financing activities

Cash used included ¥82.4 billion to reduce loans payable, bonds payable, and commercial paper and ¥19.6 billion for dividend

payments. Net cash used in financing activities was ¥105.1 billion, ¥271.3 billion more than a year earlier.

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

## Financial Policy

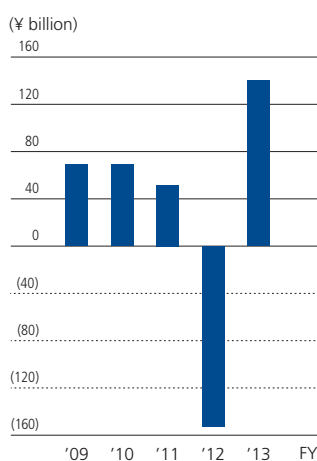
We aim to increase free cash flows with increased earnings through enhanced cost efficiency, greater product competitiveness, and business structure improvements, and with greater capital efficiency through utilization of group finance and maintenance of optimum inventory levels.

A wide range of fund-raising methods including bank borrowings, bonds, and commercial paper will be utilized dynamically in accordance with the financial circumstances of the Asahi Kasei Group in order to obtain stable financing at low cost.

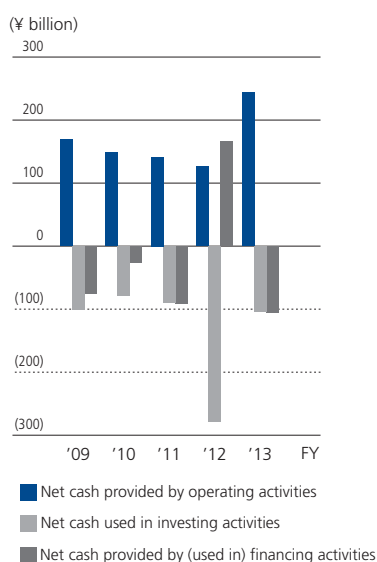
These resources will be used to fund strategic investments under the “For Tomorrow 2015” strategic management initiative focused on the expansion of world-leading businesses and the creation of new value for society by expanding operations in the fields of the environment & energy, residential living, and health care, as well as dividends for shareholders.

Advancing these measures will enable us to further enhance corporate value and provide an appropriate return to shareholders while maintaining discipline for a sound financial constitution.

### Free Cash Flows



### Cash Flows



# Risk Analysis

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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.

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## 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.

## Pharmaceutical, medical device, and acute critical care device businesses

Pharmaceutical, medical device, and acute critical care device businesses may be significantly affected by government measures regarding health care or other changes in government policy in various countries. Unforeseeable side effects or complications may emerge, significantly affecting these businesses. Product approval may be withdrawn as a result of reexamination, and

competition may intensify as a result of the market entry of generics. For products under development, regulatory approval may be prolonged or fail to be obtained, market demand may be lower than expected, and 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.

### **Business and capital alliances**

Acquisitions, business alliances, and capital alliances may bear lower results or less synergy than anticipated due to deterioration of the operating environment, thereby affecting our consolidated performance and financial condition. Poor performance at companies in which we have invested may require the recording of an impairment loss for goodwill, etc., thereby affecting our consolidated performance and financial condition.

# Consolidated Financial Statements

## Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries  
March 31, 2014 and 2013

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Current assets:</b>			
Cash and deposits (Notes 8 and 10)	¥151,474	¥109,513	\$1,472,337
Notes and accounts receivable—trade (Note 4(e))	316,705	306,222	3,078,392
Short-term investment securities (Notes 8, 10 and 11)	—	124	—
Merchandise and finished goods	151,156	145,470	1,469,246
Work in progress	112,243	100,513	1,091,009
Raw materials and supplies	65,141	63,695	633,175
Deferred tax assets (Note 14)	27,469	21,945	267,000
Other	68,106	73,619	661,995
Allowance for doubtful accounts	(1,894)	(1,631)	(18,410)
Total current assets	890,401	819,469	8,654,753
<b>Noncurrent assets:</b>			
Property, plant and equipment			
Buildings and structures (Note 4(b), (d))	453,498	428,616	4,408,029
Accumulated depreciation	(250,633)	(241,191)	(2,436,168)
Buildings and structures, net	202,866	187,425	1,971,870
Machinery, equipment and vehicles (Note 4(b), (d))	1,290,526	1,236,111	12,543,993
Accumulated depreciation	(1,127,452)	(1,082,480)	(10,958,904)
Machinery, equipment and vehicles, net	163,074	153,631	1,585,089
Land (Note 4(d))	58,067	58,176	564,415
Lease assets (Note 9)	13,567	13,980	131,872
Accumulated depreciation	(9,095)	(7,173)	(88,404)
Lease assets, net	4,472	6,806	43,468
Construction in progress	35,216	41,482	342,302
Other (Note 4(d))	137,897	129,716	1,340,367
Accumulated depreciation	(121,056)	(115,656)	(1,176,672)
Other, net	16,841	14,060	163,696
Subtotal	480,535	461,581	4,670,830
Intangible assets			
Goodwill	137,679	134,303	1,338,248
Other	120,740	121,114	1,173,600
Subtotal	258,419	255,417	2,511,849
Investments and other assets			
Investment securities (Notes 4(a), (b), 10 and 11)	238,419	224,903	2,317,448
Long-term loans receivable (Note 10)	9,173	5,248	89,162
Net defined benefit asset (Note 13)	2,369	—	23,027
Deferred tax assets (Note 14)	16,278	8,487	158,223
Other	19,751	25,311	191,981
Allowance for doubtful accounts	(256)	(245)	(2,488)
Subtotal	285,735	263,704	2,777,362
Total noncurrent assets	1,024,689	980,702	9,960,041
Total assets	¥1,915,089	¥1,800,170	\$18,614,784

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Notes and accounts payable—trade (Notes 4(e) and 10)	¥159,925	¥172,630	\$1,554,481
Short-term loans payable (Notes 4(b), 10 and 20)	103,605	113,043	1,007,047
Commercial paper (Notes 10 and 20)	10,000	70,000	97,201
Current portion of bonds payable (Notes 10 and 20)	—	5,000	—
Lease obligations (Notes 9, 10 and 20)	1,784	2,415	17,341
Accrued expenses	93,313	91,646	907,008
Income taxes payable (Note 10)	48,520	13,978	471,617
Advances received	80,164	61,953	779,199
Provision for periodic repairs	7,964	2,359	77,411
Provision for product warranties	2,503	2,143	24,329
Provision for removal cost of property, plant and equipment	2,893	1,910	28,120
Asset retirement obligations (Note 15)	806	722	7,834
Other (Note 4(e))	65,305	65,064	634,769
Total current liabilities	576,782	602,864	5,606,357
<b>Noncurrent liabilities:</b>			
Bonds payable (Notes 10 and 20)	40,000	40,000	388,802
Long-term loans payable (Notes 4(b), 10 and 20)	146,037	146,929	1,419,489
Lease obligations (Notes 9, 10 and 20)	2,445	4,051	23,766
Deferred tax liabilities (Note 14)	43,441	39,985	422,249
Provision for retirement benefits (Note 13)	—	107,776	—
Provision for directors' retirement benefits	818	767	7,951
Provision for periodic repairs	173	4,255	1,682
Provision for removal cost of property, plant and equipment	9,526	2,960	92,593
Net defined benefit liability (Note 13)	143,523	—	1,395,052
Asset retirement obligations (Note 15)	3,244	2,834	31,532
Long-term guarantee deposits (Note 10)	18,899	18,396	183,699
Other	4,434	4,902	43,099
Total noncurrent liabilities	412,541	372,855	4,009,924
Total liabilities	989,323	975,719	9,616,281
<b>Net assets:</b>			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,402,616,332 shares	103,389	103,389	1,004,948
Capital surplus	79,404	79,403	771,812
Retained earnings (Note 7(b)(ii))	635,403	553,557	6,176,157
Treasury stock			
(2014—5,230,736 shares, 2013—5,016,645 shares)	(2,591)	(2,431)	(25,185)
Total shareholders' equity	815,605	733,918	7,927,731
Accumulated other comprehensive income			
Net unrealized gain on other securities	75,626	62,622	735,089
Deferred gains or losses on hedges	(171)	(900)	(1,662)
Foreign currency translation adjustments	46,734	16,440	454,257
Remeasurements of defined benefit plans	(25,094)	—	(243,915)
Total accumulated other comprehensive income	97,095	78,162	943,769
Minority interests	13,067	12,371	127,012
Total net assets	925,766	824,451	8,998,503
Commitments and contingent liabilities (Notes 4(c) and 9)			
Total liabilities and net assets	¥1,915,089	¥1,800,170	\$18,614,784

The accompanying notes are an integral part of these statements.

# Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries  
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net sales (Note 16)	¥1,897,766	¥1,666,640	\$18,446,404
Cost of sales (Note 5(b))	1,385,704	1,239,452	13,469,129
Gross profit	512,062	427,188	4,977,274
Selling, general and administrative expenses (Note 5(a))	368,715	335,228	3,583,933
Operating income (Note 16)	143,347	91,960	1,393,342
Non-operating income:			
Interest income	1,183	1,301	11,499
Dividends income	3,681	2,949	35,780
Foreign exchange gains	425	4,285	4,131
Insurance income	1,132	1,661	11,003
Other	4,157	3,623	40,406
Total non-operating income	10,578	13,821	102,819
Non-operating expenses:			
Interest expense	3,375	3,339	32,805
Equity in losses of affiliates	1,756	166	17,068
Costs associated with idle portion of facilities	1,366	2,190	13,278
Other	4,563	4,961	44,353
Total non-operating expenses	11,060	10,656	107,504
Ordinary income	142,865	95,125	1,388,657
Extraordinary income:			
Gain on sales of investment securities	330	81	3,208
Gain on sales of noncurrent assets (Note 5(c))	1,672	247	16,252
Income from compensation for damage (Note 5(d))	53,532	—	520,334
Total extraordinary income	55,534	328	539,794
Extraordinary loss:			
Loss on valuation of investment securities	1,223	511	11,888
Loss on disposal of noncurrent assets (Note 5(e))	5,575	4,011	54,189
Impairment loss (Note 5(f))	441	2,069	4,287
Environmental expenses (Note 5(g))	—	206	—
Business structure improvement expenses (Note 5(h))	22,546	6,355	219,149
Loss on discontinuation of development project (Note 5(i))	4,753	—	46,199
Total extraordinary loss	34,539	13,151	335,721
Income before income taxes and minority interests	163,860	82,302	1,592,729
Income taxes (Note 14) — current	68,166	27,873	662,578
— deferred	(6,399)	526	(62,199)
Total income taxes	61,767	28,399	600,379
Income before minority interests	102,093	53,903	992,350
Minority interests in income	796	191	7,737
Net income	¥101,296	¥53,712	\$984,603

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, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income before minority interests	<b>¥102,093</b>	¥53,903	<b>\$992,350</b>
Other comprehensive income			
Net increase in unrealized gain on other securities	<b>12,952</b>	22,383	<b>125,894</b>
Deferred gains or losses on hedges	<b>729</b>	786	<b>7,086</b>
Foreign currency translation adjustment	<b>29,095</b>	34,595	<b>282,805</b>
Share of other comprehensive income of affiliates accounted for using equity method	<b>1,233</b>	5,848	<b>11,985</b>
Total other comprehensive income (Note 6)	<b>44,009</b>	63,612	<b>427,770</b>
Comprehensive income (Note 6)	<b>146,102</b>	117,515	<b>1,420,121</b>
Comprehensive income attributable to:			
Owners of the Parent	<b>144,956</b>	116,505	<b>1,408,981</b>
Minority interests	<b>¥1,145</b>	¥1,010	<b>\$11,129</b>

