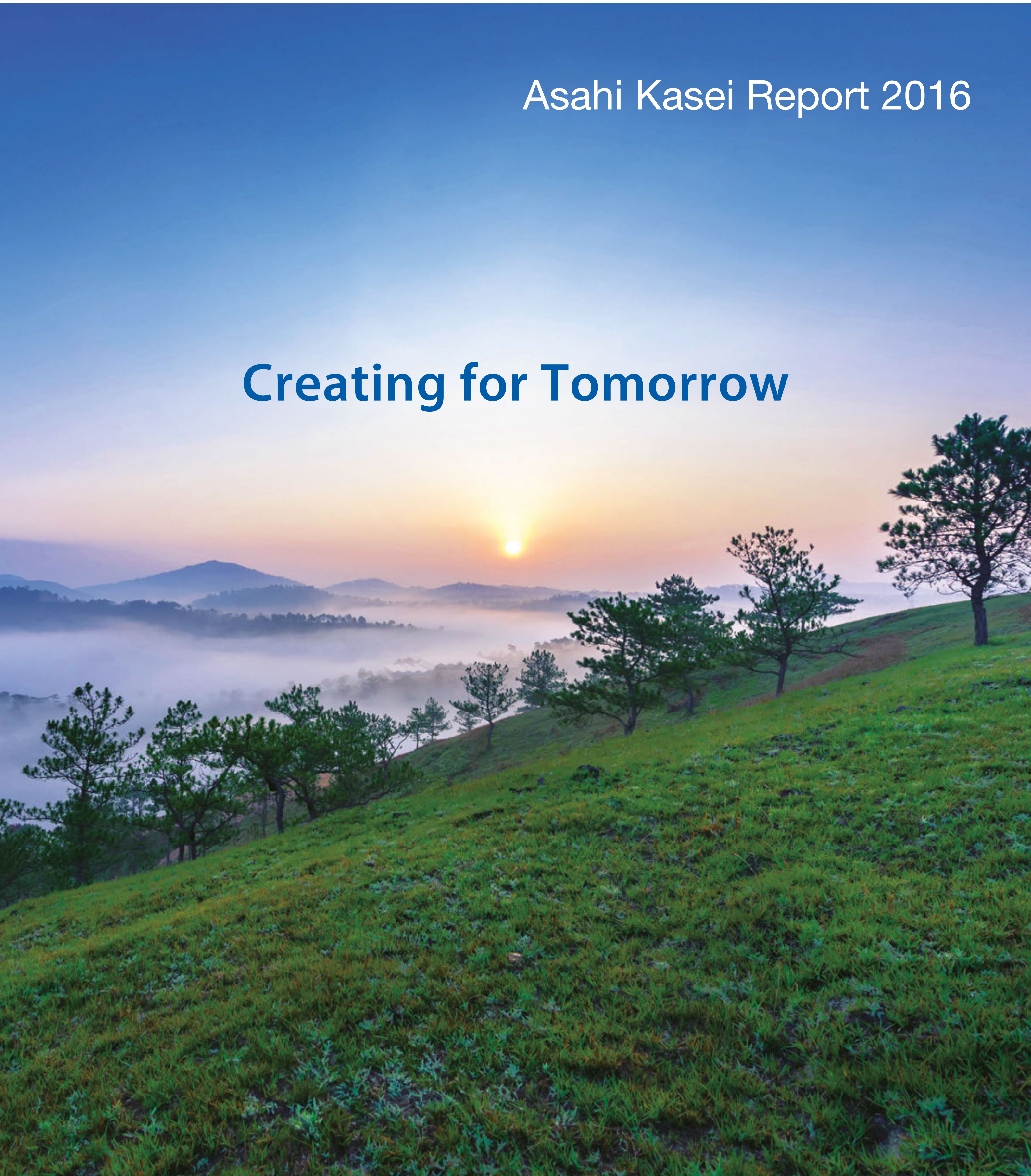
AsahiKASEI

Asahi Kasei Report 2016



ASAHI KASEI CORPORATION

Group Mission

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

Group Vision

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

Group Values

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

Group Slogan

Creating for Tomorrow

Editorial policy

For greater ease of understanding among our stakeholders, 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 2015 (April 2015 to March 2016). Some qualitative information pertaining to April to September 2016 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 three operating segments are Material, Homes, 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 October 2016.

Guidelines consulted

The Global Reporting Initiative's Sustainability Reporting Guidelines G4, ISO 26000, and other guidelines were consulted during the preparation of this report.

Contents

Report on Manipulation of Precast Concrete Pile Installation Data by Subsidiary Asahi Kasei Construction Materials

We deeply apologize that subsidiary Asahi Kasei Construction Materials Corp. manipulated a portion of data for the installation of precast concrete piles. To ensure against any similar situation occurring again, we have investigated the causes and implemented preventative measures.

On January 8, 2016, an interim report was received from the independent commission which was established to investigate the matter. On February 9, 2016, our internal fact-finding committee issued its interim report. Causes of data manipulation and measures to prevent recurrence were identified as follows:

■ Causes of data manipulation

i) Circumstances conducive to occurrence of lack of data
ii) Absence of clear measures to deal with lack of data
iii) Poor recognition of importance of installation data among site agents, etc.
iv) Issues related to management of the pile business at Asahi Kasei Construction Materials

■ Measures to prevent recurrence

i) Sound acquisition and handling of installation data
ii) Formulation of rules to deal with lack of data
iii) Establishment of a proper management system
iv) Performing training of site agents and other workers
v) Measures to deal with organizational, personnel, and awareness problems at Asahi Kasei Construction Materials

Taking this matter with the utmost gravity, we are working to reinforce compliance throughout all operations based on the “three actuals” of the actual place, the actual thing, and the actual fact. On January 1, 2016, Corporate ESH & QA was reorganized to place greater emphasis on quality assurance. Furthermore, Risk Management & Compliance was newly established as a central corporate organ to aggregate information related to risks and compliance.

The Asahi Kasei Group is committed to restoring the trust of society and our customers by thoroughly applying measures to prevent recurrence.

To Our Stakeholders

Thank you for reading the *Asahi Kasei Report 2016*. 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.

From fiscal 2011 to 2015, the Asahi Kasei Group executed its "For Tomorrow 2015" strategic management initiative to expand world-leading businesses and create new value for society. While expanding capacity for globally competitive products, we further diversified and strengthened our operations through large-scale acquisitions of ZOLL Medical Corporation in the field of acute critical care and Polypore International, LP in the field of battery separators.

In fiscal 2016 we began a new three-year strategic management initiative "Cs for Tomorrow 2018." The three-year period is focused on building the base for the next phase, creating a portfolio of high-profitability and high value-added businesses in fiscal 2025. We aim to contribute to a "society of clean environmental energy" and a "society of healthy/comfortable longevity with peace of mind" by leveraging our diverse business operations. To facilitate greater efficiency and strategic allocation of management resources, in April 2016 we transitioned from a holding company configuration to an operating holding company configuration through the merger of three core operating companies with Asahi Kasei Corp., and reconfigured our operations into the three business sectors of Material, Homes, and Health Care.

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.

September 2016

Hideki Kobori
President

Directors

1. Chairman & Director | **Ichiro Itoh**

After many years of experience in the fibers business, he held several leadership positions including executive officer for planning, accounting, and finance, and vice-presidential executive officer. He has been Chairman & Director since April 2010. He possesses a wealth of experience and a broad range of knowledge on the Asahi Kasei Group's businesses and corporate management.

