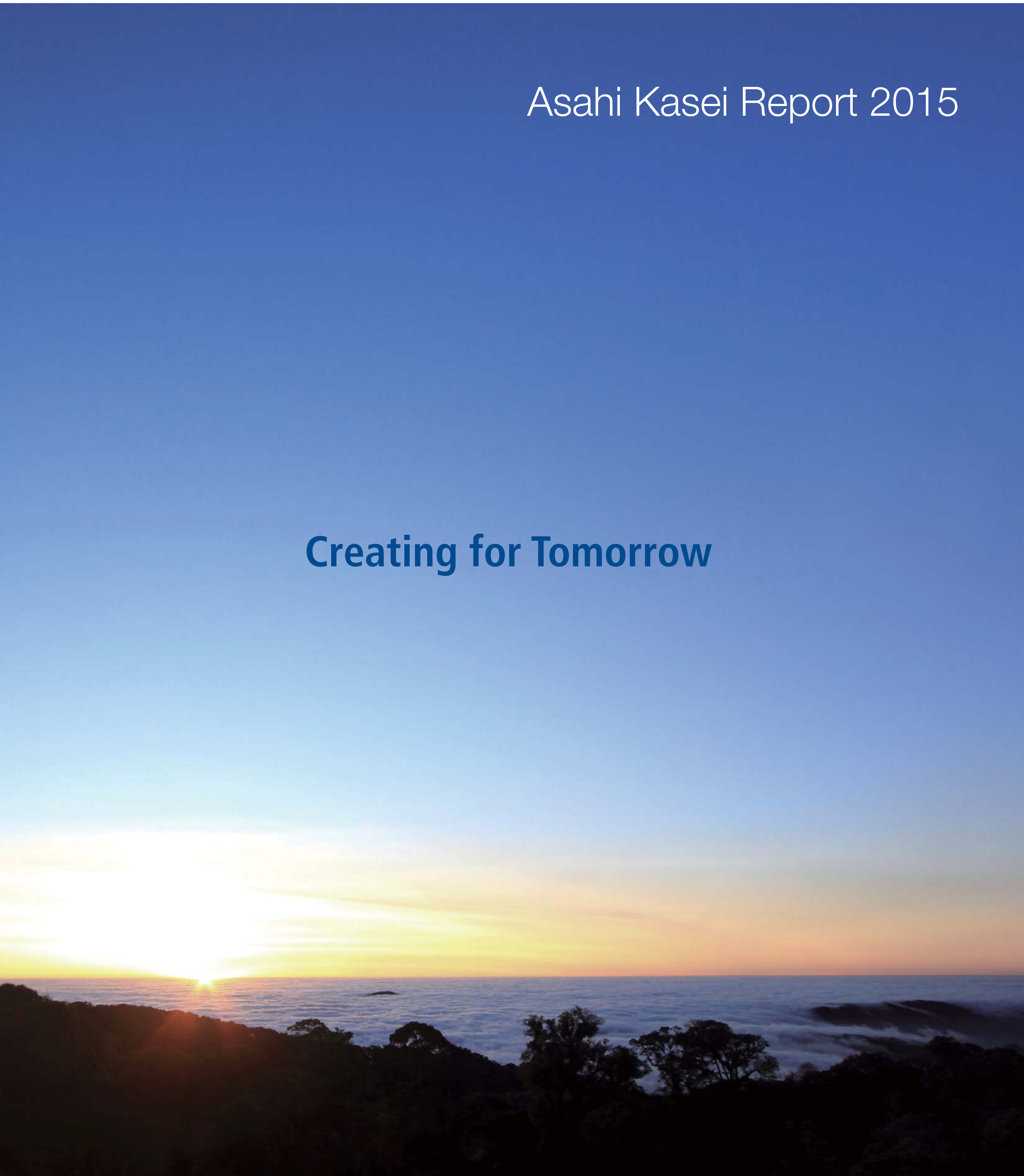
AsahiKASEI

Asahi Kasei Report 2015

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

Contents

Editorial policy

For greater ease of understanding among our stakeholders, since 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 the *Asahi Kasei 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.

Period under review

The period under review is fiscal 2014 (April 2014 to March 2015). Some qualitative information pertaining to April to July 2015 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 the Asahi Kasei Group's Responsible Care program. Asahi Kasei's four operating segments are Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. Unless otherwise specified, the titles and positions of corporate officers and other personnel as shown in this report are current as of August 2015.

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.

To Our Stakeholders

Thank you for reading the *Asahi Kasei Report 2015*. In 2014 we integrated the description of financial information, 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. We hope that the *Asahi Kasei Report* will enhance your understanding of the Asahi Kasei Group's management strategy, business operations, and financial performance, as well as our contribution to the sustainability of society.

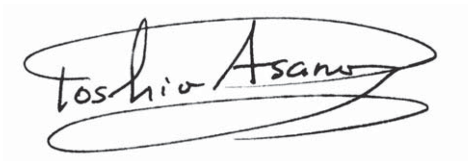
The Asahi Kasei Group is now executing "For Tomorrow 2015," a five-year strategic management initiative ending in fiscal 2015. In accordance with our Group Mission of *contributing to life and living for people around the world,* and our Group Vision of *enabling living in health and comfort* and *harmony with the natural environment*, we are expanding world-leading businesses and creating new value for society.

In fiscal 2014 we reached record highs for the second consecutive year in net sales, operating income, ordinary income, and net income, as investments for growth that we made over the past few years bore fruit. Also, in the field of the Environment & Energy we decided to acquire the US-based Polypore International, Inc. to strategically expand our battery separator business. As we complete our "For Tomorrow 2015" initiative in fiscal 2015, we will press firmly ahead throughout all operations to achieve our targets.

With the start of a new management initiative from fiscal 2016, we will adopt a new corporate configuration with the three business sectors of Material, Homes, and Health Care, and concurrently the holding company Asahi Kasei Corp. will become an operating holding company. We believe that these changes will foster greater synergies among our different sectors, enabling us accelerate innovation. We are focused on increasing corporate value through the continuous growth of operations with strategic and efficient management across the Asahi Kasei Group.

Throughout these efforts, we will maintain proactive communication with our stakeholders to ensure transparency through appropriate information disclosure. I would like to thank you for your continuous support.

August 2015



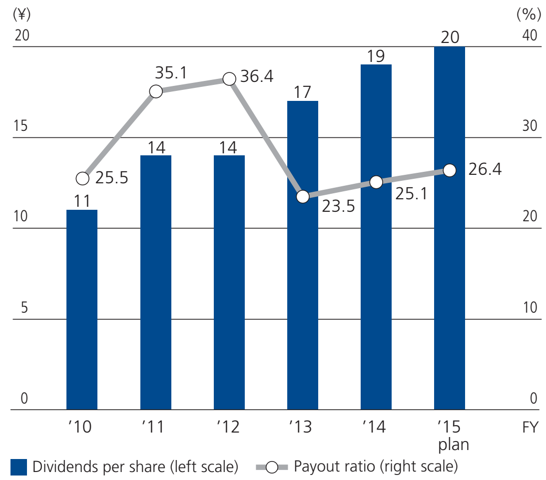
Toshio Asano
President

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

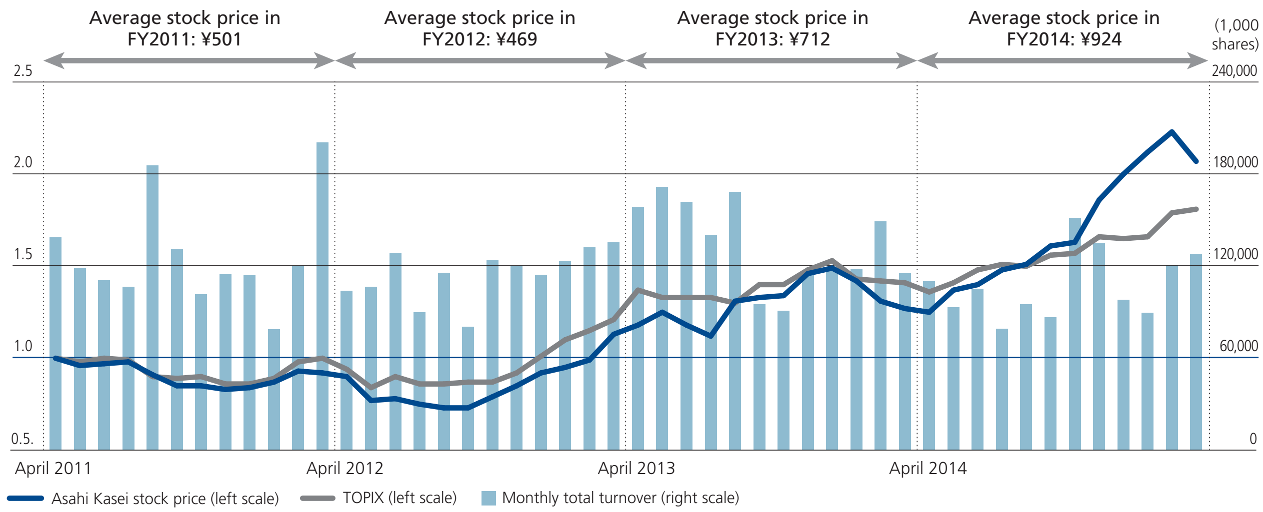
Our basic policy is to strive to continuously increase dividends with a payout ratio of 30% of net income as our basic standard, through continuous earnings growth while maintaining an appropriate cash reserve based on consolidated financial results. Our cash reserve will be used as a source of funds 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, the annual dividend for fiscal 2014 was increased by ¥2 per share from the previous year to ¥19 per share. We plan to increase the dividend for fiscal 2015 to ¥20 per share reflecting forecasted consolidated financial results. We will continue to strive for greater corporate value, and provide appropriate returns to our shareholders.

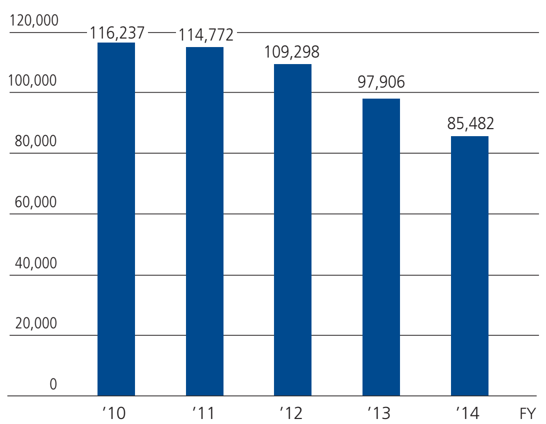
Dividends per share, payout ratio



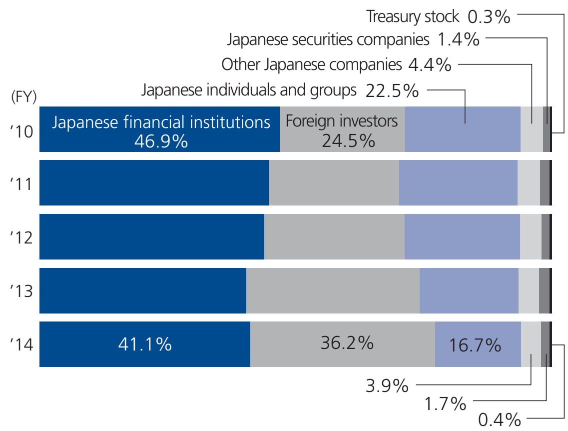
Comparison between stock price and TOPIX (April 2011 = 1)



Number of shareholders (at fiscal year end)



Shareholder distribution (at fiscal year end)



Feature

The Asahi Kasei Heritage of Diversification

Since its founding in 1922, Asahi Kasei has proactively transformed its business portfolio to meet the changing needs of the times. We showcase three examples that highlight our heritage of taking on challenges and creating value by diversifying operations.

1 Non-linear growth through strategic M&A

In 2012 we acquired ZOLL Medical Corporation, a global leader in medical devices for acute critical care, for US$2.2 billion (¥180 billion). While we had operated pharmaceutical and medical device businesses, this acquisition marked our strategic entry into the field of critical care. Since that time ZOLL's business growth—led by the LifeVest™ wearable defibrillator and expansion of the Core defibrillator business—has remained strong, and in fiscal 2014 our consolidated operating income in this business category turned positive even after amortization of goodwill and other intangible assets. The LifeVest™ was launched in Japan in April 2014, and further global growth is anticipated.

Richard A. Packer, CEO of ZOLL

LifeVest™ wearable defibrillator

Accelerating ZOLL's growth

The third pillar of Health Care operations

Strategic entry into critical care

Under the "For Tomorrow 2015" strategic management initiative ending in fiscal 2015, our main business strategies are the expansion of world-leading businesses and the creation of new value for society in three fields of focus, one of which is Health Care. The initiative also provided for strategic investment of ¥1 trillion over the 5-year period, including investment in existing businesses, new businesses, and M&A. The acquisition of ZOLL was our first large-scale investment.

This acquisition enabled us to reinforce our earnings base in health care, an area with clear prospects for growth and less susceptible to fluctuations in the operating climate than the chemicals or electronics businesses. When our management was contemplating M&A in health care, the search was soon narrowed down to the field of acute critical care, and ZOLL was considered the best choice.

As this was the largest acquisition in our history, the Board of Directors, including the Outside Directors, thoroughly examined the acquisition from every angle.

- Will ZOLL, and particularly the LifeVest™ product line, continue to grow?
- What synergies will there be with our existing Health Care businesses?
- Is the acquisition price fair?
- Can we retain ZOLL's talent?
- Is there compatibility with our corporate culture and our people?

Such deliberations led to the conclusion that there was a need to expand in new areas to enhance the company's ability to withstand increasingly dramatic changes in the operating climate, and not just rely on the growth of existing businesses alone. With the growth of LifeVest™ foreseeable for at least another four to five years, and prospects for further expansion as other products enter a growth phase, it was decided to proceed with the acquisition.

ZOLL's mission of saving people's lives is also a close fit with our Group Mission of contributing to life and living for people around the world, and nearly all of the senior leadership of ZOLL have stayed with us and continue to drive the global growth of LifeVest™ and the other products.

Toward greater growth

We are also impressed with ZOLL's strong track record of clinical development not only in the US but also in countries around the world, and its excellent capability in regulatory affairs to obtain both product approval and insurance reimbursement in the US and other countries. We can quickly establish a global platform for the Health Care sector that utilizes ZOLL's know-how to obtain synergy with our own established pharmaceutical and medical device business, enabling even further growth.

At various turning points throughout our history, we expanded operations and built foundations for further growth by venturing into new fields of business or licensing technology from overseas. The Asahi Kasei heritage is to repeatedly create new value through sincerity, challenge, and creativity. Diversification has enabled us to achieve record-high results, and as we continue to grow we will maintain flexibility in our business portfolio, creating new value for tomorrow.

Outside Director's Perspective

Norio Ichino
Outside Director

Staying on the offensive

With the acquisition of ZOLL, Asahi Kasei contributes even more to life and living for people all around the world. Discussions at Board of Directors meetings initially focused on whether the acquisition price was fair, but considering the rising needs for acute critical care devices in the US and Europe, and considering that the CEO Mr. Packer and other key management personnel agreed to continue to manage the company, we concluded that the acquisition price was fair. ZOLL has grown beyond our expectations. In fiscal 2014, three years after the acquisition, consolidated operating income after amortization of goodwill and other intangible assets turned positive. In a time of dramatic change, sitting on the fence is the riskiest thing to do. I think it will continue to be necessary to aggressively seek new challenges.

2 Continuously evolving tradition

In June 2014 we began commercial operation of a new production facility for Bemberg™ cupro fiber in Nobeoka, Miyazaki, Japan. The key factor behind the decision to build this facility—an investment of some ¥3 billion in Japan's first new fiber production facility in 27 years—was strong demand growth for use in Indian *saris* and other traditional garments. This would not have been possible without the untiring effort of many employees, including engineers who worked on technology and applications development, and marketing personnel who broke free from the conventions of simply selling yarn to create new demand by working in close concert with the customers.

The birth and evolution of Bemberg™

Beauty and functionality in *saris* and innerwear

Tradition and innovation

Bemberg™ was always used mainly in applications that made the most of its superior comfort, such Japanese *kimonos*, undergarments, and linings. With the spread of low-cost synthetics, however, demand for Bemberg™ lining fabric began declining in the 1990s. Indian *saris* and functional innerwear were identified as potential fields of growing demand. The field of Indian *saris* was seen as a geographic extension for material similar to that sold for traditional garments in Japan, while the field of functional innerwear was seen as one requiring innovative application development in line with evolving market needs. Nevertheless, the requirements for moving into these two fields were similar. In both cases there was a need to move beyond the conventional business model of simply selling yarn; products would have to be made in close concert with weaving, dyeing, and processing companies, with technical guidance and support in order to successfully develop new markets.

Developing the *sari* market

When we began researching the market for traditional garments, there was some feeling that the westernization of fashion might mean the market prospects would be poor. Further research revealed, however, that although western casual clothing had become popular among the youth, a high proportion of Indian women routinely wear *saris* after marrying. In addition, in the middle class and above, it is not uncommon for people to own twenty or thirty *saris* to wear at weddings and other special occasions. Such information, which would not have been ascertained under the conventional yarn-selling model, enabled us to branch out into the *sari* market with confidence. In 2015, India's economic growth is adding further impetus to the market for Bemberg™ used in *saris*.

Bemberg™ lining materials

The key to success

Long gone are the days when one could succeed by simply selling yarn. We believe it is essential to be proactively involved in the processing and finishing processes to fully understand customers' needs; our job is to provide solutions to them through our products. Bemberg™ is our oldest business, so its evolution is especially symbolic for us. We are also enjoying success in the field of functional innerwear that emphasizes comfort, feeling cool in the summer and warm in the winter. Asahi Kasei has been an industry leader in developing differentiated products with functionality and originality; not just Bemberg™ but throughout our product lineup. Our record-high operating income in fiscal 2014 bears out this strategy. We will continue on our path of evolution, advancing the creation of new value for society.

A *sari* made with Bemberg™

Outside Director's Perspective

Kenyu Adachi
Outside Director

Building a presence by innovating together with customers

For a fiber manufacturer to build a global presence, It is necessary to be able to develop products and technologies that competitors cannot match. I think one important way is to innovate together with customers. That means cooperating with one another in a joint effort to create new value. It is also important to have a technology platform that enables the creation of high value-added products, to avoid being trapped in price competition with commodity products. Both of these require close communication with customers. In order to offer new materials and new functions, you first need to have a clear understanding of the customers' strategies and market trends.

3 Creating new value

The first Hebel Haus™
(Kamata model home park)

In fiscal 2014 our homes business recorded sales of ¥551.8 billion, some 30% of the total for the Asahi Kasei Group, and operating income of ¥59.2 billion, some 40% of the total. From its start in unit homes only, the business has now expanded to include multi-dwelling homes, remodeling, rental management, and real estate development. The business began as an endeavor into uncharted territory, without know-how or experience, using construction materials that we developed as one of our three new businesses in the 1960s.

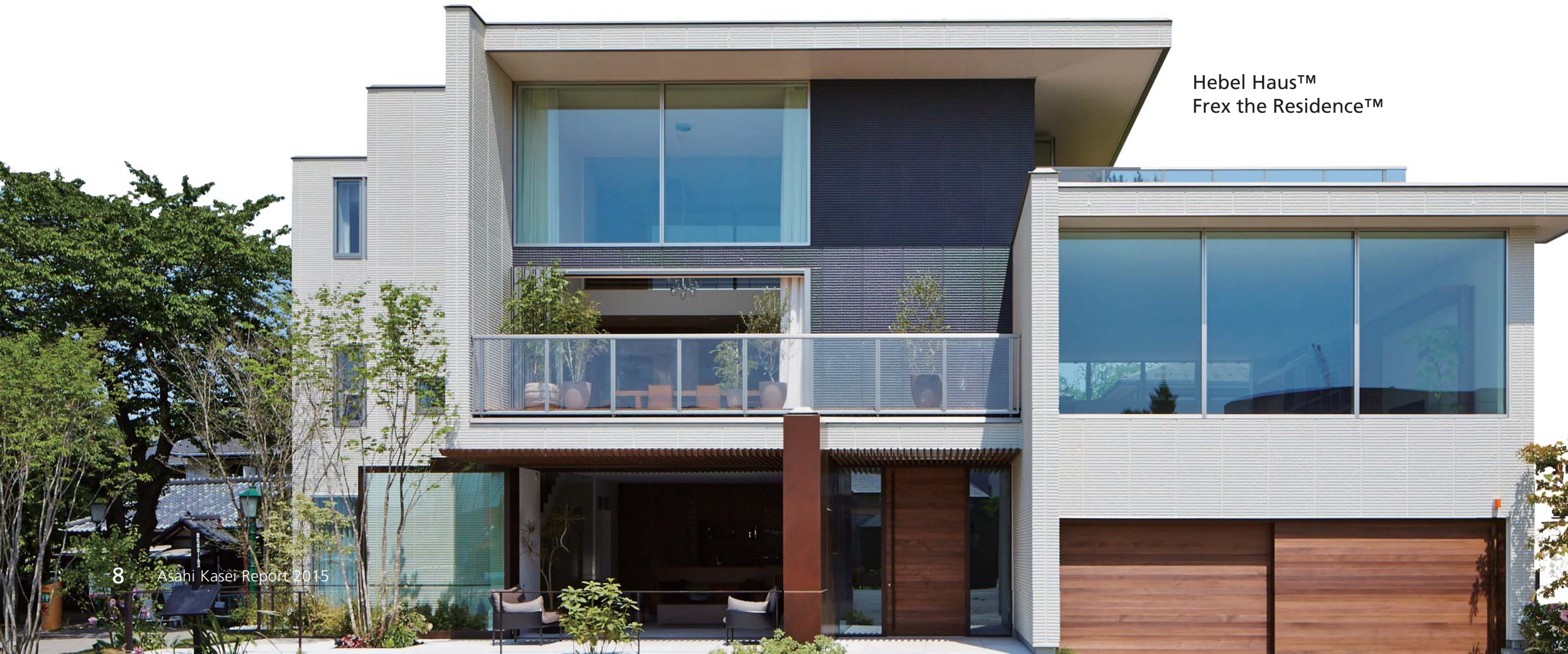
Hebel Haus™ to change lifestyles

Proposing a new kind of urban home

Lifestyle proposals

When we began our homes business in 1972, there were already many companies selling manufactured housing in Japan. As a latecomer to the market, we had to carefully study Japan's housing situation and the characteristics of the housing industry. In 1973 we began developing the "two-generation home" as the first step along our path of differentiation from the competition. The two-generation home incorporated many design features to accommodate the different rhythms of life among family members. For the first time, we were not simply selling homes based on their physical characteristics, but offering intangible value through lifestyle proposals that enhance customer satisfaction.

In 1982 we began selling the Hebel Haus™ Cubic™ featuring a clean-cut eave-free design to enable maximum utilization of small urban plots of land, and in 1986 we branched into 3-story homes with the Hebel Haus™ Frex™ 3. Business extended into the field of multi-dwelling homes with the 1983 launch of the Hebel Maison™ series of high-quality urban apartment buildings. It was during this period that we solidified our strategy of focusing on products specifically tailored to urban markets.



Hebel Haus™
Frex the Residence™

Hebel Maison™ Boriki™ for residents raising small children

Changing customer expectations

While focusing on urban homes, we promoted the Long Life Home product concept of enabling long-term residence with lasting comfort. While homes in the West typically last for 70–80 years, sometimes even 100 years or more, the average service life of homes in Japan at that time was only 27 years with wear-and-tear exacerbated by wide fluctuations in temperature and humidity. By combining excellent physical durability for urban settings, including fire resistance and earthquake resistance, with a systematic program of inspection and maintenance, we achieved a service life of 60 years of comfortable residency with the home's basic functions intact.

In the years following, we expanded product development to include a wide variety of additional functions. These include unit homes with features to facilitate living with dogs and cats, apartment buildings focused on residents raising small children, apartment buildings with enhanced security features for single women living alone, and apartment buildings for seniors. We continue to advance the development of products that meet various customer needs for enhanced security and comfort.

Meeting society's challenges

The housing business in advanced countries faces new challenges with the declining and aging population together with increasing concentration on urban areas. We believe this presents new opportunities to develop products that embody innovative lifestyle proposals that meet these challenges. While further heightening the physical and structural performance of our homes, we will focus on security and comfort features that correspond to emerging changes, and contribute to solutions to society's challenges.

Outside Director's Perspective

Homes that provide new value to society

Masumi Shiraishi
Outside Director

I think today's society makes it hard for young people to raise children. Especially in urban areas, the trend is toward nuclear families. Community connections have become more sparse, and personal relationships looser than in the past. It is said that social isolation is one factor in child abuse. Given this background, I find it fascinating that Asahi Kasei has developed an apartment building that engenders interaction among residents raising young children. By providing a venue for people sharing the same lifestyle and common challenges of parenthood to live adjacently, this apartment building naturally fosters a feeling of connectedness and shared responsibility. This building is more than just a physical structure, it is truly a solution that adds value to society.

History of Providing Solutions for the Challenges of Society

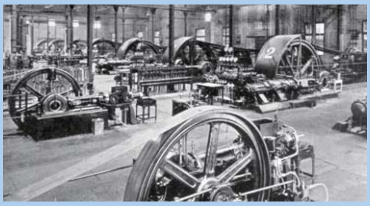
The Asahi Kasei Group has consistently grown through the proactive transformation of its business portfolio to meet the evolving needs of every age. We have constantly provided products and services that form solutions to various environmental and social challenges. As society undergoes further changes,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

1922–2015

From 1922


Shitagau Noguchi

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

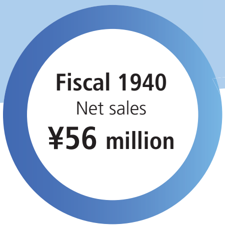
In 1972 we entered the homes business with the launch of the Hebel Haus™, and in 1974 we entered the medical device business with hollow-fiber membrane artificial kidneys. Our entry into the electronics business began with our launch of Hall elements (magnetic sensors) in 1980 and start of LSI manufacture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

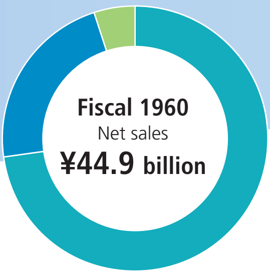

The first Hebel Haus™ (Kamata model home park)


Hollow-fiber membrane artificial kidneys

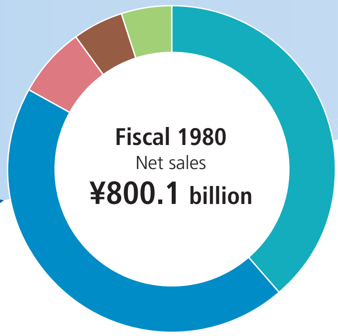
LSIs

Portfolio transformation





Fibers Chemicals Foods



Fibers Chemicals Homes
Construction Materials
Foods and Fermentation Chemistry

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, laying 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

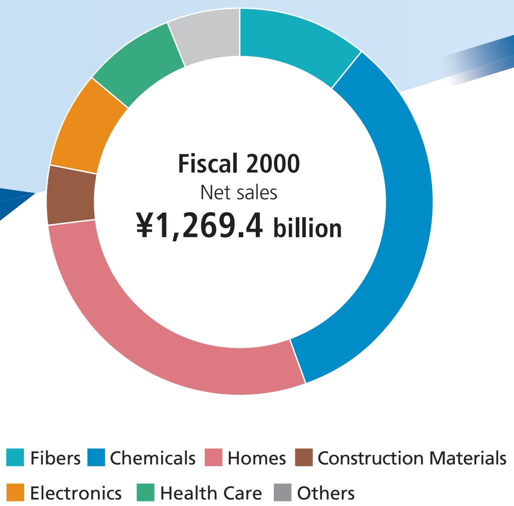
From 2010

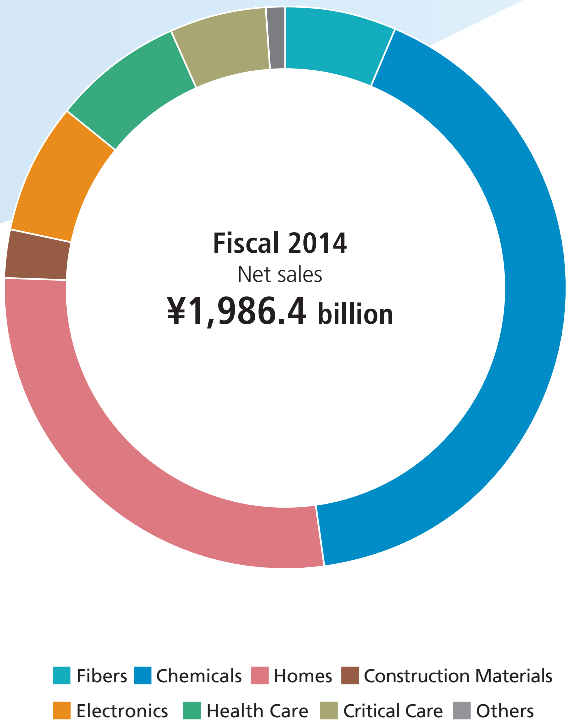
In 2011 we launched our "For Tomorrow 2015" management initiative focused on the two business strategies of expanding world-leading businesses and creating new value for society. In 2012 we entered the acute critical care business by acquiring ZOLL Medical Corporation. We continue to proactively expand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





Increased comfort and convenience

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

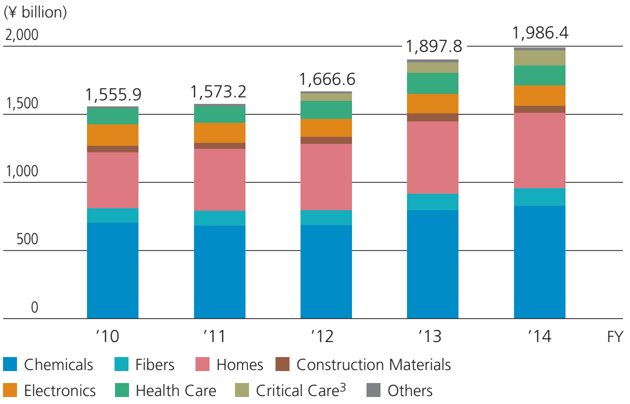
Heightened environmental consciousness

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

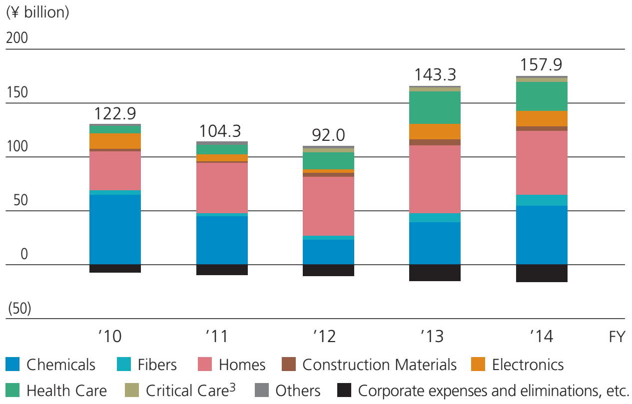
Financial and Non-Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

Net sales[1, 2]

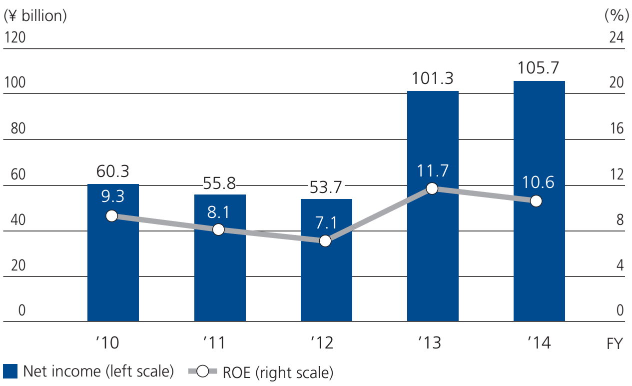


Operating income[1]

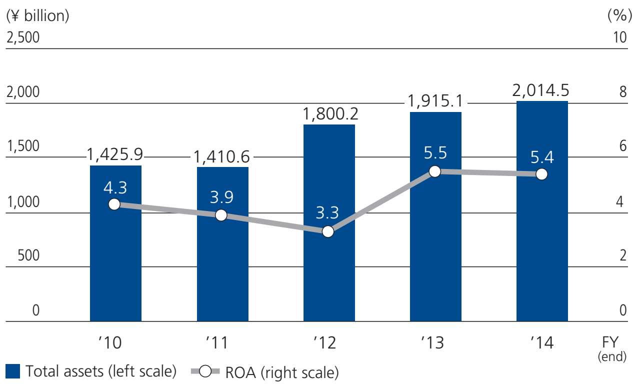


Note: Amortization of goodwill, etc. related to acquisition of ZOLL is excluded from Health Care and included in "Corporate expenses and eliminations, etc."