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, 2014 and 2013

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	¥103,389	¥79,403	¥553,557	¥(2,431)	¥733,918	¥62,622	¥(900)	¥16,440	¥—	¥78,162	¥12,371	¥824,451
Changes during the fiscal year												
Dividends from surplus			(19,566)		(19,566)							(19,566)
Net income			101,296		101,296							101,296
Purchase of treasury stock				(162)	(162)							(162)
Disposal of treasury stock		1		2	3							3
Change of scope of consolidation			1,323		1,323							1,323
Change of scope of equity method			(1,208)		(1,208)							(1,208)
Effect of change in the reporting period of consolidated subsidiaries and affiliates			—		—							—
Net changes of items other than shareholders' equity						13,004	729	30,294	(25,094)	18,932	696	19,628
Total changes of items during the period	—	1	81,845	(160)	81,687	13,004	729	30,294	(25,094)	18,932	696	101,315
Balance at March 31, 2014	¥103,389	¥79,404	¥635,403	¥(2,591)	¥815,605	¥75,626	¥(171)	¥46,734	¥(25,094)	¥97,095	¥13,067	¥925,766

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2012	¥103,389	¥79,404	¥516,401	¥(2,388)	¥696,805	¥40,148	¥(1,734)	¥(28,374)	¥—	¥10,040	¥12,439	¥719,285
Changes during the fiscal year												
Dividends from surplus			(19,567)		(19,567)							(19,567)
Net income			53,712		53,712							53,712
Purchase of treasury stock				(49)	(49)							(49)
Disposal of treasury stock		(0)		6	6							6
Change of scope of consolidation			(8)		(8)							(8)
Change of scope of equity method			—		—							—
Effect of change in the reporting period of consolidated subsidiaries and affiliates			3,020		3,020							3,020
Net changes of items other than shareholders' equity						22,474	834	44,814	—	68,122	(68)	68,054
Total changes of items during the period	—	(0)	37,156	(43)	37,113	22,474	834	44,814	—	68,122	(68)	105,167
Balance at March 31, 2013	¥103,389	¥79,403	¥553,557	¥(2,431)	¥733,918	¥62,622	¥(900)	¥16,440	¥—	¥78,162	¥12,371	¥824,451

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2013	\$1,004,948	\$771,802	\$5,380,608	\$(23,629)	\$7,133,729	\$608,690	\$(8,748)	\$159,798	\$—	\$759,740	\$120,247	\$8,013,715
Changes during the fiscal year												
Dividends from surplus			(190,183)		(190,183)							(190,183)
Net income			984,603		984,603							984,603
Purchase of treasury stock				(1,575)	(1,575)							(1,575)
Disposal of treasury stock		10		19	29							29
Change of scope of consolidation			12,860		12,860							12,860
Change of scope of equity method			(11,742)		(11,742)							(11,742)
Effect of change in the reporting period of consolidated subsidiaries and affiliates			—		—							—
Net changes of items other than shareholders' equity						126,400	7,086	294,460	(243,915)	184,020	6,765	190,785
Total changes of items during the period	—	10	795,538	(1,555)	794,003	126,400	7,086	294,460	(243,915)	184,020	6,765	984,788
Balance at March 31, 2014	\$1,004,948	\$771,812	\$6,176,157	\$(25,185)	\$7,927,731	\$735,089	\$(1,662)	\$454,257	\$(243,915)	\$943,769	\$127,012	\$8,998,503

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, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥163,860	¥82,302	\$1,592,729
Depreciation and amortization	86,052	80,050	836,431
Impairment loss	441	2,069	4,287
Amortization of goodwill	8,823	6,989	85,760
Amortization of negative goodwill	(231)	(231)	(2,245)
Increase (decrease) in provision for periodic repairs	1,519	(1,408)	14,765
Increase (decrease) in provision for product warranties	343	(171)	3,334
Increase (decrease) in provision for removal cost of property, plant and equipment	7,549	(1,152)	73,377
Increase in provision for retirement benefits	—	1,469	—
Decrease in net defined benefit liability	(1,648)	—	(16,019)
Interest and dividend income	(4,864)	(4,251)	(47,278)
Interest expense	3,375	3,339	32,805
Equity in losses of affiliates	1,756	166	17,068
Gain on sales of investment securities	(330)	(81)	(3,208)
Loss on valuation of investment securities	1,223	511	11,888
Gain on sale of property, plant and equipment	(1,672)	(247)	(16,252)
Loss on disposal of noncurrent assets	5,575	4,011	54,189
Income from compensation for damage	(53,532)	—	(520,334)
Increase in notes and accounts receivable–trade	(4,082)	(21,385)	(39,677)
Increase in inventories	(12,377)	(21,758)	(120,305)
(Decrease) increase in notes and accounts payable–trade	(17,831)	21,423	(173,318)
Increase (decrease) in accrued expenses	476	(6,783)	4,627
Increase in advances received	17,811	10,090	173,124
Other, net	15,549	(8,893)	151,137
Subtotal	217,786	146,059	2,116,893
Interest and dividend income, received	5,818	5,744	56,551
Interest expense paid	(3,447)	(3,556)	(33,505)
Proceeds from compensation for damage	53,532	—	520,334
Income taxes paid	(29,538)	(22,240)	(287,111)
Net cash provided by operating activities	244,152	126,008	2,373,173
<b>Cash flows from investing activities:</b>			
Payments into time deposits	(7,526)	(5,977)	(73,153)
Proceeds from withdrawal of time deposits	5,685	13,820	55,259
Purchase of property, plant and equipment	(80,933)	(88,194)	(786,674)
Proceeds from sales of property, plant and equipment	2,588	548	25,156
Purchase of intangible assets	(15,576)	(15,789)	(151,400)
Purchase of investment securities	(2,695)	(3,161)	(26,196)
Proceeds from sales of investment securities	1,018	650	9,895
Purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 8(b))	(1,697)	(174,472)	(16,495)
Additional purchase of investments in consolidated subsidiaries	(152)	(1,333)	(1,477)
Payments for transfer of business	—	(282)	—
Payments of loans receivable	(10,517)	(11,476)	(102,226)
Collection of loans receivable	7,433	9,417	72,249
Other, net	(1,382)	(2,267)	(13,433)
Net cash used in investing activities	(103,753)	(278,518)	(1,008,486)
<b>Cash flows from financing activities:</b>			
Increase in short-term loans payable	85,603	282,368	832,066
Decrease in short-term loans payable	(81,924)	(248,073)	(796,306)
Proceeds from issuance of commercial paper	85,000	203,000	826,205
Redemptions of commercial paper	(145,000)	(148,000)	(1,409,409)
Proceeds from long-term loans payable	13,362	114,083	129,879
Repayment of long-term loans payable	(34,426)	(34,185)	(334,623)
Proceeds from issuance of bonds payable	—	20,000	—
Redemption of bonds	(5,000)	—	(48,600)
Repayments of lease obligations	(2,521)	(2,539)	(24,504)
Purchase of treasury stock	(165)	(50)	(1,604)
Proceeds from disposal of treasury stock	3	6	29
Cash dividends paid	(19,566)	(19,567)	(190,183)
Cash dividends paid to minority shareholders	(589)	(667)	(5,725)
Other, net	152	(131)	1,477
Net cash (used in) provided by financing activities	(105,070)	166,244	(1,021,287)
Effect of exchange rate change on cash and cash equivalents	3,305	(853)	32,125
Net increase in cash and cash equivalents	38,633	12,881	375,515
Cash and cash equivalents at beginning of year	104,008	96,351	1,010,964
Increase in cash and cash equivalents resulting from changes in scope of consolidation	498	102	4,841
Effect of change in the reporting period of consolidated subsidiaries and affiliates	—	(5,327)	—
Cash and cash equivalents at end of year (Note 8(a))	¥143,139	¥104,008	\$1,391,320

The accompanying notes are an integral part of these statements.

# Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries

## 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 consolidated 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.

The U.S. dollar amounts presented in the consolidated 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 ¥102.88=US\$1 prevailing on March 31, 2014, has been used.

### Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 131 subsidiaries (126 subsidiaries at March 31, 2013, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, are all majority and wholly owned companies, including 9 core operating companies (Asahi Kasei

Chemicals Corp., Asahi Kasei Fibers Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Microdevices Corp., Asahi Kasei E-materials Corp., Asahi Kasei Pharma Corp., Asahi Kasei Medical Co., Ltd., and ZOLL Medical Corporation), and Tong Suh Petrochemical Corp. Ltd. (Korea). 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 immateriality, using the equity method of accounting. There were 40 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2014 (43 at March 31, 2013), including Asahi Kasei EIC Solutions Corp., Asahi Kasei Geotechnologies Co., Ltd., and Asahi Organic Chemicals Industry Co., Ltd.

Asahi Kasei Spandex America, Inc's result is reported in the consolidated financial statements using a fiscal year ending December 31. 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 acquired companies are measured at their fair value and any difference between the net assets and the cost of investment is recognized as goodwill or negative goodwill.

Goodwill, and negative goodwill incurred through business combinations which took place before April 1, 2010, are amortized using the straight-line method over a reasonable period during which their effects would last, with the exception of minor amounts which are charged to income as incurred.

## 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 therefore 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 realizable 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 mainly 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 being 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 fiscal year is recognized as provision for periodic repairs.

#### iii) Provision for product warranties

Estimates of product warranty expenses based on historical rates are recognized as provision for product warranties.

#### iv) Provision for removal cost of property, plant and equipment

Provision for removal cost of property, plant and equipment is recorded based on estimated future removal cost of property, plant and equipment at the end of each fiscal year.

#### 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) Accounting for retirement benefits

#### i) Method of attributing expected retirement benefits

In calculating retirement benefits obligations, the Company applies the method of attributing expected retirement benefits to the period up to fiscal year ended March 31, 2014, as straight-line basis.

#### ii) Accounting for actuarial gains/losses and prior service costs

Prior service costs are amortized on a straight-line basis over a certain period (mainly 10 years) within the average remaining service period of employees at the time of occurrence.

Actuarial gains/losses are amortized on a straight-line basis over a certain period (mainly 10 years) from the following fiscal year of their accrual within the average remaining service period of employees at the time of accrual.

### (f) Significant revenue and expense recognition

#### i) Construction activities that are realizable as of fiscal year end

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

#### ii) Other construction activities

The completed-contract method is used.

### (g) 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, 2014 and 2013, 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 immateriality, 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, net of income taxes, being included as a component of net assets. 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 consolidated income statements.

#### ii) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are recognized in 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" until being offset against gains or losses of the underlying

hedged assets and liabilities.

#### (h) Taxes

Accrued income taxes are stated at the estimated amount of payables 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.

The Company has elected to file its return under the consolidated tax filing system in Japan. The consumption tax system in Japan is designed so that all goods and services are taxed at a flat rate of 5% unless otherwise specified. Assets, liabilities, and profit and loss accounts are stated net of consumption tax.

#### (i) 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 to income for the period.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at fiscal 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 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 consolidated 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 consolidated balance sheets.

## 3. Changes in significant accounting policies

### (a) Changes in accounting policies

Accounting Standards Board of Japan (ASBJ) Statement No. 26 "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits" are applied from March 31, 2014 (except the provisions of Article 35 of the "Accounting Standard for Retirement Benefits" and Article 67 of the "Guidance on Accounting Standard for Retirement Benefits"). As an effect of this change, net defined benefit liability is now recorded as the amount of retirement benefit obligations less the fair value of plan assets. Unrecognized actuarial gains/losses and unrecognized prior service costs are recorded in net defined benefit liability and net defined benefit asset.

In accordance with the interim measures stipulated in Article 37 of the "Accounting Standard for Retirement Benefits," the effect of this change as of March 31, 2014, is recorded as remeasurements of defined benefit plans under accumulated other comprehensive income.

As of March 31, 2014, net defined benefit asset is ¥2,369 million (US\$23,027 thousand) and net defined benefit liability is ¥143,523 million (US\$1,395,052 thousand). Total accumulated other comprehensive income decreased by ¥25,094 million (US\$243,915 thousand), and net assets per share decreased by ¥17.96 (US\$0.17).