2. President & Representative Director Presidential Executive Officer | **Hideki Kobori**

After many years of experience in the electronics business, including as President & Representative Director of Asahi Kasei Microdevices Corp., he oversaw strategy, accounting, finance, and internal control. He assumed the role of President of Asahi Kasei in April 2016. He possesses a wealth of experience and a broad range of knowledge on the Asahi Kasei Group's businesses and corporate management.

5. Director Senior Executive Officer | **Shuichi Sakamoto**

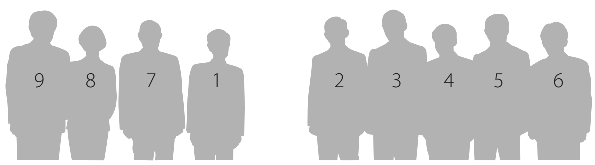
After many years of experience in the petrochemicals business, he became General Manager of Corporate Strategy in November 2014 with responsibility for formulating and executing the management strategy and business strategies of the Asahi Kasei Group. Since April 2016, he has overseen accounting, finance, and IT. He possesses a wealth of experience and a broad range of knowledge on the Asahi Kasei Group's businesses and corporate management.

6. Director Lead Executive Officer | **Nobuyuki Kakizawa**

After many years of experience in the housing business, he held several leadership positions including General Manager of Accounting and Finance at Asahi Kasei Corp. and General Manager of General Affairs at Asahi Kasei Homes Corp. He became General Manager of General Affairs in April 2013 with responsibility for formulating and executing measures for risk management and compliance of the Asahi Kasei Group. He possesses a wealth of experience and a broad range of knowledge on risk management and compliance.

9. Outside Director | **Tsuneyoshi Tatsuoka**

With his wealth of experience and broad range of insight into industrial and economic policy, including as administrative vice-minister of the Ministry of Economy, Trade and Industry, he fulfills his role as Outside Director in deciding on important matters of the Asahi Kasei Group as well as overseeing business execution.



3. Representative Director
Vice-Presidential Executive Officer

Yuji Kobayashi

After many years of experience in the petrochemicals business, he became President & Representative Director of Asahi Kasei Chemicals Corp. From April 2014, he oversaw the Chemicals & Fibers business sector. He possesses a wealth of experience and a broad range of knowledge on business in the Material sector and corporate management.

4. Director
Primary Executive Officer

Masafumi Nakao

After many years of experience in R&D and new business development in the electronics business, he held several leadership roles including General Manager of the R&D Center and executive officer for quality assurance at Asahi Kasei Microdevices Corp. Since April 2012, he has overseen R&D of the Asahi Kasei Group. He possesses a wealth of experience and a broad range of knowledge on R&D.

7. Outside Director

Norio Ichino

With his wealth of business management experience and broad range of insight as a corporate executive, including as President of Tokyo Gas Co., Ltd., he fulfills his role as Outside Director in deciding on important matters of the Asahi Kasei Group as well as overseeing business execution.

8. Outside Director

Masumi Shiraishi

With her wealth of experience and broad range of insight into economics and society as a university professor at Kansai University, she fulfills her role as Outside Director in deciding on important matters of the Asahi Kasei Group as well as overseeing business execution.

Cs for

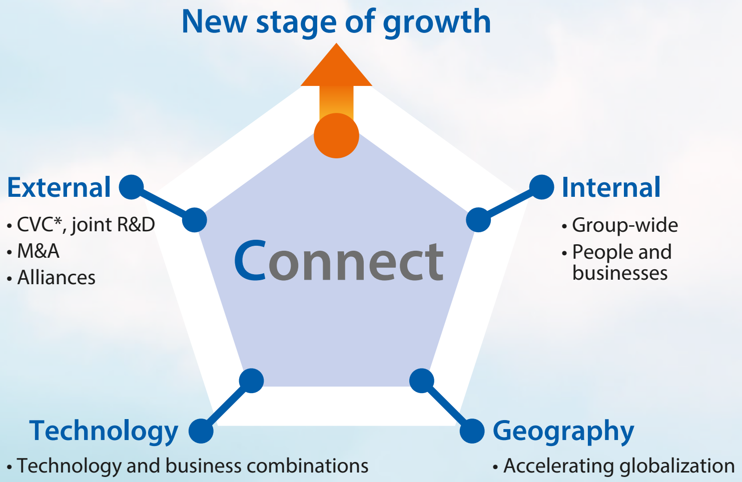
Building the base for the next phase with various Cs

There are five "Cs" that represent important aspects of Cs for Tomorrow 2018 (CT2018) as we advance toward our objectives. The first "C" is from our Group Slogan, Creating for Tomorrow. The second "C" is for Connections. We aim to build new connections in various aspects (external, internal, geography, technology) to facilitate the creation of new markets. The third to fifth "Cs" are for Compliance, Communication, and Challenge—key facets of our endeavor to restore trust and drive further growth.

Group slogan

Creating for Tomorrow

Create new markets through connections



* CVC = Corporate Venture Capital

Restore trust based on three Cs

Compliance

Thorough compliance based on the "three actuals"

Communication

Open communication that fosters mutual understanding and trust

Challenge

Relishing new challenges to advance and evolve

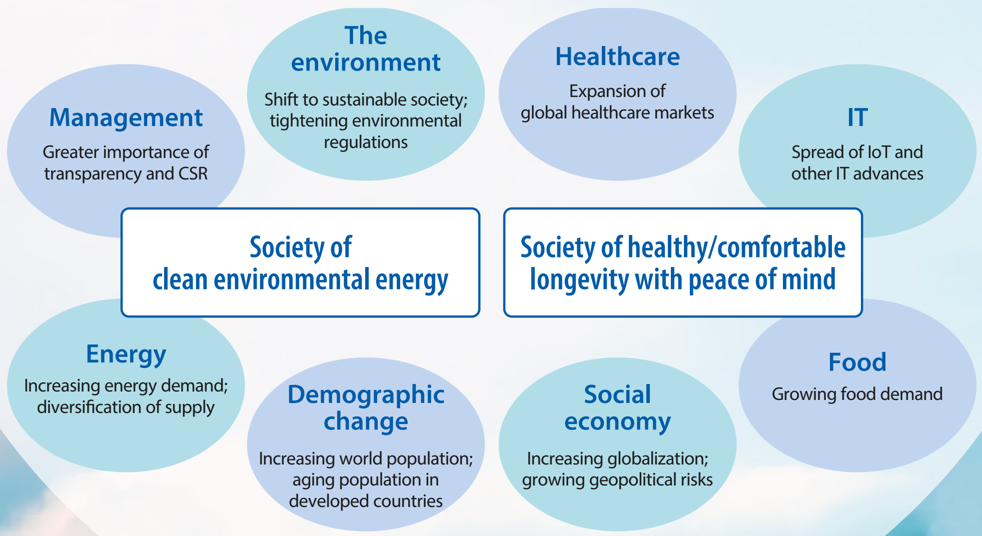
Tomorrow 2018

Throughout the history of the Asahi Kasei Group, we have continuously realigned our business portfolio to meet the changing needs of the times, and proactively branched into new fields to create new value for society. Since 2003, under the configuration of Asahi Kasei Corp. as a holding company, three medium-term management initiatives successfully steered us towards specific milestones. Ishin-05 (FY2003–2005) promoted "selective diversification" and "creation of cash flow," and Growth Action—2010 (FY2006–2010) focused on "business portfolio realignment for expansion and growth" and "strategic investment." Under the previous initiative For Tomorrow 2015 (FY2011–2015) with its focus on "expansion of world-leading businesses" and "creation of new value for society," we achieved our highest operating income ever in fiscal 2015.