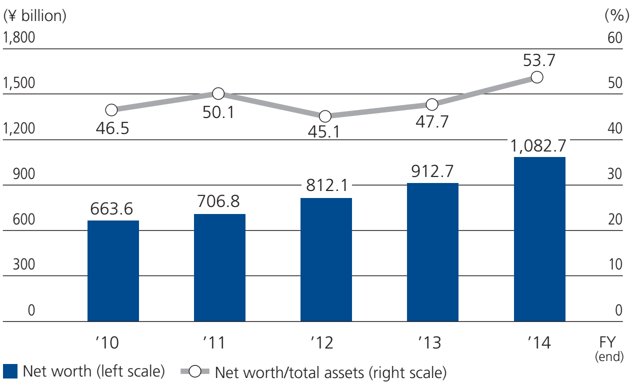
Net income, ROE



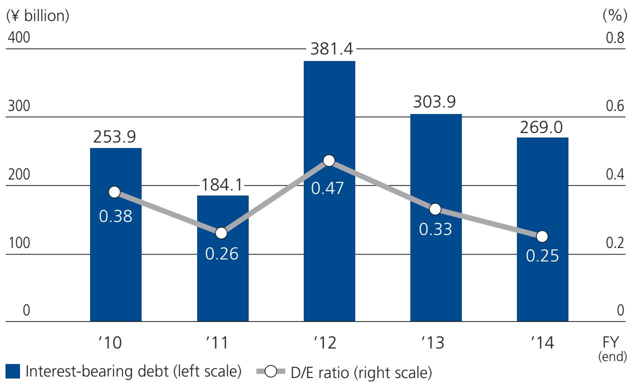
Total assets, ROA



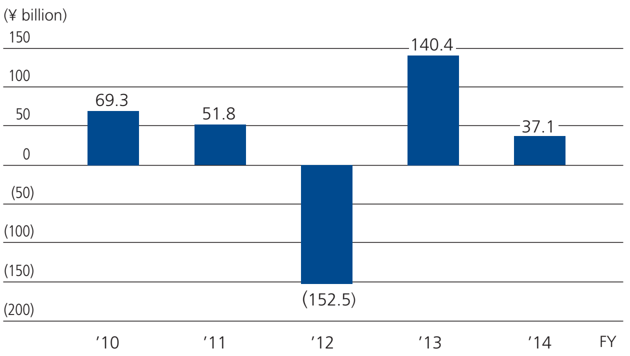
Net worth,[4] net worth/total assets



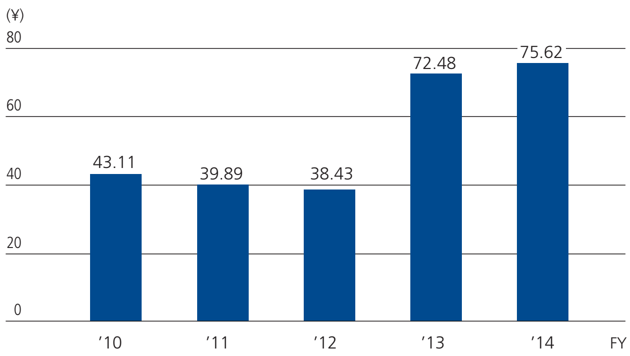
Interest-bearing debt, D/E ratio



Free cash flows

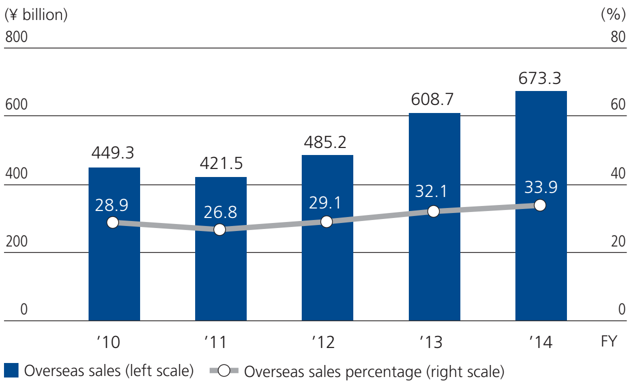


Net income per share

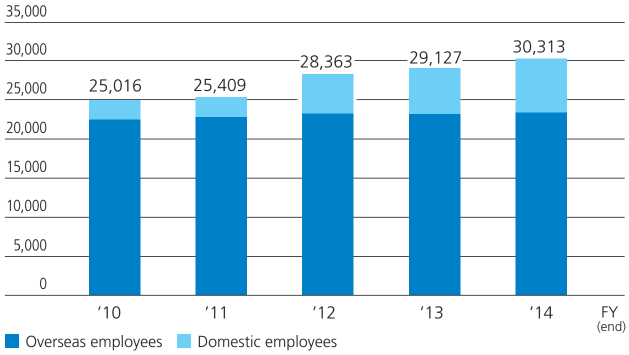


1 Beginning with fiscal 2014, the former Chemicals segment and the former Fibers segment are combined as a new Chemicals & Fibers segment, the former Homes segment and the former Construction Materials segment are combined as a new Homes & Construction Materials segment, and the former Health Care segment and the former Critical Care segment are combined as a new Health Care segment. For consistency, fiscal 2014 results are shown by business category classification which corresponds to the former segment classification.
2 Beginning with fiscal 2011, the accounting policy for naphtha resale in the Chemicals segment was changed. This change is applied retroactively to net sales for fiscal 2010.
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.

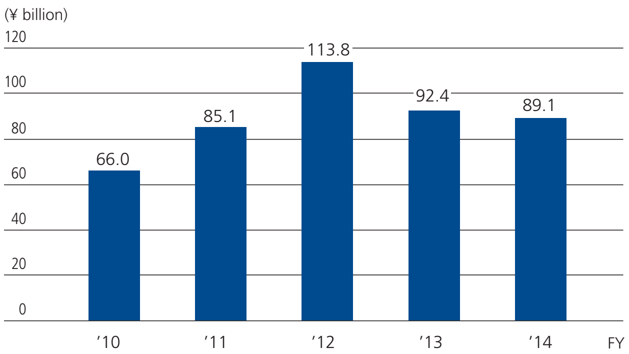
Overseas sales and overseas sales percentage



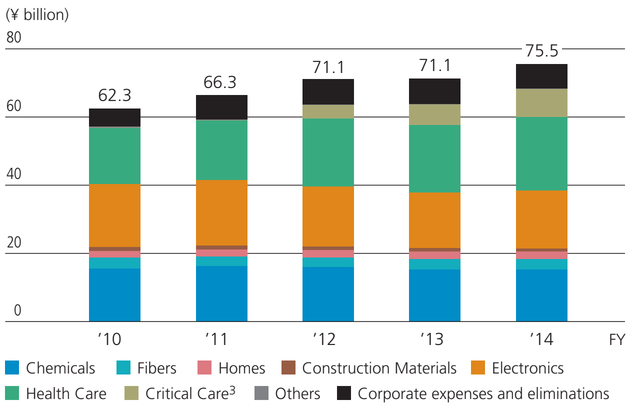
Domestic and overseas employees



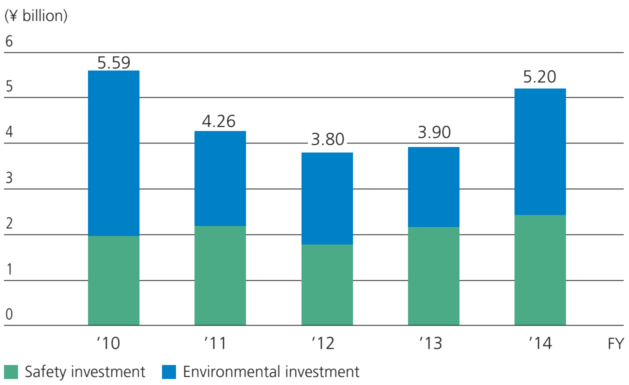
Capital expenditure



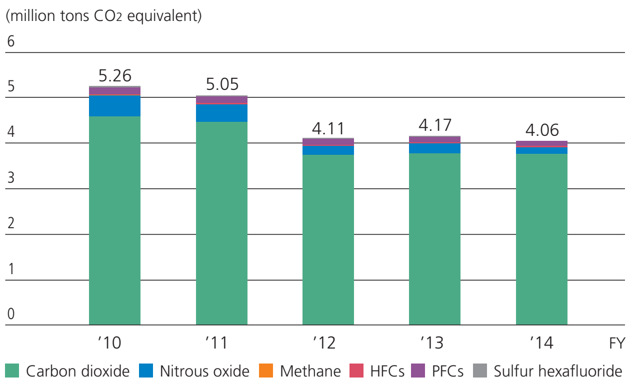
R&D expenses[1]



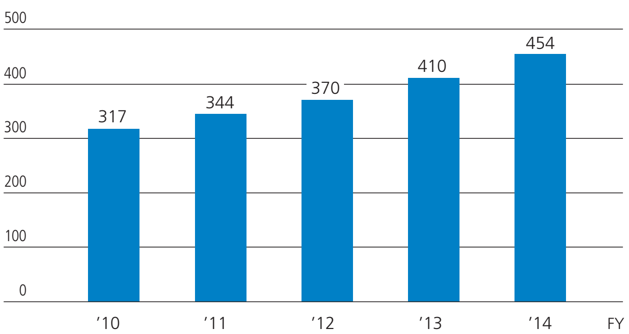
Environmental and safety investment



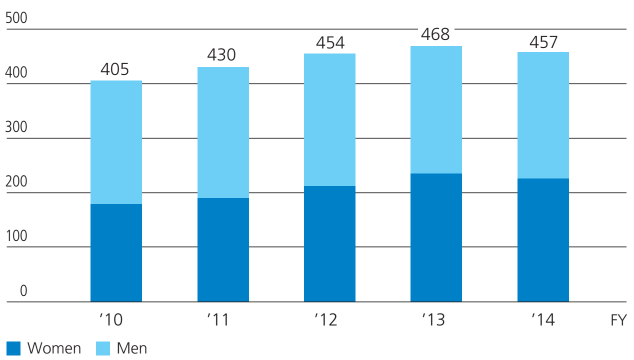
Greenhouse gas emissions from production processes



Number of women as managers[5]

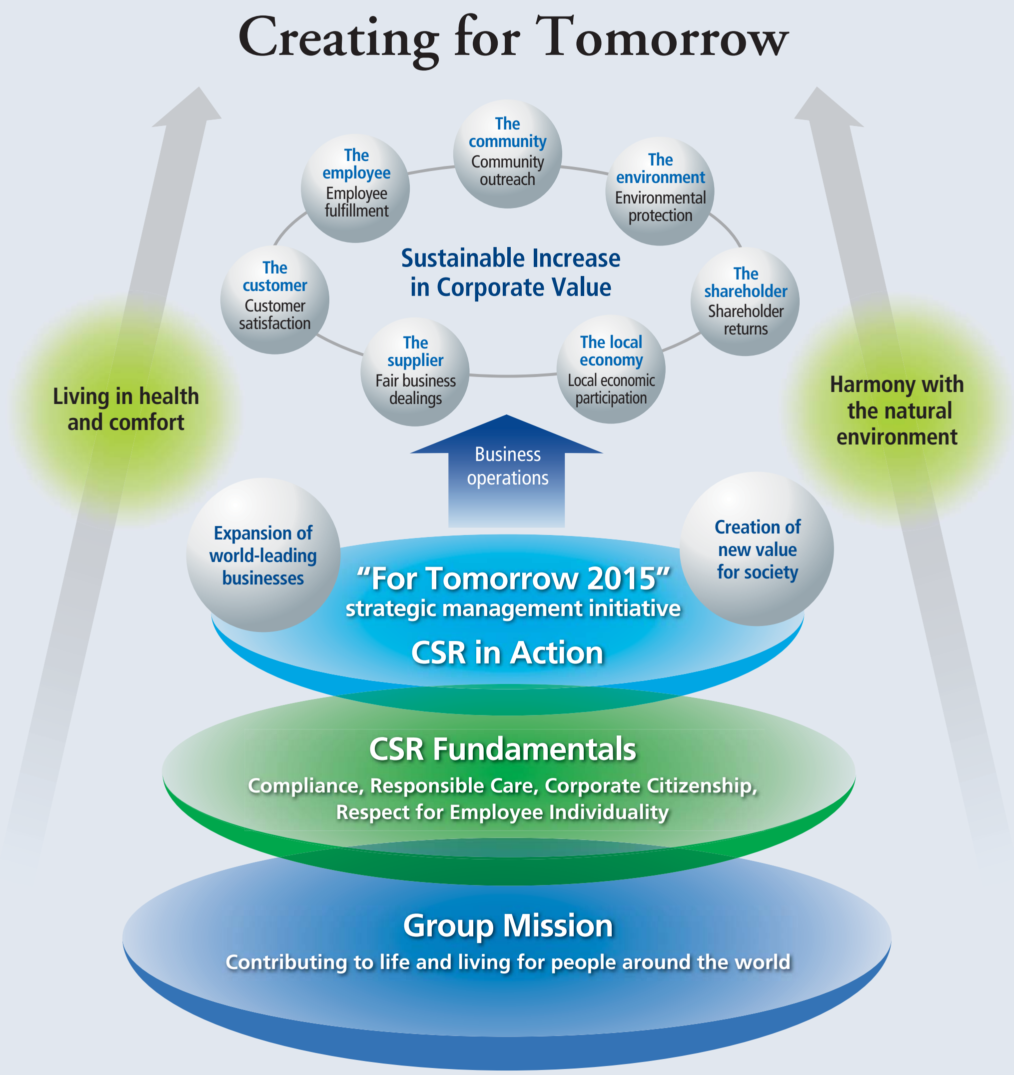


Employees using parental leave[6]



4 Net assets less minority interests.
5 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.
6 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.

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 order to promote separate important activities regarding CSR more efficiently and decisively, we have five committees under the direct supervision of the holding company President as follows:

President of holding company

- **Corporate Ethics Committee**
  - Preparation of Basic Policy and Code of Conduct for corporate ethics
  - Advancement of ethics education and operation of compliance hotline
- **Responsible Care Committee**
  - Deliberation of plans and results in regard to environmental protection, product safety, operational safety, etc.
- **Global Environment Committee**
  - Deliberation and adoption of group-wide measures to counter global warming
- **Risk Management Committee**
  - Formulation of plans and measures to respond to actual or potential crises
- **Community Fellowship Committee**
  - Formulation of policy, plans, and courses of action in regard to community fellowship activities

(as of July 1, 2015)

In fiscal 2014 we achieved record-breaking consolidated operating results for the second consecutive year. We're now on track to achieve our medium-term targets in fiscal 2015.

Our business activities and investments for growth which we made over the past few years blossomed in fiscal 2014, resulting in our best operating performance ever. In fiscal 2015, with "For Tomorrow 2015" in its final year, we are focused on achieving our targets of ¥2 trillion in net sales and ¥160 billion in operating income as we formulate our next medium-term management plan.

Toshio Asano
President

Q1 **Could you describe your operating results in fiscal 2014 and outlook for fiscal 2015?**

Q2 **How is progress under your "For Tomorrow 2015" medium-term management initiative?**

Q3 **Please tell us about the Polypore acquisition.**

Q4 **What will the next medium-term management initiative look like?**

Q1 Could you describe your operating results in fiscal 2014 and outlook for fiscal 2015?

A1

We achieved our highest-ever consolidated operating results in fiscal 2014 for the second year in a row, and are on track to achieve new record figures in fiscal 2015.

Although the US economy continued to recover and there were signs of improvement in Europe during fiscal 2014, slower growth was seen in China, and the global economy was still affected by some uncertainties. As for the Japanese economy, in the latter part of the fiscal year Japanese economy continued on a path of gradual recovery with the weaker yen and lower oil prices leading to improved corporate performance.

Due to the effect of the consumption tax increase, construction materials operations and pharmaceuticals operations had lower volumes, but terms of trade in chemicals operations improved as an effect of the continuing weaker yen and lower oil prices. Performance in fibers operations was firm with operating income exceeding ¥10 billion for the first time. Performance in critical care operations was strong with net sales exceeding ¥100 billion and consolidated operating income turning positive even after amortization of goodwill and other intangible assets. In sum, consolidated financial results for fiscal 2014 increased from a year ago as we achieved record figures for the second consecutive year in net sales, operating income, and net income.

Speaking of the outlook for fiscal 2015, consolidated operating results are expected to increase from fiscal 2014. Though selling, general and administrative expenses will increase with higher construction costs and material costs in homes operations, and increased R&D expenses in pharmaceuticals operations, we anticipate strong sales in electronic devices operations and critical care operations. We expect to achieve record figures again in net sales, operating income, and net income in fiscal 2015.

Q2 How is progress under your "For Tomorrow 2015" medium-term management initiative?

A2 Strategic investments for growth are contributing to increased earnings. We are determined to achieve our targets under the current medium-term initiative.

We achieved record-high consolidated operating results in fiscal 2014 with net sales of ¥1,986.4 billion and operating income of ¥157.9 billion. Under our "For Tomorrow 2015" medium-term management initiative, we set final numerical targets as ¥2 trillion in net sales and ¥160 billion in operating income. We are well on the path to achieve these targets as we are forecasting net sales of ¥2 trillion and operating income of ¥164 billion in fiscal 2015.

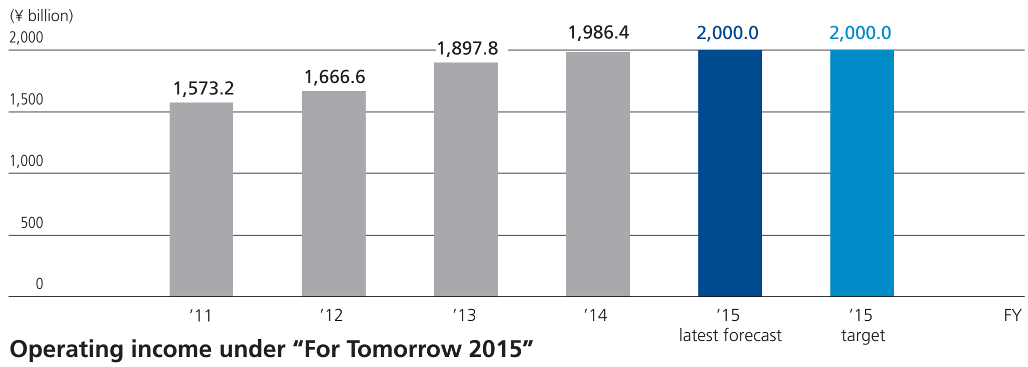
As laid down in the current initiative, we proactively carried out several capital investments in fiscal 2014. In our existing businesses, we increased production capacity for spunbond nonwovens for hygienic applications and also for Roica™ spandex in Thailand. We are now constructing a plant for plastic compounds in the American South and a new manufacturing facility for the anticoagulant Recomodulin™ in Fuji, Shizuoka, Japan. Furthermore, we have decided to acquire the US-based Polypore International, Inc. to expand our battery separator business.

In creating new value for society, last November we started commercial production of high-output UVC LEDs in Fuji, and launched the sale of Optan™ UVC LEDs for analytical and instrumentation applications such as drinking water quality inspection and control. It is anticipated that UVC LEDs will play a growing role in a variety of disinfection applications for water, food, and air.

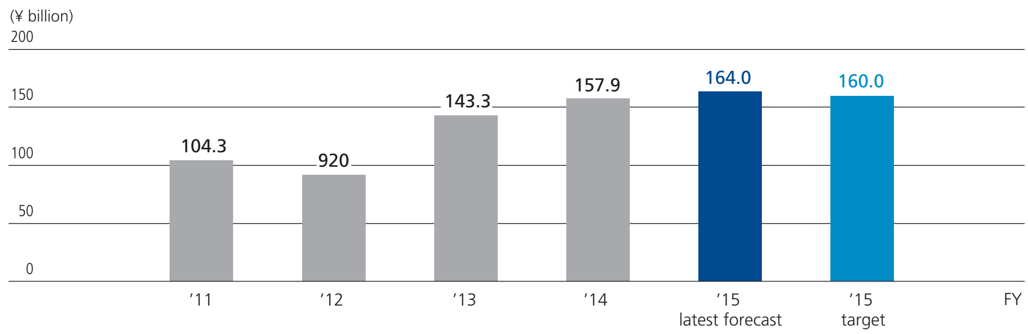
Meanwhile, in chemicals operations we have advanced plans to unify the naphtha cracker facilities in Mizushima (Okayama, Japan) with Mitsubishi Chemical, and carried out structural reforms to strengthen our petrochemical operations in Japan. We continue to enhance the earnings ability of our chemicals operations by realigning our business portfolio, shifting the focus from commodity products to high-performance and high-value added products.

In Fiscal 2015 we will not only reap the fruit of the investments for growth made thus far, while continuing to advance our streamlining project for improved profit structure, but also complete our initiatives under "For Tomorrow 2015" and lay the groundwork for the next medium-term strategy.

Net sales under "For Tomorrow 2015"



Operating income under "For Tomorrow 2015"



Q3 Please tell us about the Polypore acquisition.

A3

By combining both companies' strengths, we will achieve a new growth strategy in battery separators.

In February 2015 we entered into a merger agreement to acquire battery separator manufacturer Polypore International, Inc. Polypore has sophisticated technology for polymer membranes, and an excellent global supply system for its lithium-ion battery (LIB) separator and lead-acid battery separator businesses, backed by outstanding R&D. Polypore's two major product brands are Celgard™ LIB separator with high future growth potential, and Daramic™ lead-acid battery separator that is mainly for automotive and industrial applications. Each business has an innovative portfolio of original products.

Having groomed our Hipore™ LIB separator business as a mainstay in electronic materials, we have outstanding opportunities to gain synergy among these businesses. By combining Hipore™, Celgard™, and Daramic™ into a single battery separator business, we can heighten our technological advantage and achieve greater growth over medium and long term.

We will advance the development of new products based on the combined technology of our companies, and develop a new growth strategy for the battery separator business to meet growing demand worldwide.

Polypore Overview

POLYPORE

Battery Separator Business*

Net sales: **$450 million** Operating income: **$87 million** (segment income before corporate expenses)

Lithium-ion battery separator

CELGARD Net sales: **$127 million**

Applications
- Mobile electronics
- Power tools
- Eco-friendly vehicles
- Energy storage systems

Lead-acid battery separator

DARAMIC Net sales: **$323 million**

Applications
- Automobiles, trucks, and buses
- Forklifts
- Backup power

* Polypore's Energy Storage segment results in 2014.

Q4 What will the next medium-term management initiative look like?

We will leverage our strength in diversity as we focus on the pursuit of growth and profitability, and the creation of new businesses.

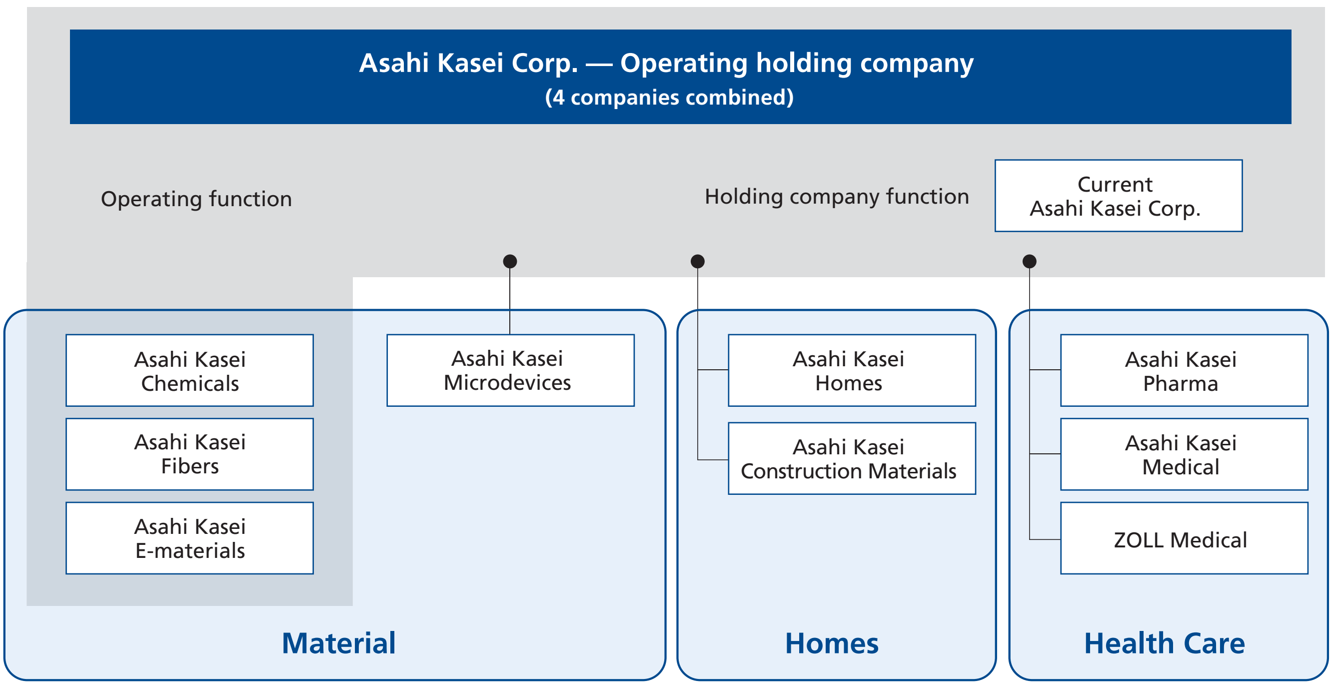
In formulating the next medium-term management initiative, while we are considering where we want to be a decade hence, we are planning for the 3-year period from fiscal 2016 through fiscal 2018 to gain greater visibility. We will leverage our strength in diversity, focusing on the pursuit of growth and profitability and the creation of new businesses.

Concurrently with the start of the new medium-term management plan in April 2016, we will reorganize our business sectors into the Material sector, the Homes sector, and the Health Care sector. This change will enhance our competitiveness through the advancement and integration of "knowledge and technology" and "human resources" within the Asahi Kasei Group, and further accelerate growth by facilitating the creation of new businesses, heightening specialization, and enhancing efficiency. At the same time we will merge the current core operating companies of Asahi Kasei Chemicals, Asahi Kasei Fibers, and Asahi Kasei E-materials with the holding company Asahi Kasei Corp., which will become an operating holding company.

Under the new plan, each business sector will have a basic strategic assignment. The assignment for the Material sector is increased profitability, aiming for an overall operating margin of over 8%. In the Homes sector, we want the business to continue its stable growth while maintaining an operating margin of over 10%. In the Health Care sector, the assignment is to aim for high growth through expansion of business scale. Also, the common assignment that applies across the whole Asahi Kasei Group is to deepen synergy among the sectors and enhance our ability to create new businesses.

We will continue to emphasize the importance of compliance and safety as fundamental to everything we do, and proceed towards achieving growth through innovation, human resources development, and increased corporate value.

Transformation of business sector and corporate configuration (from April 2016)



We are striving for greater corporate value with proactive investments for growth and a robust capital policy

Hideki Kobori
Representative Director
Primary Executive Officer

Q1 What is your basic financial strategy under "For Tomorrow 2015"?

A1 We are focused on consistent generation of cash flow, with an appropriate balance between investment for growth and shareholder returns.

Under our "For Tomorrow 2015" medium-term management initiative, we aim to consistently expand cash flow in two basic ways. One is by enhancing profitability through greater cost competitiveness, enhanced product performance, and business structure improvement, and the other is by improving capital efficiency through intragroup financing and appropriate control of inventory levels. To obtain stable and low-cost financing, we employ various fund-raising methods such as borrowing from banks, issuing bonds, and issuing commercial paper flexibly and dynamically in accordance with our financial circumstances.

In addition, cash flow generated through our medium-term initiative provides further resources to invest for growth as well as to return to shareholders as dividends. We are careful to maintain an appropriate balance between the two.

Our investment for growth is mainly directed toward the expansion of production facilities, R&D, and business alliances including M&A. We strive to continuously increase dividends through continuous earnings growth, with a payout of 30% as our basic standard.

Investment for growth and shareholder returns

Consistently generating cash flow

- Investment for growth
  - Investment for expansion
  - R&D
  - M&A and alliances
- Shareholder returns
  - Aiming at continuous dividends increase, with basic standard for payout ratio of 30%

Q2 What is the outlook for your "For Tomorrow 2015" financial targets?

A2 We are largely on track to achieve our main financial targets in fiscal 2015.

Our targets for fiscal 2015 as the final year of our current medium-term management initiative are ¥2 trillion in net sales, ¥160 billion in operating income, return on equity (ROE) of at least 10%, and return on invested capital (ROIC) of at least 7%.

We are forecasting the achievement of our targets for net sales and operating income, and as shown in the following table we expect to come very close to our targets for ROE and ROIC by the end of this fiscal year. With regard to ROE, a metric that is recently in focus, we recorded 11.7% in fiscal 2013 and 10.6% in fiscal 2014, achieving over 10% two years in a row. The result in fiscal 2013 is attributable to a temporary increase in net income as we recorded significant extraordinary income from compensation for damage in pharmaceutical-related litigation. On the other hand, the ROE of 10.6% in fiscal 2014 was achieved without any special factors such as this, so we believe this indicates that our basic strategies under "For Tomorrow 2015" have been fruitful.

We originally forecasted that our debt/equity ratio (D/E ratio) would be 0.5 assuming the achievement of our net sales and operating income targets, and execution of ¥1 trillion in strategic investment as planned. Although we plan to achieve those targets and, with the acquisition of Polypore, reach ¥1 trillion in strategic investment, we currently forecast that the D/E ratio will be 0.4, lower than originally thought. We will continue to hold a sound financial position as an important management consideration.