### (b) Accounting standards issued but not yet applied

#### Accounting standard for retirement benefits:

The ASBJ issued ASBJ Statement No. 26 "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits," replacing the "Accounting Standard for Retirement Benefits" that had been issued by the Business Accounting Council in 1998 and other related guidance. Under these revised accounting standards, the accounting treatment of unrecognized actuarial gains/losses and prior service costs, the calculation method for present value of retirement benefit obligations and current service costs, and the method of disclosure were revised. These revisions were made to enhance financial reporting and in consideration of the international convergence of accounting standards.

The Company will apply the revised accounting standards for calculation method for present value of retirement benefit obligations and current service costs from the beginning of the fiscal year ending March 31, 2015.

As an effect of the adoption of the accounting standard and guidance, retained earnings will decrease by ¥15,621 million at the beginning of the fiscal year ending March 31, 2015.

The effects of the adoption on income for the fiscal year ending March 31, 2015 will be immaterial.

#### Accounting standards for business combinations:

The ASBJ issued ASBJ Statement No. 21 "Revised Accounting Standard for Business Combinations," ASBJ Statement No. 22 "Revised Accounting Standard for Consolidated Financial Statements," ASBJ Statement No. 7 "Revised Accounting Standard for Business Divestitures," ASBJ Statement No. 2 "Revised Accounting Standard for Earnings Per Share," ASBJ Guidance No. 10 "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures," and ASBJ Guidance No. 4 "Revised Guidance on Accounting Standard for Earnings Per Share."

Under these revised accounting standards, various accounting treatments were revised regarding changes in ownership interest in a subsidiary when control over the subsidiary is retained. Revisions apply to treatment of the change in ownership interest and treatment of costs related to acquisition of increased ownership interest. The presentation method of net income was amended, "minority interests" were changed to "non-controlling interests," and transitional provisions for accounting treatments were defined.

The Company will apply the revised accounting standards and guidance from the beginning of the fiscal year ending March 31, 2016. The transitional accounting will be applied from business combinations performed on or after the beginning of the fiscal year ending March 31, 2016.

The effects of the adoption of the revised accounting standards and guidance are currently under assessment at the time of preparation of the accompanying consolidated financial statements.

## 4. Notes to Consolidated Balance Sheets

### (a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2014 and 2013, amounted to ¥68,399 million (US\$664,843 thousand) and ¥73,807 million, respectively. Included in those amounts are investments in joint ventures of ¥33,878 million (US\$329,296 thousand) and ¥37,669 million, respectively.

### (b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2014 and 2013, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Pledged assets			
Buildings and structures	¥163	¥183	\$1,584
Machinery, equipment and vehicles	2	4	19
	¥166	¥187	\$1,614
Secured debt			
Short-term loans payable	¥3	¥6	\$29
Long-term loans payable	208	309	2,022
	¥211	¥315	\$2,051

Besides the above, investment securities pledged to suppliers as transaction guarantees at March 31, 2014 and 2013, were ¥53 million (US\$515 thousand) and ¥44 million, respectively.

### (c) Contingent liabilities

Contingent liabilities at March 31, 2014 and 2013, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans guaranteed	¥41,789	¥37,542	\$406,192
Commitment for guarantees	—	486	—
Letters of awareness	134	236	1,302
Completion guarantees	16,416	17,341	159,565
Notes discounted	—	11	—
	¥58,339	¥55,616	\$567,059

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 impact to the Company's consolidated financial statements.

### (d) Deferred gain on property, plant and equipment deducted for tax purposes

The accumulated reduced-value entries, which is directly deducted from property, plant and equipment, as of March 31, 2014 and 2013, were ¥9,511 million (US\$92,448 thousand) and ¥9,349 million, respectively. The breakdown of reduced-value entries as of March 31, 2014 and 2013, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Buildings and structures	¥3,491	¥3,298	\$33,933
Machinery, equipment and vehicles	5,677	5,664	55,181
Land	188	230	1,827
Other	155	157	1,507
	¥9,511	¥9,349	\$92,448

### (e) Notes maturing on March 31, 2014

Although financial institutions in Japan were closed on March 31, 2013, and notes maturing on that date were actually settled on the following business day, April 1, 2013, such notes were accounted for as if settled on March 31, 2013.

The breakdown of those notes at March 31, 2013, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Notes and accounts receivable–trade	¥—	¥3,117	\$—
Notes and accounts payable–trade	—	1,793	—
Other current liabilities	¥—	¥529	\$—

## 5. Notes to Consolidated Statements of Income

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

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Freight and storage	¥35,277	¥32,832	\$342,895
Salaries and benefits	134,442	119,917	1,306,785
Research and development*	¥53,390	¥53,364	\$518,954

\* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2014 and 2013, were ¥71,101 million (US\$691,106 thousand) and ¥71,120 million, respectively.

### (b) Loss on valuation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. Loss on valuation of inventories for the years ended March 31, 2014 and 2013, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	¥994	¥173	\$9,662

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

Major components of gain on sales of noncurrent assets for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥1,477	¥107	\$14,357
Machinery	184	45	1,788
Other	¥11	¥94	\$107

### (d) Income from compensation for damage

With regard to litigation in the US by the Company's subsidiary Asahi Kasei Pharma Corp. against Actelion Ltd. of Switzerland and its affiliated companies and executives in relation to a license agreement for fasudil, a rho-kinase inhibitor discovered and owned by Asahi Kasei Pharma Corp., the California Superior Court entered a judgment in November 2011 ordering the defendants to pay US\$415.7 million in recognition of the petition of Asahi Kasei Pharma Corp. The judgment was finalized in March 2014, and Asahi Kasei Pharma Corp. received US\$523.2 million including the legal interest rate etc. from the date of judgment to the date of payment. As a result, a total of ¥53,532 million (US\$523.2 million) was recorded as income from compensation for damage under extraordinary income in the consolidated statements of income for the fiscal year ended March 31, 2014.

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

Loss on disposal of noncurrent assets for the years ended March 31, 2014 and 2013, 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.

### (f) Impairment loss

Major components of impairment loss for the years ended March 31, 2014 and 2013, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2014	2013	2014	
Production facility for petrochemicals, and goodwill related to the petrochemical business	Machinery and equipment, goodwill, etc.	Kurashiki, Okayama	¥6,776	¥ —	\$65,863	Business structure improvement expenses
Production facility for pharmaceutical products	Construction in progress, etc.	Miyoshi, Aichi	2,601	—	25,282	Loss on discontinuation of development project
Production facility for plastic raw materials	Machinery and equipment, etc.	Kawasaki, Kanagawa	878	—	8,534	Business structure improvement expenses
Idle assets	Land and Buildings, etc.	Oita, etc.	367	512	3,567	Impairment loss
Patents for light shaping diffuser, etc.	Patents	Fuji, Shizuoka	—	486	—	Impairment loss
Production facility for textiles	Machinery and equipment, etc.	Amakusa, Kumamoto	—	413	—	Impairment loss
Production facility for semiconductors	Machinery and equipment, etc.	Tateyama, Chiba	—	270	—	Business structure improvement expenses
Production facility for polystyrene	Machinery and equipment, etc.	Ichihara, Chiba	—	242	—	Business structure improvement expenses
Production facility for fine-pattern devices	Machinery and equipment, etc.	Hyuga, Miyazaki	—	166	—	Impairment loss
Production facility for electrolytic cell frame	Buildings, etc.	Nobeoka, Miyazaki	—	159	—	Business structure improvement expenses and Impairment loss
Others	Machinery and equipment, structures, etc.	Nakhon Ratchasima, Thailand, etc.	¥ 127	¥453	\$ 1,234	Impairment loss

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 buildings, etc. under idle assets, patents for light shaping diffuser, etc., and part of others, the book value was reduced to the recoverable amount due to disappearance of prospects for future use, and with respect to production facilities as shown in the above table and part of others, 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 based on discounted future cash flows with applicable discount rate of 6% as of March 31, 2014 and 2013.

For idle land of which the market value has significantly decreased in 2013, the book value was 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. Among the extraordinary losses under others, ¥122 million (US\$ 1,186 thousand) and ¥53 million (US\$ 564 thousand), were recorded under business structure improvement expenses for the years ended March 2014 and 2013, respectively.

### (g) Environmental expenses

Environmental expenses for the years ended March 31, 2013, were mainly for decontamination of idle land, etc.

### (h) Loss on disaster

Major components of loss on disaster were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Impairment of fixed assets	¥7,707	¥634	\$74,913
Additional payment of retirement benefits due to application of early retirement, etc.	449	2,812	4,364
Loss on disposal and devaluation of inventory and others	14,390	2,910	139,872
	¥22,546	¥6,355	\$219,149

### (i) Loss on discontinuation of development project

Loss on discontinuation of development project was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Impairment of fixed assets	¥2,601	¥—	\$25,282
Loss on disposal and devaluation of inventory and others	1,480	—	14,386
Compensation expenses, etc.	673	—	6,542
	¥4,754	¥—	\$46,209

## 6. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gain on other securities			
Changes during the fiscal year	¥19,995	¥34,229	\$194,353
Recycling adjustment	(23)	486	(224)
Pre-tax effect	19,972	34,715	194,129
Tax effect	(7,020)	(12,332)	(68,235)
Net increase in unrealized gain on other securities	12,952	22,383	125,894
Deferred gains or losses on hedges			
Changes during the fiscal year	(932)	(2,449)	(9,059)
Recycling adjustment	2,055	125	19,975
Adjustment of assets acquisition costs	—	3,321	—
Pre-tax effect	1,122	997	10,906
Tax effect	(394)	(211)	(3,830)
Deferred gains or losses on hedges	729	786	7,086
Foreign currency translation adjustment			
Changes during the fiscal year	29,001	34,495	281,892
Pre-tax effect	29,001	34,495	281,892
Tax effect	94	100	914
Foreign currency translation adjustment	29,095	34,595	282,805
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	1,232	5,847	11,975
Recycling adjustment	1	2	10
Share of other comprehensive income of affiliates accounted for using equity method	1,233	5,848	11,985
Total other comprehensive income	¥44,009	¥63,612	\$427,770

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

For the year ended March 31, 2014

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

	Thousands of shares			Number of shares as of March 31, 2014
	Number of shares as of March 31, 2013	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	
<b>Issued and outstanding shares</b>				
Common stock	1,402,616	—	—	1,402,616
<b>Total</b>	<b>1,402,616</b>	<b>—</b>	<b>—</b>	<b>1,402,616</b>
<b>Treasury stock</b>				
Common stock (Notes 1 & 2)	5,017	219	5	5,231
<b>Total</b>	<b>5,017</b>	<b>219</b>	<b>5</b>	<b>5,231</b>

Notes: 1. The increase of 219 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 5 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 9, 2013.

Dividends for common stock

Total dividends	¥9,783 million (US\$95,091 thousand)
Dividend per share	¥7.00 (US\$0.07)
Date of record	March 31, 2013
Payment date	June 5, 2013

##### 2) The following was resolved by the Board of Directors on October 31, 2013.

Dividends for common stock

Total dividends	¥9,783 million (US\$95,091 thousand)
Dividend per share	¥7.00 (US\$0.07)
Date of record	September 30, 2013
Payment date	December 2, 2013

#### 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

The following was resolved by the Board of Directors on May 9, 2014.

Dividends for common stock

Total dividends	¥13,974 million (US\$135,828 thousand)
Source of dividends	Retained earnings
Dividend per share	¥10.00 (US\$0.10)*
Date of record	March 31, 2014
Payment date	June 5, 2014

\* Including ¥8.00 (US\$0.08) ordinary dividend and ¥2.00 (US\$0.02) special dividend

For the year ended March 31, 2013

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

	Thousands of shares			Number of shares as of March 31, 2013
	Number of shares as of March 31, 2012	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	
<b>Issued and outstanding shares</b>				
Common stock	1,402,616	—	—	1,402,616
<b>Total</b>	<b>1,402,616</b>	<b>—</b>	<b>—</b>	<b>1,402,616</b>
<b>Treasury stock</b>				
Common stock (Notes 1 & 2)	4,926	103	12	5,017
<b>Total</b>	<b>4,926</b>	<b>103</b>	<b>12</b>	<b>5,017</b>

Notes: 1. The increase of 103 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 12 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 9, 2012.