CT2018 (FY2016–2018) is focused on building the base for the next phase. At the beginning of fiscal 2016, Asahi Kasei transitioned to an operating holding company configuration, with realigned business sectors. The new medium-term management initiative is directed toward creating a portfolio of high value-added businesses with high profitability in fiscal 2025.

Providing solutions to two important challenges faced by society with our diversified business

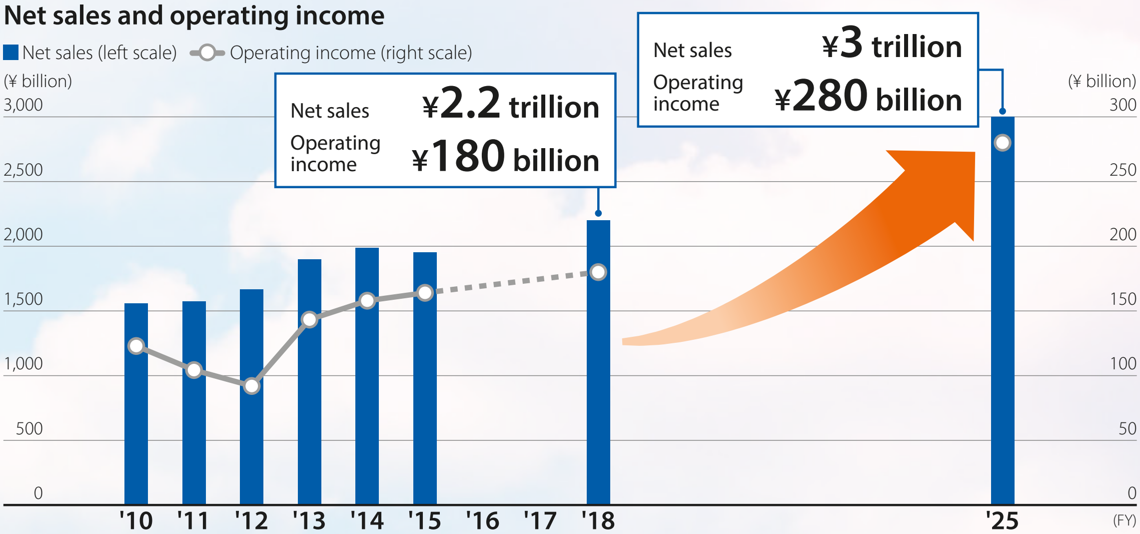
In the midst of rapid changes in the economic environment and social structure, we are working to contribute to the realization of a society of clean environmental energy and a society of healthy/comfortable longevity with peace of mind through our diverse products, technologies, and services.



Financial targets

In fiscal 2015, we achieved net sales of ¥1,940.9 billion and operating income of ¥165.2 billion, a new record high in operating income for the third consecutive year. Our goal in fiscal 2025 is to achieve net sales of ¥3 trillion and operating income of ¥280 billion. The three year period of CT2018 is positioned as a time for building the base for the next phase by making connections among our diverse businesses and diverse human resources, with fiscal 2018 targets of ¥2.2 trillion in net sales and ¥180 billion in operating income.

Net sales and operating income



* Formulated assuming exchange rates of ¥110/$ and ¥120/€

Main performance metrics

(¥ billion, except where noted)	FY2003	FY2010	FY2015	FY2015–2018 (annual growth)	FY2018 (target)	FY2025 (outlook)
Net sales	1,253.5	1,555.9	1,940.9	4.3%	2,200.0	3,000.0
Operating income	60.9	122.9	165.2		180.0	280.0
Operating margin	4.9%	7.9%	8.5%		8.2%	9.3%
Net income attributable to owners of the parent	27.7	60.3	91.8		110.0	
EBITDA[1]	125.3	207.8	274.8		300.0	
Net income per share (¥)	19.6	43.1	65.7		78.0	
Total return ratio	30.6%	25.5%	30.4%		35.0%	
Net income per shareholders' equity (ROE)	6.4%	9.3%	8.6%		9.0%	10.0%
Net income per shareholders' equity and interest-bearing debt (ROIC)	5.0%	7.9%	7.1%		7.0%	8.0%
D/E ratio	0.62	0.38	0.43		0.50	0.50
Exchange rate (¥/$)	113	86	120		110	110

[1] Operating income, depreciation, and amortization (tangible, intangible, and goodwill).

FY2016–2018 investment plan: ¥700 billion

Basic strategy of Cs for Tomorrow 2018

Basic strategy

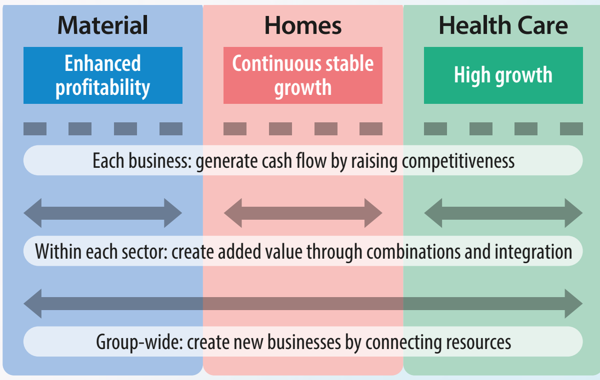
1. Pursuit of growth and profitability
2. Creation of new businesses
3. Acceleration of globalization

CT2018 is focused on the three basic strategies of "pursuit of growth and profitability," "creation of new businesses," and "acceleration of globalization," which are implemented across the Asahi Kasei Group. The three sectors of Material, Homes, and Health Care will each expand operations by leveraging their respective strengths, while the Asahi Kasei Group as a whole will solidify the base for further growth by leveraging our combined strength.

1 Pursuit of growth and profitability

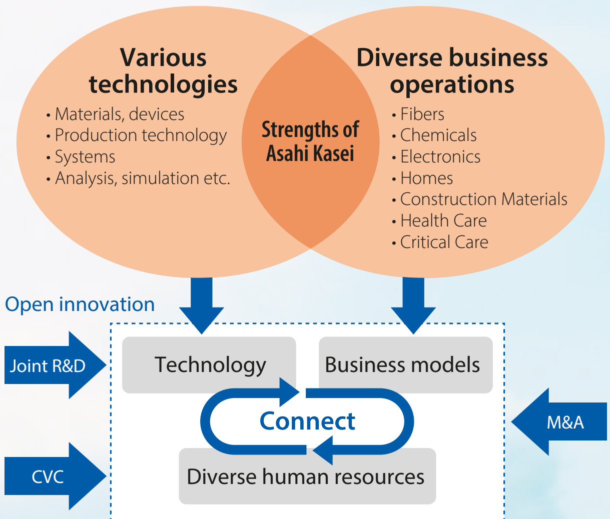
Each individual business works to generate greater cash flow by raising competitiveness. Within each sector, we will create new added value through combinations and integration among the different businesses. For the creation of new businesses, management resources are connected across the different sectors.

Each business sector also has a specific role to play. The Material sector aims for enhanced profitability through connections among businesses within the sector, optimization of the business portfolio, and heightened competitiveness. The Homes sector focuses on continuous stable growth by strengthening established businesses with comprehensive products, construction, and services that meet the needs of society, while expanding the value chain through business development. The Health Care sector aims for high growth by reinforcing its global business platform while strengthening the profitability of domestic businesses.