Primary financial metrics

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015 (planned)
Dividends per share	¥14	¥14	¥17	¥19	¥20
Payout ratio	35.1%	36.4%	23.5%	25.1%	26.4%
Net income per share (EPS)	¥39.89	¥38.43	¥72.48	¥75.62	—
Net income per total assets (ROA)	3.9%	3.3%	5.5%	5.4%	—
Net income per shareholders' equity (ROE)*	8.1%	7.1%	11.7%	10.6%	9.5%
Net income per shareholders' equity and interest-bearing debt (ROIC)*	6.9%	5.7%	7.7%	7.5%	6.5%
D/E ratio*	0.26	0.47	0.33	0.25	0.4

* Approximate figures for FY 2015. (ROIC and D/E ratio including expected impact of interest-bearing debt related to acquisition of Polypore)

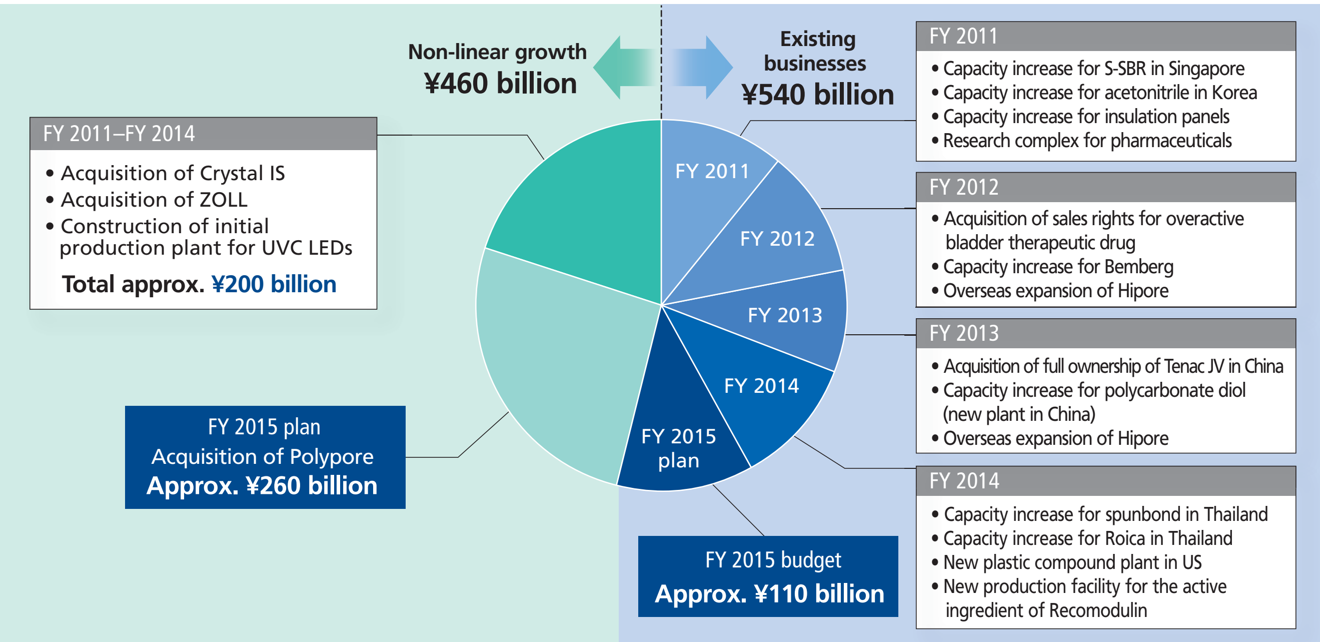
Q3 What is your progress in investment for growth under "For Tomorrow 2015"? What will your basic approach to investment for growth and shareholder returns be under the next management plan?

A3 We expect to complete our current investment plan on schedule, and we intend to further advance investment for growth and shareholder returns in our new management plan.

Some of the approximately ¥630 billion of investment for growth made by fiscal 2014, both in existing businesses and non-linear growth, are already steadily contributing to profits. We plan to finish fiscal 2015 with some ¥110 billion of investment for growth in existing businesses in addition to the ¥260 billion to acquire Polypore.

We are planning on a 3-year term for our next medium-term management initiative. While we have yet to determine concrete numerical targets, we intend to maintain an appropriate balance between further investment for growth and shareholder returns. As part of our discussion on the optimum capital structure, we also hope to find different ways of returning profits to shareholders in addition to dividends. We will continue to strive for greater corporate value through proactive investments that will produce reliable returns.

Investment for growth under "For Tomorrow 2015"



Directors, Corporate Auditors, Executive Officers

(As of June 26, 2015)

The Board of Directors

Directors

From left (seated)

Ichiro Itoh
Chairman & Director

From left (standing)

Masumi Shiraishi
Outside Director

Hideki Kobori
Representative Director
Primary Executive Officer

Yuji Kobayashi
Representative Director
Primary Executive Officer

Corporate Auditors and Executive Officers

Hajime Nagahara
Corporate Auditor

Shinsuke Kido
Corporate Auditor

Koji Kobayashi
Outside Corporate Auditor

Akio Makabe
Outside Corporate Auditor

Tetsuo Ito
Outside Corporate Auditor

Katsuhiko Yamazoe
Senior Executive Officer

Masafumi Nakao
Senior Executive Officer

Toshio Asano
President & Representative Director
Presidential Executive Officer

Masahito Hirai
Representative Director
Vice-Presidential Executive Officer

Hiroshi Kobayashi
Director
Senior Executive Officer

Norio Ichino
Outside Director

Kenyu Adachi
Outside Director

Shinichiro Nei
Lead Executive Officer

Shuichi Sakamoto
Lead Executive Officer

Naoki Okada
Executive Officer

Atsushi Nakamura
Executive Officer

Yoshihiro Wada
Lead Executive Officer

Yasushi Asano
Lead Executive Officer

Nobuyuki Kakizawa
Executive Officer

Takeshi Himeno
Executive Officer

A 90-year history of taking challenges

Norio Ichino

1964: Joined Tokyo Gas Co., Ltd.
2003: President and Representative Director, Tokyo Gas Co., Ltd.
2007: Director and Chairman of the Board, Tokyo Gas Co., Ltd.
2010: Director and Executive Advisor, Tokyo Gas Co., Ltd.
2014: Special Advisor, Tokyo Gas Co., Ltd.

Valuing diversity to engender growth

Masumi Shiraishi

1989: Joined NLI Research Institute
2001: Head Researcher, NLI Research Institute
2006: Professor, Department of Economics, Toyo University
2007: Professor, Faculty of Policy Studies, Kansai University

Dialog with investors for strategy of growth

Kenyu Adachi

1977: Joined Ministry of International Trade and Industry
2007: Director-General, Trade and Economic Cooperation Bureau
2008: Deputy Vice-Minister of Economy, Trade and Industry
2010: Director-General, Economic and Industrial Policy Bureau
2011: Vice-Minister of Economy, Trade and Industry
2013: Retired from Ministry of Economy, Trade and Industry

Asahi Kasei's extension from its roots in fibers and chemicals into the fields of housing, electronics, and health care is the result of the company's 90-year history of taking challenges. Asahi Kasei has always tackled new fields of business in line with the changing needs of the times, using its technology to overcome risks.

The company has made many bold decisions since I became an Outside Director, including the acquisition of ZOLL, the unification of naphtha crackers in Mizushima, and the acquisition of Polypore. It is said that only those who adapt will survive. I think Asahi Kasei exemplifies that. This company has repeatedly transformed itself to match changes in the environment.

The current medium-term management initiative "For Tomorrow 2015" provided for ¥1 trillion in strategic investment for growth. The ZOLL acquisition is an illustrative example of such strategic investment. The field of acute critical care is one in which growth is forecasted, notably in the US and Europe, while Asahi Kasei's own established businesses in pharmaceuticals and medical devices have some relationship with the field of critical care. This is characteristic of how Asahi Kasei expands into a new field. There is a conscious effort to gain synergy through affinity with established business.

Having such a broad range of operations requires the company to focus on human resources development. To enable Asahi Kasei to continue to succeed in its diverse operations, I will offer advice and counsel on the development of management personnel who will be the company's future leaders.

I am impressed with Asahi Kasei's bright and positive company atmosphere, with everyone called "san" from the Chairman all the way down to newly hired employees. This is partly due to the company's emphasis on valuing employee individuality, but I think also because the company understands the need for a diverse workforce to engender further business growth. I sense that Asahi Kasei seeks to maintain an environment where people with different backgrounds can apply their abilities to the fullest. When only people with similar backgrounds gather together, it becomes hard to flexibly adapt to changes. I believe that valuing the diversity of the workforce directly leads to greater success in the management of a diverse range of operations, enhancing the company's ability to adapt to changes in the environment.

Asahi Kasei has long been a leader in giving women opportunities to advance their careers, establishing an Equal Opportunity Office (now Diversity Promotion Group) in 1993. For women to get ahead in today's society, simply having various provisions for support is not enough. It also requires women themselves to raise their ambitions. I hope that while Asahi Kasei continues to enhance various provisions to enable women to continue working long-term, more and more women will aim for major achievements in their work while utilizing these provisions. Men will also increasingly need to change their way of working, for instance by taking a more active role in raising children. I hope to help both men and women gain a better appreciation for one another's ways of balancing work and private life, creating a workplace where all personnel find it easier to continue working for a long time.

The purpose of dialog with shareholders and investors is to enhance the company's ability to achieve sustainable growth and to heighten corporate value over the medium to long term. In essence that is what Japan's Corporate Governance Code, which applies from June 2015, is aiming for. That is why dialog with investors should focus on how the company is going to earn profits over the medium to long term, and how the company will use those profits to enable further growth through innovation.

ROE is an important concept for creating profits. Since different standards apply to different fields of business, it may be difficult to set a single uniform ROE target. Even so, I feel that increasing ROE leads to higher share prices, so it is important for the company to consciously work to raise ROE.

The company's profits also provide the resources for innovation that leads to future growth. After providing appropriate dividends, the company needs to retain sufficient resources for capital expenditure and R&D that will enable further growth. In any case the discussion would be about the company's growth strategy, and this is where Asahi Kasei should focus its dialog. In various communications with both individual shareholders and institutional investors, the focus should not only be on the company's short-term results and financial condition. The company should present non-financial information and material that enables investors to understand the process through which future value is created. If the company makes this stance clear I think investors will appreciate it, leading to a positive cycle of long-term investment.

Corporate Governance

Basic concept for corporate governance

We believe that constant effort to increase the efficiency and transparency of management is essential for the continuous enhancement of the corporate value of the Asahi Kasei Group. The Asahi Kasei Group has exercised corporate governance based on the following two principles.

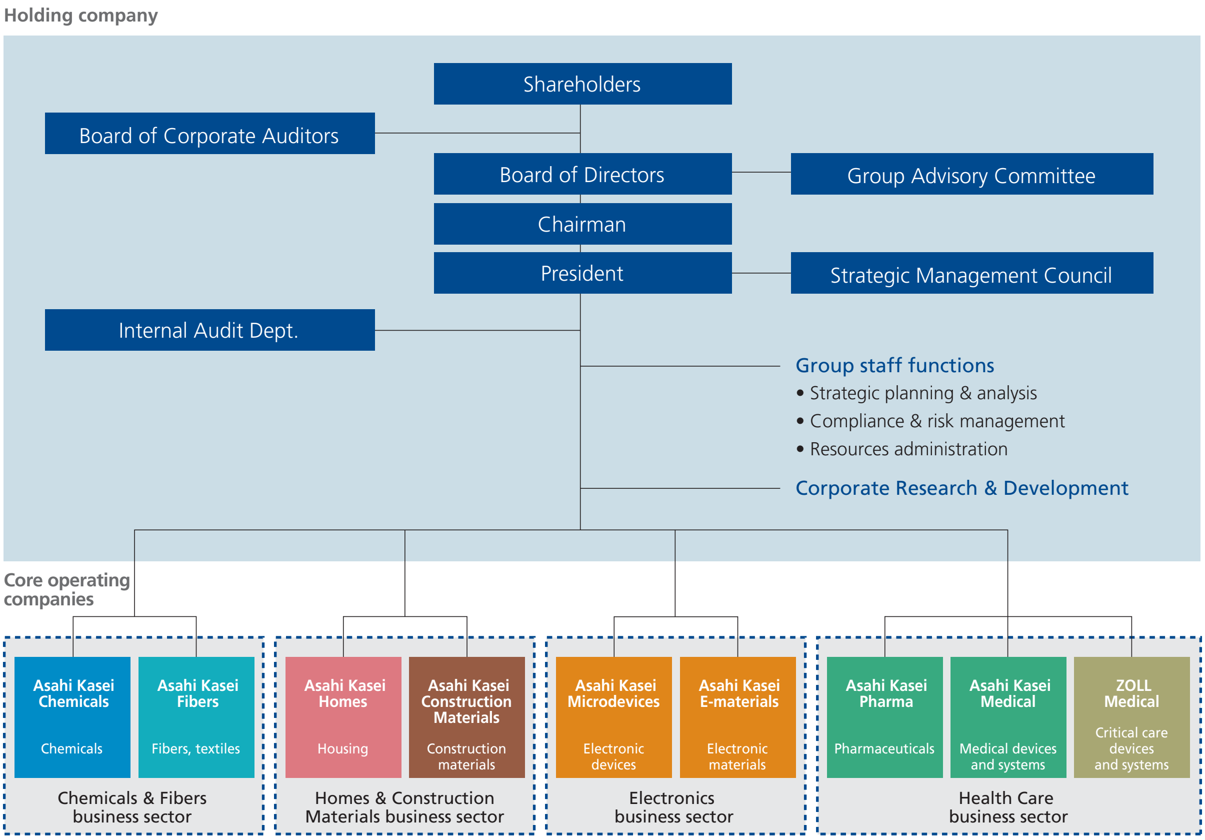
1) Based on the structure of a holding company and core operating companies, the core operating companies are responsible for business execution and the holding company is responsible for oversight.
2) The Group Approval Authority Regulations are positioned as the highest ranking among the regulations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

We have further enhanced corporate governance through the successive implementation of various measures, including the election of multiple Outside Directors and the institutionalization of an Internal Audit Dept.

We recognize that appropriate allocation of management resources and greater synergies among different sectors are essential for the further growth of the Asahi Kasei Group. At the start of the next medium-term management initiative from fiscal 2016, we will combine Asahi Kasei Corp. with current consolidated subsidiaries of Asahi Kasei Chemicals, Asahi Kasei Fibers, and Asahi Kasei E-materials, forming an operating holding company. While the new operating holding company will have the function of overseeing the whole Asahi Kasei Group, transparency in management will be maintained with clear separation of management execution and oversight functions within the operating holding company.

In order to achieve sustainable growth and increase corporate value over the mid- to long-term, the objective of Japan's Corporate Governance Code, we will continue to pursue the optimum governance configuration in accordance with changes in the management environment.

Structures related to management decision-making, execution, and oversight (as of June 26, 2015)



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 fifteen 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 26, 2015).

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

Corporate governance system

An outline of the corporate governance system of the Asahi Kasei Group is as follows. Asahi Kasei Corporation is a holding company and has elected to take the form of a company with a Board of Corporate Auditors.

1) 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. Of the five Corporate Auditors, three are Outside Corporate Auditors.
2) 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.
3) 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.
4) 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.
5) 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.
6) 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.
7) Remuneration of Directors is provided in accordance with a performance-linked remuneration system determined by the Board of Directors.

Outside Directors and Corporate Auditors

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

The Internal Audit Dept. (15 personnel as of March 31, 2015) 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.

Compliance

Corporate Ethics

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

Protection of Personal Information

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

Information Disclosure Policy

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

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

Compliance monitoring by the Corporate Ethics Committee

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

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

Risk management

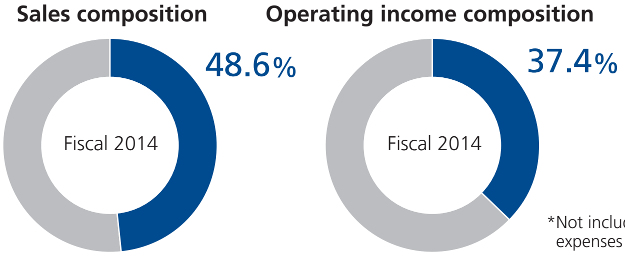
The Asahi Kasei Group has a Risk Management Committee to enhance the risk management system to prevent operational crises and to minimize the effects of any crisis which may occur. Our Basic Risk Management Regulations, which were established by the Board of Directors in March 2007 (effective April 1,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

In fiscal 2014, we reinforced familiarity with the emergency contact system to employ in the event of a disaster at each major operating location. We also held a series of internal meetings and interviews to confirm that the management of personal information is implemented properly to prevent any inappropriate disclosure. Additionally, in May 2015 we adopted a system to efficiently confirm the well-being of personnel stationed overseas and travelling on business overseas if an emergency situation should occur where they are located.

Chemicals & Fibers

Yuji Kobayashi
Representative Director,
Primary Executive Officer
Executive Officer for Chemicals & Fibers business sector

The roots of our Chemicals & Fibers segment trace back to ammonia synthesis technology, and Bemberg™ regenerated cellulose fiber produced using the ammonia. This segment has the longest history and largest scale within the Asahi Kasei Group. As we continue to globally expand various businesses in this segment, we are advancing a transformation to higher added value that meets the needs of the times.



*Not including corporate expenses and eliminations.

Financial highlights

(¥ billion)

Fiscal year	2013	2014
Net sales	912.5	**954.6**
Operating income	47.4	**64.6**

Please refer to page 61 for segment performance information.

Highlights

Chemicals business

Groundbreaking ceremony for the second plant for plastic compounds in the US

In September 2014 Asahi Kasei Chemicals held a groundbreaking ceremony in Alabama for its second US plant for plastic compounds. The expansion of compounding operations is a critical element in the strategic growth of its engineering plastics business, and construction of the new plant will enable the company to increase supply to meet customer needs in the Southern US, where demand growth is most notable. Asahi Kasei Chemicals will continue to develop high-quality and high-performance products in accordance with market needs, while studying ways to further expand its supply infrastructure.

Asahi Kasei Chemicals President Yuji Kobayashi (right) receives the State Seal of Alabama

Fibers business

Completion of new production facility for Bemberg™

Asahi Kasei Fibers completed the addition of new production facility for Bemberg™ cupro fiber at its plant in Nobeoka, Miyazaki, Japan, and commercial operation of the new facility began in June 2014. With the completion of the new facility, production capacity for Bemberg™ increased by some 10%. Bemberg™ is widely used for the lining of high-quality suits, as well as a wide range of other applications such as outerwear, innerwear, bedding, and sportswear. Sales of Bemberg™ have increased notably in the fields of functional innerwear and Indian traditional garments, and further demand growth is forecasted in emerging markets.

New production facility for Bemberg™

Asahi Kasei Chemicals

Yuji Kobayashi
President & Representative Director
Asahi Kasei Chemicals Corp.

Q **Please tell us about your plans for the future and solution-polymerized styrene-butadiene rubber (S-SBR) for high-performance fuel-efficient tires in particular.**

A **Sales of S-SBR are growing firmly. We are now transforming our business to achieve a high-earnings operational structure.**

S-SBR is synthetic rubber used in the tire tread of high-performance fuel-efficient tires. The global market for tire rubber that enables better fuel-efficiency is growing with tightening environmental regulations, and especially rapid growth is forecasted in Asia. Our domestic plants in Kawasaki and Oita continued full operation during fiscal 2014. The 1st line at our new plant in Singapore rose to full operation in the second half of the year in line with increasing sales, and the 2nd line started up in May 2015. Our continuous polymerization process technology enables the production of S-SBR that provides both safety and fuel efficiency while maintaining high abrasion resistance. We will continue to meet expanding demand by developing products that further enhance performance. For our next increase in S-SBR production capacity, we are currently studying the construction of another overseas plant following Singapore.

Asahi Kasei Chemicals is transforming itself into a high-earnings company by advancing structural reforms to strengthen our petrochemical operations in Japan and shifting our focus to high-performance and high value-added products. We will continue to proactively invest abroad in synthetic rubber and engineering resins for automotive applications, and globally expand our high value-added operations utilizing our original technologies in paint materials, water filtration membranes, and ion-exchange membranes.

S-SBR plant in Singapore

Asahi Kasei Fibers

Toshio Takanashi
President & Representative Director
Asahi Kasei Fibers Corp.

Q **Please tell us about the situation of each product and your plans to invest for growth.**

A **We achieved record-high financial performance in fiscal 2014. Aiming for further increased income, we will continue to invest for growth.**

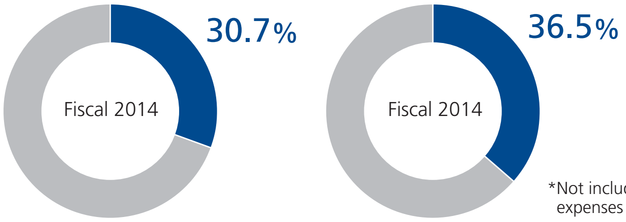
We achieved record-high operating income in fiscal 2014 benefitting from a weaker yen and firm sales of Bemliese™ continuous-filament cellulose nonwoven fabric for facial masks, Lamous™ artificial suede for automotive upholstery, and Roica™ elastic polyurethane filament. While sales of Bemberg™ cupro fiber for ethnic garments increased, performance was impacted by increased depreciation expenses for a new production facility which started up in Nobeoka, Miyazaki, Japan, in June 2014.

While we are forecasting increased operating income in fiscal 2015, room for growth is limited as production and sales of each product are currently near full capacity. To meet growing demand in hygienic applications such as disposable diapers, we currently have capacity expansions for both spunbond and Roica™ under construction in Thailand. We have also decided to increase capacity for Bemliese™ as demand growth continues in skincare applications such as facial masks, and to increase capacity for Leona™ nylon 66 filament for automotive airbags.

Homes & Construction Materials

Masahito Hirai
Representative Director, Vice-Presidential Executive Officer
Executive Officer for Homes & Construction Materials business sector

Products and services in this segment, centered on Hebel Haus™ unit homes and their main material Hebel™ AAC panels, enable innovative lifestyles in urban settings as well as safety, security, and comfort. Housing-related operations include rental management, real estate, and remodeling. In construction materials, new applications are being developed for thermal insulation products.



*Not including corporate expenses and eliminations.

Financial highlights

(¥ billion)

Fiscal year	2013	2014
Net sales	589.4	**603.8**
Operating income	68.5	**63.0**

Please refer to page 61 for segment performance information.

Highlights

Housing business

SeiRReS™ seismic vibration control system

Asahi Kasei Homes developed a new seismic vibration control system called SeiRReS™ for heavy-frame steel structures. Employing an oil damper device to provide excellent performance absorbing seismic vibration of both large and small magnitudes, the SeiRReS™ system has been included as standard equipment in Hebel Haus™ Frex™ three-story homes since May 2015. This not only provides safety for residents when a major earthquake occurs, but also prevents damage to the building from repeated aftershocks.

SeiRRes™ seismic damping system

First overseas plant of Asahi Kasei Homes

In March 2015, a decision was made to establish a joint LLC in Vietnam among Asahi Kasei Jyuko Co., Ltd. (wholly owned subsidiary of Asahi Kasei Homes), Sun Steel Co., Ltd., and Daiwa Kouki Co., Ltd. The new company in Vietnam will construct a plant to manufacture various steel-frame members other than the main structural frame. The new plant will not only ensure stable supply of high-quality components of Hebel Haus™ and Hebel Maison™ buildings, but also enable further cost reductions. Future expansion of the plant will also enable sale to external customers.

Groundbreaking ceremony in Vietnam in May 2015

Asahi Kasei Homes

Eisuke Ikeda
President & Representative Director
Asahi Kasei Homes Corp.

Q How are your order-built homes business and other businesses performing?

A Due to increased costs for materials, etc., we are seeing increased sales with decreased operating income.

Having received very strong orders in the previous fiscal year, our order-built homes business made full use of its construction capability to increase deliveries in fiscal 2014, especially of Hebel Maison™ apartment buildings, enabling sales growth. Operating income nevertheless decreased due to higher costs, including the cost of materials and construction costs. Efforts to maintain leadership in urban markets included the introduction of the new SeiRReS™ seismic damping system for Hebel Haus™ Frex™ heavy-frame three-story homes, and new orders for the year reached a new record high.

In housing-related businesses, remodeling faced a challenging market as demand for waterproofing, repainting, and equipment installation declined in reaction to the surge in demand prior to the consumption tax increase. Real estate, however, performed well as the rental management business grew in line with increased deliveries of Hebel Maison™ apartment buildings.

Hebel Haus™ Frex the Residence™

Asahi Kasei Construction Materials

Tomihiro Maeda
President & Representative Director
Asahi Kasei Construction Materials Corp.

Q Please describe your fiscal 2014 results and fiscal 2015 outlook.

A Business conditions remained difficult in fiscal 2014 due to the dent in demand following the consumption tax increase, as well as increased depreciation expenses for a new production line. In fiscal 2015 we are aiming for increased sales and operating income.

The impact of the April 2014 consumption tax increase was felt throughout Japan's construction industry, with the total floor space of building starts declining by 9%. We nevertheless recorded increased shipments of Hebel™ autoclaved aerated concrete (AAC) panels by targeting large construction projects. Sales of Neoma™ high-performance phenolic form insulation panels decreased in reaction to the surge in demand prior to the consumption tax increase. Depreciation expenses increased with the start-up of a new production line for Neoma™ panels which will enable us to meet growing demand as an effect of government policies to reduce energy consumption. Construction materials operations overall recorded decreased sales and decreased operating income as a result.

While we do not expect the market to change substantially in fiscal 2015, we plan to achieve growth in sales and operating income by enhancing the marketing of insulation materials, expanding applications for foundation systems, and enhancing the cost-competitiveness and stable supply of AAC panels. We are especially expanding new applications for Neoma™ panels.

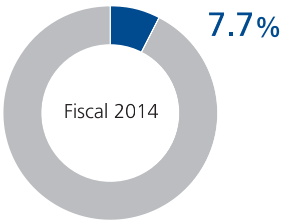
Neoma™ phenolic foam insulation panels

Electronics

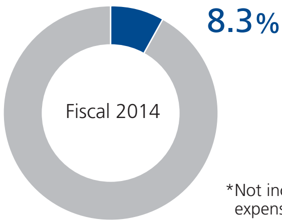
Hideki Kobori
Representative Director, Primary Executive Officer
Executive Officer for Electronics business sector

Our Electronics segment includes high-function products for fields ranging from consumer electronics to infrastructure, industrial, and automotive applications. The electronic devices business provides key components for mobile IT such as electronic compasses and other LSIs, and sensing devices such as magnetic sensors, current sensors, and infrared sensors. The electronic materials business provides lithium-ion battery (LIB) separators, photosensitive dry film for printed wiring boards, and many other products for the electronics industry.

Sales composition



Operating income composition



*Not including corporate expenses and eliminations.

Financial highlights

(¥ billion)

Fiscal year	2013	2014
Net sales	145.0	**150.4**
Operating income	14.2	**14.3**

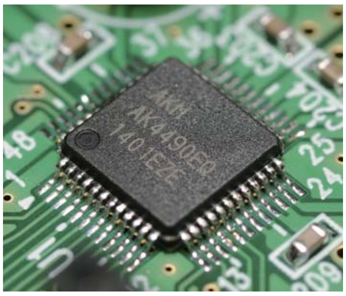
Please refer to page 61 for segment performance information.

Highlights

Electronic devices business

Velvet Sound™ audio devices

In May 2014, high-end audio equipment manufacturers began adopting audio devices with Velvet Sound™ technology from Asahi Kasei Microdevices. This original technology is used in next-generation audio LSIs to faithfully reproduce high-resolution audio sound sources with an ambiance and realism that cannot be obtained with audio CDs. Asahi Kasei Microdevices will continue to develop advanced Velvet Sound™ products for the high-end audio market based on its philosophy of enabling discerning customers to attain high-quality audio through innovative technology.



VELVET SOUND ™

Asahi Kasei Microdevices

Satoru Tamura
President & Representative Director
Asahi Kasei Microdevices Corp.

Q **In fiscal 2014, your sales grew but operating income decreased. How are the electronic compass and other products performing?**

A **The business benefitted from the weaker yen, and sales of electronic devices for smartphones increased. Operating income decreased, however, due to temporary factors related to structural reforms.**

Having both silicon semiconductor technology and compound semiconductor technology enables us to develop original and unique devices. Under a changing market climate in fiscal 2014 sales of crystal oscillator ICs decreased, but sales of other electronic devices for smartphones increased and business benefitted from a favorable exchange rate, resulting in increased sales. Although we have worked to reduce costs, operating income decreased as an effect of a devaluation of inventories in relation to structural improvement of the power management device business.

In fiscal 2015, we foresee a challenging market for crystal oscillator ICs continuing while the electronic compass market matures. We plan to increase sales and operating income by changing the product mix with a higher proportion of audio devices and camera modules for smartphones. In addition to our mainstay consumer electronics applications, we will achieve further growth over the medium-to-long term with greater focus on automotive, industrial equipment and infrastructure applications.

LSIs

Asahi Kasei E-materials

Shigeki Takayama
President & Representative Director
Asahi Kasei E-materials Corp.

Q **Although increased competition caused price declines, you achieved increased sales and operating income. How is each product performing?**

A **In addition to the positive impact of the weaker yen, sales of high-performance products grew.**

The market in fiscal 2014 was mainly driven by smartphones, and demand for LIBs and semiconductor packaging maintained firm growth. Our products for consumer electronics cover a wide range from commodity to high-end products, and sales growth is centered on high-end products in each category. Although prices for Hipore™ LIB separators declined due to increased competition, we achieved overall growth in sales and operating income with the effect of the weaker yen and cost reduction efforts.

We forecast industry-wide growth in fiscal 2015 centered on consumer electronics. While we expect that sales prices will continue to fall, we plan to increase sales and operating income through further volume growth in high-end products and additional cost reductions. Future Hipore™ demand will increasingly come from automotive applications such as electric vehicles and hybrid-electric vehicles, together with energy storage applications. We are advancing technology and product development to enable business expansion in these fields.

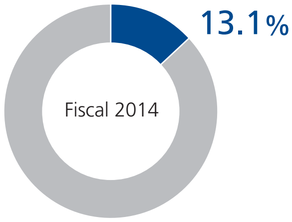
Hipore™ LIB separator

Health Care

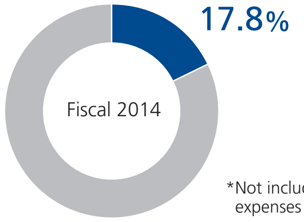
Toshio Asano
President & Representative Director,
Presidential Executive Officer
Executive Officer for Health Care business sector

We are focused on the field of orthopedics as our speciality in pharmaceuticals, while our medical device business provides blood purification, blood transfusion, and bioprocess products based on leading technology for membrane separation and selective adsorption. In 2012 these were joined by ZOLL's business in acute critical care devices. By achieving synergies within the sector, we are expanding Health Care as a new major pillar of the Asahi Kasei Group.

Sales composition



Operating income composition



*Not including corporate expenses and eliminations.

Financial highlights

(¥ billion)

Fiscal year	2013	2014
Net sales	232.4	**257.1**
Operating income	26.7	**30.8**

Please refer to page 61 for segment performance information.

Highlights

Pharmaceuticals business

New manufacturing facility for Recomodulin™

In May 2014 Asahi Kasei Pharma decided to construct a new manufacturing facility in Fuji, Shizuoka, Japan, for recombinant thrombomodulin alpha, the active ingredient of Recomodulin™ anticoagulant intravenous infusion. Developed by Asahi Kasei Pharma and marketed in Japan since 2008, Recomodulin™ is a thrombomodulin agent for the treatment of disseminated intravascular coagulation (DIC). It improves the symptoms of DIC with a new mechanism of controlling blood coagulation. Asahi Kasei Pharma currently produces the active ingredient of Recomodulin™ at its Fuji Pharmaceuticals Plant. The addition of the new manufacturing facility will enable the company to enhance its ability to assure reliable supply of the product.