Dividends for common stock

Total dividends	¥9,784 million
Dividend per share	¥7.00
Date of record	March 31, 2012
Payment date	June 6, 2012

#### 2) The following was resolved by the Board of Directors on November 1, 2012.

Dividends for common stock

Total dividends	¥9,784 million
Dividend per share	¥7.00
Date of record	September 30, 2012
Payment date	December 3, 2012

### 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

The following was resolved by the Board of Directors on May 9, 2013.

Dividends for common stock

Total dividends	¥9,783 million
Source of dividends	Retained earnings
Dividend per share	¥7.00
Date of record	March 31, 2013
Payment date	June 5, 2013

## 8. Note to Consolidated Statements of Cash Flows

### (a) 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, 2014 and 2013, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and deposits	¥151,474	¥109,513	\$1,472,337
Time deposits with deposit term of over 3 months	(8,335)	(5,629)	(81,017)
Money market funds and others included in short-term investment securities	—	124	—
Cash and cash equivalents	¥143,139	¥104,008	\$1,391,320

### (b) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

For the year ended March 31, 2014

There was no applicable acquisition.

For the year ended March 31, 2013

Assets and liabilities of acquired companies (ZOLL Medical Corporation and its subsidiaries) and net cash outflow for such acquisition were as follows:

	Millions of yen
	2013
Current assets	¥26,833
Noncurrent assets	75,336
Goodwill	113,439
Current liabilities	(7,998)
Noncurrent liabilities	(26,910)
Acquisition cost of shares	180,700
Cash and cash equivalents	(6,351)
Net cash used for acquisition	¥174,349



## 9. 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 Note 2. Significant accounting policies (c) Noncurrent assets and depreciation/amortization. The financing lease transactions without title transfer which occurred prior to March 31, 2008, were accounted for on a basis similar to an operating lease. If such lease transactions accounted for as an operating lease had been accounted for as a financing lease, the cost and related accumulated amortization, computed using the straight-line method over the term of the lease, at March 31, 2014 and 2013, would have been as follows:

	Millions of yen		
	2014		
	Cost	Accumulated depreciation/amortization	Net amount
Machinery, equipment and vehicles	¥103	¥77	¥26
Property, plant and equipment, other	5	5	0
Intangible fixed assets, other	—	—	—
	¥108	¥82	¥26

	Millions of yen		
	2013		
	Cost	Accumulated depreciation/amortization	Net amount
Machinery, equipment and vehicles	¥119	¥82	¥37
Property, plant and equipment, other	94	86	7
Intangible fixed assets, other	38	33	5
	¥250	¥201	¥49

	Thousands of U.S. dollars		
	2014		
	Cost	Accumulated depreciation/amortization	Net amount
Machinery, equipment and vehicles	\$1,001	\$748	\$253
Property, plant and equipment, other	49	49	0
Intangible fixed assets, other	—	—	—
	\$1,050	\$797	\$253

The future lease payments under the Company's financing leases at March 31, 2014 and 2013, including amounts representing interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥10	¥23	\$97
Due after one year	15	26	146
	¥26	¥49	\$253

Lease charges were ¥22 million (US\$214 thousand) and ¥64 million for the years ended March 31, 2014 and 2013, 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 ¥22 million (US\$214 thousand) and ¥64 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	¥5,095	¥5,036	\$49,524
Due after one year	9,387	3,426	91,242
	¥14,482	¥8,462	\$140,766

## 10. Financial instruments

### (a) Overview 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 risk management structure

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 the parent company and each consolidated subsidiary monitors and manages the credit condition for each customer.

Investment securities are exposed to the risk of fluctuations in market price, but they are mainly equity securities of companies with which the Company has business relationships. These securities are held for the purpose of maintaining the business relationships. 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-rate and 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 amount.

Derivative transactions are exposed to the credit risk of transacting financial institutions, but the credit condition of those financial institutions is reviewed through periodic monitoring. Such transactions are performed and managed in accordance with the 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 the housing business is exposed to the risk of interest-rate fluctuations between the time of origination 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

The fair value of financial instruments is based on their quoted market price, if available. In the case where no quoted market price is available, a reasonably estimated fair value is used. As variable factors are incorporated in its estimation, fair value may change due to the adoption of different assumptions, conditions, etc. Amount of contract regarding derivative transactions in Note 12 "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, 2014 and 2013, were as shown below.

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

	Millions of yen		
	2014		
	Carrying amount	Fair value	Difference
Cash and deposits	¥151,474	¥151,474	¥—
Notes and accounts receivable-trade	316,705		
Allowance for doubtful accounts (*1)	(1,751)		
	314,955	314,955	—
Investment securities			
Other securities	163,193	163,193	—
Long-term loans receivable	9,766	9,770	4
<b>Total assets</b>	<b>639,388</b>	<b>639,392</b>	<b>4</b>
Notes and accounts payable-trade	159,925	159,925	—
Short-term loans payable	84,776	84,776	—
Commercial paper	10,000	10,000	—
Income taxes payable	48,520	48,520	—
Bonds payable	40,000	41,278	(1,278)
Long-term loans payable	164,867	166,661	(1,794)
Lease obligations	4,229	4,233	(4)
Long-term guarantee deposits	6,654	6,632	22
<b>Total liabilities</b>	<b>518,971</b>	<b>522,025</b>	<b>(3,054)</b>
Derivative financial instruments (*2)	¥(1,161)	¥(1,161)	¥—

	Millions of yen		
	2013		
	Carrying amount	Fair value	Difference
Cash and deposits	¥109,513	¥109,513	¥—
Notes and accounts receivable—trade	306,222		
Allowance for doubtful accounts (*1)	(1,538)		
	304,684	304,684	—
Investment securities			
Other securities	144,149	144,149	—
Long-term loans receivable	6,103	6,124	21
<b>Total assets</b>	<b>564,449</b>	<b>564,470</b>	<b>21</b>
Notes and accounts payable—trade	172,630	172,630	—
Short-term loans payable	78,725	78,725	—
Commercial paper	70,000	70,000	—
Income taxes payable	13,978	13,978	—
Bonds payable	45,000	46,458	(1,458)
Long-term loans payable	181,248	184,293	(3,045)
Lease obligations	6,466	6,489	(23)
Long-term guarantee deposits	6,335	6,323	13
<b>Total liabilities</b>	<b>574,382</b>	<b>578,896</b>	<b>(4,514)</b>
Derivative financial instruments (*2)	¥(1,787)	¥(1,787)	¥—

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Fair value	Difference
Cash and deposits	<b>\$1472,337</b>	<b>\$1472,337</b>	<b>\$—</b>
Notes and accounts receivable—trade	<b>3,078,392</b>		
Allowance for doubtful accounts (*1)	<b>(17,020)</b>		
	<b>3,061,382</b>	<b>3,061,382</b>	<b>—</b>
Investment securities			
Other securities	<b>1,586,246</b>	<b>1,586,246</b>	<b>—</b>
Long-term loans receivable	<b>94,926</b>	<b>94,965</b>	<b>39</b>
<b>Total assets</b>	<b>6,214,891</b>	<b>6,214,930</b>	<b>39</b>
Notes and accounts payable—trade	<b>1,554,481</b>	<b>1,554,481</b>	<b>—</b>
Short-term loans payable	<b>824,028</b>	<b>824,028</b>	<b>—</b>
Commercial paper	<b>97,201</b>	<b>97,201</b>	<b>—</b>
Income taxes payable	<b>471,617</b>	<b>471,617</b>	<b>—</b>
Bonds payable	<b>388,802</b>	<b>401,225</b>	<b>(12,422)</b>
Long-term loans payable	<b>1,602,517</b>	<b>1,619,955</b>	<b>(17,438)</b>
Lease obligations	<b>41,106</b>	<b>41,145</b>	<b>(39)</b>
Long-term guarantee deposits	<b>64,677</b>	<b>64,463</b>	<b>214</b>
<b>Total liabilities</b>	<b>5,044,430</b>	<b>5,074,115</b>	<b>(29,685)</b>
Derivative financial instruments (*2)	<b>\$(11,285)</b>	<b>\$(11,285)</b>	<b>\$—</b>

(\*1) This reduction represents specific allowance for doubtful accounts related to notes and accounts receivable—trade.

(\*2) The amounts represent net amount of assets and liabilities resulting from derivative transactions. In the case of a net liability, the amount is shown in parentheses.

Note 1) Method to determine the estimated 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) Investment securities

The stock exchange prices are used to determine fair value of these traded stocks. Refer to the Note 11 "Marketable securities and investment securities" for information on securities classified by holding purpose.

3) Long-term loans receivable

The carrying amounts shown include long-term loans receivable scheduled for repayment within one year. Their fair values are determined based on the present value of principal and interest, discounted using current assumed rates for similar long-term loans receivable. For long-term loans receivable bearing variable interest rates, as they are deemed to reflect market interest rates within a short term, book values are used as fair value.

ii) Liabilities

1) Notes and accounts payable—trade, short-term loans payable, commercial

paper, income taxes payable

As their fair values approximate book value due to their short maturity, the corresponding book value amounts are used as fair value.

2) Bonds payable

Fair value of the bonds payable issued by the parent company is based on the quoted market price if available. For those without quoted market price that are subject to special treatment for interest-rate swaps, fair value is based on the present value by totaling the amount of principal and interest, together with related interest-rate swaps, discounted by the interest rate that would apply if equivalent bonds were newly issued.

3) Long-term loans payable

The carrying amounts shown include long-term loans payable that are scheduled for repayment within one year of March 31, 2014 and 2013, amounting to ¥18,830 million (US\$183,029 thousand) and ¥34,319 million, respectively. Their fair values are based on present value of principal and interest discounted using the current assumed rates for similar long-term loans payable. For long-term loans payable bearing variable interest rates, fair value of those subject to special treatment of interest-rate swaps is based on present value by totaling the amount of principal and interest, together with related interest-rate swaps, discounted by the interest rate that would apply if equivalent long-term loans were newly entered. For other long-term loans payable, book value is used as fair value as they are deemed to reflect market interest rates within a short term.

4) Lease obligations

The carrying amounts shown are 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 deposits

In cases where the deposit period can be estimated, the fair value of long-term guarantee deposits is determined using a discounted cash flow over that period.

iii) Derivative transactions

Refer to Note 12 "Derivative financial instruments."

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2014 and 2013, amounting to ¥75,226 million (US\$731,201 thousand) and ¥80,878 million, respectively, fair value is not included in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 3) For long-term guarantee deposits, the fair value of a portion having a carrying amount as of March 31, 2014 and 2013, amounting to ¥12,245 million (US\$119,022 thousand) and ¥12,060 million, respectively, is not included as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 4) For monetary credits and securities with maturity, amounts scheduled for redemption subsequent to the closing date are as follows.

Millions of yen				
2014				
	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	¥151,474	¥—	¥—	¥—
Notes and accounts receivable—trade	316,705	—	—	—
Long-term loans receivable	593	8,969	205	—
	¥468,773	¥8,969	¥205	¥—

Millions of yen				
2013				
	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	¥109,513	¥—	¥—	¥—
Notes and accounts receivable—trade	306,222	—	—	—
Long-term loans receivable	854	5,181	67	—
	¥416,589	¥5,181	¥67	¥—

Thousands of U.S. dollars				
2014				
	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	\$1,472,337	\$—	\$—	\$—
Notes and accounts receivable—trade	3,078,392	—	—	—
Long-term loans receivable	5,764	87,179	1,993	—
	\$4,556,503	\$87,179	\$1,993	\$—

Note 5) For bonds payable, long-term loans payable, lease obligations, and other interest-bearing debt, amounts scheduled for repayment subsequent to the closing date are as follows.