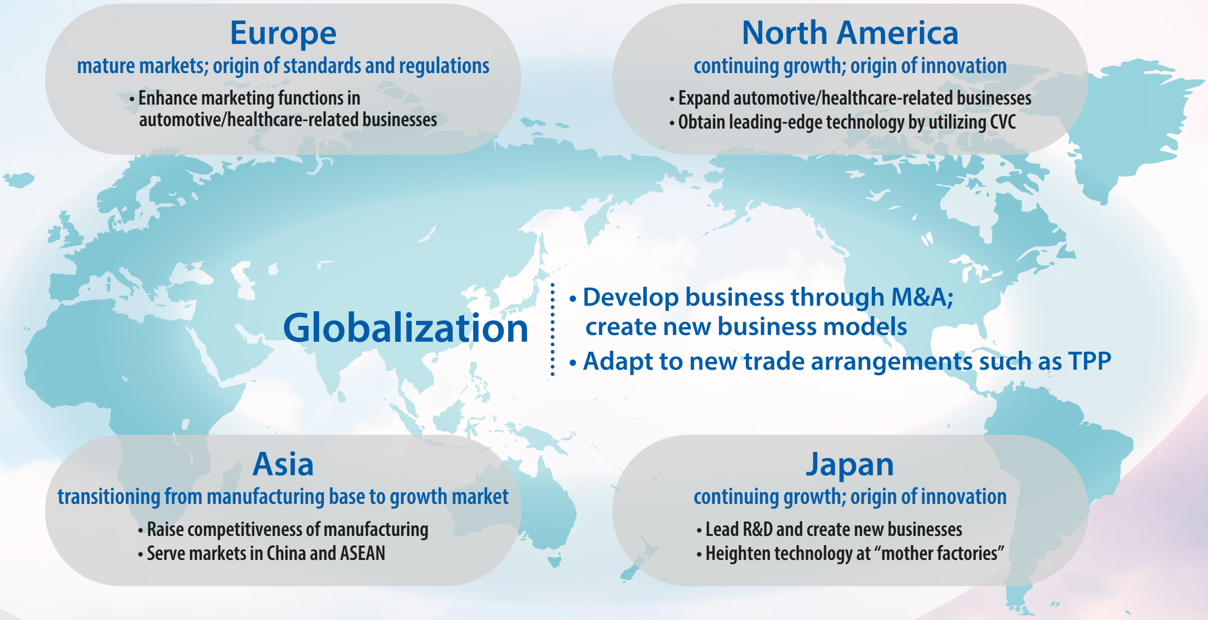
2 Creation of new businesses

The greatest strength of Asahi Kasei lies in our combination of various technologies, cultivated throughout our history of diversification, that enable the creation of new value for society. We are enhancing our ability to create new businesses by connecting our technologies, business models, and human resources internally, as well as by connecting externally through joint R&D, business alliances, corporate venture capital (CVC), and M&A.



3 Acceleration of globalization

Under the previous medium-term management initiative For Tomorrow 2015, we newly constructed or expanded several production facilities for globally competitive products in Japan and overseas. From fiscal 2016 onward, those capital investments will bear fruit by contributing to earnings. We are also advancing with clearer strategies in each region for our businesses to develop more efficiently and profitably on a global scale.



Financial and capital strategy

Execute strategy to raise corporate value while performing return to shareholders.

Operating cash flow

We expect that a total of ¥600–700 billion in operating cash flow will be generated over the 3-year period by enhancing the competitiveness of established businesses and creating new added value in each sector.

Total investment

We plan to invest a total of some ¥700 billion over the 3-year period to proactively advance M&A and other new investment in addition to investment to maintain and expand established businesses.

Target for total return ratio

We will flexibly perform share buybacks in addition to stable and continuous dividend increases with a target for total return ratio of 35% in fiscal 2018.

Funding policy

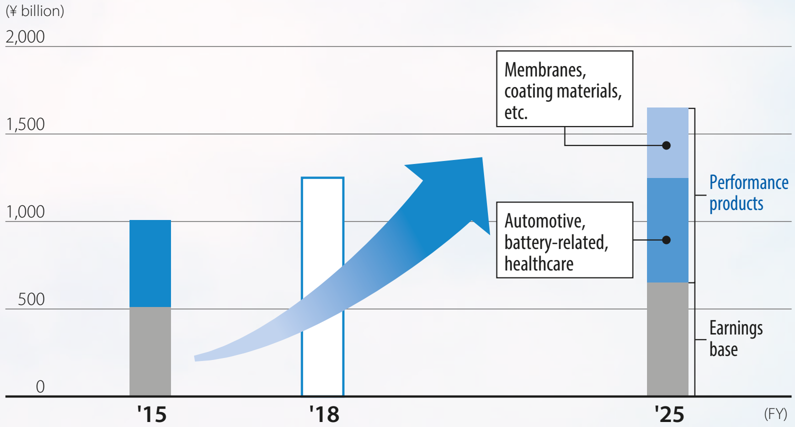
In principal we will raise funds through borrowings while maintaining a D/E ratio of around 0.5.

Future path for each sector toward fiscal 2025

In our vision of creating a portfolio of high-profitability and high value-added businesses in fiscal 2025, the three years under the current management initiative are positioned as a time to build the base for the next phase. Each sector's path forward is shown below.

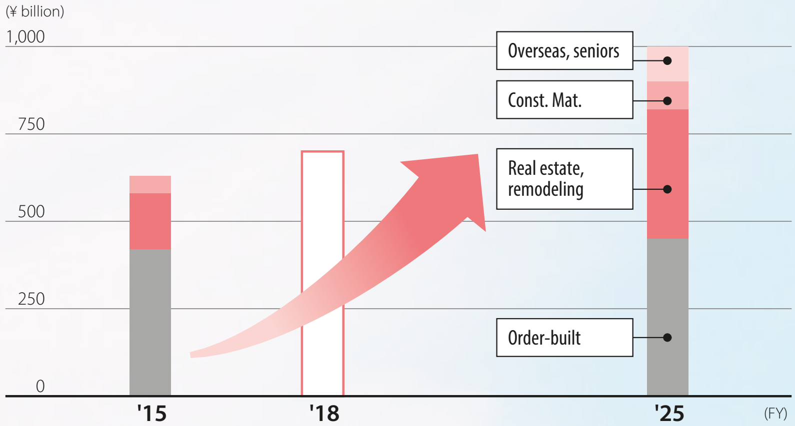
Material sector

- Seek greater profitability by expanding in performance products
- Solidify No. 1 position of battery separator business
- Use combined strength to cultivate new markets for materials



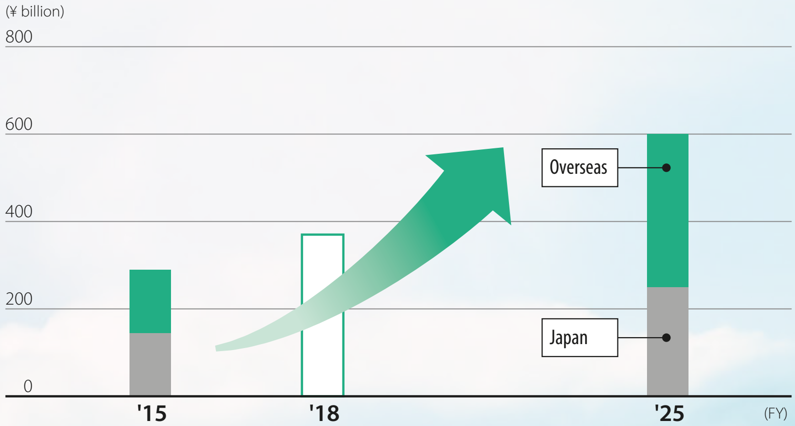
Homes sector

- Secure stable earnings by raising market share for established businesses
- Advance new businesses focused on medium-rise homes, seniors, and overseas markets
- Create distinctive added value through connections with other sectors in Asahi Kasei