Critical Care business

Expansion of product portfolio through M&A

ZOLL made three business acquisitions in fiscal 2014 to further build its product lineup in the field of acute critical care. In October an agreement was reached to acquire the respiratory care product business of US-based Impact Instrumentation, Inc., and in November an agreement was reached to acquire the InnerCool™ temperature management business of Netherlands-based Royal Philips. These were followed in December with an agreement to acquire US-based Advanced Circulatory Systems, Inc., which specializes in technology to non-invasively increase circulation during cardiopulmonary resuscitation. These acquisitions broaden ZOLL's product offerings with additional technologies designed to improve outcomes from cardiac arrest and other critical conditions, as part of its commitment to offer the most comprehensive portfolio of products for acute events where rapid medical intervention is needed.

New additions to the acute critical care portfolio

Asahi Kasei Pharma

Kazuyoshi Hori
President &
Representative Director
Asahi Kasei Pharma
Corp.

Q Please tell us how the pharmaceuticals business is performing, especially sales of Teribone™ osteoporosis drug and Recomodulin™ anticoagulant.

A Sales and operating income decreased in fiscal 2014, mainly as an effect of reduced reimbursement prices and the consumption tax increase.

In fiscal 2014, pharmaceutical products excluding new drugs were impacted by reduced reimbursement prices. Teribone™ and Recomodulin™, which had maintained steady growth since their market launch, failed to reach their sales targets as they were impacted by a reaction to the surge in demand prior to the consumption tax increase.

Sales of Flivas™ agent for treatment of benign prostatic hyperplasia are expected to decline in fiscal 2015 due to competition from generics. We plan to increase sales of Teribone™ and Recomodulin™ by enhancing the business structure and reinforcing our marketing functions with greater focus on analysis of real-world clinical needs. We also anticipate the launch of sales of Xiaflex™ injection for Dupuytren's contracture. R&D expenditures are expected to increase as we enrich our pipeline for new drugs.

Teribone™ osteoporosis drug

Asahi Kasei Medical

Yutaka Shibata
President &
Representative Director
Asahi Kasei Medical Co., Ltd.

Q In fiscal 2014 you achieved growth in sales and operating income. How is each product performing?

A While results were supported by the weaker yen, sales of Planova™ virus removal filters and other products were firm.

In fiscal 2014, sales of dialysis products in Japan were affected by decreased reimbursement prices, but sales in the US and China were firm. Sales increased for Planova™ virus removal filters, which are used to enhance safety in the production process for biotherapeutic products such as biopharmaceuticals and plasma derivatives. Business overall benefitted from the weaker yen which contributed to the sales and operating income increase. In March 2015 we decided to construct a new plant for the spinning of hollow-fiber membranes for Planova™ BioEX filters in Oita, Japan, to meet growing demand as higher protein concentrations become more common in the manufacturing process of biotherapeutic products.

Planova™ BioEX virus removal filter

ZOLL

Richard A. Packer
CEO
ZOLL Medical Corporation

Q You continue to post strong growth. Can you describe your business situation?

A Led by growth of the Core defibrillator business, and the LifeVest™ wearable defibrillator, we are increasing both revenue and income.

We joined the Asahi Kasei Group in April 2012. We supply medical devices for acute critical care in the US and around the world. Our business achieved positive income on a consolidated basis after amortization of goodwill and other intangible assets in only three years. Our growth is led by the LifeVest™ in the US, while our business in defibrillators for use by medical professionals continues to grow worldwide as well. The LifeVest™ is a wearable defibrillator for patients at high risk of sudden cardiac arrest. Service providing the LifeVest™ in Japan began in April 2014.

We are proactively increasing SG&A in order to reinforce sales activity, and results have grown even faster than planned when we joined Asahi Kasei. We will continue to actively pursue M&A opportunities to augment our portfolio with innovative products in the field of acute critical care that will enable us to grow further and help save even more lives worldwide.

LifeVest™ wearable defibrillator

Ever since our founding, Asahi Kasei has always met the world's needs by creating businesses based on technology. We will continue to create new businesses that contribute to life and living for people around the world.

Interview with Asahi Kasei's head of R&D

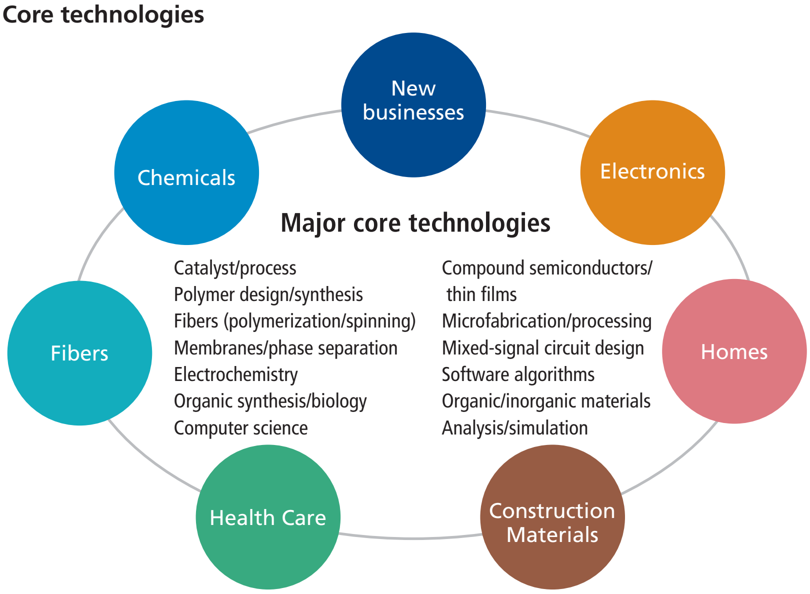
Masafumi Nakao
Senior Executive Officer
General Manager
Corporate Research & Development

Q1 What are Asahi Kasei's core technologies?

Asahi Kasei's strength is the management of a diverse group of businesses created with a wide range of technologies. At the root is chemical technology, which gave rise to various other technological developments over the course of our history, resulting in our many core technologies today. For example, catalyst/process technology supports the production of many materials. Membrane technology and fibers technology are utilized to create high-value added products for water treatment and health care. The development of distinctive business in the field of thin-film semiconductors was enabled by many technologies related to materials.

Such developments have fostered a pioneering spirit among our technical personnel, which is itself a technology asset and a key element of Asahi Kasei's heritage.

Core technologies



Q2 What is your R&D strategy?

The economic climate and social fabric have been undergoing dramatic changes in recent years. While the shale gas revolution impacts issues of energy and the environment, information technology continues to advance, and Japan's population continues to age and decline. It will be difficult to adapt if we simply continue along the same path.

Our "For Tomorrow 2015" medium-term management initiative focuses on the two strategies of expanding world-leading businesses and creating new value for society. In the latter, we are concentrating on the three fields of the Environment & Energy, Residential Living, and Health Care. An important mission for R&D is to draw together technologies and business platforms throughout the Asahi Kasei Group to create new businesses in these three fields.

While R&D directly related to established businesses is performed by each core operating company, an Energy & Environment R&D Center, Healthcare R&D Center, and Residential Synergy Initiative—established within Corporate

Research & Development—advance R&D from a medium-to-long term perspective. In addition to in-house R&D, we are working in concert with outside organizations and seeking to acquire innovative new technologies.

Q3 How about your IP strategy?

The business strategy, intellectual property (IP) strategy, and R&D strategy for the creation of new business are integrated as one. IP activities for established businesses are advanced in direct connection with the management of operations to gain business advantage by the steady acquisition of IP rights from R&D results.

The IP strategy for each operation is aligned with the relevant business characteristics. Equal emphasis placed on both the quality and the quantity of patents, and strategic licensing is performed to heighten the contribution of IP rights to our business operations.

Q4 Please tell about the UVC-LED, a fruit of "For Tomorrow 2015."

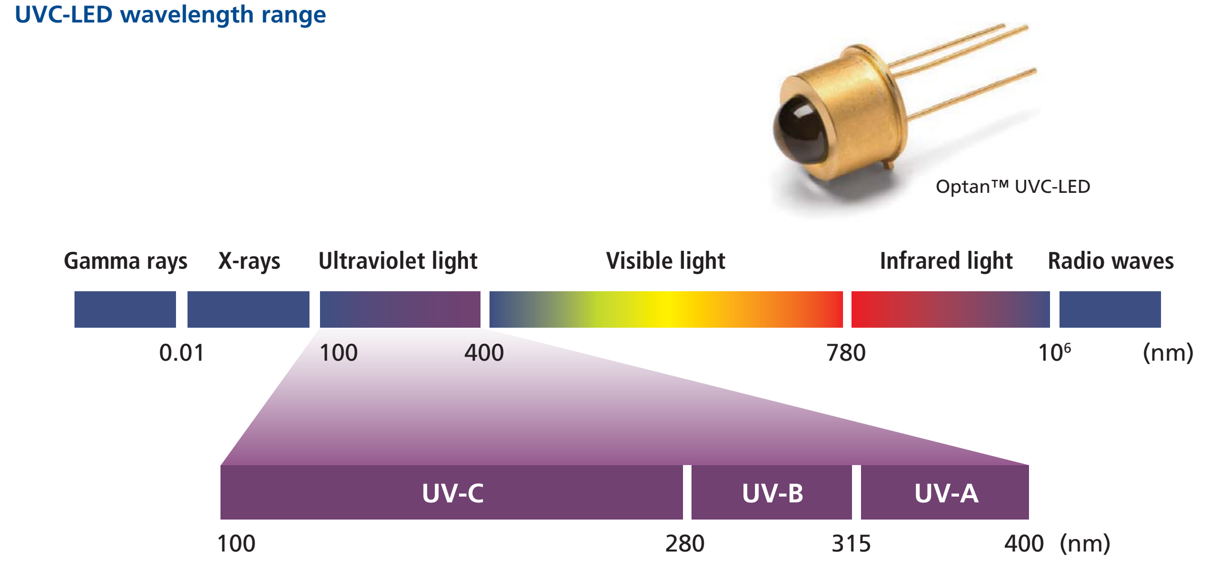
UVC is the shorter wavelength range of ultraviolet (UV) light. UVC light has a powerful disinfection and sterilization effect, and can also trigger chemical actions. Many companies are competing to develop light-emitting diodes (LEDs) that emit light in the UVC range, but volume production of practical products has not been achieved yet. The UVC-LED developed by Asahi Kasei, based on an aluminum nitride (AlN) substrate, has gained attention with its world-leading output performance and high reliability.

Mercury-vapor lamps are generally used as UV light sources, but they are bulky, take time to warm up, have a short service life, and moreover pose environmental risks when disposed of. UVC-LEDs not only overcome all of these shortcomings, but hold promise to enable transformational new applications in all three of our fields of focus—the environment and energy, residential living, and health care.

Based on the know-how in compound semiconductors gained through our businesses in magnetic sensors and infrared sensors, we saw great potential for UVC-LEDs based on AlN substrates. In 2010 we made an investment in US venture Crystal IS, Inc. (CIS) which had outstanding AlN technology, and dispatched engineers to CIS to begin joint research. In 2011 we acquired full ownership of CIS and proceeded with a close-knit joint development project with our engineers in Japan. In 2014 these efforts resulted in the market launch of the Optan™ UVC-LED for analytical and instrumentation applications.

We are now working to develop the global market for UVC-LEDs in water disinfection applications in both industrial and residential settings, with evaluation in progress by several equipment manufacturers.

UVC-LED wavelength range



R&D in Three Fields of Focus and Main Sites for R&D

We are working to create new value for society in the three fields of the Environment & Energy, Residential Living, and Health Care with endeavors spanning across the Asahi Kasei Group. An overview of our efforts and our main sites for R&D are described here.

Environment & Energy

- **Demonstrating new technology for diversification of petrochemical feed-stocks, and environmentally friendly process technology**
  E-flex, BB-flex, DRC process to produce diphenyl carbonate (DPC)
- **Developing new materials that contribute to vehicle weight reduction and fuel saving**
  Engineering resin with ultra-high heat resistance, high rigidity, and excellent moldability; solution-polymerized styrene-butadiene rubber (S-SBR) for next-generation high-performance fuel-efficient tires
- **Developing light emitting devices with superior sterilization performance while reducing energy use**
- **Developing new battery materials and high-performance lithium-ion battery separators for consumer electronics and automotive applications**

Residential Living

- **Making innovative urban lifestyle proposals; developing residential features for seniors**
  "HH2015" demonstration house to create new businesses, Hebel Village™ apartment buildings for seniors
- **Developing new fiber materials focusing on comfort (coolness, warmth, functionality, adaptability) and health**
  A-cubic™, functional fibers, various nonwovens

Note: A-cubic™ is the guiding vision of R&D at Asahi Kasei Fibers to apply innovative leading-edge technology to the science of comfort and health, developing inspiring new products.

A-cubic

Health Care

- **Addressing unmet needs in the orthopedic field, especially locomotive syndrome**

Pharmaceutical pipeline (as of July 31, 2015)

Development stage	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
Phase II	HC-58, injection, elcatonin	Calcitonin	Shoulder-hand syndrome	Additional indication	In-house
Phase III (overseas)	ART-123, injection, recombinant thrombomodulin alpha	Recombinant human thrombomodulin	Severe sepsis with coagulopathy	New biologic	In-house
	HE-69, mizoribine	Immunosuppressant	Lupus nephritis, nephrotic syndrome	Additional indication	In-house
Phase II (overseas)	AK106	Anti-inflammatory	Rheumatoid arthritis	New chemical entity	In-house

- **Researching leading-edge medical technologies including regenerative medicine using autotransfusion**
- **Developing new therapies, technologies, and solutions to enhance the quality of care for sudden cardiac arrest**

Main sites for R&D

Kawasaki Innovation Center (Kawasaki Works, Kanagawa, Japan)

Technology development for chemical products *completed in 2012*

Developments include technology for catalysts, polymer design, interface control, and environmental systems, as well as next-generation S-SBR.

New Integrated Research Complex (Asahi Kasei Fuji site, Shizuoka, Japan)

R&D for new electronics businesses *completed in 2009*

R&D is performed in electronic and optical materials and in the field of the Environment & Energy, with an emphasis on the creation of new businesses. The approach to R&D emphasizes the combination of established core technologies with emerging technologies, yielding a high level synthesis of new technology, with results obtained more quickly, in direct contact with markets and users.

Housing R&D Center (Asahi Kasei Fuji site, Shizuoka, Japan)

Development of new housing products *completed in 2007*

R&D is focused on adding value by further heightening structural performance in accordance with the "Long Life Home" concept of high-value added homes. New technology is proactively adopted to meet emerging needs for harmony with the environment and resource circulation.

Fibers Technology and R&D Center (Moriyama, Shiga, Japan)

R&D for new fiber materials *completed in 2008*

The core polymer, manufacturing, textile, and evaluation technologies are advanced, new technologies are created. Within the Center, the R&D Lab for Applied Product develops products for functional apparel focusing on comfort and health functions, as well as new products that contribute to the environment, energy efficiency, and safety in the fields of electronics, automobiles, and medical care.

Research Complex (Pharmaceuticals Research Center, Ohito, Shizuoka, Japan)

R&D for new drugs *completed in 2012*

Equipped with advanced experimental apparatus and facilities for greater functionality, the complex brings the synthetic and medicinal chemistry research group and pharmacology research group together in a single facility for closer coordination, and incorporates many design elements to facilitate interaction and communication among researchers, and raise the efficiency of research.

Medical Material Laboratory (Nobeoka, Miyazaki, Japan)

R&D for medical materials *completed in 2011*

All material-related research functions of Asahi Kasei Medical are consolidated in the laboratory, with shared technologies for phase separation, structure control, and chemical modification integrated and advanced. Next-generation dialysis membranes, adsorption media, and virus removal membranes are developed, and technology for biocompatibility evaluation, biological evaluation, and physicochemical evaluation are advanced, as well as analytical technology.

ZOLL Medical Corporation (USA)

R&D for acute critical care devices *acquired in 2012*

ZOLL's acute critical care devices are developed with reliable operation and function in mind. Resuscitation products are also designed in accordance with the "Chain of Survival" guiding principles set forth by the American Heart Association. Product features include easy and essential recording of data throughout the course of treatment.

Focusing on employee health as a key to growth

Employees are important stakeholders for any company, and as such the health of employees is a key focus of management. Professor Koji Mori, M.D. (pictured right) of the University of Occupational and Environmental Health Japan discusses the Asahi Kasei Group's effort for employee health with Asahi Kasei's chief industrial physician Dr. Ichirou Oyama, M.D. (pictured left).

A company-wide effort

Oyama Asahi Kasei has an ongoing initiative for the health of employees as part of its Responsible Care (RC) program, a fundamental element of Corporate Social Responsibility (CSR). Even before the concept of RC was introduced, the company had proactively focused on employee health at its production sites. Since the adoption of RC, there has been a company-wide effort led by Corporate ESH & QA.

In recent years the effort centers on preventing lifestyle-related diseases, preventing falls with physical fitness tests and exercise guidance, and surveys of employee stress and workplace stress with follow-up and improvements.

Mori I see that the Asahi Kasei Group implements RC throughout all its diverse operations. You seem to have been providing uniform health support services for employees for quite some time, and your network of industrial physicians seems advanced.

Oyama We are now arranging an area-based system to provide care by industrial physicians to all employees in every part of Japan. We are also enhancing the health maintenance infrastructure to provide health guidance by videoconference, to electronically manage results of annual checkups and other health data, and to ensure that employee health records are seamlessly handed over when an employee is transferred to a different location.

Mori The health of employees has recently come to be seen as a critical factor in corporate management. It is recognized that productivity suffers unless employees are healthy and happy in their work. But the measures taken are often simplistic, such as installing a fitness room, which can give a temporary lift but fail to have a lasting effect.

I feel that Asahi Kasei has built up a firm foundation over time as part of its RC program, and does a good job of supporting employee health. You have even established a system to evaluate the health management activities at each site. I think this is an excellent way to heighten the motivation of the health maintenance personnel.

Oyama I think that Asahi Kasei's general culture of caring for its people is a big plus—this makes it easy for people to understand our health management efforts. While employees themselves generally appreciate the importance of health maintenance, there is wide variation. We are working to raise overall awareness among employees of the need to look after their own health more responsibly.

Mori Efforts to maintain employee health have come to be seen as a long-term investment for companies, with upper management taking a keen interest in employment and productivity of employees. How is it at Asahi Kasei?

Exercising while seated

At the Sepacell Plant of Asahi Kasei Medical MT Corp. in Oita, Japan, the manufacture of Sepacell™ leukocyte reduction filters requires workers to spend long periods of time seated in the cleanroom to perform evaluation, visual inspection, and control operations. Although this led to many instances of stiff shoulders, eyestrain, etc., it was impractical to hold conventional exercise sessions in the cleanroom. In 2014, with the support of on-site health management staff, employees developed a small-group exercise routine that is done while seated.

Oyama The Asahi Kasei Group Vision includes the ideal of enabling living in health and comfort. We can hardly achieve this if our own employees are not healthy. I believe the management appreciates this, and is earnestly supporting our health management efforts.

Tailoring the approach to suit different regions, workplaces, and individuals

Mori As a global enterprise with operations around the world, how does Asahi Kasei provide health maintenance services to employees overseas? Rather than extending the same system you have in Japan to other countries, I think you need to establish a system that suits the situation in each country. That requires the expertise of on-site specialists. How do you deal with this?

Oyama Our main focus so far has been on providing health management services to Japanese personnel stationed on overseas assignments. We have established locally tailored health management systems for national employees at some overseas sites, and are now studying how to expand this to more locations.

Mori I think communication with the national personnel must be an important issue. You also need to give heed to the issue of diversity, and support maternal care. I feel that Asahi Kasei has very advanced systems in this regard. But as the population's longevity increases you will need to support the long-term health of employees. You need an individual-focused approach that applies to both men and women at any age.

Oyama We are working to bring greater individual focus to our health management system through direct personal support and counseling, while enhancing personnel provisions such as leave-of-absence. For example, we have a system to enable employees returning from a health-related absence to work only limited hours. They can gradually increase their working hours as they continue to recover. This is particularly effective in preventing recurrence of mental health–related problems.

We also analyze both the stress level of individuals and the stress level at each workplace, enabling comprehensive measures for improvement to be implemented.

In concert with the employees' health insurance association we have begun analyzing data for each workplace, combining information on accident and sickness benefits, health insurance claims, results of annual checkups, and stress surveys.

Mori That sounds interesting. You should be able to find positive examples from the data that you can replicate throughout the company.

Koji Mori, M.D.

Professor, Institute of Industrial Ecological Sciences
Director, Occupational Health Training Center
University of Occupational and Environmental Health Japan
Having gained experience as an industrial physician, Dr. Mori is now mainly involved in research related to industrial hygiene practices and the training of industrial physicians. Based on his broad range of insight, he provides advice and counsel on health-related issues to many companies. As a respected specialist in the field of industrial hygiene, Dr. Mori also serves on government commissions and as an officer in many academic societies.

Oyama The health management staff will have a big part to play in the sharing of information across different organizations, and the lateral extension of positive examples. As we gain greater visibility of the data while increasing communication among health management staff at different locations, I think we will find many positive examples to share regarding hazardous operations, lifestyle-related diseases, antismoking campaigns, and workplace invigoration.

Mori It sounds like Asahi Kasei's health management effort is really moving in the right direction. In general, when a worker's productivity is diminished due to poor health, a company discounts the lost productivity as an economic loss. We need to move beyond this way of thinking. Rather, we should consider resources directed toward employee health as a positive investment. This includes long-term investments in ways such as preventing health problems from occurring or letting ill workers focus on their therapy, and short-term investments to deal with day-to-day health complaints.

Health care measures used to be focused on each individual disease, with an emphasis on early diagnosis and treatment. Then we began paying more attention to prevention. Now we talk about elevating the overall level of healthiness.

Oyama Asahi Kasei is also working from the perspective of prevention. As part of our effort to prevent falls we are providing exercise guidance throughout entire workplaces, not only for employees who are at high risk. Our mental health measures include analysis of the contributing causes, with results reflected in training materials. We also analyze the stress level of workplaces, and implement improvements.

The objective of our health management effort is to foster healthy workplaces and to enable healthy and fulfilling working careers, ultimately contributing to productive activity by reducing worker time lost due to health problems. To achieve this, the industrial health staff is working in close coordination with each workplace every day.

Mori I expect you will be successful.

Supporting a healthy diet for Thai employees

Asahikasei Plastics (Thailand) Co., Ltd. is proactively participating in a workplace health promotion program led by the Thai Health Promotion Foundation. They focused on the company cafeteria, where workers have at least two meals a day. After a survey of calorie intake, a multifaceted program was launched including employee education and the development of menu items emphasizing vegetables, with flavorings and seasonings screened to ensure that employees found them likeable. Results included not only decreased obesity among the workforce, but also reduced joint pain and other general indications of improved overall health.

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 RC

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 July 2014, we added a new RC principle: "Efforts are made to design and develop products which contribute to the sustainability of the global environment, and to disseminate such products worldwide." With our Global Environment Action Committee, we are further deepening and expediting 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.

RC 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.

For more information, please refer to the Asahi Kasei Group CSR Website.
http://www.asahi-kasei.co.jp/asahi/en/csr/

RC objectives and results

★★★Complete ★★Satisfactory ★Unsatisfactory

	FY 2014 RC Objectives	FY 2014 Results	Attainment	FY 2015 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	Expanded range of affiliates implementing RC RC at affiliated enhanced thought instructions and support by core operating companies	★★	Enhance RC at affiliates
	Enhance dialog with the public	RC reports of 3 core operating companies and 8 plant complex sites were used in community outreach	★★★	Enhance dialog with the public
Environmental protection	Avoid all polluting accidents and minor incidents	No polluting accidents, 4 intermediate incidents	★	Avoid all polluting accidents and minor incidents
	Promote recycling-oriented society:			Promote recycling-oriented society:
	• Final disposal of 0.3% or less of generated industrial waste	Goal not reached with final disposal rate of 0.4%	★★	• Maintain rate of final disposal at 0.3% of generated industrial waste or less
	• Recycling rate of at least 87%	Goal reached with recycling rate of 89%		• Maintain recycling rate of at least 89%
	Curtail greenhouse gas (GHG) emissions:			
	• Reduce CO_2 emissions in Japan by 25% from FY 2005 level	23.6% reduction from FY 2005 level		• Reduce CO_2 emissions in Japan by 24.7% from FY 2005 level
	• Reduce CO_2 emissions in Japan and overseas by 2% from FY 2010 level	11.8% reduction from FY 2010 level	★★★	• Reduce CO_2 emissions in Japan and overseas by 5% from FY 2010 level
	• Reduce GHG emissions in Japan by 30% from FY 2005 level	31.1% reduction from FY 2005 level		• Reduce GHG emissions in Japan by 31.8% from FY 2005 level
	• LCA/CO_2 contribution ratio[1] of 7.5	LCA/CO_2 contribution ratio of 7.5		• Achieve LCA/CO_2 contribution ratio of 7.9
	Protect water resources:		★★★	
	• Water resource contribution ratio[2] of 6.8	Water resource contribution ratio of 7.2		• Water resource contribution ratio of 7.5
	Control emissions of chemical substances:			Control emissions of chemical substances:
	• Control emissions of PRTR-specified substances	Release of PRTR-specified substances and emission of VOCs reduced by 91% and 87%, respectively, from FY 2000 level	★★★	• Control emissions of PRTR specified substances
	• Control emissions of air and water pollutants			• Control emissions of air and water pollutants
	Preserve biodiversity when procuring biological resources	Investigated impact of our business activities on biodiversity, including use of new materials; no problem found	★★★	Promote preservation of biodiversity at each site
	Advance CSR procurement	Implemented CSR procurement	★★★	Advance CSR procurement
Operational safety	Avoid all industrial accidents	No industrial accidents	★★★	Avoid all industrial accidents
	Monitor for hazards of fire, explosion, and leaks; implement remediation	Review performed at time of on-site confirmation for preventing abnormal reactions; training of managers performed	★★★	Continuously monitor for hazards of fire, explosion, and leaks; perform training of managers
	Prevent abnormal reactions, confirm interlock functions on-site	Confirmed progress in preparing technical documents for preventing abnormal reactions and securing interlock functions	★★★	• Continue ongoing review to prevent abnormal reactions and confirm interlock functions
	Enhance emergency response systems	Emergency drills performed in coordination between head office and each site	★★★	Review earthquake response and enhance emergency response systems Confirm seismic resistance of high-pressure gas facilities and formulate plans
	Control changes to equipment and operating conditions	Control confirmed at RC Audits, etc.	★★★	Control changes to equipment and operating conditions
	Monitor for items in need of replacement and uninspected items, implement remediation:	Ongoing review with new perspectives	★★★	Monitor for items in need of replacement and uninspected items, implement remediation:
	• Implement seismic retrofitting for specific buildings as planned for FY 2014	Completed according to the plan	★★★	• Advance seismic retrofitting of specific and non-specific buildings
	• Completion of the evaluation of seismic capacity for non-specific buildings and implement retrofitting as planned for FY 2014	Evaluation completed on schedule	★★★	
Workplace safety and hygiene	Avoid all workplace injuries:			Avoid all workplace injuries:
	• Achieve frequency rate[3] of 0.1 or less	0.20	★★	• Achieve frequency rate of 0.1 or less
	• Achieve severity rate[4] of 0.005 or less	0.005		• Achieve severity rate of 0.005 or less
	Deepen utilization of OHSMS:			Deepen utilization of OHSMS:
	• Reduce latent risks at workplaces	Review of risk assessment confirmed at audit		• Reduce latent risks at workplaces
	• Enhance internal audits	Improvement confirmed at audit with reference to internal audit records	★★★	• Enhance internal audits
	• Make the effects of OHSMS more visible	Confirmed at audit with reference to risk level changes		• Make the effects of OHSMS more visible
	• Ensure thorough compliance with safe working standards	Compliance records confirmed at audit		• Ensure thorough compliance with safe working standards
	Avoid all accidents in "caught in/between" category:		★★★	Avoid all accidents in "caught in/between" category:
	• No lost-workday injury due to "caught in/between" accidents	Zero lost-workday injuries (one in FY 2013); continued comprehensive equipment inspection at plants		• No lost-workday injury due to "caught in/between" accidents
				Avoid fire, explosion, chemical injury, poisoning, etc. related to chemical substances
				• Zero lost-workday injuries related to chemical substances
				Prevent injuries during working hours unrelated to operating procedures and during commuting
				• Prevent lost-workday injury related to stairways
	Enhance safety management guidance of on-site contractors:			Enhance safety management guidance of on-site contractors:
	• Enhance safety management structure as the contracting manufacturer	Satisfactory improvement confirmed in audit with reference to check sheets at each site	★★★	• Enhance safety management structure as the contracting manufacturer
	• Enhance safety management of on-site contractors	Self-evaluation results and safety management guidance at each site confirmed at audit		• Enhance safety management of on-site contractors
	Reinforce management of safety on equipment work:			Reinforce management of safety on equipment work:
	• Enhance implementation of safety management standards	Confirmed issues at audit with reference to work management records	★★★	• Enhance implementation of safety management standards
Health maintenance	Promote health maintenance and improvement among personnel:			Promote health maintenance and improvement among personnel:
	• Promote the prevention of and countermeasures to lifestyle-related diseases	Proportion of personnel health warning signs generally unchanged, BMI and ratio of employees who smoke gradually decreasing	★★★	• Promote the prevention of and countermeasures to lifestyle-related diseases
	• Prevent falls	Physical fitness tests performed as part of fall prevention program, follow-up implemented		Prevent falls
	Promote countermeasures to mental health issues and enhance support system:		★★★	
	• Implement company-wide stress survey, utilize its results, and perform follow-up	Stress survey and follow-up implemented		• Implement company-wide stress survey, utilize its results, and perform follow-up
	Develop the health management system			
	• Resolve critical tasks at each site with lateral extension	Held internal meetings and interviews on health management activities	★★★	• Resolve critical tasks at each site with lateral extension
	• Establish the health management system at affiliates and independent plants	Specialist industrial physicians supporting affiliates and independent plants		• Establish the health management system at affiliates and independent plants
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:			Enhance management of chemical substances:
	• Promote compliance with laws and regulations on management of chemical substances in Japan and overseas	Compliance maintained and system enhanced		• Promote compliance with laws and regulations on management of chemical substances in Japan and overseas
	• Encourage JIPS activities	Continued risk assessment and public disclosure of safety documents	★★★	• Encourage JIPS activities
	• Promote JAMP tools	Provided and received information via MSDSplus and AIS, cooperated with dissemination of JAMP-IT		• Promote JAMP tools
Living in health and comfort	Number of people our health care business contributed to:		★★	Number of people our health care business contributed to:
	• 32% increase from FY 2010 level	24% increase from FY 2010 level		• 40% increase from FY 2010 level
	Number of residents in Hebel Haus™ homes:			Number of residents in Hebel Haus™ homes:
	• 14% increase from FY 2010 level	16% increase from FY 2010 level	★★★	• 20% increase from FY 2010 level

1 LCA is used to determine the amount of reduction in CO_2 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_2 emissions of the entire Asahi Kasei 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.