Millions of yen						
2014						
Year ending March 31	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2015	¥84,776	¥10,000	¥—	¥18,830	¥1,784	¥115,390
2016	—	—	—	31,457	1,367	32,824
2017	—	—	—	39,143	848	39,991
2018	—	—	20,000	17,975	168	38,144
2019	—	—	—	45,009	21	45,030
2020 and thereafter	¥—	¥—	¥20,000	¥12,453	¥40	¥32,493

Millions of yen						
2013						
Year ending March 31	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2014	¥78,725	¥70,000	¥5,000	¥34,319	¥2,415	¥190,458
2015	—	—	—	18,747	1,778	20,525
2016	—	—	—	30,217	1,342	31,559
2017	—	—	—	27,470	800	28,269
2018	—	—	20,000	16,288	119	36,407
2019 and thereafter	¥—	¥—	¥20,000	¥54,208	¥13	¥74,220

Year ending March 31	Thousands of U.S. dollars					
	2014					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2015	\$824,028	\$97,201	\$—	\$183,029	\$17,341	\$1,121,598
2016	—	—	—	305,764	13,287	319,051
2017	—	—	—	380,472	8,243	388,715
2018	—	—	194,401	174,718	1,633	370,762
2019	—	—	—	437,490	204	437,694
2020 and thereafter	\$—	\$—	\$194,401	\$121,044	\$389	\$315,834

## 11. 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 are available at March 31, 2014 and 2013, were as follows:

	Millions of yen		
	2014		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥151,902	¥34,203	¥117,698
Securities with unrealized losses:			
Equity securities	11,291	12,020	(729)
	¥163,193	¥46,223	¥116,970

Note) For equity investment in nonpublic companies, with a carrying amount of ¥75,226 million, fair value is not included in short-term investment securities or in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value.

	Millions of yen		
	2013		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥133,234	¥34,656	¥98,578
Securities with unrealized losses:			
Equity securities	10,915	12,489	(1,573)
	¥144,149	¥47,145	¥97,005

Note) For equity investment in nonpublic companies, with a carrying amount of ¥80,878 million, fair value is not included in short-term investment securities or in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value.

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	\$1,476,497	\$332,455	\$1,144,032
Securities with unrealized losses:			
Equity securities	109,749	116,835	(7,086)
	\$1,586,246	\$449,290	\$1,136,956

Note) For equity investment in nonpublic companies, with a carrying amount of US\$731,201 thousand, fair value is not included in short-term investment securities or in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value.

### (b) Realized gains and losses on the sale of other securities

The realized gains and losses on the sale of other securities during the years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Selling amount	¥990	¥617	\$9,623
Gain on sales of securities	330	81	3,208
Loss on sales of securities	¥—	¥—	\$—

### (c) Loss on other devaluation of investment securities whose fair values are readily determinable

Loss on other devaluation of investment securities whose fair values are readily determinable for the years ended March 31, 2014 and 2013, was ¥1,223 million (US\$11,888 thousand) and ¥511 million, respectively.

## 12. Derivative financial instruments

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

#### i) Foreign exchange forward contracts

		Millions of yen			
		2014			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Foreign exchange forward contracts				
	Selling				
Off-market transactions	U.S. dollar	¥19,904	¥—	¥(267)	¥(267)
	Euro	6,114	—	(80)	(80)
	Thai baht	1,157	—	(26)	(26)
	Buying				
	U.S. dollar	3,501	166	(661)	(661)
		¥30,676	¥166	¥(1,035)	¥(1,035)

		Millions of yen			
		2013			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Foreign exchange forward contracts				
	Selling				
Off-market transactions	U.S. dollar	¥16,869	¥—	¥(498)	¥(498)
	Euro	5,627	—	(36)	(36)
	Thai baht	744	—	(71)	(71)
	Buying				
	U.S. dollar	1,828	—	(10)	(10)
		¥25,068	¥—	¥(615)	¥(615)

		Thousands of U.S. dollars			
		2014			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Foreign exchange forward contracts				
	Selling				
Off-market transactions	U.S. dollar	\$193,468	\$—	\$(2,595)	\$(2,595)
	Euro	59,428	—	(778)	(778)
	Thai baht	11,246	—	(253)	(253)
	Buying				
	U.S. dollar	34,030	1,614	(6,425)	(6,425)
		\$298,182	\$1,614	\$(10,060)	\$(10,060)

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

#### i) Foreign exchange forward contracts

		Millions of yen			
		2014			
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
	Foreign exchange forward contracts				
	Selling				
Principle-based accounting	U.S. dollar	Accounts receivable—trade	¥3,887	¥—	¥(139)
	Euro	Accounts receivable—trade	109	—	(1)
	Buying				
	U.S. dollar	Accounts payable—trade	1,149	—	13
	Thai baht	Accounts payable—trade	65	—	(0)
			¥5,210	¥—	¥(126)

			Millions of yen			
			2013			
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value	
Foreign exchange forward contracts						
Selling						
Principle-based accounting	U.S. dollar	Accounts receivable–trade	¥8,870	¥382	¥(1,200)	
	Euro	Accounts receivable–trade	145	—	(1)	
	Buying					
	U.S. dollar	Accounts payable–trade	827	—	29	
	Thai baht	Accounts payable–trade	—	—	—	
			¥9,841	¥382	¥(1,172)	

			Thousands of U.S. dollars		
			2014		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Foreign exchange forward contracts					
Selling					
Principle-based accounting	U.S. dollar	Accounts receivable–trade	<b>\$37,782</b>	<b>\$—</b>	<b>\$(1,351)</b>
	Euro	Accounts receivable–trade	<b>1,059</b>	<b>—</b>	<b>(10)</b>
Buying					
	U.S. dollar	Accounts payable–trade	<b>11,168</b>	<b>—</b>	<b>126</b>
	Thai baht	Accounts payable–trade	<b>632</b>	<b>—</b>	<b>(0)</b>
			<b>\$50,642</b>	<b>\$—</b>	<b>\$(1,225)</b>

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

			Millions of yen		
			2014		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	<b>¥88,580</b>	<b>¥76,317</b>	<b>(*)</b>
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps		—	—	—
	U.S. dollar receive fixed/ Japanese yen pay floating	Bonds payable	—	—	—
	U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	<b>321</b>	<b>—</b>	<b>(*)</b>
			<b>¥88,901</b>	<b>¥76,317</b>	<b>—</b>

			Millions of yen		
			2013		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	¥96,306	¥84,756	(*)
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps		—	—	—
	U.S. dollar receive fixed/ Japanese yen pay floating	Bonds payable	5,000	—	(*)
	U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	650	325	(*)
			¥101,956	¥85,081	—

			Thousands of U.S. dollars		
			2014		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps Pay fixed/receive floating	Long-term loans payable	\$861,003	\$741,806	(*)
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps U.S. dollar receive fixed/ Japanese yen pay floating	Bonds payable	—	—	—
	U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	3,120	—	(*)
			\$864,123	\$741,806	—

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

### 13. 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.

#### For the year ended March 31, 2014

Reconciliation of beginning and ending balances of projected benefit obligations for the fiscal year 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Beginning balance of the projected benefit obligations	¥331,038	\$3,217,710
Service cost	12,352	120,062
Interest cost	4,887	47,502
Accruals of unrecognized actuarial gains/losses	1,525	14,823
Payment of retirement benefits	(20,315)	(197,463)
Other	381	3,703
Ending balance of the projected benefit obligations	¥329,869	\$3,206,347

Reconciliation of beginning and ending balances of plan assets for the fiscal year 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Beginning balance of plan assets	¥177,112	\$1,721,540
Expected return	4,368	42,457
Accruals of unrecognized actuarial gains/losses	9,237	89,784
Contributions	9,873	95,966
Payment of retirement benefits	(11,971)	(116,359)
Other	97	943
Ending balance of plan assets	¥188,715	\$1,834,322

Reconciliation of ending balance of projected benefit obligations and the plan assets, and of net defined benefit liability and net defined benefit asset, as recorded in the consolidated balance sheets at March 31, 2014, was as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Projected benefit obligations of funded plans	¥204,264	\$1,985,459
Plan assets	(188,715)	(1,834,322)
Subtotal	15,549	151,137
Projected benefit obligations of unfunded plans	125,605	1,220,888
Net of obligations and assets recorded in the consolidated balance sheets	141,154	1,372,026
Net defined benefit liability	143,523	1,395,052
Net defined benefit asset	(2,369)	(23,027)
Net of liability and asset recorded in the consolidated balance sheets	¥141,154	\$1,372,026



Periodic retirement benefit expenses for employees and the breakdown of items for the year ended March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost (net of employee contributions)	¥10,713	\$104,131
Interest cost	4,887	47,502
Expected return on plan assets	(4,368)	(42,457)
Amortization of unrecognized actuarial gains/losses	6,140	59,681
Amortization of unrecognized prior service costs	(547)	(5,317)
Additional retirement benefits	903	8,777
Retirement benefit expenses of defined benefit plans	¥17,728	\$172,317

Remeasurements of defined benefit plans at March 31, 2014, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial gains/losses	¥644	\$6,260
Unrecognized prior service costs	36,659	356,328
Total	¥37,303	\$362,587

Ratio of the major classifications for plan assets at March 31, 2014, was as follows:

	2014
Bonds	41%
Stock	27%
Life insurance	13%
Cash and deposits	3%
Other	16%
Total	100%

The current and future allocation of plan assets, and the current and future long-term rate of expected return from the variety of assets that make up the plan assets, are considered in determining the long-term rate of expected return on plan assets.

Major actuarial assumptions (weighted average) at March 31, 2014, were as follows:

	2014
Discount rate	Mainly 1.4%
The long-term rate of expected return on plan assets	Mainly 2.5%

Required payment to defined contribution plans at March 31, 2014, amounted to ¥578 million (US\$5,618 thousand).

### For the year ended March 31, 2013

Information on provision for retirement benefits at March 31, 2013, was as follows:

	Millions of yen
	2013
(a) Projected benefit obligations	¥(331,038)
(b) Fair value of plan assets	177,112
(c) Unfunded benefit obligations [(a)+(b)]	(153,927)
(d) Unrecognized actuarial gains/losses	50,634
(e) Unrecognized prior service costs	94
(f) Amount shown on balance sheet [(c)+(d)+(e)]	(103,199)
(g) Prepaid pension cost	4,577
(h) Provision for retirement benefits [(f)-(g)]	¥(107,776)

Note: The figures in the above table do not include additional benefit payables amounting to ¥2,747 million at March 31, 2013. The amounts were recorded as part of current liabilities on the consolidated balance sheets at March 31, 2013.

Periodic retirement benefit expenses for employees for the year ended March 31, 2013, included the following components:

	Millions of yen
	2013
Service cost*	¥9,858
Interest cost	6,116
Expected return on plan assets	(3,993)
Amortization of unrecognized actuarial gains/losses	5,297
Amortization of unrecognized prior service costs	(1,403)
Retirement benefit expenses	¥15,875

Note: In addition to the above costs, additional benefits amounting to ¥3,180 million for the year ended March 31, 2013, and contributions to the defined contribution plans amounting to ¥414 million for the year ended March 31, 2013, were charged to income.

\* Not including contributions made by employees.