Health Care sector

- Increase overseas sales; operating income to reach 1/3 of Asahi Kasei Group total
- Pharmaceuticals: Recomodulin™ as the growth driver for global expansion
- Medical devices: grow by further utilizing and strengthening global platform



History of Providing Solutions for the Challenges of Society

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

Shitagau Noguchi

From 1922

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

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

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

From 1950

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

Saran Wrap™ launched in Japan in 1960

Naphtha cracker (Kurashiki, Okayama, Japan)

From 1970

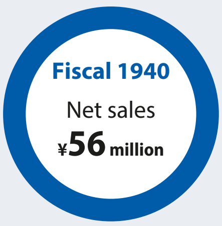
In 1972 we entered the homes business with the launch of the Hebel Haus™, and in 1974 we entered the medical device business with hollow-fiber membrane artificial kidneys. Our entry into the electronics business began with our launch of Hall elements (magnetic sensors) in 1980 and start of LSI manufacture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

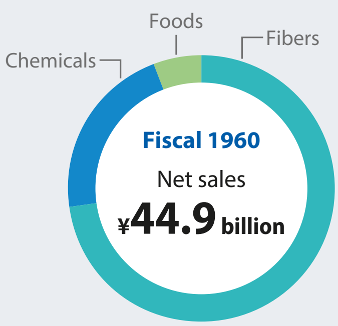
The first Hebel Haus™ (Kamata model home park)

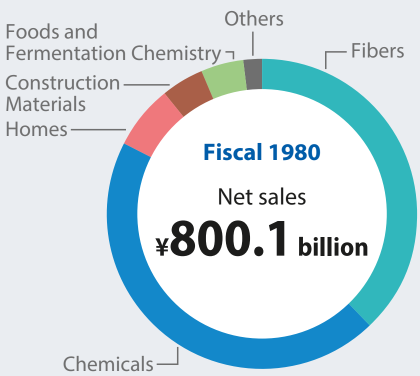
Hollow-fiber membrane artificial kidneys

LSIs

Portfolio transformation







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

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

1922–2015

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

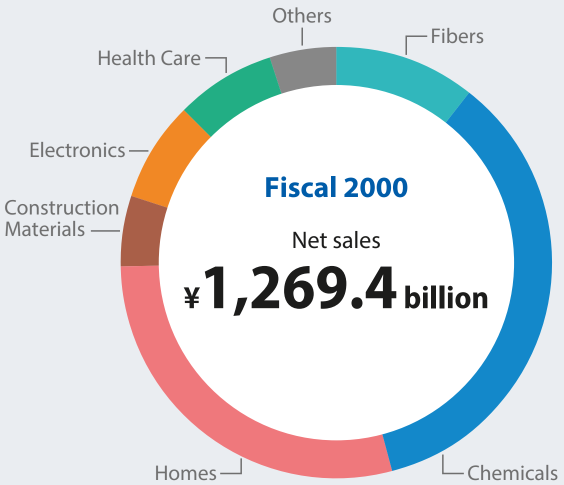

Asahi Kasei Electronics Materials (Suzhou) Co., Ltd., a major manufacturing base for photosensitive dry film

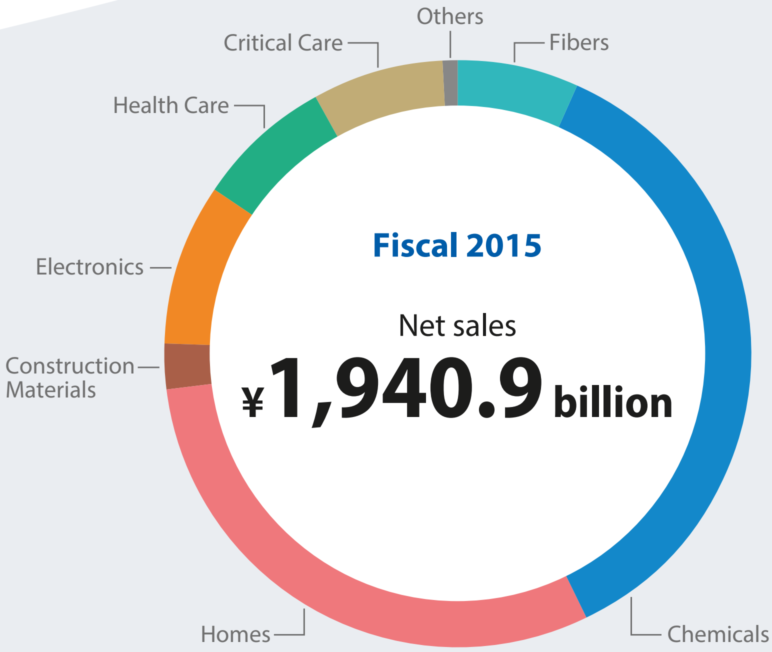
From 2010

Under the "For Tomorrow 2015" management initiative which began in 2011, we proactively expanded our operations through major acquisitions. In 2012 we entered the acute critical care business by acquiring ZOLL Medical Corporation, and in 2015 we acquired battery separator manufacturer Polypore International, LP. In 2016 we launched a new three-year management initiative "Cs for Tomorrow 2018" focused on expanding operations by heightening the combined strength of the Asahi Kasei Group.


The LifeVest™ wearable defibrillator


Celgard™ Li-ion battery separator of Polypore





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

Taking bold steps forward toward our next milestones under "Cs for Tomorrow 2018"

We enjoyed strong results in fiscal 2015, setting a new record high for operating income, owing to the success of our strategic investments and M&As executed over the past years. We are further strengthening our base of operations to create a portfolio of high-profitability and high value-added businesses in fiscal 2025.

Hideki Kobori
President

Back to basics as we continue to forge ahead

When I became President of Asahi Kasei this April, I reflected on my early experience. My first job when I joined the company was as a salesperson for an engineering resin that we had just commercialized, and then I was involved in ramping up our LSI business. When a business is young, you are always cultivating new customers and developing new products; there are constant challenges. Ever since then, I always bear in mind the importance of being alert to forthcoming changes and building valuable relationships with customers and other parties. My sense is that this is what the Asahi Kasei Group has always done to successfully diversify, and what we must continue to do now more than ever as we forge ahead.

Last fall, regrettably, we disclosed the occurrence of data irregularities regarding the installation of precast concrete piles by subsidiary Asahi Kasei Construction Materials Corp. We sincerely apologize to our shareholders, investors, and other stakeholders who placed their trust in us. We are focused on achieving thorough compliance based on the “three actuals” of the actual place, the actual thing, and the actual fact as we work to restore the trust of all stakeholders.

Connecting diverse businesses and human resources

For over nine decades since our founding in 1922, we have continued to proactively diversify and adapt the Asahi Kasei Group’s operating portfolio in accordance with changes in the operating environment, in the economy, and in society at large. With businesses that increasingly span the globe, it becomes difficult to steer a clear path in a world of constant change. It is especially under such circumstances that we must leverage our diverse businesses and human resources to build a portfolio of high-profitability and high value-added businesses to ensure our stable and sustainable development for the future.

In accordance with our Group Mission of *contributing to life and living for people around the world*, we will create unmatched value in each field with innovative technologies and products that will be appreciated by our customers as we strive for further global reach. We are working to build the base for the next phase through our new medium-term management initiative starting from fiscal 2016.

New record-high operating income in fiscal 2015 with past efforts bearing fruit

Under the previous medium-term management initiative "For Tomorrow 2015" which ended in fiscal 2015, the Asahi Kasei Group targeted net sales of ¥2 trillion and operating income of ¥160 billion. A number of actions were executed in accordance with the two strategic pillars of "expansion of world-leading businesses" and "creation of new value for society," including some ¥1 trillion of strategic investment for growth.