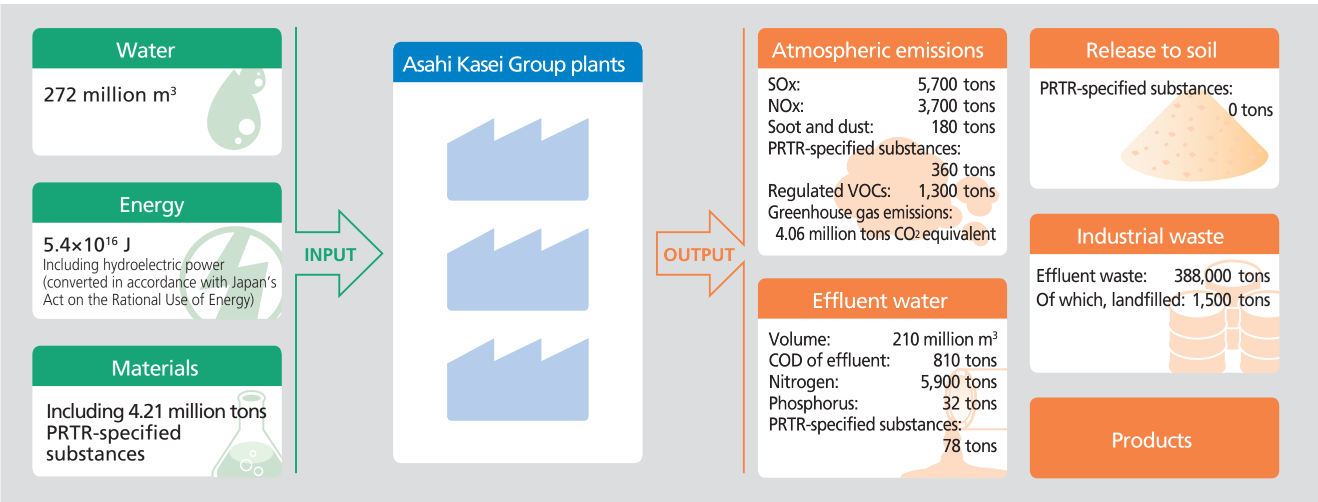
Overview of environmental impacts

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 to be 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.

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 a 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.

Asahi Kasei Group main environmental impacts (FY 2014)



The Asahi Kasei Group's global environmental policy

1	Contributing to a low-carbon society	4	Achieving harmony with nature
2	Preserving water resources	5	Overseas locations (factories)
3	Promoting a recycling-oriented society	6	Supply chain

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.

■ 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_2 and GHG emissions in Japan
   (2) Global CO_2 emissions
   (3) Scope 3 emissions*
2. Helping reduce CO_2 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.

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 life cycle assessment (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

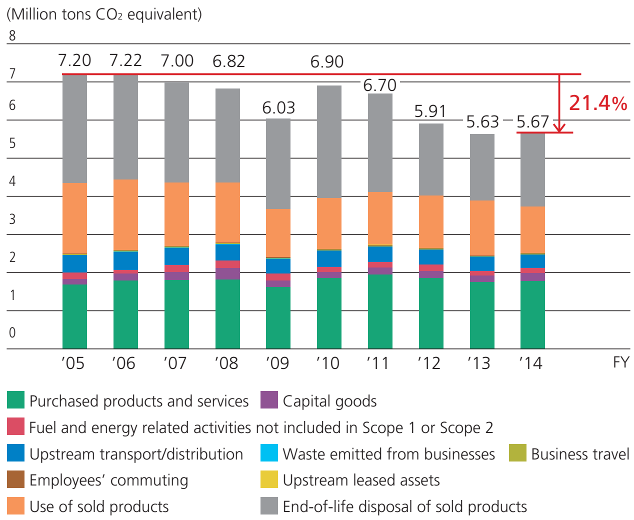
The Asahi Kasei Group's GHG emissions from production processes in fiscal 2014 were equivalent to 4.06 million tons of CO_2, which represents a reduction of 31% compared to the 5.92 million tons from our baseline year of fiscal 2005. Significant factors that contributed to this reduction include the 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 of nitrous oxide (N_2O) byproduct.

➡ Refer to "Financial and non-financial highlights" on page13.

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.

Scope 3 emissions in Japan



Our Scope 3 emissions have steadily declined from fiscal 2005 to fiscal 2014, with some fluctuation due to the global financial crisis, and in fiscal 2014 they were some 21% lower than in fiscal 2005.

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_2 emission

Although CO_2 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_2 emissions during use. LCA calculation takes such contribution into account and determines the amount of CO_2 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_2 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 knitted fabric for energy saving humidifier filters
A	Hebel Haus™ with power generating, efficiency, and conservation functions
B	Hebel Haus™ with next-generation insulation
B	Hipore™ lithium-ion battery separator for electric and hybrid electric vehicles
B	Neoma™ phenolic foam insulation panels for homes
B	Heat-absorbing stretch fiber for cool-feeling innerwear
B	Sunfort™ photosensitive dry film
B	Hebel Haus™ two-generation homes
B	Asaclean™ plastic molding machine purging agent
C	Renovation to add solar panels
C	Polymer membrane for fuel cells
C	Renovation to improve window insulation

Rank A: LCA/CO_2 reduction of at least 500,000 t-CO_2/y
Rank B: LCA/CO_2 reduction of at least 100,000 t-CO_2/y
Rank C: LCA/CO_2 reduction of at least 10,000 t-CO_2/y

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 these guidelines, 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 2014

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.

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 2014, we adopted targets of a final disposal rate of 0.3% or less and a recycling rate of 87% or more of the total amount of industrial waste generated. Although we achieved a recycling rate of 89%, we missed our target final disposal rate by achieving 0.4%. We are working to gain further improvements through increased separation and greater selectivity in disposal contractors.

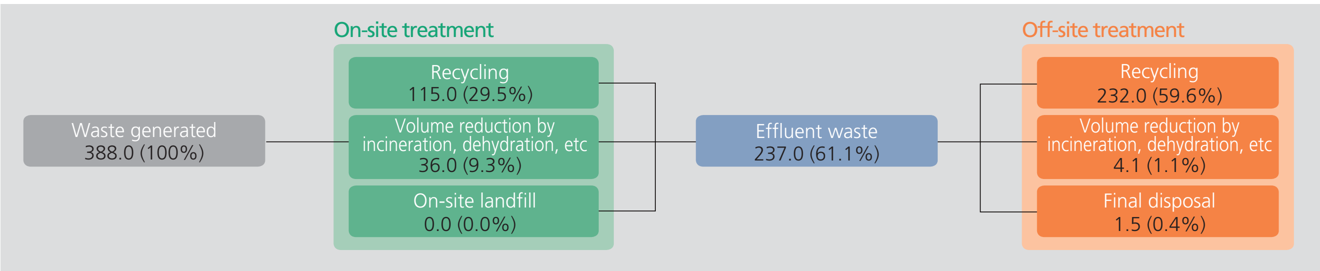
Waste containing PCBs* is stored under strict control in stainless steel vessels. Plans for disposal are advancing, including for waste with minimal amounts of PCBs.

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 2014*

(thousand tons)



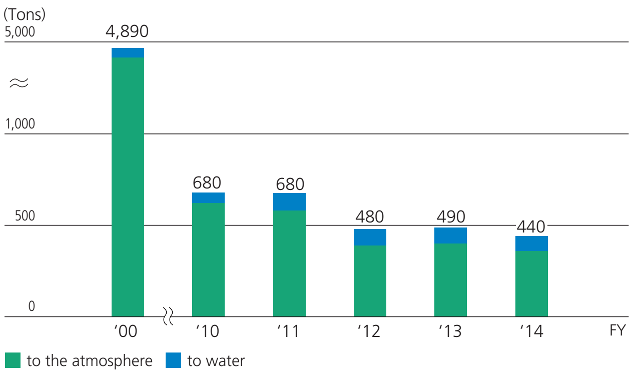
* Excluding industrial waste generated at the construction sites of Asahi Kasei Homes.

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 PRTR* 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.

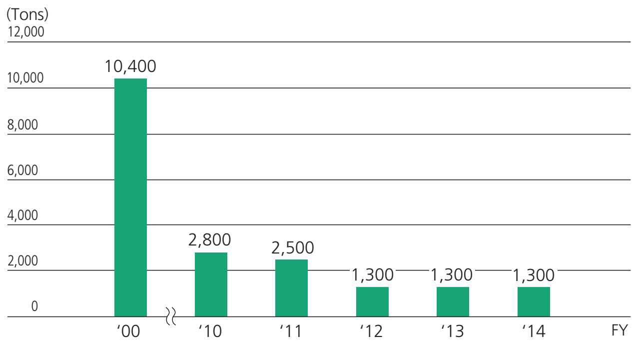
* PRTR: Pollutant release and transfer register. Under the PRTR Law, releases to the environment and off-site transfers of specific hazardous chemical substances must be monitored and recorded for each production facility and operating site. Results are reported to the government, which publishes aggregate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

Releases of PRTR-specified substances



Note:
- No release to soil
- The number of PRTR-specified substances was changed due to a regulatory revision in FY2010.

Atmospheric emissions of VOCs*



* 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.

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.

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.

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 respond to it. Miniature plants and simulators are used at AOA to provide hands-on experience with controls and instrumentation.

Workplace safety

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.

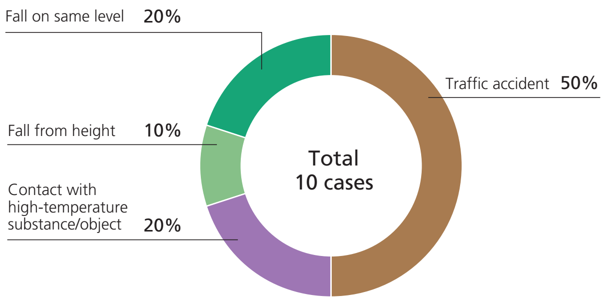
* Occupational Health and Safety Management System. A standardized management system used to confirm that continuous improvement is being applied to measures to minimize the risks of workplace injuries and to prevent the emergence of future risks.

Occurrence of workplace injuries

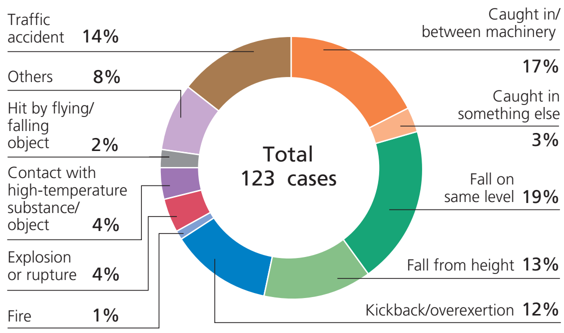
Of the 10 lost-workday injuries that occurred during fiscal 2014, none were in the "caught in/between" category, which we had strived to eliminate. Although this was a significant achievement considering that 17% of lost-workday injuries were in this category from fiscal 2004 to 2013, we continue to reduce the risk of 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 when building new equipment or modifying existing equipment, with deliberation among related parties as part of the equipment inspection. The 3 categories of fall on the same level, fall from height, and traffic accident accounted for 80% of all lost-workday injuries in fiscal 2014. To prevent these common accidents that could occur even in non-factory workplaces such as sales offices or headquarters, we are 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.

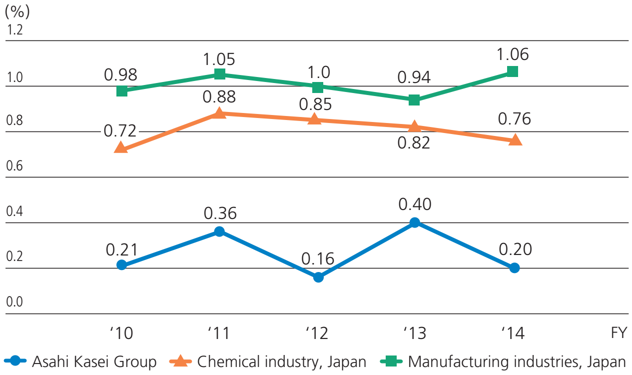
Incidence of lost-workday injury by event category, FY 2014 in Japan



Incidence of lost-workday injury by event category, FY 2004–2013 in Japan



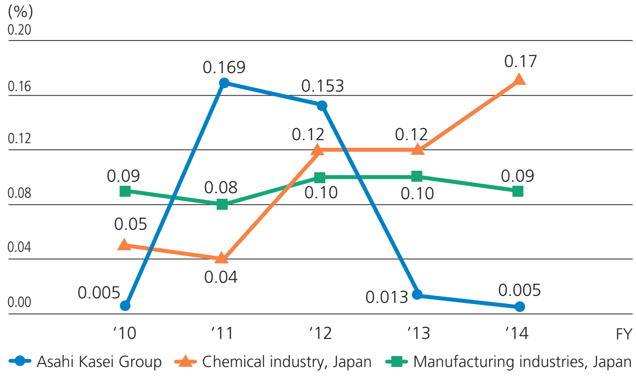
Frequency rate*



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.

Severity rate*



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

*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

During fiscal 2014, we began a series of interviews to confirm whether the activities of our health management centers at each site, including the duties of our industrial physicians and health nurses, are being performed in accordance with the Industrial Safety and Health Law and our health management guidelines. Further guidance and support is being provided as necessary.

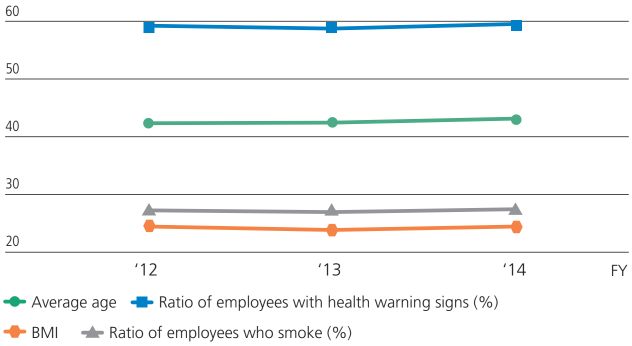
Health maintenance and promotion for employees

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

In fiscal 2014, the results of annual checkups indicated that the proportion of employees with health warning signs rose slightly, in line with an increase in the average employee age, while BMI and the ratio of employees who smoke was generally unchanged.

Since fiscal 2013, we have promoted the use of our health improvement program, a tool for health management that was revised to enable more easy use of specified health guidance. This program is especially useful for the maintenance and improvement of employees' health at independent plants where on-site health care staff is limited, and also as an outside resource for affiliated companies.

Ratio of employees with health warning signs



Measures to prevent falling

Based on the falling risk assessment manual issued by the Japan Industrial Safety & Health Association, in fiscal 2013 we prepared a manual for physical fitness tests to prevent falling. In fiscal 2014 we began using this manual to assess falling risks of our employees, followed-up with guidance by industrial physicians. This has been completed at about half of our sites, with preparations advancing at the remaining sites.

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 24 sites, with appropriate follow-up implemented. Ongoing stress surveys will be performed annually at each site. 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.

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 2014, 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. 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.

The Asahi Kasei Group's effort

Global trends on management of chemical substances

The Asahi Kasei Group is enhancing the management of chemical substances in accordance with relevant global trends. Many international organizations and private-sector associations are promoting chemical management based on risk assessment and advancing product stewardship in supply chains.

Committing to the RC Global Charter

On May 30, 2008, the President of Asahi Kasei Corp. signed a letter of commitment to the Responsible Care Global Charter (RCGC) on behalf of the Asahi Kasei Group, indicating our recognition of the importance of RC and especially chemical substance control. The RCGC was launched by the International Council of Chemical Associations (ICCA) with a UN resolution. When RC Global Charter was amended in 2014, the President of Asahi Kasei Corp. again signed it on November 19, 2014.

Developments in management of chemical substances

Organization	Related items	Development
UN	Resolutions at international conferences concerning global environment	• Resolution to minimize adverse effects on human health and the environment due to production, handling, and use of chemical substance; implementation of Action Plans to achieve certain targets by 2020 • Implementation of Globally Harmonized System (GHS)* for the classification and labeling of chemicals
OECD	Safety checks on existing chemicals	• Collection of safety data under the High Production Volume (HPV) Chemicals initiative by each member country and its chemical industry
EU	Implement new regulation on chemicals	• REACH Regulation for the registration, evaluation, authorization, and restriction of chemicals • RoHS Directive for the restriction of the use of certain hazardous substances in electrical and electronic equipment

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 the safe use and handling of our products, continuously review the safety the of our products, and strive to ensure that the safety information that we provide is easy to understand and apply.

*Globally Harmonized System of Classification and Labeling of Chemicals (GHS): An international system of standardized hazard categories for chemical products, together with harmonized labeling.

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 careers, 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 application thereof throughout the group. As of April 2015, 92 Group Masters are designated: 2 as Group Fellows, 22 as Senior Group Experts, and 68 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, and holding training sessions including an Intercultural Communication Program for personnel at overseas subsidiaries.

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 the employment of persons with disabilities, and to rehire personnel after the mandatory retirement.

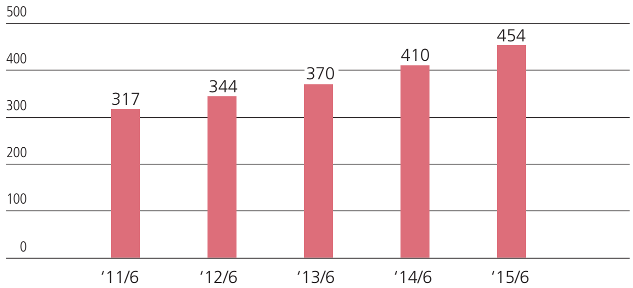
Fiscal 2015 hiring

In April 2015, 333 new graduates were hired: 250 men and 83 women. In addition, 61 persons were hired in mid-career between April 2014 and March 2015.

Expansion of opportunities for women

In 1993, we established a dedicated corporate organ (now Diversity Promotion Group) to promote equal opportunity, and have proactively increased the proportion of women hired and expanded the distribution of job assignments for women. While only five employees at the rank of manager or above were women in 1993, this had risen to 454 in June 2015. The variety of posts where women are assigned also 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-

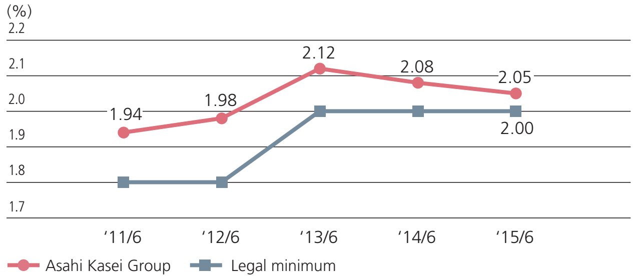
For more information, please refer to the Asahi Kasei Group CSR Website.
http://www.asahi-kasei.co.jp/asahi/en/csr/

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 24,037.5 persons in the 19 applicable companies. As of June 1, 2015, the number of disabled persons employed by Asahi Kasei Ability Corp. stood at 314.0 of the total 492.0 disabled employees. Calculated in accordance with the Act on Employment Promotion etc. of Persons with Disabilities.

Balancing work and family life

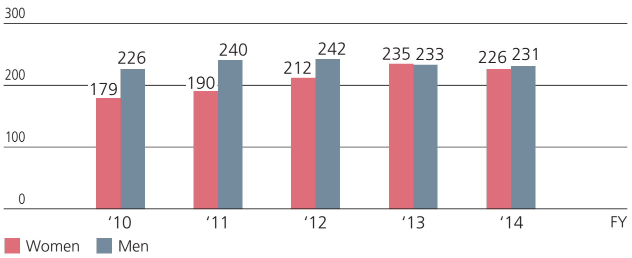
Basic policy

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 2014, 457 personnel utilized parental leave. This is included 231 men, which is 40% of those who were qualified, and 226 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 2014, 6 personnel utilized leave of absence for family care.

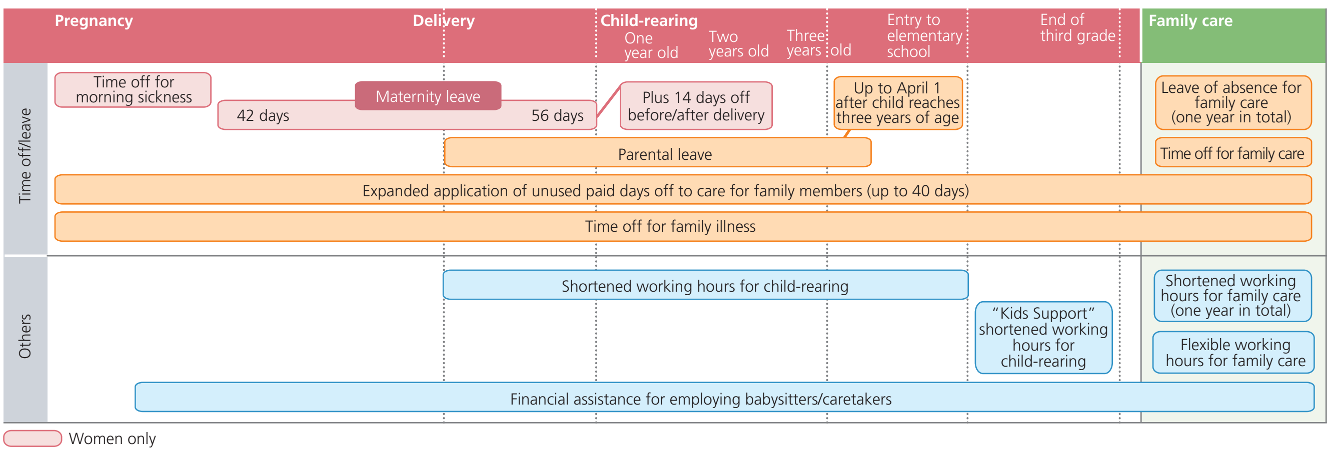
Leave of absence to accompany spouse on overseas assignment

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. In fiscal 2014, 7 personnel utilized this provision.

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

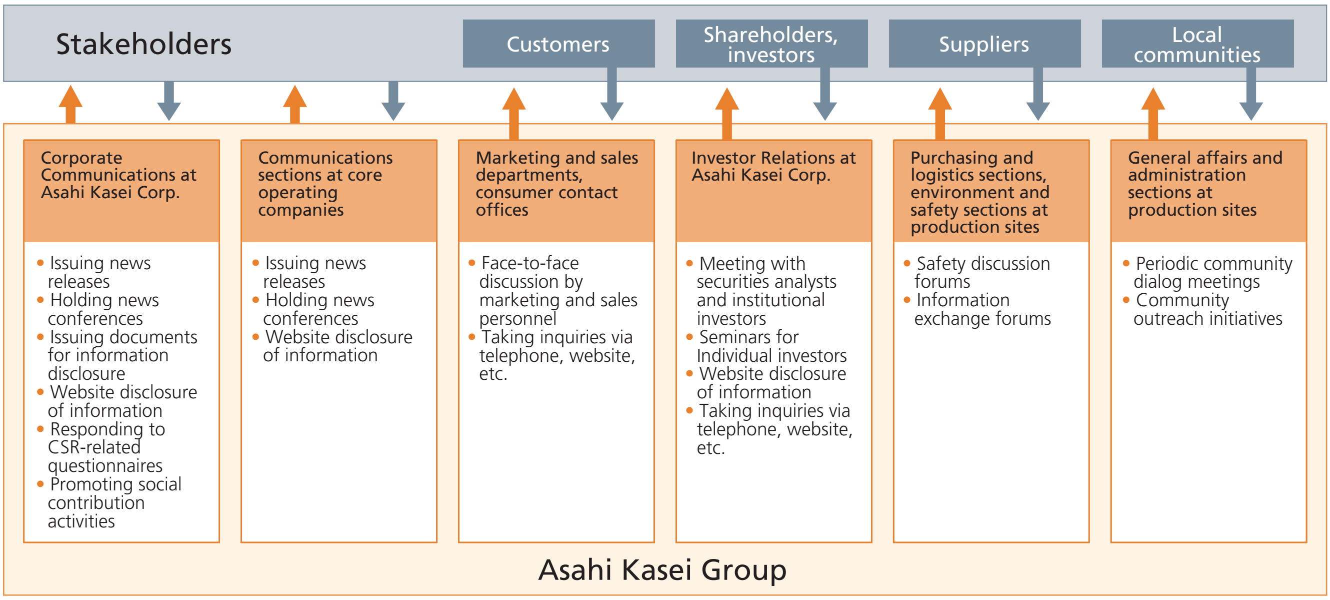


Corporate Citizenship

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.

Investor relations

We strive to disclose information in a timely and fair manner to enable our domestic and international investors to gain an accurate understanding of the Asahi Kasei Group.

Shareholder distribution

Please refer to "Return to Shareholders and Share Information" on page 3.

IR meetings with institutional investors and securities analysts

In fiscal 2014, Investor Relations (IR) held 293 meetings with institutional investors and securities analysts in Japan, including quarterly results briefings and an annual management briefing with the President. We proactively hold meetings with investors with the aim of deepening their understanding of key businesses of Asahi Kasei. In addition, 53 meetings were held overseas.

In total, 346 meetings were held to directly provide information to institutional investors and securities analysts during the year, with a cumulative attendance of 1,344. We also provide a wide variety of information for investors on our website.

Seminars for individual investors

To provide individual investors with a better understanding of the operations of the Asahi Kasei Group, 27 seminars were held in fiscal 2014, with total attendance of 2,876 individual investors.* We will continue to provide accurate and timely information to individual investors through direct communications, the corporate website, and articles published in magazines for individual investors.

* Excluding participants of the 123rd Ordinary General Meeting of Shareholders.

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.

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 Purchasing and 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	We uphold all laws relevant to purchasing transactions as well as the Asahi Kasei Group's internal regulations.
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 2014, the Asahi Kasei Group asked 160 major suppliers of materials and construction services to participate in a CSR survey, and the response rate was 98%. This objective of the survey was to better understand our suppliers' efforts to promote CSR, and identify any areas where improvement may be requested. Survey items covered included CSR promotion systems, compliance, environmental safety, risk management, product safety, human rights and labor, information security management, and intellectual property management. Survey results were scored on a scale, and feedback was given to suppliers including requests for improvement.

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 Moriyama, Shiga

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 a better understanding of our operations and the measures we implement for the environment and safety. In the Nobeoka/Hyuga region of Miyazaki, Japan, 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 by nearby community members.

Neighborhood clean-up (Kawasaki, Kanagawa)

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

Community dialog meeting (Izunokuni, Shizuoka)

Plant tour (Fuji, Shizuoka)

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.

The Community Fellowship Committee is organized under direct supervision of the holding company President. Its roles include formulation of overall policy, plans, and courses of action with regard to community fellowship activities in accordance with our Basic Framework. The Committee also monitors and reviews community fellowship activities at each site and at each affiliated company of the Asahi Kasei Group.

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, especially those near our production bases, 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 2014, a total of some 3,200 students of 97 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.

Science class (Nobeoka)

Science class (Fuji)

Science class (Tokyo)

Asahi Kasei Award presented at the Japan Student Science Awards

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 2014, trees were planted on April 12 and 13.

Tree planting in China

Disaster relief

To support areas affected by the Great East Japan Earthquake, in September 2014 and March 2015 we participated in a Disaster Relief Market outside our Tokyo Head Office building featuring produce of Iwate, Miyagi, and Fukushima prefectures. This event was co-hosted by Mitsui Fudosan Building Management Co., Ltd.

Disaster Relief Market

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.

Orchestra concert in Nobeoka (photo by Yukan Daily)

Financial Section

Contents

Consolidated Eleven-Year Summary

Asahi Kasei Corporation and Consolidated Subsidiaries

For the years ended March 31	2015[a]	2014	2013[d]	2012	2011[e, f]
Net sales[b]	**¥1,986,405**	¥1,897,766	¥1,666,640	¥1,573,230	¥1,555,945
Chemicals & Fibers	**954,623**	912,505	—	—	—
Chemicals	**824,288**	791,615	684,582	680,112	699,801
Life & Living	**—**	—	—	—	—
Fibers	**130,335**	120,890	109,613	110,849	108,761
Homes & Construction Materials	**603,786**	589,380	—	—	—
Homes	**551,817**	534,377	486,182	451,965	409,224
Construction Materials	**51,969**	55,003	51,504	46,146	47,418
Electronics	**150,388**	144,995	131,148	146,113	158,337
Health Care	**257,133**	232,387	—	—	—
Health Care	**146,485**	152,546	133,450	119,483	116,387
Critical Care	**110,648**	79,840	52,131	—	—
Others	**20,476**	18,499	18,031	18,562	16,017
Domestic sales	**1,313,128**	1,289,054	1,181,429	1,151,705	1,106,656
Overseas sales	**673,277**	608,712	485,211	421,525	449,289
Operating income	**157,933**	143,347	91,960	104,258	122,927
Ordinary income	**166,543**	142,865	95,125	107,567	118,219
Income before income taxes	**158,440**	163,860	82,302	94,866	98,342
Net income	**105,652**	101,296	53,712	55,766	60,288
Comprehensive income	**214,484**	146,102	117,515	62,561	45,088
Net income per share, yen	**75.62**	72.48	38.43	39.89	43.11
Capital expenditure	**89,108**	92,397	113,785	85,124	66,014
Depreciation and amortization	**86,058**	86,052	80,050	78,440	84,092
R&D expenditures	**75,540**	71,101	71,120	66,269	62,320
Cash dividends per share, yen	**19.00**	17.00	14.00	14.00	11.00

As of March 31	2015	2014	2013	2012	2011
Total assets	**¥2,014,531**	¥1,915,089	¥1,800,170	¥1,410,568	¥1,425,879
Inventories	**339,677**	328,540	309,677	279,206	256,248
Property, plant and equipment	**502,507**	480,535	461,581	416,119	418,354
Investments and other assets	**334,368**	285,735	263,704	227,489	220,773
Net worth[c]	**1,082,654**	912,699	812,080	706,846	663,566
Net worth per share, yen	**775.05**	653.15	581.05	505.72	474.59
Net worth/total assets, %	**53.7**	47.7	45.1	50.1	46.5
Number of employees	**30,313**	29,127	28,363	25,409	25,016

a. Beginning with the year ended March 31, 2015, the former Chemicals segment and the former Fibers segment are combined as a new Chemicals & Fibers segment, the former Homes segment and the former Construction Materials segment are combined as a new Homes & Construction Materials segment, and the former Health Care segment and the former Critical Care segment are combined as a new Health Care segment.

b. 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.

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

d. 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.

e. 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.