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

	2013
Discount rate	Mainly 1.4%
Expected rate of return on plan assets	Mainly 2.5%
Method of attributing the projected benefits to periods of employee service	Straight-line basis
Amortization of unrecognized prior service costs	Mainly 10 years
Amortization of unrecognized actuarial gains/losses	Mainly 10 years

## 14. 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 deferred tax assets and liabilities at March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Provision for retirement benefits	¥ —	¥38,003	\$ —
Net defined benefit liability	50,379	—	489,687
Tax loss carry forwards	17,045	21,444	165,678
Accrued bonuses	8,593	8,027	83,524
Loss on disposal of noncurrent assets	6,331	2,859	61,538
Impairment loss	5,096	3,873	49,533
Unrealized gain on noncurrent assets and others	4,342	3,825	42,205
Accrued enterprise tax	4,187	1,455	40,698
Depreciation	3,403	3,543	33,077
Provision for periodic repairs	2,830	2,710	27,508
Unrealized loss on investment securities	2,412	2,308	23,445
Provision for product warranties	1,284	1,298	12,481
Asset retirement obligations	1,234	1,315	11,995
Devaluation of inventories	1,190	1,220	11,567
Allowance for doubtful accounts	969	990	9,419
Environmental expenses	409	538	3,976
Experiment and research expenses	90	2,825	875
Deferred gains or losses on hedges	54	456	525
Other	9,922	9,736	96,442
Subtotal deferred tax assets	119,771	106,426	1,164,182
Less: Valuation allowance	(24,590)	(29,072)	(239,016)
Total deferred tax assets	95,181	77,354	925,165
Deferred tax liabilities:			
Unrealized gain on other securities	(43,469)	(36,645)	(422,521)
Identified intangible assets during business combination	(30,452)	(29,763)	(295,995)
Deferred gain on property, plant and equipment	(10,546)	(10,952)	(102,508)
Depreciation—overseas subsidiaries	(3,849)	(3,606)	(37,413)
Accelerated depreciation	(299)	(240)	(2,906)
Other	(6,683)	(5,749)	(64,959)
Total deferred tax liabilities	(95,297)	(86,956)	(926,293)
Net deferred tax assets (liabilities)	¥ (115)	¥(9,602)	\$ (1,118)

Net deferred tax assets (liabilities) at March 31, 2014 and 2013, were included in the following line items on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current assets—deferred tax assets	¥27,469	¥21,945	\$267,000
Non-current assets—deferred tax assets	16,278	8,487	158,223
Current liabilities—other	(420)	(49)	(4,082)
Non-current liabilities—deferred tax liabilities	¥(43,441)	¥(39,985)	\$ (422,249)

Reconciliation of the difference between the statutory tax rate and the effective income tax rate for the years ended March 31, 2014 and 2013, was as follows:

	2014	2013
Statutory tax rate	<b>38.0%</b>	38.0%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	<b>0.7</b>	0.7
Equalization of inhabitants taxes	<b>0.3</b>	0.6
R&D expenses deductible from income taxes	<b>(3.4)</b>	(5.5)
Amortization of goodwill and negative goodwill	<b>1.9</b>	2.8
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	<b>0.4</b>	(0.2)
Undistributed earnings of foreign subsidiaries	<b>0.4</b>	1.0
Difference of tax rates for foreign subsidiaries	<b>(0.3)</b>	(1.0)
Valuation allowance	<b>(1.2)</b>	(1.8)
Decrease in deferred tax asset due to the change in statutory tax rate	<b>0.9</b>	—
Other	<b>(0.1)</b>	(0.1)
Effective income tax rate	<b>37.7%</b>	34.5%

The "Act for Partial Revision of the Income Tax Act etc." (Act No. 10 of 2014), "Act for Partial Revision of the Local Tax Act, etc." (Act No. 4 of 2014), and "Local Tax Act on Corporations" (Act No. 11 of 2014) were issued on March 31, 2014, and accordingly the special Japanese reconstruction corporate tax applicable to the Company and its domestic subsidiaries will no longer be applied from the fiscal year beginning on or after April 1, 2014.

In accordance with this change, the statutory effective tax rate applied in calculating deferred tax assets and liabilities is changed from 38.0% to 35.6% from the fiscal year beginning on or after April 1, 2014.

As a result of this change, net unrealized gain on other securities increased by ¥2 million (US\$19 thousand) and deferred gains or losses on hedges decreased by ¥2 million (US\$19 thousand) in the consolidated balance sheets as of March 31, 2014, income taxes-deferred increased by ¥1,464 million (US\$14,230 thousand) in the consolidated statements of income for the year then ended, and deferred tax assets, (after netting deferred tax liabilities) decreased by ¥1,463 million (US\$14,220 thousand) in the consolidated balance sheets as of March 31, 2014.

## 15. Asset retirement obligations

### (a) Outline of 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 sheets.

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 them as the relevant asset retirement obligations under liabilities, the amount of lease deposit that cannot ultimately be expected to be collected was estimated in a reasonable manner, and of that, the amount corresponding to the fiscal year ended March 31, 2014, 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 4.1%, and discount rate of 0.2% to 5.4%.

### (c) Increase (decrease) in the total amount of asset retirement obligations in the fiscal years ended March 31, 2014 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at beginning of year	<b>¥3,556</b>	¥3,701	<b>\$34,565</b>
Increase due to asset retirement obligations accrued	<b>383</b>	126	<b>3,723</b>
Adjustment due to passage of time	<b>112</b>	124	<b>1,089</b>
Increase (decrease) due to accounting estimates*	<b>161</b>	(349)	<b>1,565</b>
Decrease due to fulfillment of asset retirement obligations	<b>(463)</b>	(379)	<b>(4,500)</b>
Increase (decrease) due to foreign exchange fluctuation	<b>300</b>	334	<b>2,916</b>
Balance at end of year	<b>¥4,050</b>	¥3,556	<b>\$39,366</b>

\* Increase or decrease in asset retirement obligations was made as it became clear that the cost of asset retirement will be different than originally estimated at the time of asset acquisition.

The amount of lease deposit, which will be written off for a certain percentage at the end of the lease period is charged to expense rather than recorded under asset retirement obligations. Increase (decrease) in those expensed amounts for the fiscal years ended March 31, 2014 and 2013, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at beginning of year	<b>¥1,629</b>	¥1,643	<b>\$15,834</b>
Increase due to new lease agreements	<b>114</b>	56	<b>1,108</b>
Decrease due to the cancelation of existing lease agreements	<b>(90)</b>	(70)	<b>(875)</b>
Balance at end of year	<b>¥1,652</b>	¥1,629	<b>\$16,058</b>

## 16. Business segment information

### (a) Overview of reportable segments

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

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

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

Beginning with the fiscal year ended March 31, 2014, the disclosure sequence of reportable segments has been changed to correspond with the classification of the Company's four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care.

In the "Critical Care" segment, results for the prior period from April 27, 2012, to March 31, 2013, were disclosed, while results throughout the entire period of the fiscal year ended March 31, 2014 were subject to consolidation.

Main products of the seven reportable segments are as follows:

#### Chemicals

The Company produces, processes, and sells chemicals and derivative products (such as 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 (m-PPE), Leona™ polyamide 66, Suntac™ polyethylene, synthetic rubber, and polystyrene), and 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).

#### Fibers

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

#### Homes

The Company constructs Hebel Haus™ unit homes and Hebel Maison™ apartments, and operates real estate business (such as management of Hebel Maison™ rental units, Atlas™ condominiums, Hebel Town™ housing developments, and brokerage of used Hebel Haus™ homes), remodeling business (such as exterior wall refurbishing, reroofing, redesign, interior renovation, and solar panel installation), and financial and other services (such as mortgage financing, etc.).

#### Construction Materials

The Company produces and sells Hebel™ and Hebel Powerboard™ autoclaved aerated concrete (AAC) panels, Neoma™ and Jupii™ phenolic foam insulation panels, Eazet™, ATT Column™, and other piling systems, and BasePack™ column base attachment systems.

#### Electronics

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

#### Health Care

The Company manufactures and sells pharmaceuticals (such as Recomodulin™, Teribone™, 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.

#### Critical Care

The Company manufactures and sells defibrillators for medical professionals, LifeVest™ wearable defibrillators, ZOLL AED Plus™ automated external defibrillators, and IVTM—Thermogard XPT™ intravascular temperature management systems.

### (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 reportable segment

Millions of yen

	2014								Others (Note 1)	Total
	Chemicals	Fibers	Homes	Construction Materials	Electronics	Health Care	Critical Care	Subtotal		
Sales:										
External customers	¥791,615	¥120,890	¥534,377	¥55,003	¥144,995	¥152,546	¥79,840	¥1,879,267	¥18,499	¥1,897,766
Intersegment	33,189	1,869	85	16,758	490	39	—	52,430	23,767	76,197
Total	824,804	122,760	534,462	71,761	145,485	152,585	79,840	1,931,698	42,266	1,973,963
Operating income (loss)	38,879	8,565	62,984	5,506	14,239	30,268	(3,526)	156,916	1,745	158,660
Assets	659,593	119,493	351,621	49,447	174,883	221,003	255,786	1,831,826	62,935	1,894,761
Other items										
Depreciation (Note 3)	31,086	5,883	5,883	2,186	14,303	10,034	9,983	79,357	994	80,351
Amortization of goodwill	551	2	—	—	15	918	7,097	8,583	240	8,823
Investments in affiliates accounted for using equity method	35,489	5,168	—	—	2,954	41	—	43,652	17,948	61,601
Increase in property, plant and equipment, and intangible assets	¥30,754	¥8,008	¥8,666	¥6,371	¥14,583	¥9,457	¥8,697	¥86,536	¥1,395	¥87,930

Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

2. Beginning with the fiscal year ended March 31, 2014, the disclosure sequence of reportable segments has been changed to correspond with the classification of the Company's four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care.

3. Amortization of goodwill is not included.

	Millions of yen									
	2013									
	Chemicals	Fibers	Homes	Construction Materials	Electronics	Health Care	Critical Care (Notes 2, 3)	Subtotal	Others (Note 1)	Total
Sales:										
External customers	¥684,582	¥109,613	¥486,182	¥51,504	¥131,148	¥133,450	¥52,131	¥1,648,610	¥18,031	¥1,666,640
Intersegment	20,678	1,794	215	15,948	420	66	—	39,120	23,967	63,088
Total	705,260	111,406	486,397	67,451	131,569	133,516	52,131	1,687,730	41,998	1,729,728
Operating income (loss)	22,925	4,030	54,266	3,962	2,824	15,932	(3,667)	100,272	2,195	102,467
Assets	650,519	115,584	304,675	46,804	167,723	183,836	240,318	1,709,460	59,240	1,768,700
Other items										
Depreciation (Note 4)	29,993	6,099	5,266	2,271	15,003	10,493	6,933	76,058	934	76,992
Amortization of goodwill	436	—	—	—	12	1,005	5,337	6,790	199	6,989
Investments in affiliates accounted for using equity method	41,313	4,667	—	—	2,489	42	—	48,512	16,643	65,154
Increase in property, plant and equipment, and intangible assets	¥47,290	¥6,833	¥9,527	¥2,186	¥17,011	¥14,275	¥5,416	¥102,538	¥1,140	¥103,677

- Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.  
2. The "Critical Care" segment is newly added during the first quarter of fiscal 2012, as the result of completion of the acquisition of ZOLL Medical Corporation and its subsidiaries on April 26, 2012 (US Eastern standard time).  
3. In the "Critical Care" segment, results for this period were included beginning on April 27, 2012.  
4. Amortization of goodwill is not included.