In the expansion of world-leading businesses, we increased production capacity for highly competitive products including S-SBR for fuel-efficient tires, spunbond nonwovens, and Roica™ spandex. In the creation of new value for society, we acquired ZOLL Medical Corporation, a leading US manufacturer of acute critical care devices and systems, marking our full-scale entry into this field. We also acquired Polypore International, LP to reinforce our battery separator business by adding new product lines. Furthermore, we acquired the US-based venture company Crystal IS, Inc. with which we jointly developed UVC LEDs, and began commercial production for disinfection applications. ZOLL's operations grew remarkably during this period, yielding positive consolidated operating income even after amortization of goodwill, etc. With Polypore, the post-merger integration process is making good progress, and we are currently advancing the development of new products leveraging synergies between our two companies.

In domestic petrochemicals operations, our naphtha cracker in Mizushima, which began operation in 1972, was unified with the adjacent naphtha cracker of Mitsubishi Chemical Corp. Joint operation began in April 2016, and we improved the earnings structure of derivative products.

Those efforts bore fruit in fiscal 2015, with ¥1,940.9 billion in consolidated net sales and ¥165.2 billion in operating income. Although net sales were slightly below the target, operating income reached a new record high for the third year in a row. Over the five-year period of the initiative, net sales grew by some ¥400 billion and operating income grew by some ¥40 billion. With solid growth in health care operations, we attained a more balanced structure among our three business sectors of Material, Homes, and Health Care.

Connection as the key element of "Cs for Tomorrow 2018"

In April 2016, we launched a new medium-term management initiative, "Cs for Tomorrow 2018," targeting consolidated net sales of ¥2.2 trillion and operating income of ¥180 billion in fiscal 2018. We are fostering innovation through our broad spectrum of businesses focused on contributing to the realization of a "society of clean environmental energy" and a "society of healthy/comfortable longevity with peace of mind."

Our aim is to create a portfolio of high-profitability and high value-added businesses over the next decade. Basic strategies under the new initiative ending in fiscal 2018 are "pursuit of growth and profitability," "creation of new businesses," and "acceleration of globalization." We will build the base for the next phase by enhancing connections among our diverse businesses and diverse human resources.

"Connection," an important aspect of the new initiative, is a key concept in the electronics industry, where I worked for a long time. We will look to build new connections in many ways under the new initiative, both externally through joint R&D, M&A, and business alliances, and internally among our different businesses, different technologies, and different regions of operation. I believe such connections will open up new possibilities for further growth.

Transformation to an operating holding company

On April 1, 2016, Asahi Kasei Corp. became an operating holding company through the absorption of three of its core operating companies, Asahi Kasei Fibers Corp., Asahi Kasei Chemicals Corp., and Asahi Kasei E-materials Corp. The Asahi Kasei Group now operates in the three business sectors of Material, Homes, and Health Care.

The holding company configuration adopted in October 2003 enabled each of our businesses to swiftly adapt to changes in their respective operating environments, with greater clarity of responsibility and authority for business management. The greater autonomy and independence of each business led to business expansion and increased profits. Comparing financial results of fiscal 2015 with those of fiscal 2003, net sales increased by a factor of 1.5 and operating income tripled. A stronger financial constitution was obtained with the operating margin rising from 4.9% to 8.5% and ROE rising from 6.4% to 8.6%. And yet, some downsides were also recognized; interactions among different businesses in terms of human resources, technology, and R&D had diminished, and some administrative functions overlapped.

Under our new configuration we are aiming even higher, targeting net sales of ¥3 trillion and operating income of ¥280 billion in fiscal 2025. Achieving this will require more interaction among personnel and technologies to create synergies among different businesses and unleash the collective strength of the Asahi Kasei Group. Especially in the Material sector, we are placing greater strategic focus on automotive-related businesses. Previously, each business unit approached the same customers independently. Now we will work together as a group to formulate common strategies for marketing and technology tailored to each major customer and each region, enabling one-stop service for greater efficiency.

Emphasizing the creation of new businesses to enhance growth

We essentially achieved our targets under the previous initiative and set the stage for further growth under the new initiative. One objective of the new initiative is to reinforce in-house R&D for new business creation. We are now working to enhance connections among various technologies and businesses, and to further leverage M&A, joint R&D, and corporate venture capital (CVC) to facilitate the creation of businesses. Throughout the history of Asahi Kasei, we have repeatedly transformed our business portfolio and provided new value to society to meet the changing needs of the times. In each case, this was made possible through our strengths in R&D and our willingness to take on challenges. Having realigned our corporate structure in April 2016 to further enhance collaboration among different businesses, we will be better able to discern business potential as we forge ahead with the creation of new businesses.

Expansion in the automotive field with coordinated marketing across different business units

The automotive industry is changing dramatically with the motorization of emerging countries, the ascendance of eco cars such as hybrid, electric, and fuel-cell vehicles, and the evolution of automated driving technologies based on IT. This area is now the focus of intense interest among material manufacturers offering various leading-edge materials. Though our Material sector has a rich range of products for the automotive industry, our different business units have been interacting separately with the same customers. This inhibited our ability to gain a complete picture of customer needs and market information. Our new configuration will make our business activities more efficient and effective as an integrated whole, with a comprehensive approach to marketing and technology development for key customers. Our newly established Automotive Marketing Department will coordinate these efforts throughout the Material sector, ensuring swift and effective action. Particular emphasis will be placed on achieving growth in Europe, where many environmental and technology trends originate. Asahi Kasei Europe GmbH, newly established in Dusseldorf, Germany, will serve as a base for marketing in Europe.

Reinforcing our world-leading position

Our August 2015 acquisition of Polypore reinforced our world-leading position in the field of battery separators. By combining the Celgard™ dry-process products with our Hipore™ wet-process products, we have significantly expanded our lithium-ion battery (LIB) separator product portfolio, enabling us to meet a wider variety of customer needs. Daramic™ lead-acid battery separator also has excellent growth potential with the motorization of emerging countries and the increasing adoption of idling stop-start systems around the world.

The Asahi Kasei Group's total LIB separator capacity, combining both wet and dry processes, is now 550 million m^2/year. We are currently adding a new production line at the Hipore™ manufacturing plant located in Moriyama, Shiga, Japan, that will raise this to 610 million m^2/year in 2018. To keep pace with forecasted growth in demand, we plan to continue to raise our total LIB separator capacity to 1,100 million m^2/year by 2020.

We will continue to leverage our comprehensive battery separator lineup of Hipore™, Celgard™, and Daramic™, heightening synergies among our manufacturing technologies, processing technologies, and marketing functions.

¥700 billion of strategic investment budgeted over three years

While we performed some ¥1 trillion of strategic investment over the five-year period of the previous initiative, including investment to expand existing businesses and large-scale M&A, we plan to allocate ¥700 billion to strategic investment during the three-year period of the new initiative. While over ¥100 billion was allocated to existing businesses each year during the previous initiative, in the new initiative we plan to divide strategic investment roughly evenly between measures to expand existing businesses and non-linear growth measures such as M&A. Investment to expand existing businesses will be focused on competitive products such as performance polymers and compounds for automotive applications, fiber materials enjoying strong demand, and especially LIB separator. LIB separator for consumer electronics applications continues to perform well, and that for automotive applications is forecasted to grow significantly. As for M&A, we will focus on acquiring technologies that are at an early stage of development. We would like to have as many growth drivers as possible. We will also look at M&A as a way to enhance our services and customer support systems, enabling us to extend business models for fuller service provision.