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

Millions of yen, except where noted

2010[e, g]	2009[e, g]	2009[e]	2008[e, h]	2007	2006[i]	2005
¥1,392,212	¥1,521,178	¥1,521,178	¥1,663,778	¥1,623,791	¥1,498,620	¥1,377,697
—	—	—	—	—	—	—
580,709	657,393	709,556	846,224	752,632	660,402	557,439
—	—	—	—	52,558	51,942	59,149
101,201	116,405	102,176	114,072	106,639	89,704	104,261
—	—	—	—	—	—	—
389,728	409,882	409,882	386,227	405,695	404,539	375,755
47,024	60,927	60,927	55,732	60,818	56,512	59,908
142,700	129,655	91,721	113,267	112,094	102,859	93,025
—	—	—	—	—	—	—
113,207	119,619	119,619	111,232	104,474	105,842	103,933
—	—	—	—	—	—	—
17,642	27,297	27,297	37,024	28,881	26,821	24,228
1,021,803	1,127,213	1,127,213	1,176,441	1,195,751	1,125,454	1,067,893
370,409	393,965	393,965	487,337	428,040	373,166	309,804
57,622	34,959	34,959	127,656	127,801	108,726	115,809
56,367	32,500	32,500	120,456	126,507	104,166	112,876
46,056	19,031	19,031	105,599	114,883	94,481	91,141
25,286	4,745	4,745	69,945	68,575	59,668	56,454
—	—	—	—	—	—	—
18.08	3.39	3.39	50.01	49.00	42.46	40.16
83,990	126,725	126,725	82,911	84,413	66,310	68,479
86,166	79,436	79,436	73,983	71,646	69,399	71,531
62,924	60,849	60,849	56,170	52,426	51,467	50,715
10.00	10.00	10.00	13.00	12.00	10.00	8.00

2010	2009	2009	2008	2007	2006	2005
¥1,368,892	¥1,379,337	¥1,379,337	¥1,425,367	¥1,459,922	¥1,376,044	¥1,270,057
251,084	273,539	273,539	272,372	240,006	214,062	202,521
447,497	441,271	441,271	424,193	426,959	414,368	419,969
226,331	218,477	218,477	234,873	281,502	284,390	223,958
633,343	603,846	603,846	666,244	645,655	594,211	511,726
452.91	431.77	431.77	476.39	461.50	424.34	365.43
46.3	43.8	43.8	46.7	44.2	43.2	40.3
25,085	24,244	24,244	23,854	23,715	23,030	23,820

g. 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.

h. In the year ended March 31, 2008, the Life & Living segment was combined with the Chemicals segment.
i. In the year ended March 31, 2006, Leona™ nylon 66 filament operations were transferred from the Fibers segment to the Chemicals segment.

Management's Discussion and Analysis

Fiscal year 2014 (April 1, 2014 – March 31, 2015)

Operating Environment

Although the US economy continued to recover and there were signs of improvement in Europe during fiscal 2014, slower growth was seen in China and other emerging countries, while the global economy faced heightened geopolitical risks due to political instability in certain regions. As for the Japanese economy, consumer spending softened during the early part of the fiscal year due to the effect of the consumption tax increase, but in the latter part of the fiscal year the Japanese economy continued on a path of gradual recovery with the weaker yen and lower oil prices leading to improved corporate performance.

Overview of Consolidated Results

Net sales, operating income

Consolidated net sales for the fiscal year increased by ¥88.6 billion (4.7%) to ¥1,986.4 billion. Overseas sales increased by ¥64.6 billion (10.6%) to ¥673.3 billion, largely in the Health Care segment, and increased by 1.8 percentage points as a portion of consolidated net sales from 32.1% to 33.9%. Domestic sales increased by ¥24.1 billion (1.9%) to ¥1,313.1 billion with strong performance in the Chemicals & Fibers segment.

Operating income increased by ¥14.6 billion (10.2%) to ¥157.9 billion. As a percentage of net sales, cost of sales decreased by 0.6 percentage points to 72.5%. SG&A increased by ¥20.4 billion, increasing as a portion of net sales by 0.2 percentage points to 19.6% despite the increase in net sales. Operating margin increased by 0.4 percentage points to 8.0%.

Non-operating income and expenses, ordinary income

Net non-operating income was ¥8.6 billion, a ¥9.1 billion improvement from the ¥0.5 billion net non-operating expenses of a year earlier. Foreign exchange gains increased, and equity in losses of affiliates transitioned to equity in earnings of affiliates. As a result, ordinary income increased by ¥23.7 billion (16.6%) to ¥166.5 billion.

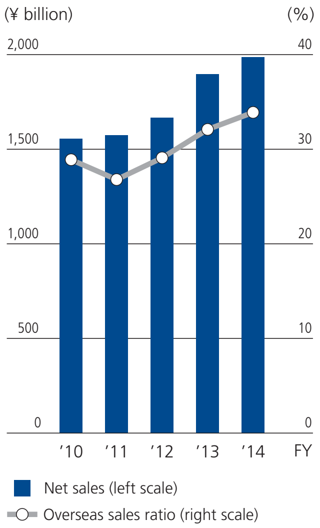
Extraordinary income and loss

Extraordinary loss of ¥11.2 billion included ¥4.7 billion in loss on disposal of noncurrent assets, ¥4.0 billion in business structure improvement expenses, and ¥1.3 billion in impairment loss. The net extraordinary loss of ¥8.1 billion was a ¥29.1 billion decline from a year ago.

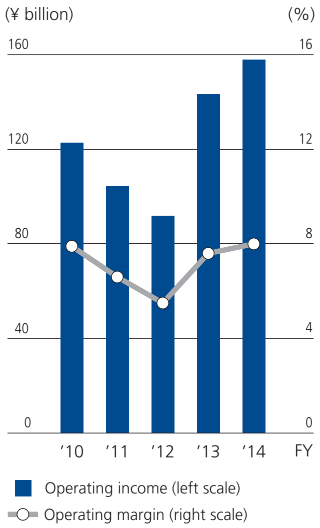
Net income

With ordinary income of ¥166.5 billion and net extraordinary loss of ¥8.1 billion, income before income taxes and minority interests was ¥158.4 billion. Income tax expense was ¥51.5 billion (current income taxes of ¥44.1 billion combined with a deferred income tax obligation of ¥7.5 billion). Minority interests in income of consolidated subsidiaries were ¥1.2 billion. As a result, net income increased by ¥4.4 billion (4.3%) to ¥105.7 billion, and net income per share increased by ¥3.14 to ¥75.62 from the ¥72.48 of the previous year.

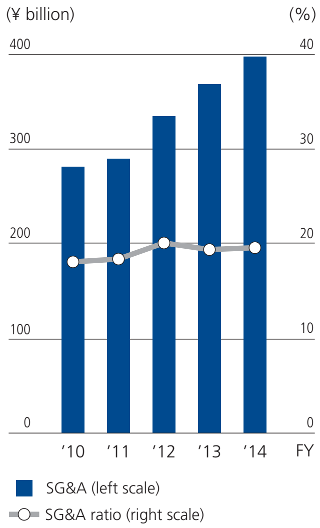
Net Sales, Overseas Sales Ratio



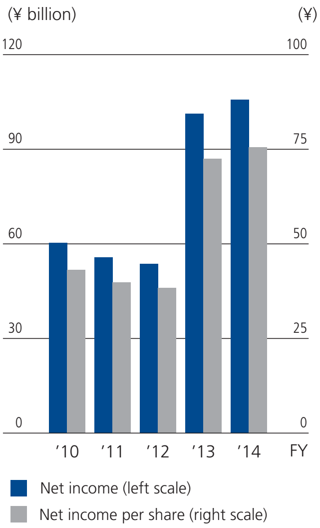
Operating Income, Operating Margin



SG&A, SG&A Ratio



Net Income, Net Income per Share



Results by Operating Segment

Beginning with the first quarter of fiscal 2014, the Asahi Kasei Group's previous seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Electronics, Health Care, and Critical Care, together with an "Others" category, have been changed to the four reportable segments of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, together with an "Others" category, in accordance with a change in the governance configuration. The figures for the previous fiscal year have been recalculated in accordance with the new segment configuration for comparison purposes.

Chemicals & Fibers

Sales increased by ¥42.1 billion (4.6%) from a year ago to ¥954.6 billion, and operating income increased by ¥17.2 billion (36.2%) to ¥64.6 billion.

Among chemicals operations, in petrochemicals, market prices for styrene declined, but the strengthening of petrochemical operations in Japan had a positive effect on performance, and terms of trade for acrylonitrile improved substantially due to firm market prices and lower feedstock costs. Performance polymers benefitted from the weaker yen and sales of engineering plastics were firm, but synthetic rubber was impacted by low market prices for general-purpose products. In specialty products, sales of ion-exchange membranes were firm, but Saran Wrap™ cling film and other consumables were impacted by the consumption tax increase.

Bemberg™ cupro fiber was impacted by increased depreciation expenses for a new production facility, but fibers operations benefitted from the weaker yen, and sales of Bemliese™ continuous-filament cellulose nonwoven for facial masks etc., of Lamous™ artificial suede for automotive interiors, and of Roica™ elastic polyurethane filament were firm.

Homes & Construction Materials

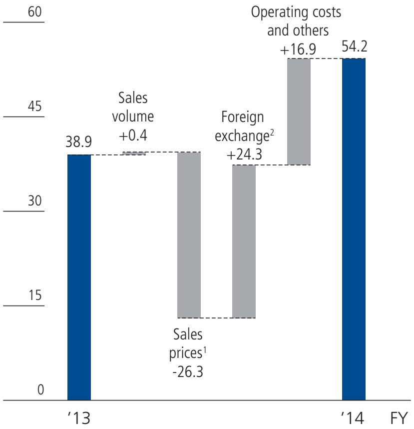
Sales increased by ¥14.4 billion (2.4%) from a year ago to ¥603.8 billion, and operating income decreased by ¥5.5 billion (8.0%) to ¥63.0 billion.

Among homes operations, in order-built homes, deliveries increased mainly for Hebel Maison™ apartment buildings based on strong orders in the previous fiscal year, but the cost of materials rose and selling, general and administrative expenses increased with higher costs for sales promotion. In real estate, management of rental units was firm. In remodeling, orders decreased in reaction to the surge in demand prior to the consumption tax increase.

In construction materials operations, shipments of Hebel™ autoclaved aerated concrete (AAC) panels increased, but shipments of Neoma™ high-performance phenolic foam panels decreased as an effect of the consumption tax increase and the business was impacted by increased depreciation expenses for a new production line.

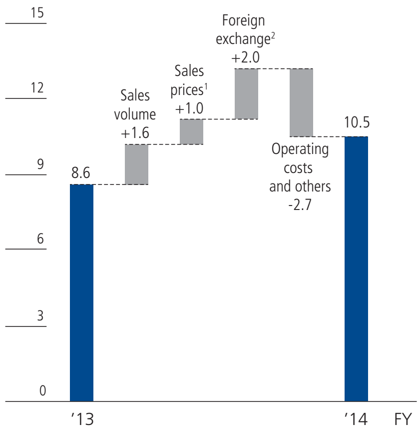
Chemicals business operating income increases/decreases

(¥ billion)



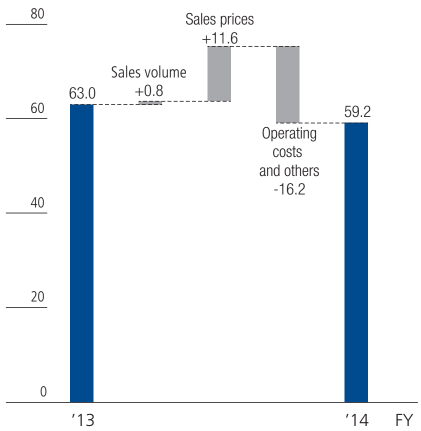
Fibers business operating income increases/decreases

(¥ billion)



Homes business operating income increases/decreases

(¥ billion)



1 Excluding impact of foreign exchange
2 Impact of foreign exchange on sales prices

Note: Operating income increases/decreases are shown by business categories corresponding to the former operating segments.

Electronics

Sales increased by ¥5.4 billion (3.7%) from a year ago to ¥150.4 billion, and operating income increased by ¥0.1 billion (0.4%) to ¥14.3 billion.

Electronic devices operations benefitted from the weaker yen and shipments of electronic devices for smartphones increased, but cost of goods sold increased due to a devaluation of inventories in relation to structural improvement of the power management device business continuing from fiscal 2013.

Electronic materials operations benefitted from the weaker yen and sales of high-end products in each product category increased, but sales prices decreased mainly for Hipore™ Li-ion battery separator.

Health Care

Sales increased by ¥24.7 billion (10.6%) from a year ago to ¥257.1 billion, and operating income increased by ¥4.1 billion (15.3%) to ¥30.8 billion.

In pharmaceuticals operations, pharmaceutical products excluding new drugs were impacted by reduced reimbursement prices, and shipments of Teribone™ osteoporosis drug decreased in reaction to the surge in demand prior to the consumption tax increase.

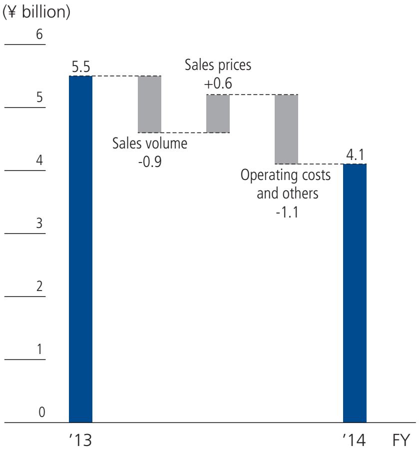
In medical devices operations, overseas sales of dialysis products and of therapeutic apheresis devices were firm and shipments of Planova™ virus removal filters increased, while the weaker yen contributed to performance.

In critical care operations, the LifeVest™ wearable defibrillator business continues to expand smoothly, and sales of other products such as defibrillators and related accessories increased, but selling, general and administrative expenses grew with reinforced sales activity.

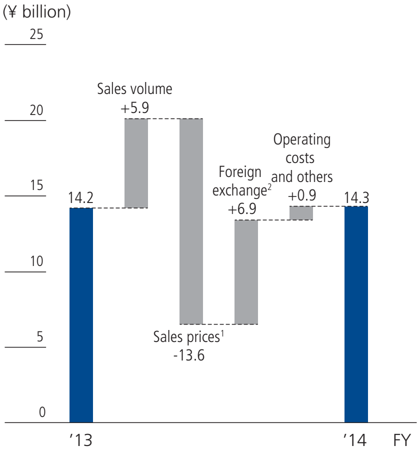
Others

Sales in "Others" increased by ¥2.0 billion (10.7%) from a year ago to ¥20.5 billion, and operating income decreased by ¥0.8 billion (45.6%) to ¥0.9 billion.

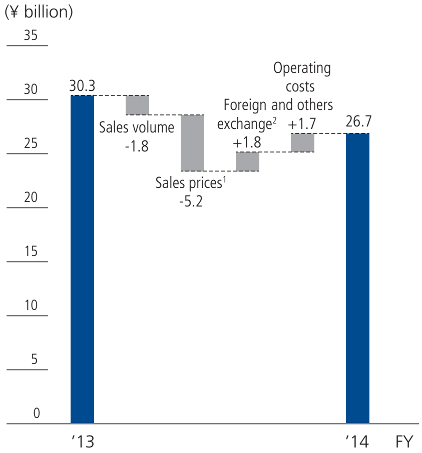
Construction Materials business operating income increases/decreases



Electronics business operating income increases/decreases



Health Care business operating income increases/decreases



1 Excluding impact of foreign exchange
2 Impact of foreign exchange on sales prices

Note: Operating income increases/decreases are shown by business categories corresponding to the former operating segments.

Liquidity and Capital Resources

Financial position

Total assets at fiscal year end were ¥2,014.5 billion, ¥99.4 billion (5.2%) higher than a year earlier.

Current assets increased by ¥1.2 billion (0.1%) to ¥891.6 billion, mainly as inventories increased by ¥11.1 billion and notes and accounts receivable–trade increased by ¥8.9 billion, while cash and deposits decreased by ¥27.7 billion,

Noncurrent assets increased by ¥98.3 billion (9.6%) to ¥1,123.0 billion, notably with a ¥51.0 billion increase in investment securities largely due to higher fair market value and a ¥27.7 billion increase in property, plant and equipment.

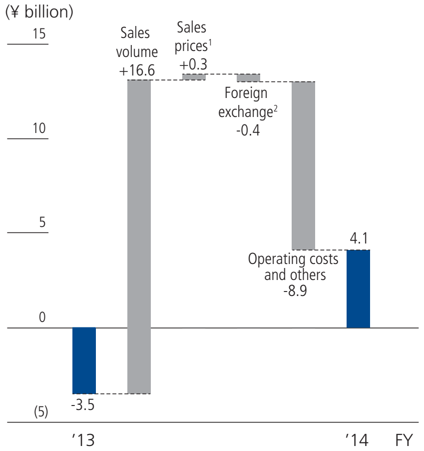
Current liabilities decreased by ¥69.3 billion (12.0%) to ¥507.4 billion, mainly as a result of a ¥38.3 billion decrease in income taxes payable and a ¥10.0 billion decrease in commercial paper.

Although deferred tax liabilities increased by ¥14.5 billion, noncurrent liabilities decreased by ¥3.2 billion (0.8%) to ¥409.4 billion with a ¥15.6 billion decrease in long-term loans payable.

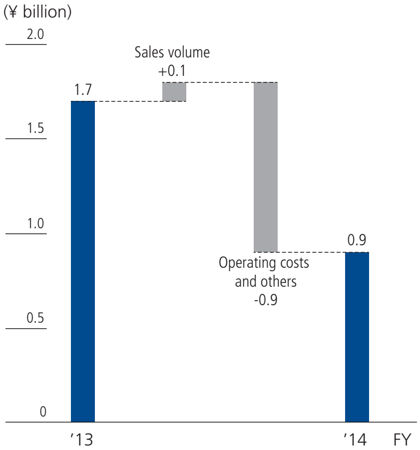
Interest-bearing debt decreased by ¥34.9 billion (11.5%) to ¥269.0 billion.

Net assets increased by ¥172.0 billion (18.6%) from ¥925.8 billion to ¥1,097.7 billion. Net income was ¥105.7 billion, foreign currency translation adjustments increased by ¥52.8 billion, and net unrealized gain on other securities increased by ¥37.9 billion, while dividend payments were ¥26.5 billion. As a result, net worth per share increased by ¥121.91 to ¥775.05, net worth/total assets increased from 47.7% to 53.7%, and debt-to-equity ratio decreased by 0.08 points to 0.25.

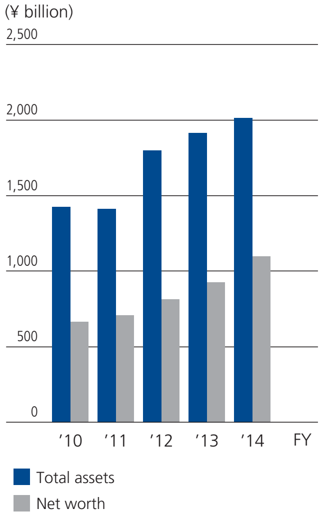
Critical Care business operating income increases/decreases



Others operating income increases/decreases



Total Assets, Net Worth



1 Excluding impact of foreign exchange
2 Impact of foreign exchange on sales prices

Note: Operating income increases/decreases are shown by business categories corresponding to the former operating segments.

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 ¥89.1 billion was invested during the fiscal year for the expansion of businesses with competitive superiority, particularly in the Chemicals & Fibers segment, as well as for modification and rationalization.

	Totals for the year (¥ million)	Compared to previous year (%)
Chemicals & Fibers	41,718	107.6
Homes & Construction Materials	10,864	72.2
Electronics	11,600	79.5
Health Care	16,595	91.4
Others	1,389	99.6
Combined	82,165	93.4
Corporate assets and eliminations	6,943	155.4
Consolidated	89,108	96.4

Notable capex by operating segment was as follows.

Chemicals & Fibers
Construction of new line for solution-polymerized styrene-butadiene rubber (S-SBR), construction of new plant for polycarbonatediol (PCD) construction of new production facility for Bemberg™, rationalization, labor-saving, and maintenance.

Homes & Construction Materials
Rationalization, labor-saving, and maintenance.

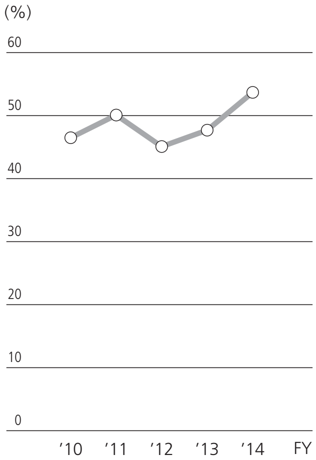
Electronics
Rationalization, labor-saving, and maintenance.

Health Care
Rationalization, labor-saving, and maintenance.

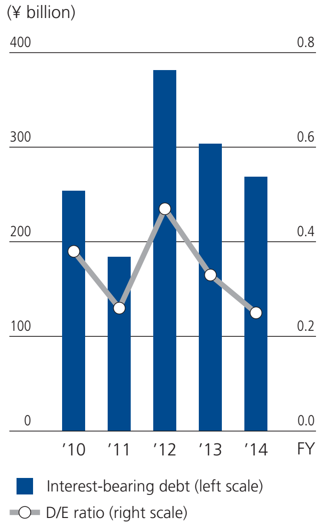
Others
Rationalization, labor-saving, and maintenance.

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

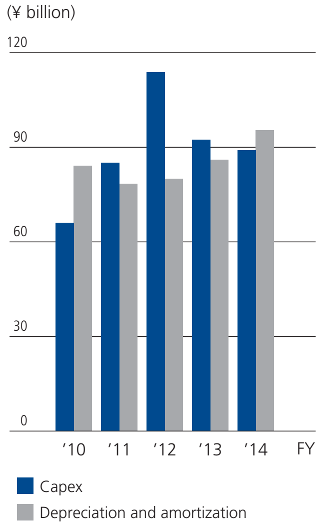
Net Worth to Total Assets



Interest-Bearing Debt, D/E Ratio



Capex, Depreciation and Amortization



Cash flows

Free cash flows* were a positive ¥37.1 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 ¥74.0 billion used, principally due to a decrease in short-term loans payable. As a result, cash and cash equivalents at fiscal year end were ¥112.3 billion, ¥30.8 billion less than a year earlier.

Cash flows from operating activities

Cash used included ¥85.4 billion for income taxes paid and a ¥13.6 billion decrease in notes and accounts payable–trade. Income before income taxes and minority interests generated ¥158.4 billion and depreciation and amortization generated ¥86.1 billion. Net cash provided by operating activities was ¥137.6 billion, ¥106.6 billion less than a year earlier.

Cash flows from investing activities

Cash used included ¥83.0 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness and ¥10.7 billion for purchase of intangible assets. Net cash used in investing activities was ¥100.5 billion, ¥3.3 billion less than a year earlier.

Cash flows from financing activities

Cash used included ¥44.4 billion to reduce loans payable, bonds payable, and commercial paper and ¥26.5 billion for dividend payments. Net cash used in financing activities was ¥74.0 billion, ¥31.1 billion less 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

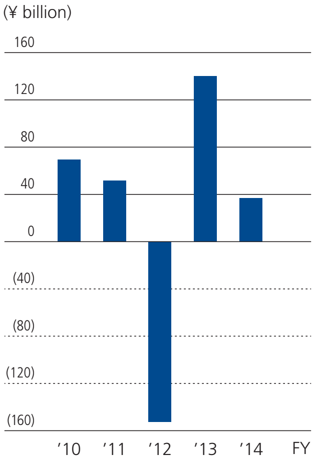
We aim to increase free cash flows with increased earnings through enhanced cost efficiency, greater product competitiveness, and business structure improvements, and with greater capital efficiency through utilization of group finance and maintenance of optimum inventory levels.

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.

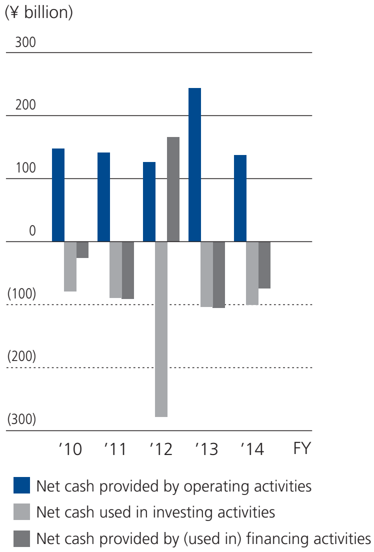
These resources will be used to fund strategic investments under the "For Tomorrow 2015" strategic management initiative focused on the expansion of world-leading businesses and the creation of new value for society by expanding operations in the fields of the Environment & Energy, Residential Living, 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

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

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

Crude oil and naphtha prices

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

Exchange rate fluctuation

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

Overseas operations

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

Housing-related tax policy, interest rate fluctuation

Operations in the homes business 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, 2015 and 2014

ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Current assets:			
Cash and deposits (Notes 8 and 10)	**¥123,821**	¥151,474	**$1,030,553**
Notes and accounts receivable—trade	**325,568**	316,705	**2,709,680**
Short-term investment securities (Notes 8, 10 and 11)	**1,802**	—	**14,998**
Merchandise and finished goods	**161,554**	151,156	**1,344,603**
Work in progress	**112,813**	112,243	**938,935**
Raw materials and supplies	**65,311**	65,141	**543,579**
Deferred tax assets (Note 14)	**21,707**	27,469	**180,666**
Other	**80,520**	68,106	**670,162**
Allowance for doubtful accounts	**(1,517)**	(1,894)	**(12,626)**
Total current assets	**891,579**	890,401	**7,420,549**
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 4(b), (d))	**471,033**	453,498	**3,920,375**
Accumulated depreciation	**(261,352)**	(250,633)	**(2,175,214)**
Buildings and structures, net	**209,681**	202,866	**1,745,160**
Machinery, equipment and vehicles (Note 4(b), (d))	**1,345,790**	1,290,526	**11,200,916**
Accumulated depreciation	**(1,170,771)**	(1,127,452)	**(9,744,245)**
Machinery, equipment and vehicles, net	**175,019**	163,074	**1,456,671**
Land (Note 4(d))	**59,287**	58,067	**493,442**
Lease assets (Note 9)	**13,054**	13,567	**108,648**
Accumulated depreciation	**(10,232)**	(9,095)	**(85,160)**
Lease assets, net	**2,822**	4,472	**23,487**
Construction in progress	**37,566**	35,216	**312,659**
Other (Note 4(d))	**143,593**	137,897	**1,195,114**
Accumulated depreciation	**(125,461)**	(121,056)	**(1,044,203)**
Other, net	**18,133**	16,841	**150,920**
Subtotal	**502,507**	480,535	**4,182,330**
Intangible assets			
Goodwill (Note 15(d))	**153,835**	137,679	**1,280,358**
Other	**132,241**	120,740	**1,100,633**
Subtotal	**286,076**	258,419	**2,380,990**
Investments and other assets			
Investment securities (Notes 4(a), (b), 10 and 11)	**289,393**	238,419	**2,408,598**
Long-term loans receivable (Note 10)	**9,952**	9,173	**82,830**
Net defined benefit asset (Note 13)	**2,929**	2,369	**24,378**
Deferred tax assets (Note 14)	**11,351**	16,278	**94,474**
Other	**21,016**	19,751	**174,915**
Allowance for doubtful accounts	**(273)**	(256)	**(2,272)**
Subtotal	**334,368**	285,735	**2,782,921**
Total noncurrent assets	**1,122,952**	1,024,689	**9,346,251**
Total assets	**¥2,014,531**	¥1,915,089	**$16,766,800**

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2015	2014	Thousands of U.S. dollars (Note 1) 2015
Liabilities:			
Current liabilities:			
Notes and accounts payable—trade (Note 10)	**¥151,867**	¥159,925	**$1,263,978**
Short-term loans payable (Notes 4(b), 10 and 21)	**96,015**	103,605	**799,126**
Commercial paper (Notes 10 and 21)	**—**	10,000	**—**
Lease obligations (Notes 9, 10 and 21)	**1,383**	1,784	**11,511**
Accrued expenses	**101,164**	93,313	**841,981**
Income taxes payable (Note 10)	**10,203**	48,520	**84,919**
Advances received	**74,675**	80,164	**621,515**
Provision for periodic repairs	**2,396**	7,964	**19,942**
Provision for product warranties	**2,562**	2,503	**21,323**
Provision for removal cost of property, plant and equipment	**2,832**	2,893	**23,571**
Asset retirement obligations (Note 16)	**533**	806	**4,436**
Other	**63,817**	65,305	**531,144**
Total current liabilities	**507,449**	576,782	**4,223,462**
Noncurrent liabilities:			
Bonds payable (Notes 10 and 21)	**40,000**	40,000	**332,917**
Long-term loans payable (Notes 4(b), 10 and 21)	**130,400**	146,037	**1,085,310**
Lease obligations (Notes 9, 10 and 21)	**1,219**	2,445	**10,146**
Deferred tax liabilities (Note 14)	**57,943**	43,441	**482,256**
Provision for directors' retirement benefits	**—**	818	**—**
Provision for periodic repairs	**1,248**	173	**10,387**
Provision for removal cost of property, plant and equipment	**7,865**	9,526	**65,460**
Net defined benefit liability (Note 13)	**142,035**	143,523	**1,182,147**
Asset retirement obligations (Note 16)	**3,506**	3,244	**29,180**
Long-term guarantee deposits (Note 10)	**19,146**	18,899	**159,351**
Other	**5,998**	4,434	**49,921**
Total noncurrent liabilities	**409,360**	412,541	**3,407,074**
Total liabilities	**916,809**	989,323	**7,630,537**
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,402,616,332 shares	**103,389**	103,389	**860,499**
Capital surplus	**79,408**	79,404	**660,907**
Retained earnings (Note 7(b)(ii))	**699,259**	635,403	**5,819,883**
Treasury stock			
(2015—5,742,862 shares, 2014—5,230,736 shares)	**(3,041)**	(2,591)	**(25,310)**
Total shareholders' equity	**879,014**	815,605	**7,315,972**
Accumulated other comprehensive income			
Net unrealized gain on other securities	**113,562**	75,626	**945,169**
Deferred gains or losses on hedges	**(1,697)**	(171)	**(14,124)**
Foreign currency translation adjustments	**99,531**	46,734	**828,390**
Remeasurements of defined benefit plans	**(7,757)**	(25,094)	**(64,561)**
Total accumulated other comprehensive income	**203,639**	97,095	**1,694,873**
Minority interests	**15,068**	13,067	**125,410**
Total net assets	**1,097,722**	925,766	**9,136,263**
Commitments and contingent liabilities (Notes 4(c) and 9)			
Total liabilities and net assets	**¥2,014,531**	¥1,915,089	**$16,766,800**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net sales (Note 17)	¥1,986,405	¥1,897,766	$16,532,709
Cost of sales (Note 5(b))	1,439,344	1,385,704	11,979,559
Gross profit	547,061	512,062	4,553,150
Selling, general and administrative expenses (Note 5(a))	389,128	368,715	3,238,685
Operating income (Note 17)	157,933	143,347	1,314,465
Non-operating income:			
Interest income	1,389	1,183	11,561
Dividends income	3,923	3,681	32,651
Equity in earnings of affiliates	1,738	—	14,465
Foreign exchange gains	5,197	425	43,254
Other	5,041	5,288	41,956
Total non-operating income	17,288	10,578	143,887
Non-operating expenses:			
Interest expense	3,056	3,375	25,435
Equity in losses of affiliates	—	1,756	—
Costs associated with idle portion of facilities	1,168	1,366	9,721
Donations	869	1,075	7,233
Other	3,586	3,488	29,846
Total non-operating expenses	8,678	11,060	72,226
Ordinary income	166,543	142,865	1,386,126
Extraordinary income:			
Gain on sales of investment securities	2,756	330	22,938
Gain on sales of noncurrent assets (Note 5(c))	382	1,672	3,179
Income from compensation for damage (Note 5(d))	—	53,532	—
Total extraordinary income	3,137	55,534	26,109
Extraordinary loss:			
Loss on sales of investment securities	112	—	932
Loss on valuation of investment securities	1,136	1,223	9,455
Loss on disposal of noncurrent assets (Note 5(e))	4,728	5,575	39,351
Impairment losses (Note 5(f))	1,255	441	10,445
Business structure improvement expenses (Note 5(f), (g))	4,010	22,546	33,375
Loss on discontinuation of development project (Note 5(f), (h))	—	4,753	—
Total extraordinary loss	11,241	34,539	93,558
Income before income taxes and minority interests	158,440	163,860	1,318,685
Income taxes (Note 14) — current	44,059	68,166	366,700
— deferred	7,483	(6,399)	62,280
Total income taxes	51,542	61,767	428,980
Income before minority interests	106,898	102,093	889,705
Minority interests in income	1,246	796	10,370
Net income	¥105,652	¥101,296	$879,334