	Thousands of U.S. dollars									
	2014									
	Chemicals	Fibers	Homes	Construction Materials	Electronics	Health Care	Critical Care	Subtotal	Others (Note 1)	Total
Sales:										
External customers	\$7,694,547	\$1,175,058	\$5,194,178	\$534,633	\$1,409,360	\$1,482,757	\$776,050	\$18,266,592	\$179,811	\$18,446,404
Intersegment	322,599	18,167	826	162,889	4,763	379	—	509,623	231,017	740,640
Total	8,017,146	1,193,235	5,195,004	697,521	1,414,123	1,483,136	776,050	18,776,225	410,828	19,187,043
Operating income (loss)	377,906	83,252	612,208	53,519	138,404	294,207	(34,273)	1,525,233	16,962	1,542,185
Assets	6,411,285	1,161,479	3,417,778	480,628	1,699,874	2,148,163	2,486,256	17,805,463	611,732	18,417,195
Other items										
Depreciation (Note 3)	302,158	57,183	57,183	21,248	139,026	97,531	97,035	771,355	9,662	781,017
Amortization of goodwill	5,356	19	—	—	146	8,923	68,983	83,427	2,333	85,760
Investments in affiliates accounted for using equity method	344,955	50,233	—	—	28,713	399	—	424,300	174,456	598,766
Increase in property, plant and equipment, and intangible assets	\$298,931	\$77,838	\$84,234	\$61,927	\$141,748	\$91,923	\$84,535	\$841,135	\$13,559	\$854,685

- Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.  
2. Beginning with the fiscal year ended March 31, 2014, the disclosure sequence of reportable segments has been changed to correspond with the classification of our four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care.  
3. 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
	2014	2013	2014
Total of reporting segments	¥1,931,698	¥1,687,730	\$18,776,225
Net sales in "Others" category	42,266	41,998	410,828
Elimination of intersegment transactions	(76,197)	(63,088)	(740,640)
Net sales on consolidated statements of income	¥1,897,766	¥1,666,640	\$18,446,404

Operating income	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total of reporting segments	¥156,916	¥100,272	\$1,525,233
Operating income in "Others" category	1,745	2,195	16,962
Elimination of intersegment transactions	388	1,469	3,771
Corporate expenses, etc.*	(15,702)	(11,975)	(152,624)
Operating income on consolidated statements of income	¥143,347	¥91,960	\$1,393,342

\* 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
	2014	2013	2014
Total of reporting segments	<b>¥1,831,826</b>	¥1,709,460	<b>\$17,805,463</b>
Assets in "Others" category	<b>62,935</b>	59,240	<b>611,732</b>
Elimination of intersegment transactions	<b>(244,286)</b>	(200,347)	<b>(2,374,475)</b>
Corporate assets*	<b>264,613</b>	231,817	<b>2,572,055</b>
<b>Total assets on consolidated balance sheets</b>	<b>¥1,915,089</b>	¥1,800,170	<b>\$18,614,784</b>

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

Other items	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	Thousands of U.S. dollars	Thousands of U.S. dollars		
	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	
Depreciation (Note 2)	<b>¥79,357</b>	¥76,058	<b>\$771,355</b>	<b>¥994</b>	¥934	<b>\$9,662</b>	<b>¥5,701</b>	¥3,058	<b>\$55,414</b>	<b>¥86,052</b>	¥80,050	<b>\$836,431</b>
Amortization of goodwill	<b>8,583</b>	6,790	<b>83,427</b>	<b>240</b>	199	<b>2,333</b>	—	—	—	<b>8,823</b>	6,989	<b>85,760</b>
Investments in affiliates accounted for using the equity method	<b>43,652</b>	48,512	<b>424,300</b>	<b>17,948</b>	16,643	<b>174,456</b>	—	—	—	<b>61,601</b>	65,154	<b>598,766</b>
Increase in property, plant and equipment, and intangible assets	<b>¥86,536</b>	¥102,538	<b>\$841,135</b>	<b>¥1,395</b>	¥1,140	<b>\$13,559</b>	<b>¥4,466</b>	¥10,108	<b>\$43,410</b>	<b>¥92,397</b>	¥113,785	<b>\$898,105</b>

Notes: 1. Adjustments include elimination of intersegment transactions and corporate expenses, etc.

2. Amortization of goodwill is not included.

## (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							
2014				2013				2014			
Japan	China	Other regions	Total	Japan	China	Other regions	Total	Japan	China	Other regions	Total
<b>¥1,289,054</b>	<b>¥187,247</b>	<b>¥421,465</b>	<b>¥1,897,766</b>	¥1,181,429	¥155,570	¥329,641	¥1,666,640	<b>\$12,529,685</b>	<b>\$1,820,052</b>	<b>\$4,096,666</b>	<b>\$18,446,404</b>

#### 2) Property, plant and equipment

Millions of yen			Thousands of U.S. dollars					
2014			2013			2014		
Japan	Other regions	Total	Japan	Other regions	Total	Japan	Other regions	Total
<b>¥363,241</b>	<b>¥117,295</b>	<b>¥480,535</b>	¥369,481	¥92,100	¥461,581	<b>\$3,530,725</b>	<b>\$1,140,115</b>	<b>\$4,670,830</b>

#### 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 consolidated statements of income.

## 17. Information on related parties

### 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	Guarantee for completion of manufacturing facilities
Transaction amount	¥16,416 million in the year ended March 31, 2014, ¥17,341 million in the year ended March 31, 2013
Amount name	—
Balance at end of year	—

## 18. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2014 and 2013, were as follows:

	Yen		U.S. dollars
	2014	2013	2014
Basic net assets per share	¥653.15	¥581.05	\$6.35
Basic net income per share	¥72.48	¥38.43	\$0.70

### (a) Basis for calculation of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total net assets	¥925,766	¥824,451	\$8,998,503
Amount deducted from total net assets	13,067	12,371	127,012
of which, minority interests	(13,067)	(12,371)	(127,012)
Net assets allocated to capital stock	¥912,699	¥812,080	\$8,871,491
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,397,386	1,397,600	1,397,386

### (b) Basis for calculation of net income per share

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income	¥101,296	¥53,712	\$984,603
Amount not allocated to capital stock	—	—	—
Net income allocated to capital stock	¥101,296	¥53,712	\$984,603
Weighted-average number of shares of capital stock used in calculation of net income per share (thousand)	1,397,501	1,397,651	1,397,501

As the Company had no dilutive securities at March 31, 2014 and 2013, the Company does not disclose diluted net income per share for the years ended March 31, 2014 and 2013.

## 19. Subsequent events

Until the fiscal year ended March 31, 2014, the business fields of the nine core operating companies had been combined into seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Electronics, Health Care, and Critical Care through application of Paragraph 13 of "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information." From the fiscal year ending March 31, 2015, the reportable segments will be based on the business areas of the four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, based on a change in the Company's governance structure.

The change in the Company's governance structure was made in April 2014 to enhance the management foundation in the business fields that the Company is focused on, to obtain more transparent governance, and to enable flexible adaptation to changes in the operating environment. Recalculated segment information concerning net sales and operating income for each reportable segment for the year ended March 31, 2014, based on the new segmentation is as follows:

	Millions of yen								
	2014								
	Chemicals and Fibers	Homes and Construction Materials	Electronics	Health Care	Subtotal	Others	Total	Adjustment	Consolidated
Sales:									
External customers	¥912,505	¥589,380	¥144,995	¥232,387	¥1,879,267	¥18,499	¥1,897,766	¥ —	¥1,897,766
Intersegment	17,149	84	490	39	17,762	23,767	41,529	(41,529)	—
Total	929,655	589,464	145,485	232,425	1,897,029	42,266	1,939,295	(41,529)	1,897,766
Operating income (loss)	47,447	68,517	14,239	26,742	156,945	1,745	158,690	(15,343)	143,347

Note:1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

	Thousands of U.S. dollars								
	2014								
	Chemicals and Fibers	Homes and Construction Materials	Electronics	Health Care	Subtotal	Others	Total	Adjustment	Consolidated
Sales:									
External customers	\$8,869,605	\$5,728,810	\$1,409,360	\$2,258,816	\$18,266,592	\$179,811	\$18,446,404	\$ —	\$18,446,404
Intersegment	166,689	816	4,763	379	172,648	231,017	403,664	(403,664)	—
Total	9,036,304	5,729,627	1,414,123	2,259,185	18,439,240	410,828	18,850,068	(403,664)	18,446,404
Operating income (loss)	461,188	665,990	138,404	259,934	1,525,515	16,962	1,542,477	(149,135)	1,393,342

Note:1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

## 20. Borrowings

### (a) Bonds payable at March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unsecured 1.90% Euro yen bonds due in 2013 (of which, current portion of bonds)	¥—	¥5,000 (¥ —)	\$—
Unsecured 1.46% yen bonds due in 2019	20,000	20,000	194,401
Unsecured 0.30% yen bonds due in 2017	20,000	20,000	194,401
<b>Total</b>	<b>¥40,000</b>	<b>¥45,000</b>	<b>\$388,802</b>

Note 1) The current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.  
2) The aggregate annual maturities of long-term debt after March 31, 2014, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2015	¥—	\$—
2016	—	—
2017	—	—
2018	20,000	194,401
2019	—	—
2020 and thereafter	20,000	194,401
	<b>¥40,000</b>	<b>\$388,802</b>

### (b) Loans payable at March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Short-term loans payable with interest rate 0.55%	¥84,776	¥78,725	\$824,028
Current portion of long-term loans payable with interest rate 0.64%	18,830	34,319	183,029
Current portion of lease obligations with interest rate 1.62%	1,784	2,415	17,341
Long-term loans payable (except portion due within one year) with interest rate 0.70%	146,037	146,929	1,419,489
Lease obligations (except portion due within one year) with interest rate 1.39%	2,445	4,051	23,766
Commercial paper with interest rate 0.08% (due within one year)	10,000	70,000	97,201
	<b>¥263,872</b>	<b>¥336,439</b>	<b>\$2,564,852</b>

Note 1) Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2014.  
2) The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2015, are as follows:

Year ending March 31	Long-term loans payable		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2016	¥31,457	\$305,764	¥1,367	\$13,287
2017	39,143	380,472	848	8,243
2018	17,975	174,718	168	1,633
2019	45,009	437,490	21	204
2020 and thereafter	¥12,453	\$121,044	¥40	\$389





#### Independent Auditor's Report

To the Board of Directors of  
Asahi Kasei Corporation

We have audited the accompanying consolidated financial statements of Asahi Kasei Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2014, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the purpose of the financial statements audit is not to express an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2014, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

#### Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014, 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.

August 8, 2014

PricewaterhouseCoopers Aarata  
Sumitomo Fudosan Shiodome Hamarikyu Bldg., 8-21-1 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
T: +81 (3) 3546 8450, F: +81 (3) 3546 8451, www.pwc.com/jp/assurance

# Major Subsidiaries and Affiliates

As of July 31, 2014

Company	Main products/business line	Paid-in capital (million)	Equity interest (%)
<b>Chemicals &amp; Fibers Segment</b>			
Asahi Kasei Chemicals Corp.*	Chemicals	¥ 3,000	100.0
Asahi Kasei Pax Corp.*	Packaging products and solutions	¥ 490	100.0
Asahi Kasei Finechem Co., Ltd.*	Specialty chemicals	¥ 325	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 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.*	Processed plastic products	¥ 160	99.4
Japan Elastomer Co., Ltd.*	Synthetic rubber	¥ 1,000	75.0
PS Japan Corp.*	Polystyrene	¥ 5,000	62.1
Sundic Inc.	Biaxially oriented polystyrene sheet	¥ 1,500	50.0
Wacker Asahikasei Silicone Co., Ltd.	Silicone	¥ 1,050	50.0
Kayaku Japan Co., Ltd.	Industrial explosives	¥ 60	50.0
Asahi Kasei Plastics North America, Inc.*	Coloring and compounding of performance resin	US\$ 21.7**	100.0
Asahikasei Plastics (America) Inc.*	Compounded performance resin operations	US\$ 17.8**	100.0
Sun Plastech Inc.*	Sale of purging compound	US\$ 1	100.0
Tong Suh Petrochemical Corp., Ltd.*	Acrylonitrile, sodium cyanide	KRW 237,642	100.0
Asahi Kasei Chemicals Korea Co., Ltd.	Sale of adipic acid	KRW 1,500	100.0
Asahi Kasei Performance Chemicals Corp.*	High-performance HDI-based polyisocyanate	CNY 285	100.0
Asahi Kasei POM (Zhangjiagang) Co., Ltd.	Polyacetal	CNY 265	100.0
Asahi Kasei Microza (Hangzhou) Co., Ltd.*	Industrial filtration membranes and systems	CNY 69	100.0
Asahikasei Plastics (Shanghai) Co., Ltd.	Sale of performance resin	CNY 18	100.0
Asahi Kasei Plastics (Guangzhou) Co., Ltd.	Sale of performance resin	CNY 10	100.0
Asahi Kasei Plastics (Hong Kong) Co., Ltd.	Sale of performance resin	US\$ 2.6	100.0
Asahikasei (Suzhou) Plastics Compound Co., Ltd.	Coloring and compounding of performance resin	CNY 50	51.0
Asahi Kasei Synthetic Rubber Singapore Pte. Ltd.*	Synthetic rubber	US\$ 125	100.0
Asahi Kasei Plastics Singapore Pte. Ltd.*	Performance resin	US\$ 46	100.0
Polyxylenol Singapore Pte. Ltd.*	PPE powder	US\$ 35	70.0
Asahikasei Plastics (Thailand) Co., Ltd.	Coloring and compounding of performance resin	THB 140	100.0
PTT Asahi Chemical Co., Ltd.	Acrylonitrile, methyl methacrylate	THB 14,246	48.5
Asahi Kasei Plastics Europe SA/NV*	Sale of compounded performance resin	€ 5	100.0
Asahi Kasei Fibers Corp.*	Fibers, textiles	¥ 3,000	100.0
Asahi Kasei Intertextiles Corp.*	Processing of fibers and textiles	¥ 80	100.0
DuPont-Asahi Flash Spun Products Co., Ltd.	Flash spun products	¥ 450	50.0
Hangzhou Asahikasei Spandex Co., Ltd.*	Spandex	CNY 154	100.0
Hangzhou Asahikasei Textiles Co., Ltd.*	Warp-knit spandex textiles	CNY 78	92.5
Formosa Asahi Spandex Co., Ltd.	Spandex	NT\$ 1,003	50.0
Asahi Chemical (HK) Ltd.*	Promotion and marketing of fibers	HK\$ 65	100.0
Asahi Kasei Spunbond (Thailand) Co., Ltd.*	Spunbond nonwovens	THB 1,185	89.5
Thai Asahi Kasei Spandex Co., Ltd.*	Spandex	THB 1,350	60.0
Asahi Kasei Spandex Europe GmbH*	Spandex	€ 23.8**	100.0
Asahi Kasei Fibers Italy SRL*	Sale of cupro cellulosic fiber and nonwovens	€ 3	100.0
<b>Homes &amp; Construction Materials Segment</b>			
Asahi Kasei Homes Corp.*	Housing	¥ 3,250	100.0
Asahi Kasei Fudousan Residence Corp.*	Real estate development, brokerage, and related business	¥ 3,200	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 Home Construction Corp.*	Construction of homes	¥ 100	100.0
Asahi Kasei Chintai Support Corp.*	Apartment rental insurance	¥ 50	100.0
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