Strategic path toward our vision for the future in each sector

We are advancing strategic actions toward the achievement of our vision for each business sector in fiscal 2025.

(¥ billion)		FY2015	FY15–18 increase, growth rate	FY2018 target	FY18–25 increase, growth rate	FY2025 outlook
Material	Net sales (a)	1,004.4		1,250.0		1,650.0
	Operating income (b)	79.2		100.0		140.0
	Operating margin (b/a)	7.9%	+0.1 pt	8.0%	+0.5 pt	8.5%
Homes	Net sales (a)	632.4		700.0		1,000.0
	Operating income (b)	71.0	(1.0)	70.0	+30.0	100.0
	Operating margin (b/a)	11.2%		10.0%		10.0%
Health Care	Net sales (a)	285.4	+9.0%/year	370.0	+7.2%/year	600.0
	Operating income (b)	36.2		50.0		80.0
	Operating margin (b/a)	12.7%		13.5%		13.3%

Note: Totals of net sales and operating income targets and outlooks shown here do not match those shown on page 8.

Material sector

There are three main elements of our policy for future business expansion toward fiscal 2025 in the Material sector. The first is to enhance profitability by expanding operations in performance products. The second is to reinforce the world-leading position of our battery separator business. And the third is to use our combined strength to cultivate new markets for materials. In line with these, the three-year period of the new initiative will focus on enhancing profitability by strengthening established businesses while advancing measures for the future that span across the sector. Advancing toward fiscal 2025, we will solidify the earnings base of our petrochemicals and consumables businesses focused on the domestic Japanese market as well as that of our steadily growing fibers business, while expanding businesses with automotive materials, battery materials, and new materials for healthcare and hygiene applications.

Homes sector

In addition to securing stable earnings by raising market share for established businesses in the Homes sector toward fiscal 2025, we will advance new businesses focused on medium-rise homes, seniors, and overseas markets, and work to create distinctive added value through connections with our other business sectors. The three-year period of the new initiative will focus on securing stable earnings in our main businesses and seeking stable growth by expanding in real estate, remodeling, and insulation materials. We are also working to expand through a capital alliance with a construction company and through joint projects with companies in Taiwan.

Health Care sector

Toward fiscal 2025, this sector will work to expand its overseas sales and raise its operating income to one-third of the consolidated total. Pharmaceuticals operations will globally expand with Recomodulin™ anticoagulant as a growth driver. Medical devices operations will grow further by utilizing and reinforcing ZOLL's global operating platform. While reinforcing the global platform during the three-year period of the new initiative, we will further expand in overseas markets, especially the US where higher growth is forecasted, by accumulating information on early-stage R&D utilizing CVC, etc.

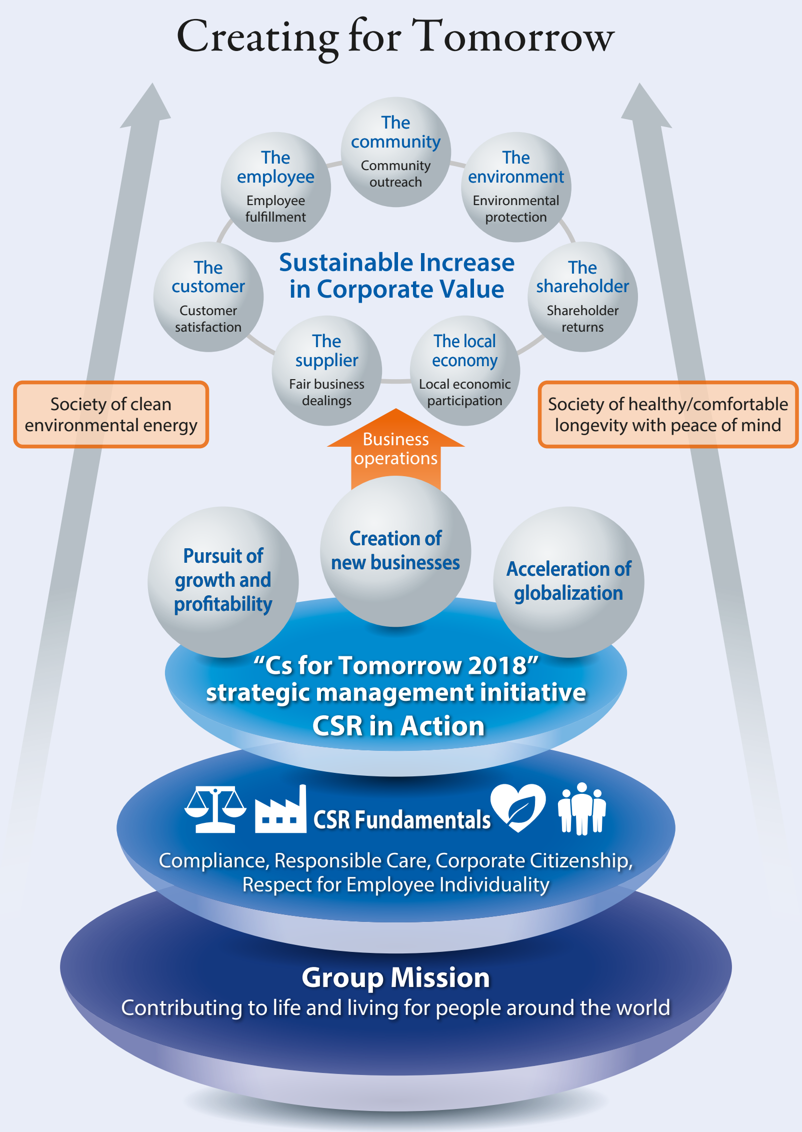
Transparent, fair, and timely decision-making

We aim to provide solutions to society by creating synergies among our various businesses, and to achieve sustainable growth and enhance corporate value over the medium to long term. As a part of this effort, we believe that it is important to have a corporate governance framework that ensures transparent, fair, and timely decisions. In fiscal 2015, we established a Nomination Advisory Committee and a Remuneration Advisory Committee to obtain the active participation of Outside Directors in the process of considering the optimal makeup and size of the Board of Directors, policies for nominating candidates and the remuneration system for Directors and Corporate Auditors, and system to evaluate Directors for performance-based remuneration, etc. We also began analyzing, evaluating, and disclosing results of the effectiveness of the Board of Directors, and established a system to monitor its effectiveness on a regular basis. We will continue to review our system of corporate governance to ensure that it remains optimal for highly transparent management.

Enhancing corporate value by providing solutions to society through our business activities

With a clear understanding of the effects of our operations on the global environment and local communities, our efforts and actions related to CSR are based on four CSR Fundamentals: Compliance, Responsible Care, Corporate Citizenship, and Respect for Employee Individuality. We consider CSR in Action, on the other hand, to be the creation of value for society by providing solutions through our business operations to fulfill our Group Mission of contributing to life and living for people around the world, ultimately resulting in increased corporate value for all of our stakeholders.

We see CSR Fundamentals as prerequisite for the sustainable development of our corporation as a trustworthy member of society, and although we will continue to realign our business portfolio in line with evolving needs of the times, we will retain the four CSR Fundamentals as an unchanging core. Meanwhile, CSR in Action is advanced by providing solutions to society through our business operations in accordance with the business strategies of our medium-term management initiative. With the basic strategies "pursuit of growth and profitability," "creation of new businesses," and "acceleration of globalization," we will create new value for society.



Note: In September 2016, the Corporate Ethics Committee and Risk Management Committee were integrated into a Risk Management & Compliance Committee chaired by the Asahi Kasei President.