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income before minority interests	**¥106,898**	¥102,093	**$889,705**
Other comprehensive income			
Net increase in unrealized gain on other securities	**37,947**	12,952	**315,830**
Deferred gains or losses on hedges	**(1,526)**	729	**(12,701)**
Foreign currency translation adjustment	**48,945**	29,095	**407,366**
Remeasurements of defined benefit plans	**17,096**	—	**142,289**
Share of other comprehensive income of affiliates accounted for using equity method	**5,125**	1,233	**42,655**
Total other comprehensive income (Note 6)	**107,587**	44,009	**895,439**
Comprehensive income	**214,484**	146,102	**1,785,135**
Comprehensive income attributable to:			
Owners of the Parent	**212,159**	144,956	**1,765,784**
Minority interests	**¥2,326**	¥1,145	**$19,359**

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, 2015 and 2014

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, 2014	¥103,389	¥79,404	¥635,403	¥(2,591)	¥815,605	¥75,626	¥(171)	¥46,734	¥(25,094)	¥97,095	¥13,067	¥925,766
Cumulative effect of changes in accounting policies			**(15,741)**		**(15,741)**							**(15,741)**
Restated balance	**103,389**	**79,404**	**619,662**	**(2,591)**	**799,863**	**75,626**	**(171)**	**46,734**	**(25,094)**	**97,095**	**13,067**	**910,025**
Changes during the fiscal year												
Dividends from surplus			**(26,547)**		**(26,547)**							**(26,547)**
Net income			**105,652**		**105,652**							**105,652**
Purchase of treasury stock				**(455)**	**(455)**							**(455)**
Disposal of treasury stock		**3**		**5**	**8**							**8**
Change of scope of consolidation			**296**		**296**							**296**
Change of scope of equity method			**197**		**197**							**197**
Net changes of items other than shareholders' equity						**37,937**	**(1,526)**	**52,797**	**17,338**	**106,545**	**2,002**	**108,546**
Total changes of items during the period	**—**	**3**	**79,597**	**(450)**	**79,151**	**37,937**	**(1,526)**	**52,797**	**17,338**	**106,545**	**2,002**	**187,697**
Balance at March 31, 2015	**¥103,389**	**¥79,408**	**¥699,259**	**¥(3,041)**	**¥879,014**	**¥113,562**	**¥(1,697)**	**¥99,531**	**¥(7,757)**	**¥203,639**	**¥15,068**	**¥1,097,722**

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
Cumulative effect of changes in accounting policies					—							—
Restated balance	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)
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

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, 2014	$860,499	$660,874	$5,288,414	$(21,565)	$6,788,223	$629,430	$(1,423)	$388,964	$(208,856)	$808,115	$108,756	$7,705,085
Cumulative effect of changes in accounting policies			**(131,011)**		**(131,011)**							**(131,011)**
Restated balance	**860,499**	**660,874**	**5,157,403**	**(21,565)**	**6,657,203**	**629,430**	**(1,423)**	**388,964**	**(208,856)**	**808,115**	**108,756**	**7,574,074**
Changes during the fiscal year												
Dividends from surplus			**(220,949)**		**(220,949)**							**(220,949)**
Net income			**879,334**		**879,334**							**879,334**
Purchase of treasury stock				**(3,787)**	**(3,787)**							**(3,787)**
Disposal of treasury stock		**25**		**42**	**67**							**67**
Change of scope of consolidation			**2,464**		**2,464**							**2,464**
Change of scope of equity method			**1,640**		**1,640**							**1,640**
Net changes of items other than shareholders' equity						**315,747**	**(12,701)**	**439,426**	**144,303**	**886,767**	**16,663**	**903,421**
Total changes of items during the period	**—**	**25**	**662,480**	**(3,745)**	**658,768**	**315,747**	**(12,701)**	**439,426**	**144,303**	**886,767**	**16,663**	**1,562,189**
Balance at March 31, 2015	**$860,499**	**$660,907**	**$5,819,883**	**$(25,310)**	**$7,315,972**	**$945,169**	**$(14,124)**	**$828,390**	**$(64,561)**	**$1,694,873**	**$125,410**	**$9,136,263**

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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥158,440**	¥163,860	**$1,318,685**
Depreciation and amortization	**86,058**	86,052	**716,255**
Impairment losses	**1,255**	441	**10,445**
Amortization of goodwill	**9,320**	8,823	**77,570**
Amortization of negative goodwill	**(159)**	(231)	**(1,323)**
(Decrease) increase in provision for periodic repairs	**(4,496)**	1,519	**(37,420)**
Increase in provision for product warranties	**22**	343	**183**
(Decrease) increase in provision for removal cost of property, plant and equipment	**(1,723)**	7,549	**(14,340)**
Decrease in net defined benefit liability	**(2,300)**	(1,648)	**(19,143)**
Interest and dividend income	**(5,312)**	(4,864)	**(44,211)**
Interest expense	**3,056**	3,375	**25,435**
Equity in (earnings) losses of affiliates	**(1,738)**	1,756	**(14,465)**
Gain on sales of investment securities	**(2,644)**	(330)	**(22,006)**
Loss on valuation of investment securities	**1,136**	1,223	**9,455**
Gain on sale of property, plant and equipment	**(382)**	(1,672)	**(3,179)**
Loss on disposal of noncurrent assets	**4,728**	5,575	**39,351**
Income from compensation for damage	**—**	(53,532)	**—**
Decrease (increase) in notes and accounts receivable—trade	**717**	(4,082)	**5,968**
Increase in inventories	**(3,610)**	(12,377)	**(30,046)**
Decrease in notes and accounts payable—trade	**(13,559)**	(17,831)	**(112,851)**
Increase in accrued expenses	**5,662**	476	**47,124**
(Decrease) increase in advances received	**(6,553)**	17,811	**(54,540)**
Other, net	**(8,587)**	15,549	**(71,469)**
Subtotal	**219,331**	217,786	**1,825,476**
Interest and dividend income, received	**6,761**	5,818	**56,271**
Interest expense paid	**(3,081)**	(3,447)	**(25,643)**
Proceeds from compensation for damage	**—**	53,532	**—**
Income taxes paid	**(85,415)**	(29,538)	**(710,903)**
Net cash provided by operating activities	**137,597**	244,152	**1,145,210**
Cash flows from investing activities:			
Payments into time deposits	**(17,182)**	(7,526)	**(143,005)**
Proceeds from withdrawal of time deposits	**13,436**	5,685	**111,827**
Purchase of property, plant and equipment	**(82,990)**	(80,933)	**(690,720)**
Proceeds from sales of property, plant and equipment	**944**	2,588	**7,857**
Purchase of intangible assets	**(10,661)**	(15,576)	**(88,731)**
Purchase of investment securities	**(1,349)**	(2,695)	**(11,228)**
Proceeds from sales of investment securities	**5,341**	1,018	**44,453**
Purchase of shares in subsidiaries resulting in change in scope of consolidation	**(2,808)**	(1,697)	**(23,371)**
Additional purchase of investments in consolidated subsidiaries	**—**	(152)	**—**
Payments for transfer of business	**(3,763)**	—	**(31,319)**
Payments of loans receivable	**(5,296)**	(10,517)	**(44,078)**
Collection of loans receivable	**6,295**	7,433	**52,393**
Other, net	**(2,438)**	(1,382)	**(20,291)**
Net cash used in investing activities	**(100,470)**	(103,753)	**(836,205)**
Cash flows from financing activities:			
(Decrease) increase in short-term loans payable	**(24,324)**	3,679	**(202,447)**
Decrease in commercial paper	**(10,000)**	(60,000)	**(83,229)**
Proceeds from long-term loans payable	**10,950**	13,362	**91,136**
Repayment of long-term loans payable	**(21,064)**	(34,426)	**(175,314)**
Redemption of bonds	**—**	(5,000)	**—**
Repayments of lease obligations	**(1,830)**	(2,521)	**(15,231)**
Purchase of treasury stock	**(462)**	(165)	**(3,845)**
Proceeds from disposal of treasury stock	**8**	3	**67**
Cash dividends paid	**(26,547)**	(19,566)	**(220,949)**
Cash dividends paid to minority shareholders	**(745)**	(589)	**(6,201)**
Other, net	**(2)**	152	**(17)**
Net cash used in financing activities	**(74,016)**	(105,070)	**(616,030)**
Effect of exchange rate change on cash and cash equivalents	**5,467**	3,305	**45,501**
Net (decrease) increase in cash and cash equivalents	**(31,423)**	38,633	**(261,531)**
Cash and cash equivalents at beginning of year	**143,139**	104,008	**1,191,336**
Increase in cash and cash equivalents resulting from changes in scope of consolidation	**581**	498	**4,836**
Cash and cash equivalents at end of year (Note 8)	**¥112,297**	¥143,139	**$934,640**

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 ¥120.15=US$1 prevailing on March 31, 2015, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 140 subsidiaries (131 subsidiaries at March 31, 2014, 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 37 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2015 (40 at March 31, 2014), including Asahi Kasei EIC Solutions Corp., Asahi Kasei Geotechnologies Co., Ltd. and Asahi Organic Chemicals Industry Co., Ltd.

Certain subsidiaries' results are 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.

(Additional information)

Termination of retirement benefit plan for directors and corporate auditors

The Company decided to terminate its retirement benefit plan for directors and corporate auditors at its ordinary general shareholders' meeting held in June 2014.

As of March 31, 2015, the unpaid balance totaling ¥591 million ($4,919 thousand), which had previously been reported as provision for directors' retirement benefits, is included in other under noncurrent liabilities.

(e) Accounting for retirement benefits

i) Method of attributing expected retirement benefits to each period

In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period based on benefit formula basis.

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

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

iii) Adoption of the simplified method

In calculating expected defined benefit liability and periodic retirement benefit expenses, certain consolidated subsidiaries have adopted the simplified method. Under this method, the expected defined benefit liability is recorded at the severance payment amount to be required should all employees retire voluntarily at fiscal year end.

(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 projected 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, 2015 and 2014, 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. Transactions subject to consumption taxes are recorded at amounts net of consumption taxes.

(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

The provisions of Article 35 of Accounting Standards Board of Japan (ASBJ) Statement No. 26 "Accounting Standard for Retirement Benefits" and the provisions of Article 67 of ASBJ Guidance No. 25 "Guidance on Accounting Standard for Retirement Benefits" are applied from the beginning of the fiscal year ended March 31, 2015. The calculation method for the present value of retirement benefit obligations and current service costs has been revised.

The method of attributing projected retirement benefit obligations to each period has been changed from the straight-line basis to a benefit fomula basis. The method of determining the discount rate used in calculation has been changed from one where the number of years approximately equal to the average remaining service period of employees is used as the basis for determining the discount rate to one using a single weighted average discount rate which reflects each forecasted period of payment of retirement benefit obligations and the amount of payment forecasted for each period. In accordance with transitional accounting treatment as stipulated in Article 37 of ASBJ Statement No. 26 "Accounting Standard for Retirement Benefits," the effect of the changes in calculation methods of retirement obligation and service cost arising from initial application is reflected in retained earnings at the beginning of the fiscal year ended March 31, 2015. As a result, net defined benefit liability increased by ¥23,336 million (US$194,224 thousand), investment securities decreased by ¥127 million (US$1,057 thousand), and retained earnings decreased by ¥15,741 million (US$131,011 thousand) as of the beginning of the fiscal year ended March 31, 2015. In addition, the effect on operating income, ordinary income, and income before income taxes and minority interests for the fiscal year ended March 31, 2015, is immaterial. Furthermore, the net impact to per share information is considered to be immaterial.

(b) Accounting standards issued but not yet applied

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.

Accounting standards for unification of accounting policies applied to foreign subsidiaries for consolidated financial statements:

The ASBJ issued ASBJ Statement No. 18 "Practical Solution on Accounting for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements"

This accounting standard responds to the accounting standards of the United States for goodwill which was revised in January 2014 and ASBJ Statement No. 22 "Accounting Standard for Consolidated Financial Statements" which was revised in September 2013, and clarifies the accounting treatment of actuarial differences as cost under the accounting standards for retirement benefits.

The Company will adopt the revised accounting standards for Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements from the beginning of the fiscal year ending March 31, 2016.

The adoption of the accounting standard will have no impact.

(c) Changes in presentation

Statements of income:

In the fiscal year ended March 31, 2015, donations, which had previously been included in other under non-operating expenses, exceeded 10% of total non-operating expenses, and is reported separately, while insurance income, which had previously been reported separately, became 10% or less of total non-operating income, and is included in other under non-operating income. The statements of income for the fiscal year ended March 31, 2014, have been reclassified accordingly, resulting in other under non-operating expenses being ¥1,075 million lower than previously reported, reflecting the separation of ¥1,075 million as donations, and other under non-operating income being ¥1,132 million higher than previously reported, reflecting the inclusion of ¥1,132 million of insurance income.

Statements of cash flows:

In the fiscal year ended March 31, 2015, under cash flows from financing activities, increase in short-term loans payable and decrease in short-term loans payable, which had previously been reported separately, are reported as a single amount as a net increase (decrease) in short-term loans payable, while proceeds from issuance of commercial paper and redemption of commercial paper, which had previously been reported separately, are reported as a single net amount as a decrease in commercial paper, in consideration of the short-term nature and rapid turnover of these accounts. The consolidated statements of cash flows for the fiscal year ended March 31, 2014, have been reclassified accordingly, resulting in the previously reported ¥85,603 million as increase in short-term loans payable and ¥(81,924) million as decrease in short-term loans payable being combined to ¥3,679 million as net increase (decrease) in short-term loans payable, and the previously reported ¥85,000 million as proceeds from issuance of commercial paper and ¥(145,000) million as redemption of commercial paper being combined to ¥(60,000) million as decrease in commercial paper.

4. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2015 and 2014, amounted to ¥69,210 million (US$576,030 thousand) and ¥68,399 million, respectively. Included in those amounts are investments in joint ventures of ¥33,912 million (US$282,247 thousand) and ¥33,878 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2015 and 2014, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Pledged assets			
Buildings and structures	**¥130**	¥163	**$1,082**
Machinery, equipment and vehicles	**2**	2	**17**
	¥132	¥166	**$1,099**
Secured debt			
Short-term loans payable	**¥2**	¥3	**$17**
Long-term loans payable	**135**	208	**1,124**
	¥137	¥211	**$1,140**

Besides the above, investment securities pledged to suppliers as transaction guarantees at March 31, 2015 and 2014, were ¥64 million (US$533 thousand) and ¥53 million, respectively.

(c) Contingent liabilities

Contingent liabilities at March 31, 2015 and 2014, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans guaranteed	**¥38,664**	¥41,789	**$321,798**
Letters of awareness	**—**	134	**—**
Completion guarantees	**16,250**	16,416	**135,248**
	¥54,914	¥58,339	**$457,045**

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 are directly deducted from property, plant and equipment, as of March 31, 2015 and 2014, were ¥9,176 million (US$76,371 thousand) and ¥9,511 million, respectively. The breakdown of reduced-value entries as of March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Buildings and structures	**¥3,442**	¥3,491	**$28,648**
Machinery, equipment and vehicles	**5,394**	5,677	**44,894**
Land	**167**	188	**1,390**
Other	**173**	155	**1,440**
	¥9,176	¥9,511	**$76,371**

5. Notes to Consolidated Statements of Income

(a) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Salaries and benefits	**¥148,306**	¥134,442	**$1,234,340**
Research and development*	**57,896**	53,390	**481,864**
Freight and storage	**¥36,091**	¥35,277	**$300,383**

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2015 and 2014, were ¥75,540 million (US$628,714 thousand) and ¥71,101 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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
	¥2,142	¥994	**$17,828**

(c) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Land	**¥176**	¥1,477	**$1,465**
Machinery	**184**	184	**1,531**
Other	**¥21**	¥11	**$175**

(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 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, 2015 and 2014, 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 losses

Major components of impairment losses for the years ended March 31, 2015 and 2014, were as follows:

			Millions of yen		Thousands of U.S. dollars	
Use	Asset class	Location	2015	2014	2015	Item on the Consolidated Statements of Income
Idle assets	Buildings, etc.	Fuji, Shizuoka, etc.	**¥621**	¥367	**$5,169**	Impairment losses
Production facility for petrochemicals	Machinery and equipment, etc.	Kurashiki, Okayama	**455**		**3,787**	Business structure improvement expenses
Production facility for semiconductors	Machinery and equipment	Goshogawara, Aomori	**268**		**2,231**	Impairment losses
Production facility for plastic raw materials	Machinery and equipment, etc.	Ulsan, Korea	**217**		**1,806**	Impairment losses
Facility for wastewater recycling	Machinery and equipment	Jiangsu, China	**145**		**1,207**	Impairment losses
Production facility for petrochemicals and goodwill related to the petrochemical business	Machinery and equipment, Goodwill, etc.	Kurashiki, Okayama		6,776		Business structure improvement expenses
Production facility for pharmaceutical products	Construction in progress, etc.	Miyoshi, Aichi		2,601		Loss on discontinuation of development project
Production facility for plastic raw materials	Machinery and equipment, etc.	Kawasaki, Kanagawa		878		Business structure improvement expenses
Others	Machinery and equipment, etc.	Oita, etc.	**¥172**	¥127	**$1,432**	Impairment losses and business structure improvement expenses

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 idle assets, production facility for plastic raw materials (Korea), facility for wastewater recycling, 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 facility for petrochemicals, production facility for semiconductors, production facility for petrochemicals and goodwill related to the petrochemical business, production facility for plastic raw materials (Kanagawa), production facility for pharmaceutical products, 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 flow with applicable discount rate of 6% as of March 31, 2015 and 2014.

Among the extraordinary losses under others, ¥168 million (US$1,398 thousand) and ¥53 million, were recorded under business structure improvement expenses for the years ended March 2015 and 2014, respectively.

(g) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Impairment of fixed assets	**¥623**	¥7,707	**$5,185**
Additional payment of retirement benefits due to application of early retirement, etc.	**—**	449	**—**
Loss on disposal and devaluation of inventory and others	**3,387**	14,390	**28,190**
	¥4,010	¥22,546	**$33,375**

(h) Loss on discontinuation of development project

Loss on discontinuation of development project for the year ended March 31, 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Impairment of fixed assets	**¥—**	¥2,601	**$—**
Loss on disposal and devaluation of inventory and others	**—**	1,480	**—**
Compensation expense, etc.	**—**	673	**—**
	¥—	¥4,753	**$—**

6. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized gain on other securities			
Changes during the fiscal year	**¥53,024**	¥19,995	**$441,315**
Recycling adjustment	**(2,689)**	(23)	**(22,380)**
Pre-tax effect	**50,335**	19,972	**418,935**
Tax effect	**(12,389)**	(7,020)	**(103,113)**
Net increase in unrealized gain on other securities	**37,947**	12,952	**315,830**
Deferred gains or losses on hedges			
Changes during the fiscal year	**(2,037)**	(932)	**(16,954)**
Recycling adjustment	**72**	2,055	**599**
Pre-tax effect	**(1,965)**	1,122	**(16,355)**
Tax effect	**438**	(394)	**3,645**
Deferred gains or losses on hedges	**(1,526)**	729	**(12,701)**
Foreign currency translation adjustment			
Changes during the fiscal year	**48,829**	29,001	**406,400**
Recycling adjustment	**(24)**	—	**(200)**
Pre-tax effect	**48,805**	29,001	**406,201**
Tax effect	**140**	94	**1,165**
Foreign currency translation adjustment	**48,945**	29,095	**407,366**
Remeasurements of defined benefit plans			
Changes during the fiscal year	**20,168**	—	**167,857**
Recycling adjustment	**5,516**	—	**45,909**
Pre-tax effect	**25,685**	—	**213,774**
Tax effect	**(8,588)**	—	**(71,477)**
Remeasurements of defined benefit plans	**17,096**	—	**142,289**
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	**5,174**	1,232	**43,063**
Recycling adjustment	**(49)**	1	**(408)**
Share of other comprehensive income of affiliates accounted for using equity method	**5,125**	1,233	**42,655**
Total other comprehensive income	**¥107,587**	¥44,009	**$895,439**

7. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2015

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

	Thousands of shares			
	Number of shares as of March 31, 2014	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2015
Issued and outstanding shares				
Common stock	1,402,616	—	—	1,402,616
Total	1,402,616	—	—	1,402,616
Treasury stock				
Common stock (Notes 1 & 2)	5,231	522	10	5,743
Total	5,231	522	10	5,743

Notes: 1. The increase of 522 thousand shares in common stock of treasury stock was due to the purchase of shares in quantities of less than one share unit.
2. The decrease of 10 thousand shares in common stock of treasury stock was due to the 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, 2014.

Dividends for common stock

Total dividends	¥13,974 million (US$116,305 thousand)
Dividend per share	¥10.00 (US$0.08)*
Date of record	March 31, 2014
Payment date	June 5, 2014

* Including ¥8.00 (US$0.07) ordinary dividend and ¥2.00 (US$0.02) special dividend

2) The following was resolved by the Board of Directors on November 5, 2014.

Dividends for common stock

Total dividends	¥12,573 million (US$104,644 thousand)
Dividend per share	¥9.00 (US$0.07)
Date of record	September 30, 2014
Payment date	December 1, 2014

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 12, 2015.

Dividends for common stock

Total dividends	¥13,969 million (US$116,263 thousand)
Source of dividends	Retained earnings
Dividend per share	¥10.00 (US$0.08)
Date of record	March 31, 2015
Payment date	June 4, 2015

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

Notes: 1. The increase of 219 thousand shares in common stock of treasury stock was due to the 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 the 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
Dividend per share	¥7.00
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
Dividend per share	¥7.00
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
Source of dividends	Retained earnings
Dividend per share	¥10.00*
Date of record	March 31, 2014
Payment date	June 5, 2014

* Including ¥8.00 ordinary dividend and ¥2.00 special dividend

8. Note to Consolidated Statements of Cash Flows

Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2015 and 2014, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and deposits	**¥123,821**	¥151,474	**$1,030,553**
Time deposits with deposit term of over 3 months	**(13,326)**	(8,335)	**(110,911)**
Money market funds included in short-term investment securities	**1,802**	—	**14,998**
Cash and cash equivalents	**¥112,297**	¥143,139	**$934,640**

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 business.
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, are accounted for on a basis similar to an operating lease. For such leases, information for the cost and related accumulated amortization, computed using the straight-line method over the term of the lease assuming such lease transactions accounted for as an operating lease had been accounted for as a financing lease, is required to be disclosed. However, such disclosure is omitted due to immateriality.

(b) Operating lease transactions

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Due within one year	**¥4,986**	¥5,095	**$41,498**
Due after one year	**7,313**	9,387	**60,866**
	¥12,300	¥14,482	**$102,372**

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 monitor and manage the credit condition of 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 periodical 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 in order 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. The stated amount of contracts regarding derivative transactions included 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, 2015 and 2014, 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		
	2015		
	Carrying amount	Fair value	Difference
Cash and deposits	¥123,821	¥123,821	¥—
Notes and accounts receivable—trade	325,568		
Allowance for doubtful accounts (*1)	(1,369)		
	324,199	324,199	—
Short-term investment securities and investment securities			
Other securities	215,200	215,200	—
Long-term loans receivable	10,758	10,751	(8)
Total assets	673,979	673,971	(8)
Notes and accounts payable—trade	151,867	151,867	—
Short-term loans payable	62,648	62,648	—
Commercial paper	—	—	—
Income taxes payable	10,203	10,203	—
Bonds payable	40,000	41,190	(1,190)
Long-term loans payable	163,767	165,733	(1,966)
Lease obligations	2,603	2,605	(2)
Long-term guarantee deposits	6,937	6,925	12
Total liabilities	438,025	441,171	(3,146)
Derivative financial instruments (*2)	¥(2,356)	¥(2,356)	¥—

	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	—
Short-term investment securities and investment securities			
Other securities	163,193	163,193	—
Long-term loans receivable	9,766	9,770	4
Total assets	639,388	639,392	4
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
Total liabilities	518,971	522,025	(3,054)
Derivative financial instruments (*2)	¥(1,161)	¥(1,161)	¥—

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Difference
Cash and deposits	**$1,030,553**	**$1,030,553**	**$—**
Notes and accounts receivable—trade	**2,709,680**		
Allowance for doubtful accounts (*1)	**(11,394)**		
	2,698,285	**2,698,285**	**—**
Short-term investment securities and investment securities			
Other securities	**1,791,094**	**1,791,094**	**—**
Long-term loans receivable	**89,538**	**89,480**	**(67)**
Total assets	**5,609,480**	**5,609,413**	**(67)**
Notes and accounts payable—trade	**1,263,978**	**1,263,978**	**—**
Short-term loans payable	**521,415**	**521,415**	**—**
Commercial paper	**—**	**—**	**—**
Income taxes payable	**84,919**	**84,919**	**—**
Bonds payable	**332,917**	**342,821**	**(9,904)**
Long-term loans payable	**1,363,021**	**1,379,384**	**(16,363)**
Lease obligations	**21,665**	**21,681**	**(17)**
Long-term guarantee deposits	**57,736**	**57,636**	**100**
Total liabilities	**3,645,651**	**3,671,835**	**(26,184)**
Derivative financial instruments (*2)	**$(19,609)**	**$(19,609)**	**$—**

(*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) Short-term investment securities and investment securities
The stock exchange prices are used to determine fair value of traded stocks, and the corresponding book value amount is used as fair value of money market funds, because their fair value approximates book value. 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 a 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, 2015 and 2014, amounting to ¥33,367 million (US$277,711 thousand) and ¥18,830 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 the Note 12 "Derivative financial instruments."

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2015 and 2014, amounting to ¥75,995 million (US$632,501 thousand) and ¥75,226 million, respectively, fair value is not included in short-term investment securities and 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, 2015 and 2014, amounting to ¥12,209 million (US$101,615 thousand) and ¥12,245 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, the amounts scheduled for redemption subsequent to the closing date are as follows.

	Millions of yen			
	2015			
	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	**¥123,821**	**¥—**	**¥—**	**¥—**
Notes and accounts receivable—trade	**325,568**	**—**	**—**	**—**
Long-term loans receivable	**806**	**9,952**	**—**	**—**
	¥450,196	**¥9,952**	**¥—**	**¥—**

	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	¥—

	Thousands of U.S. dollars			
	2015			
	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	**$1,030,553**	**$—**	**$—**	**$—**
Notes and accounts receivable—trade	**2,709,680**	**—**	**—**	**—**
Long-term loans receivable	**6,708**	**82,830**	**—**	**—**
	$3,746,950	**$82,830**	**$—**	**$—**

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

	Millions of yen					
	2015					
Year ending March 31	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2016	**¥62,648**	**¥—**	**¥—**	**¥33,367**	**¥1,383**	**¥97,398**
2017	**—**	**—**	**—**	**41,046**	**908**	**41,954**
2018	**—**	**—**	**20,000**	**20,566**	**227**	**40,793**
2019	**—**	**—**	**—**	**49,468**	**59**	**49,527**
2020	**—**	**—**	**20,000**	**11,208**	**22**	**31,230**
2021 and thereafter	**¥—**	**¥—**	**¥—**	**¥8,112**	**¥2**	**¥8,114**

	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

	Thousands of U.S. dollars					
	2015					
Year ending March 31	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2016	**$521,415**	**$—**	**$—**	**$277,711**	**$11,511**	**$810,637**
2017	**—**	**—**	**—**	**341,623**	**7,557**	**349,180**
2018	**—**	**—**	**166,459**	**171,169**	**1,889**	**339,517**
2019	**—**	**—**	**—**	**411,719**	**491**	**412,210**
2020	**—**	**—**	**166,459**	**93,283**	**183**	**259,925**
2021 and thereafter	**$—**	**$—**	**$—**	**$67,516**	**$17**	**$67,532**

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 were available at March 31, 2015 and 2014, were as follows:

	Millions of yen		
	2015		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥206,513	¥39,063	¥167,450
Others	—	—	—
Subtotal	206,513	39,063	167,450
Securities with unrealized losses:			
Equity securities	6,884	7,060	(176)
Others	1,802	1,802	—
Subtotal	8,686	8,862	(176)
	¥215,200	¥47,925	¥167,274

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

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$1,718,793	$325,119	$1,393,675
Others	—	—	—
Subtotal	1,718,793	325,119	1,393,675
Securities with unrealized losses:			
Equity securities	57,295	58,760	(1,465)
Others	14,998	14,998	—
Subtotal	72,293	73,758	(1,465)
	$1,791,094	$398,876	$1,392,210

(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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Selling amount	¥3,005	¥990	$25,010
Gain on sales of securities	2,756	330	22,938
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 year ended March 31, 2015, was ¥1,656 million (US$13,783 thousand), which is the sum of ¥1,649 million (US$13,725 thousand) for equity securities of unconsolidated subsidiaries and affiliates, and ¥7 million (US$58 thousand) for other securities, and for the year ended March 31, 2014, ¥1,223 million, which is for other securities. Among the loss on other devaluation of investment securities for the year ended March 31, 2015, ¥520 million (US$4,328 thousand) was recorded under business structure improvement expenses.

12. Derivative financial instruments

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

i) Foreign exchange forward contracts

		Millions of yen			
		2015			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	**¥21,592**	**¥—**	**¥(332)**	**¥(332)**
	Euro	**6,486**	**—**	**135**	**135**
	Thai baht	**988**	**—**	**(27)**	**(27)**
	Buying				
	U.S. dollar	**2,672**	**260**	**(263)**	**(263)**
		¥31,738	**¥260**	**¥(486)**	**¥(486)**

		Millions of yen			
		2014			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	¥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)

		Thousands of U.S. dollars			
		2015			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	**$179,709**	**$—**	**$(2,763)**	**$(2,763)**
	Euro	**53,983**	**—**	**1,124**	**1,124**
	Thai baht	**8,223**	**—**	**(225)**	**(225)**
	Buying				
	U.S. dollar	**22,239**	**2,164**	**(2,189)**	**(2,189)**
		$264,153	**$2,164**	**$(4,045)**	**$(4,045)**

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

i) Foreign exchange forward contracts

			Millions of yen		
			2015		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	Accounts receivable—trade	**¥2,039**	**¥—**	**¥43**
	Euro	Accounts receivable—trade	**—**	**—**	**—**
	Buying				
	U.S. dollar	Accounts payable—trade	**1,791**	**—**	**79**
	Thai baht	Accounts payable—trade	**55**	**—**	**2**
	U.S. dollar	Investment securities	**195,205**	**—**	**(1,995)**
			¥199,089	**¥—**	**¥(1,870)**

Classification	Items	Hedged assets/liabilities	Millions of yen 2014 Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	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)
	U.S. dollar	Investment securities	—		—
			¥5,210	¥—	¥(126)

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2015 Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	Accounts receivable—trade	**$16,970**	**$—**	**$358**
	Euro	Accounts receivable—trade	**—**	**—**	**—**
	Buying				
	U.S. dollar	Accounts payable—trade	**14,906**	**—**	**658**
	Thai baht	Accounts payable—trade	**458**	**—**	**17**
	U.S. dollar	Investment securities	**1,624,677**	**—**	**(16,604)**
			$1,657,004	**$—**	**$(15,564)**

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

Classification	Items	Hedged assets/liabilities	Millions of yen 2015 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	**¥90,425**	**¥77,122**	**(*)**
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	**—**	**—**	**—**
			¥90,425	**¥77,122**	**—**

Classification	Items	Hedged assets/liabilities	Millions of yen 2014 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	¥88,580	¥76,317	(*)
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	321	—	(*)
			¥88,901	¥76,317	—

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2015 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	**$752,601**	**$641,881**	**(*)**
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	**—**	**—**	**—**
			$752,601	**$641,881**	**—**

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

Certain consolidated subsidiaries adopt the simplified method in calculating expected defined benefit liability.