\* Consolidated subsidiary

\*\* Including capital reserve

Company	Main products/business line	Paid-in capital (million)	Equity interest (%)
<b>Electronics Segment</b>			
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 E-materials Korea Inc.*	Energy and electronic materials	KRW 7,962	100.0
AKM Semiconductor, Inc.*	Sale of LSIs	US\$ 2.9	100.0
Asahi Kasei Microdevices Korea Corp.	Electronic devices marketing and technical support	KRW 820	100.0
AKM Technology Corp.	LSI design	¥ 30	100.0
Asahi Kasei Technosystem Co., Ltd.	Electronic devices and printed wiring boards	¥ 40	100.0
Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.*	Photosensitive dry film	CNY 181	100.0
Asahi Kasei Electronics Materials (Changshu) Co., Ltd.*	Photosensitive dry film	CNY 143	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	100.0
Asahi Kasei Wah Lee Hi-Tech Corp.*	Photosensitive dry film	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	€ 3.0	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
<b>Health Care Segment</b>			
Asahi Kasei Pharma Corp.*	Pharmaceuticals	¥ 3,000	100.0
Asahi Kasei Medical Co., Ltd.*	Medical devices, bioprocess products	¥ 3,000	100.0
Med-Tech Inc.*	Medical devices	¥ 140	100.0
Asahi Kasei Pharma America Corp.*	Clinical trials for new drugs	US\$ 49**	100.0
Asahi Kasei Bioprocess, Inc.*	Bioprocess equipment and systems	US\$ 30	100.0
Asahi Kasei Medical America Inc.*	Sale of medical devices, medical systems	US\$ 0.5	100.0
Asahi Kasei Medical Trading (Korea) Co., Ltd.*	Sale of medical devices, medical systems	KRW 1,000	100.0
Asahi Kasei Medical (Hangzhou) Co., Ltd.*	Hemodialyzers; sale of medical devices	CNY 165	100.0
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	€ 17.8	100.0
Asahi Kasei Bioprocess Europe SA/NV*	Sale of virus removal filters	€ 0.5	100.0
Asahi Kasei Medical Trading Ltd. Sti.*	Sale of medical devices, medical systems	YTL 0.01	100.0
ZOLL Medical Corporation*	Acute critical care devices and systems	US\$ 1,723**	100.0
Asahi Kasei ZOLL Medical Corp.*	Sale of acute critical care devices in Japan	¥ 230	100.0
Asahi Kasei Medical MT Corp.	Medical devices, bioprocess products	¥ 10	100.0
<b>Others</b>			
Asahi Research Center Co., Ltd.*	Information and analysis	¥ 1,000	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
Asahi Kasei Commerce 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 Holdings US, Inc.*	Holding company of ZOLL	US\$ 1,723**	100.0
Crystal IS, Inc.*	Development of aluminum nitride substrates and UV LEDs	US\$ 31.9**	100.0
Asahi Kasei (China) Co., Ltd.*	Investment and business support services	CNY 275	100.0
Asahi Kasei India Pvt. Ltd.	Business support services	INR 45	100.0

\* Consolidated subsidiary

\*\* Including capital reserve

# Company Information

## Corporate Profile (as of March 31, 2014)

<b>Company Name</b>	Asahi Kasei Corporation
<b>Date of Establishment</b>	May 21, 1931
<b>Paid-in Capital</b>	¥103,389 million
<b>Employees</b>	29,127 (consolidated) 1,205 (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**  
3-3-23 Nakanoshima, Kita-ku  
Osaka 530-8205 Japan  
Phone: +81-6-7636-3111  
Fax: +81-6-7636-3077

**Asahi Kasei (China) Co., Ltd.**  
8/F, One ICC  
Shanghai International Commerce Centre  
No. 999 Huai Hai Zhong Road  
Shanghai 200031 China  
Phone: +86-21-6391-6111  
Fax: +86-21-6391-6686

**Beijing Office**  
Room 1407  
New China Insurance Tower  
No.12 Jian Guo Men Wai Avenue  
Chao Yang District  
Beijing 100022 China  
Phone: +86-10-6569-3939  
Fax: +86-10-6569-3938

**Asahi Kasei America, Inc.**  
800 Third Avenue, 30th Floor  
New York, NY 10022 USA  
Phone: +1-212-371-9900  
Fax: +1-212-371-9050

**Asahi Kasei India Pvt. Ltd.**  
The Capital 801C, Plot No.C70, G Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai 400051 India  
Phone: +91-22-6710-3962

### Core Operating Companies

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

**Asahi Kasei Fibers**  
3-3-23 Nakanoshima, Kita-ku  
Osaka 530-8205 Japan  
Phone: +81-6-7636-3500

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

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

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

**Asahi Kasei Medical**  
1-105 Kanda Jinbocho, Chiyoda-ku  
Tokyo 101-8101 Japan  
Phone: +81-3-3296-3750

**ZOLL Medical Corporation**  
269 Mill Rd., Chelmsford,  
MA 01824-4105 USA  
Phone: +1-978-421-9655

# Investors Information

(As of March 31, 2014)

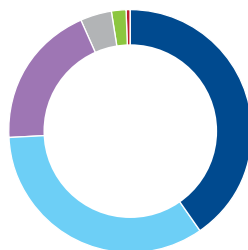
<b>Stock Listings</b>	Tokyo
<b>Stock Code</b>	3407
<b>Authorized Shares</b>	4,000,000,000
<b>Outstanding Shares</b>	1,402,616,332
<b>Transfer Agent</b>	Sumitomo Mitsui Trust Bank, Ltd.
<b>Independent Auditors</b>	PricewaterhouseCoopers Aarata
<b>Number of Shareholders</b>	97,906

<b>Largest Shareholders</b>	% of equity*
Nippon Life Insurance Co.	5.22
Master Trust Bank of Japan, Ltd. (trust account)	5.02
Japan Trustee Services Bank, Ltd. (trust account)	3.51
Asahi Kasei Group Employee Stockholding Assn.	3.12
Sumitomo Mitsui Banking Corp.	2.53
Mizuho Bank, Ltd.	2.23
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.45
Sumitomo Life Insurance Co.	1.40
National Mutual Insurance Federation of Agricultural Cooperatives	1.37
Meiji Yasuda Life Insurance Co.	1.32

\* Percentage of equity ownership after exclusion of treasury stock.

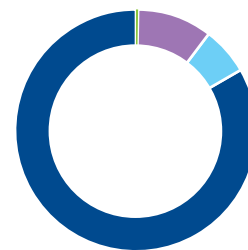
## Distribution by Type of Shareholder

Japanese financial institutions	40.30%
Foreign investors	33.88%
Japanese individuals and groups	19.33%
Other Japanese companies	3.99%
Japanese securities companies	2.13%
Treasury stock	0.37%

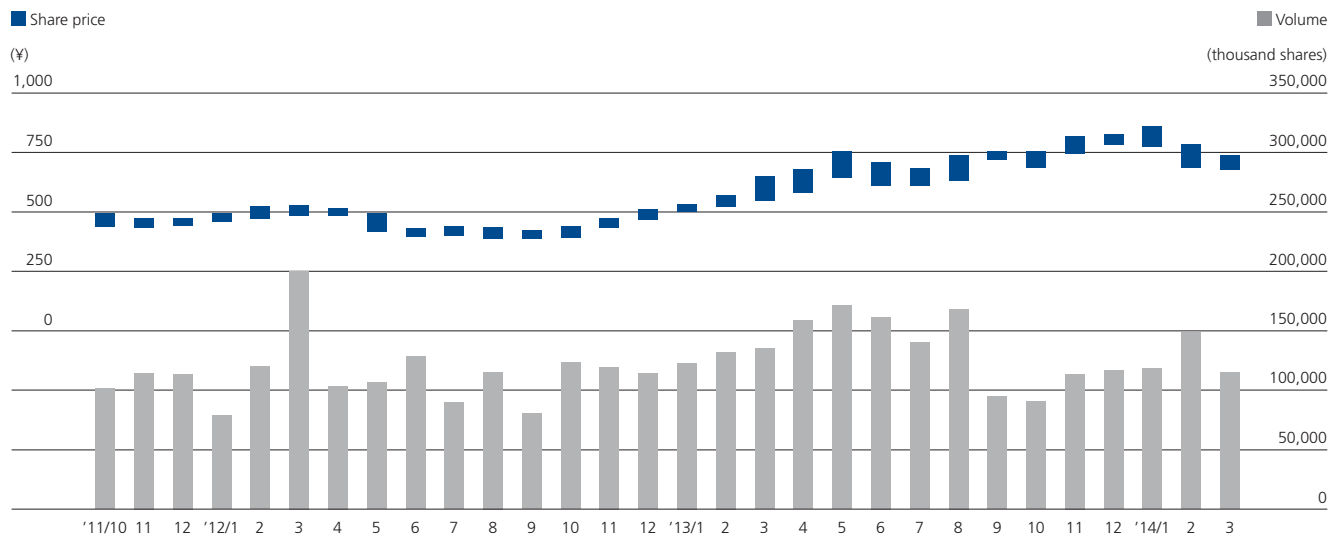


## Distribution by Number of Shares Held

Less than 1,000	0.28%
1,000–9,999	10.27%
10,000–99,999	6.14%
100,000 or more	83.31%



## Stock Chart



In this report, the TM symbol indicates a trademark or registered trademark of Asahi Kasei Corporation, affiliated companies, or third parties granting rights to Asahi Kasei Corporation or affiliated companies.

## ASAHI KASEI CORPORATION

1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan  
[www.asahi-kasei.co.jp/asahi/en](http://www.asahi-kasei.co.jp/asahi/en)

Corporate Communications  
Tel: +81-3-3296-3008, Fax: +81-3-3296-3162



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