Reconciliations of beginning and ending balances of projected benefit obligations for the fiscal years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance of the projected benefit obligations	¥329,869	¥331,038	$2,745,476
Cumulative effect of changes in accounting polices	23,336	—	194,224
Restated balance	353,205	331,038	2,939,700
Service cost	13,624	12,352	113,392
Interest cost	3,431	4,887	28,556
Actuarial gains/losses	(191)	1,525	(1,590)
Payment of retirement benefits	(17,558)	(20,315)	(146,134)
Other	302	381	2,514
Ending balance of the projected benefit obligations	¥352,813	¥329,869	$2,936,438

Reconciliations of beginning and ending balances of plan assets for the fiscal years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Beginning balance of plan assets	¥188,715	¥177,112	$1,570,662
Expected return	4,717	4,368	39,259
Actuarial gains/losses	19,977	9,237	166,267
Contributions	10,015	9,873	83,354
Payment of retirement benefits	(9,915)	(11,971)	(82,522)
Other	198	97	1,648
Ending balance of plan assets	¥213,707	¥188,715	$1,778,668

Reconciliations 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 sheet at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Projected benefit obligations of funded plans	¥219,775	¥204,264	$1,829,172
Plan assets	(213,707)	(188,715)	(1,778,668)
Subtotal	6,068	15,549	50,504
Projected benefit obligations of unfunded plans	133,038	125,605	1,107,266
Net of liability and asset that have been recorded in the consolidated balance sheet	139,106	141,154	1,157,769
Net defined benefit liability	142,035	143,523	1,182,147
Net defined benefit asset	(2,929)	(2,369)	(24,378)
Net of liability and asset that have been recorded in the consolidated balance sheet	¥139,106	¥141,154	$1,157,769

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost (net of employee contributions)	¥12,037	¥10,713	$100,183
Interest cost	3,431	4,887	28,556
Expected return on plan assets	(4,717)	(4,368)	(39,259)
Amortization of actuarial gains/losses	5,375	6,140	44,736
Amortization of prior service costs	142	(547)	1,182
Additional retirement benefits	992	903	8,256
Retirement benefit expenses of defined benefit plans	¥17,259	¥17,728	$143,645

The components of other comprehensive income on defined benefit plans for the fiscal years ended March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service costs	**¥142**	¥—	**$1,182**
Actuarial gains/losses	**25,543**	—	**212,593**
Total	**¥25,685**	¥—	**$213,774**

Accumulated other comprehensive income on defined benefit plans at March 31, 2015 and 2014, was follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service costs	**¥503**	¥644	**$4,186**
Unrecognized actuarial gains/losses	**11,116**	36,659	**92,518**
Total	**¥11,619**	¥37,303	**$96,704**

Share by major classifications for plan assets at March 31, 2015 and 2014, was as follows:

	2015	2014
Bonds	**43%**	41%
Stock	**24%**	27%
Alternative investments	**16%**	15%
Life insurance	**12%**	13%
Cash and deposits	**4%**	3%
Other	**1%**	1%
Total	**100%**	100%

Notes: 1. Alternative investments include mainly investments in real estate and hedge funds.
2. In the fiscal year ended March 31, 2015, alternative investments, which had previously been included in other, are reported separately.

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 at March 31, 2015 and 2014, were as follows:

	2015	2014
Discount rate	**Mainly 0.9%**	Mainly 1.4%
The long-term rate of expected return on plan assets	**Mainly 2.5%**	Mainly 2.5%
Expected rate of increase in salary	**2.3-7.3%**	2.3-7.3%

Required payments to defined contribution plans at March 31, 2015, amounted to ¥774 million (US$6,442 thousand), and at March 31, 2014, amounted to ¥578 million.

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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Net defined benefit liability	¥44,782	¥50,379	$372,717
Tax loss carry forwards	15,474	17,045	128,789
Accrued bonuses	8,125	8,593	67,624
Unrealized gain on noncurrent assets and others	4,481	4,342	37,295
Impairment losses	4,180	5,096	34,790
Loss on disposal of noncurrent assets	4,071	6,331	33,883
Depreciation	2,968	3,403	24,702
Unrealized loss on investment securities	2,553	2,412	21,248
Accrued enterprise tax	1,537	4,187	12,792
Provision for product warranties	1,261	1,284	10,495
Devaluation of inventories	1,217	1,190	10,129
Provision for periodic repairs	1,198	2,830	9,971
Asset retirement obligations	918	1,234	7,640
Allowance for doubtful accounts	758	969	6,309
Deferred gains or losses on hedges	678	54	5,643
Environmental expenses	313	409	2,605
Experiment and research expenses	115	90	957
Other	11,123	9,922	92,576
Subtotal deferred tax assets	105,753	119,771	880,175
Less: Valuation allowance	(19,314)	(24,590)	(160,749)
Total deferred tax assets	86,439	95,181	719,426
Deferred tax liabilities:			
Unrealized gain on other securities	(55,582)	(43,469)	(462,605)
Identified intangible assets during business combination	(34,704)	(30,452)	(288,839)
Deferred gain on property, plant and equipment	(9,406)	(10,546)	(78,285)
Depreciation—overseas subsidiaries	(5,149)	(3,849)	(42,855)
Accelerated depreciation	(203)	(299)	(1,690)
Other	(6,287)	(6,683)	(52,326)
Total deferred tax liabilities	(111,330)	(95,297)	(926,592)
Net deferred tax assets (liabilities)	¥(24,891)	¥(115)	$(207,166)

Net deferred tax assets (liabilities) at March 31, 2015 and 2014, were included in the following line items on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current assets—deferred tax assets	¥21,707	¥27,469	$180,666
Noncurrent assets—deferred tax assets	11,351	16,278	94,474
Current liabilities—other	(7)	(420)	(58)
Noncurrent liabilities—deferred tax liabilities	¥(57,943)	¥(43,441)	$(482,256)

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2015 and 2014, was as follows:

	2015	2014
Statutory tax rate	**35.6%**	38.0%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	**0.7**	0.7
Equalization of inhabitants taxes	**0.3**	0.3
R&D expenses deductible from income taxes	**(4.2)**	(3.5)
Amortization of goodwill and negative goodwill	**2.1**	1.9
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	**(0.4)**	0.4
Undistributed earnings of foreign subsidiaries	**0.4**	0.4
Difference of tax rates for foreign subsidiaries	**(2.7)**	(0.3)
Valuation allowance	**(1.6)**	(1.2)
Decrease in deferred tax assets due to the change in statutory tax rate	**3.2**	0.9
Other	**(0.8)**	0.1
Effective income tax rate	**32.5%**	37.7%

Note: In the fiscal year ended March 31, 2015, tax credits on tax incentive for investment in productivity improving assets and tax incentive for salary growth, which had previously been included in other, are included in R&D expenses deductible from income taxes due to their materiality. The figure shown as other for the fiscal year ended March 31, 2014, has been restated accordingly.

The "Act for partial Revision of the Income Tax Act etc." (Act. No. 9 of 2015) and "Act for Partial Revision of the Local tax Act, etc." (Act No. 2 of 2015) were issued on March 31, 2015, and applied from the fiscal year beginning on or after April 1, 2015.

In accordance with this change, the statutory effective tax rate applied in calculating deferred tax assets and liabilities was changed from 35.6% to 33.1% from the fiscal year beginning on or after April 1, 2015, and changed from 33.1% to 32.3% from the fiscal year beginning on or after April 1, 2016.

As a result of this change, deferred tax assets (after netting deferred tax liabilities) decreased by ¥969 million (US$8,065 thousand), income taxes—deferred increased by ¥4,996 million (US$41,581 thousand), net unrealized gain on other securities increased by ¥4,228 million (US$35,189 thousand), deferred gains or losses on hedges increased by ¥35 million (US$291 thousand), and remeasurements of defined benefit plans increased by ¥166 million (US$1,382 thousand) in the consolidated financial statements for the fiscal year ended March 31, 2015.

15. Business combinations

Business combinations accounted for by the purchase method were as follows:

1. Impact Instrumentation, Inc.

(a) Outline of business combination

i) Name of counterparty
Impact Instrumentation, Inc.

ii) Nature of the businesses
Manufacture and sale of respiratory care medical devices

iii) Main reasons for the acquisition
The addition of respiratory care devices of Impact Instrumentation, Inc. to ZOLL Medical Corporation's product group will complement ZOLL's product portfolio of acute critical care medical devices centered on cardiac function.

iv) The acquisition date
October 31, 2014

v) Statutory form of business combination
Transfer of business for cash as consideration

vi) Name of company after transaction
ZOLL Medical Corporation

vii) Basic means of materializing the acquisition
Transfer of business for cash as consideration by a consolidated subsidiary of the Company.

(b) The period of acquiree's results included in the consolidated financial statements

From November 1, 2014, to March 31, 2015

(c) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Business transfer price	¥3,061	$25,476
Purchase price	¥3,061	$25,476

Note: Business transfer price includes ¥262 million (US$2,181 thousand) of contingent consideration (fair value).

(d) The amount of goodwill, measurement principle, amortization method and useful life

i) Amount of goodwill
¥1,356 million (US$11,286 thousand)

ii) Measurement principle
Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

iii) Amortization method and useful life
Straight-line method over 10 years

(e) Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥1,178	$9,804
Noncurrent assets	2,461	20,483
Total assets	3,640	30,295
Current liabilities	381	3,171
Noncurrent liabilities	198	1,648
Total liabilities	¥578	$4,811

(f) Nature of contingent consideration stipulated in the asset purchase agreement and its accounting treatment in the subsequent period

i) Nature of contingent consideration
The payment amount of contingent consideration depends on the degree of achievement of a specified performance metric after the acquisition date.

ii) Accounting treatment in the subsequent period
The Company will recognize the variable portion of contingent consideration in accordance with accounting standards generally accepted in the United States.

(g) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

i) Purchase price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Technology-related assets	¥437	$3,637
Trademarks	22	183
Customer-related assets	¥623	$5,185

ii) Major weighted average useful life

Technology-related assets	13 years
Trademarks	5 years
Customer-related assets	7 years
Total	10 years

(h) Pro forma effects on the consolidated statements of income assuming the business combination had occurred at the beginning of the fiscal year, and its measurement

Information is omitted due to immateriality. This note is not audited.

2. Advanced Circulatory Systems, Inc.

(a) Outline of business combination

i) Name of acquiree
Advanced Circulatory Systems, Inc.

ii) Nature of the businesses
Manufacture and sale of Intrathoracic Pressure Regulation devices

iii) Main reasons for the acquisition
Advanced Circulatory Systems' novel and non-invasive Intrathoracic Pressure Regulation (IPR) therapy platform has far-reaching implications for multiple medical conditions. Increasing the accuracy of cardiopulmonary resuscitation through a combination with ZOLL's defibrillators and the IPR therapy platform will enable more lives of patients who are in critical condition to be saved. The acquisition of Advanced Circulatory Systems further demonstrates ZOLL's commitment to offering the most comprehensive portfolio of products for acute events where rapid medical intervention is needed.

iv) The acquisition date
January 14, 2015

v) Statutory form of business combination
Stock purchase for cash as consideration

vi) Name of company after transaction
Advanced Circulatory Systems, Inc.

vii) Acquired voting right

Voting right before the acquisition	4%
Additional voting right acquired as of the acquisition date	96%
Voting right after the acquisition	100%

viii) Basic means of materializing the acquisition
Stock purchase for cash as consideration by a consolidated subsidiary of the Company.

(b) The period of acquiree's results included in the consolidated financial statements

From January 14, 2015, to March 31, 2015

(c) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥3,541	$29,471
Purchase price	¥3,541	$29,471

Note: Stock purchase price includes ¥2,106 million (US$17,528 thousand) of contingent consideration (fair value).

(d) The amount of goodwill, measurement principle, amortization method and useful life

i) Amount of goodwill*
¥1,351 million (US$11,244 thousand)

ii) Measurement principle
Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

iii) Amortization method and useful life
Straight-line method over 10 years

* Based on provisional calculation, as the purchase price allocation is incomplete at the time of preparation of the accompanying financial statements.

(e) Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥478	$3,978
Noncurrent assets	3,958	32,942
Total assets	4,436	36,921
Current liabilities	403	3,354
Noncurrent liabilities	492	4,095
Total liabilities	¥895	$7,449

(f) Nature of contingent consideration stipulated in the share purchase agreement and its accounting treatment in the subsequent period

i) Nature of contingent consideration
The payment amount of contingent consideration depends on the degree of achievement of specified milestones and a performance metric after the acquisition date.

ii) Accounting treatment in the subsequent period
The Company will recognize the variable portion of contingent consideration in accordance with accounting standards generally accepted in the United States.

(g) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

i) Purchase price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Technology-related assets	¥2,587	$21,531

ii) Major weighted average useful life

Technology-related assets	14 years

(h) Purchase price allocation

The fair value of assets and liabilities has not been determined, and the purchase price allocation has not been completed at March 31, 2015. Therefore, provisional accounting treatment has been applied based on reasonable information available at that time.

(i) Pro forma effects on the consolidated statements of income assuming the business combination had occurred at the beginning of the fiscal year, and its measurement

Information is omitted due to immateriality. This note is not audited.

16. 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, 2015, 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 6.4%.

(c) Increase (decrease) in the total amount of asset retirement obligations in the fiscal years ended March 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥4,050**	¥3,556	**$33,708**
Increase due to asset retirement obligations accrued	**332**	383	**2,763**
Adjustment due to passage of time	**123**	112	**1,024**
Increase due to accounting estimates*	**18**	161	**150**
Decrease due to fulfillment of asset retirement obligations	**(513)**	(463)	**(4,270)**
Increase (decrease) due to foreign exchange fluctuation	**29**	300	**241**
Balance at end of year	**¥4,039**	¥4,050	**$33,616**

* 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, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥1,652**	¥1,629	**$13,749**
Increase due to new lease agreements	**14**	114	**117**
Decrease due to the cancelation of existing lease agreements	**(17)**	(90)	**(141)**
Balance at end of year	**¥1,650**	¥1,652	**$13,733**

17. Business segment information

(a) Overview of reportable segments

The Company's business segments are based on organizational units for which separate financial information is available, and the Board of Directors carries out periodic review to allocate management resources and evaluate business performance.

The Company is organized under a holding company configuration with nine core operating companies performing operations in nine business fields. Each core operating company lays out strategy and develops business activities in Japan and abroad.

At the beginning of the fiscal year ended March 31, 2015, the Company's previous seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Electronics, Health Care, and Critical Care, together with an "Others" category, have been changed to the four reportable segments of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, together with an "Others" category, in accordance with a change in the governance configuration 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. The figures for the fiscal year ended March 31, 2014, have been recalculated in accordance with the new segment configuration for comparison purposes.

Main products of the four reportable segments are as follows:

Chemicals and Fibers segment

Chemicals business

The Company produces, processes, and sells petrochemical products (such as nitric acid, caustic soda, acrylonitrile, styrene, methyl methacrylate (MMA), and acrylic resin, Suntec™ polyethylene, and polystyrene), performance polymer products (such as Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), adipic acid, Leona™ polyamide 66, and synthetic rubber), 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 business

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 and Construction Materials segment

Homes business

The Company constructs Hebel Haus™ unit homes and Hebel Maison™ apartments, and operates real estate businesses (such as management of Hebel Maison™ rental units, Atlas™ condominiums, Hebel Town™ housing developments, and brokerage of used Hebel Haus™ homes), remodeling businesses (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 business

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 segment

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

Health Care segment

Health Care business

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

Critical Care business

The Company manufactures and sells defibrillators for medical professionals, LifeVest™ wearable defibrillators, ZOLL AED Plus™ automated external defibrillators, and IVTM—Thermogard XP™ 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

	2015						
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal	Others (Note 1)	Total
Sales:							
External customers	¥954,623	¥603,786	¥150,388	¥257,133	¥1,965,929	¥20,476	¥1,986,405
Intersegment	18,216	68	544	41	18,868	22,283	41,152
Total	972,838	603,853	150,932	257,174	1,984,798	42,760	2,027,557
Operating income	64,624	63,037	14,300	30,845	172,806	949	173,755
Assets	810,787	414,028	179,102	501,990	1,905,906	62,874	1,968,780
Other items							
Depreciation (Note 2)	35,655	9,430	13,874	20,104	79,064	1,094	80,158
Amortization of goodwill	484	—	17	8,555	9,056	264	9,320
Investments in affiliates accounted for using equity method	46,243	—	304	—	46,547	17,013	63,560
Increase in property, plant and equipment, and intangible assets	¥41,718	¥10,864	¥11,600	¥16,595	¥80,776	¥1,389	¥82,165

Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.
2. Amortization of goodwill is not included.

Millions of yen

	2014						
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal	Others (Note 1)	Total
Sales:							
External customers	¥912,505	¥589,380	¥144,995	¥232,387	¥1,879,267	¥18,499	¥1,897,766
Intersegment	17,149	84	490	39	17,762	23,767	41,529
Total	929,655	589,464	145,485	232,425	1,897,029	42,266	1,939,295
Operating income	47,447	68,517	14,239	26,742	156,945	1,745	158,690
Assets	775,386	399,220	174,883	476,765	1,826,254	62,935	1,889,190
Other items							
Depreciation (Note 2)	36,969	8,069	14,303	20,017	79,357	994	80,351
Amortization of goodwill	553	—	15	8,015	8,583	240	8,823
Investments in affiliates accounted for using equity method	40,657	—	2,954	41	43,652	17,948	61,601
Increase in property, plant and equipment, and intangible assets	¥38,762	¥15,037	¥14,583	¥18,154	¥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. Amortization of goodwill is not included.

	Thousands of U.S. dollars						
	2015						
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal	Others (Note 1)	Total
Sales:							
External customers	**$7,945,260**	**$5,025,268**	**$1,251,669**	**$2,140,100**	**$16,362,289**	**$170,420**	**$16,532,709**
Intersegment	**151,610**	**566**	**4,528**	**341**	**157,037**	**185,460**	**342,505**
Total	**8,096,862**	**5,025,826**	**1,256,196**	**2,140,441**	**16,519,334**	**355,888**	**16,875,214**
Operating income	**537,861**	**524,653**	**119,018**	**256,721**	**1,438,252**	**7,898**	**1,446,151**
Assets	**6,748,123**	**3,445,926**	**1,490,653**	**4,178,027**	**15,862,722**	**523,296**	**16,386,017**
Other items							
Depreciation (Note 2)	**296,754**	**78,485**	**115,472**	**167,324**	**658,044**	**9,105**	**667,149**
Amortization of goodwill	**4,028**	**—**	**141**	**71,203**	**75,372**	**2,197**	**77,570**
Investments in affiliates accounted for using equity method	**384,877**	**—**	**2,530**	**—**	**387,407**	**141,598**	**529,005**
Increase in property, plant and equipment, and intangible assets	**$347,216**	**$90,420**	**$96,546**	**$138,119**	**$672,293**	**$11,561**	**$683,854**

Notes: 1. The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.
2. Amortization of goodwill is not included.

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

	Millions of yen		Thousands of U.S. dollars
Sales	**2015**	2014	**2015**
Total of reporting segments	**¥1,984,798**	¥1,897,029	**$16,519,334**
Net sales in "Others" category	**42,760**	42,266	**355,888**
Elimination of intersegment transactions	**(41,152)**	(41,529)	**(342,505)**
Net sales on consolidated statements of income	**¥1,986,405**	¥1,897,766	**$16,532,709**

	Millions of yen		Thousands of U.S. dollars
Operating income	**2015**	2014	**2015**
Total of reporting segments	**¥172,806**	¥156,945	**$1,438,252**
Operating income in "Others" category	**949**	1,745	**7,898**
Elimination of intersegment transactions	**1,087**	359	**9,047**
Corporate expenses, etc.*	**(16,910)**	(15,702)	**(140,741)**
Operating income on consolidated statements of income	**¥157,933**	¥143,347	**$1,314,465**

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

	Millions of yen		Thousands of U.S. dollars
Assets	**2015**	2014	**2015**
Total of reporting segments	**¥1,905,906**	¥1,826,254	**$15,862,722**
Assets in "Others" category	**62,874**	62,935	**523,296**
Elimination of intersegment transactions	**(249,428)**	(238,714)	**(2,075,972)**
Corporate assets*	**295,179**	264,613	**2,456,754**
Total assets on consolidated balance sheets	**¥2,014,531**	¥1,915,089	**$16,766,800**

* 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: Millions of yen 2015	Total of reportable segments: Millions of yen 2014	Total of reportable segments: Thousands of U.S. dollars 2015	Others: Millions of yen 2015	Others: Millions of yen 2014	Others: Thousands of U.S. dollars 2015	Adjustments (Note 1): Millions of yen 2015	Adjustments (Note 1): Millions of yen 2014	Adjustments (Note 1): Thousands of U.S. dollars 2015	Amounts from consolidated financial statements: Millions of yen 2015	Amounts from consolidated financial statements: Millions of yen 2014	Amounts from consolidated financial statements: Thousands of U.S. dollars 2015
Depreciation (Note 2)	¥79,064	¥79,357	$658,044	¥1,094	¥994	$9,105	¥5,900	¥5,701	$49,105	¥86,058	¥86,052	$716,255
Amortization of goodwill	9,056	8,583	75,372	264	240	2,197	—	—	—	9,320	8,823	77,570
Investments in affiliates accounted for using the equity method	46,547	43,652	387,407	17,013	17,948	141,598	—	—	—	63,560	61,601	529,005
Increase in property, plant and equipment, and intangible assets	¥80,776	¥86,536	$672,293	¥1,389	¥1,395	$11,561	¥6,943	¥4,466	$57,786	¥89,108	¥92,397	$741,640

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			
2015				2014				2015			
Japan	China	Other regions	Total	Japan	China	Other regions	Total	Japan	China	Other regions	Total
¥1,313,128	¥194,007	¥479,271	¥1,986,405	¥1,289,054	¥187,247	¥421,465	¥1,897,766	$10,929,072	$1,614,707	$3,988,939	$16,532,709

2) Property, plant and equipment

	Millions of yen					Thousands of U.S. dollars		
2015			2014			2015		
Japan	Other regions	Total	Japan	Other regions	Total	Japan	Other regions	Total
¥361,130	¥141,377	¥502,507	¥363,241	¥117,295	¥480,535	$3,005,660	$1,176,671	$4,182,330

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.

18. Information on related parties

Related party transactions

Transactions between consolidated subsidiaries of the company submitting the consolidated financial statements and related parties

(a) 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
Share of voting rights held by the company (of which, indirectly held)	48.5% (48.5%)
Relationship with the related party	Debt guarantee
Nature of transaction	Guarantee for completion of manufacturing facilities
Transaction amount	¥16,250 million ($135,248 thousand) in the year ended March 31, 2015, ¥16,416 million in the year ended March 31, 2014
Account name	—
Balance at end of year	—

(b) Directors, Corporate Auditors, major shareholders, etc. of the company submitting the consolidated financial statements

Type of related party	A company in which close relative(s) of a Director or Corporate Auditor of the Company hold(s) a majority of voting rights
Name of company	Miwa-Syouji Co., Ltd.
Location	Nobeoka, Miyazaki, Japan
Paid-in capital	¥65 million ($541 thousand)
Business line	Wholesale trade
Share of voting rights held by the related party	0.0%
Relationship with the related party	Purchasing consumable goods
Nature of transaction	Purchasing consumable goods
Transaction amount	¥228 million ($1,898 thousand) in the year ended March 31, 2015, no transactions in the year ended March 31, 2014
Account name	Accrued expenses
Balance at end of year	¥43 million ($358 thousand) as of March 31, 2015, no balance as of March 31, 2014

Type of related party	A company in which close relative(s) of a Director or Corporate Auditor of the Company hold(s) a majority of voting rights
Name of company	Miwa Vinyl Co., Ltd.
Location	Nobeoka, Miyazaki, Japan
Paid-in capital	¥10 million ($83 thousand)
Business line	Manufacture and sale of plastic packaging material
Share of voting rights held by the related party	—
Relationship with the related party	Purchasing raw materials
Nature of transaction	Purchasing raw materials
Transaction amount	¥49 million ($408 thousand) in the year ended March 31, 2015, no transactions in the year ended March 31, 2014
Account name	Notes and accounts payable—trade
Balance at end of year	¥2 million ($17 thousand) as of March 31, 2015, no balance as of March 31, 2014

Notes: 1. Transaction amounts are shown net of consumption taxes, while balances at end of year include consumption taxes.
2. Transaction terms and the policy of deciding transaction terms: Ordinary transaction terms are applied to the purchase of products.

19. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2015 and 2014, were as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Basic net assets per share	**¥775.05**	¥653.15	**$6.45**
Basic net income per share	**¥75.62**	¥72.48	**$0.63**

(a) Basis for calculation of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total net assets	**¥1,097,722**	¥925,766	**$9,136,263**
Amount deducted from total net assets	**15,068**	13,067	**125,410**
of which, minority interests	***(15,068)***	*(13,067)*	***(125,410)***
Net assets allocated to capital stock	**¥1,082,654**	¥912,699	**$9,010,853**
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	**1,396,873**	1,397,386	**1,396,873**

(b) Basis for calculation of net income per share

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net income	**¥105,652**	¥101,296	**$879,334**
Amount not allocated to capital stock	**—**	—	**—**
Net income allocated to capital stock	**¥105,652**	¥101,296	**$879,334**
Weighted-average number of shares of capital stock (thousand)	**1,397,094**	1,397,501	**1,397,094**

As the Company had no dilutive securities at March 31, 2015 and 2014, the Company does not disclose diluted net income per share for the years ended March 31, 2015 and 2014.

20. Additional information

Asahi Kasei Corporation has entered into a definitive merger agreement to acquire Polypore International, Inc. (NYSE:PPO, hereinafter: "Polypore"), a manufacturer of microporous membranes, which currently has two business segments: Energy Storage and Separations Media. In conjunction with this transaction, Polypore also announced that it has entered into a definitive asset purchase agreement to sell the assets and liabilities related to the Separations Media segment to 3M Company (NYSE:MMM, hereinafter: "3M") for cash consideration of approximately US$1.0 billion. Polypore is a compelling fit with Asahi Kasei's electronic materials business, led by Asahi Kasei's Hipore™ lithium-ion battery ("LIB") separator with applications in energy storage for both consumer electronics and automotive applications.

Asahi Kasei, through its U.S. subsidiary ESM Holdings Corporation which was established for this acquisition, will acquire all of the outstanding shares of Polypore's common stock for US$60.50 per share, which is a 28.4% premium over the average stock price during the one month period up to February 20, 2015, in the form of a cash merger, which would occur immediately after the closing of the sale of the Separations Media segment to 3M. As a result of these transactions, Asahi Kasei will acquire Polypore's Energy Storage business for total net consideration of approximately US$2.2 billion. The transactions have been approved by the Boards of Directors of Asahi Kasei, 3M, and Polypore, and are subject to customary conditions, including approval of Polypore's shareholders and receipt of applicable regulatory clearances.

21. Borrowings

(a) Bonds payable at March 31, 2015 and 2014, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unsecured 1.46% yen bonds due in 2019	**¥20,000**	¥20,000	**$166,459**
Unsecured 0.30% yen bonds due in 2017	**20,000**	20,000	**166,459**
Total	**¥40,000**	¥40,000	**$332,917**

Notes: 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, 2015, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥—	$—
2017	—	—
2018	20,000	166,459
2019	—	—
2020	20,000	166,459
2021 and thereafter	—	—
	¥40,000	$332,917

(b) Loans payable at March 31, 2015 and 2014, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Short-term loans payable with an interest rate of 0.59%	**¥62,648**	¥84,776	**$521,415**
Current portion of long-term loans payable with an interest rate of 0.60%	**33,367**	18,830	**277,711**
Current portion of lease obligations with an interest rate of 1.41%	**1,383**	1,784	**11,511**
Long-term loans payable (except portion due within one year) with an interest rate of 0.71%	**130,400**	146,037	**1,085,310**
Lease obligations (except portion due within one year) with an interest rate of 1.35%	**1,219**	2,445	**10,146**
Commercial paper (due within one year)	**—**	10,000	**—**
	¥229,018	¥263,872	**$1,906,101**

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2015.
2. The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2016, are as follows:

	Long-term loans payable		Lease obligations	
Year ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2017	¥41,046	$341,623	¥908	$7,557
2018	20,566	171,169	227	1,889
2019	49,468	411,719	59	491
2020	11,208	93,283	22	183
2021 and thereafter	¥8,112	$67,516	¥2	$17

pwc

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, 2015, 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, 2015, 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, 2015 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata

August 11, 2015

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Major Subsidiaries and Affiliates

As of May 31, 2015

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
Chemicals & Fibers Segment				
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
Tongsuh 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$	160	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 performance resin	€	5	100.0
Asahi Kasei Fibers Corp.*	Fibers, textiles	¥	3,000	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 Kasei Fibers (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
Homes & Construction Materials Segment				
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 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 (%)
Electronics Segment				
Asahi Kasei Microdevices Corp.*	Electronic devices	¥	3,000	100.0
Asahi Kasei E-materials Corp.*	Electronic materials	¥	3,000	100.0
Asahi Kasei Epoxy Co., Ltd.*	Epoxy resin	¥	300	100.0
Asahi Kasei Microsystems Co., Ltd.*	LSIs	¥	50	100.0
Asahi-Schwebel Co., Ltd.*	Glass fabric	¥	50	100.0
Asahi Kasei Electronics Co., Ltd.*	Hall elements	¥	50	100.0
Asahi Kasei FP Corp.*	Fine pattern coils	¥	10	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
Health Care Segment				
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, sale of pharmaceuticals	US$	49**	100.0
Asahi Kasei Bioprocess America. 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 Bioprocess Singapore Pte. Ltd.	Sale of bioprocess products	SG$	0.3	100.0
Asahi Kasei Medical Trading Ltd. Sti.*	Sale of medical devices, medical systems	YTL	0.01	100.0
Asahi Kasei Medical MT Corp.	Medical devices, bioprocess products	¥	10	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
Others				
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 Advance Corp.*	Sale of Asahi Kasei products	¥	500	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, 2015)

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,389 million
Employees	30,313 (consolidated)
	1,185 (non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

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Phone: +1-978-421-9655

Investors Information

(As of March 31, 2015)

Stock Listings	Tokyo
Stock Code	3407
Authorized Shares	4,000,000,000
Outstanding Shares	1,402,616,332
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd.
Independent Auditors	PricewaterhouseCoopers Aarata
Number of Shareholders	85,482

Largest Shareholders	% of equity*
The Master Trust Bank of Japan, Ltd. (trust account)	5.24
Nippon Life Insurance Co.	5.23
Japan Trustee Services Bank, Ltd. (trust account)	3.90
Asahi Kasei Group Employee Stockholding Assn.	2.54
Sumitomo Mitsui Banking Corp.	2.53
Mizuho Bank, Ltd.	1.45
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.

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