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 Asahi Kasei President as follows:

Asahi Kasei President

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 April 1, 2016)

Human resource development and sustainable growth

The Asahi Kasei Group will celebrate its 100th anniversary in 2022. Our founder, Shitagau Noguchi, began ammonia synthesis in Nobeoka, Miyazaki, Japan, with an ambition of helping to solve global food supply issues and eliminate strife from the world. Since then, Asahi Kasei has always worked to solve challenges faced by society through our business activities. The major milestone of our 100th anniversary is a reminder that we need to be prepared for further changes in the coming century. It is crucial to develop human resources who will be ready for this. While valuing our personnel, we will reallocate people to areas of focus, systematically rotate them, and develop talent as our business portfolio evolves. It is also important to maintain an environment that fosters personnel who demonstrate outstanding specialist skill. We need to make sure we are not only rewarding people based on management ability, but also valuing specialists who excel in other areas. By building new connections among our diverse businesses and diverse personnel, we will further strengthen the Asahi Kasei Group for the future.

Executing strategies aimed at future growth to increase our corporate value; promoting proactive investments for growth and a robust capital policy

Shuichi Sakamoto
Director
Senior Executive Officer

Q What is your basic financial strategy under "Cs for Tomorrow 2018"?

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

The Asahi Kasei Group aims 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.

Under our "Cs for Tomorrow 2018" (CT2018) management initiative, we will generate cash flow not only by implementing three basic strategies of "pursuit of growth and profitability," "creation of new businesses," and "acceleration of globalization," and by further raising competitiveness of established businesses, but also by creating new added value in each sector. Cash flow generated through these efforts provides further resources to invest for growth as well as to return to shareholders. We are careful to maintain an appropriate balance between the two.

We expect the total operating cash flow during the three-year period of CT2018 to be ¥600–700 billion, which is to be assigned for strategic investments and shareholder returns. The total amount of investment for growth will be ¥700 billion for three years, and we will strive to continuously increase shareholder returns with a total return ratio of 35% in fiscal 2018.

Primary financial metrics	FY2011	FY2012	FY2013	FY2014	FY2015
Dividends per share	¥14	¥14	¥17	¥19	¥20
Payout ratio	35.1%	36.4%	23.5%	25.1%	30.4%
Net income per share (EPS)	¥39.89	¥38.43	¥72.48	¥75.62	¥65.69
Net income per total assets (ROA)	3.9%	3.3%	5.5%	5.4%	4.3%
Net income per shareholders' equity (ROE)	8.1%	7.1%	11.7%	10.6%	8.6%
Net income per shareholders' equity and interest-bearing debt (ROIC)	6.9%	5.7%	7.7%	7.5%	7.1%
D/E ratio	0.26	0.47	0.33	0.25	0.43

Q What is the thinking behind your "Cs for Tomorrow 2018" financial targets?

A The 3-year period to fiscal 2018 is a time to build a solid foundation toward our vision of becoming a collection of high-profitability, and high value-added businesses in fiscal 2025.

The targets for the previous medium-term management initiative were ¥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%, which were achieved generally as planned. We reached a new high in operating income for the third consecutive year. These results are attributable to the previously implemented measures which steadily bore fruit.

The economic environment in fiscal 2015 was favorable for us in terms of the exchange rate and feedstock costs. However, entering fiscal 2016, the business environment has become increasingly challenging with continued appreciation of the yen. In our vision of creating a portfolio of high-profitability and high value-added businesses in fiscal 2025, the three years under the current management initiative are positioned as the time to build the base for the next phase with connections among diverse businesses and diverse human resources.

Given that, our financial targets for fiscal 2025 are ¥3 trillion in net sales and ¥280 billion in operating income. Those for fiscal 2018 are ¥2.2 trillion in net sales and ¥180 billion in operating income. The figures for fiscal 2018 are calculated on the assumption that the exchange rate will be ¥110 per dollar, which is 10 yen lower than the level of fiscal 2015. If the exchange outlook had remained steady, we would have assumed the same operating margin as in fiscal 2015, but we had to make some adjustments prior to announcing our targets in light of the recent exchange rate trends. The basic idea of strengthening our highly profitable businesses, and raising their share of our total portfolio, remains consistent with our previous management initiatives.

Our fiscal 2018 target for net income attributable to owners of the parent is ¥110 billion, with net income per share reaching nearly ¥80. We will expand operating income while focusing on greater profitability, and review strategic shareholdings in accordance with the Corporate Governance Code. Our other performance targets include ROE of 9%, ROIC of 7%, and a D/E ratio of 0.5. We will continue to work to further increase earnings by executing our business strategies while reinforcing our financial strength.

Q Please tell us your perspective on funding for strategic investment, and shareholder returns including share buybacks.

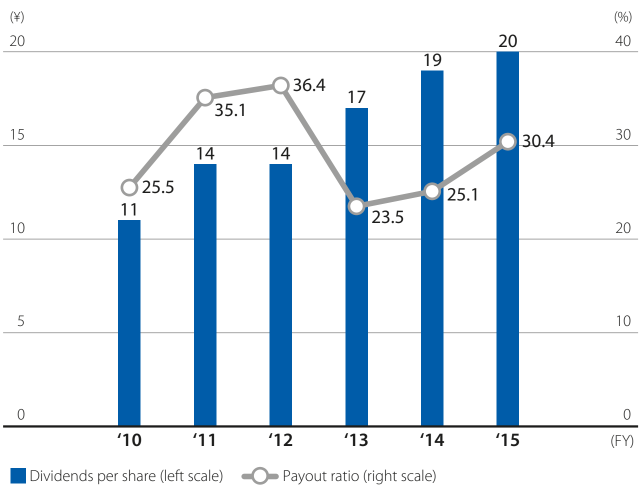
A Under CT2018, we will further increase strategic investments and aim for greater shareholder returns.

We made a total of ¥1 trillion in investments during the 5-year period of the previous medium-term management initiative which ended in fiscal 2015, investing slightly more than ¥100 billion in existing businesses each year. In CT2018, the total investment during the 3 years is planned to be about ¥700 billion, with slightly more than half being used to carry out initiatives to reinforce existing businesses. In addition to heightening the competitive advantages of our existing businesses, we will expand production capacity for businesses operating on a global scale and for businesses capable of capturing new markets in Japan. The remainder of the strategic investment, slightly less than half, will be used for non-linear growth measures similar to those in the previous initiative, including M&A to proactively expand businesses.

Our funding policy to support these initiatives will be to rely on borrowings in principle, while maintaining a D/E ratio of around 0.5. We will strive to maintain stable and low-cost financing, as well as a sound financial position, as we advance our strategic investments.

Our policy for shareholder returns in the previous initiative was to strive to continuously increase dividends through continuous earnings growth, with a payout ratio of 30% as our basic standard. We now have a target for a total return ratio of 35% in fiscal 2018. In addition to maintaining stable dividends and continuously raising them, we will flexibly perform share buybacks to achieve this return ratio.

Dividends per share and payout ratio



A Board of Directors that engenders sustainable growth

Ichiro Itoh
Chairman & Director

Fiscal 2015 marked a new beginning for corporate governance in Japan with the adoption of the Corporate Governance Code and Stewardship Code. As Chairman of the Board, Ichiro Itoh describes the characteristics of corporate governance at Asahi Kasei and tasks ahead for the Board of Directors in an atmosphere of heightening attention to corporate governance issues.

Q What are the characteristics of corporate governance at Asahi Kasei?

A We were early to bring in Outside Directors, and have an objective and rational governance configuration.

Japan's Corporate Governance Code issued in fiscal 2015 calls for more than one Outside Director and evaluation of the effectiveness of the Board of Directors. In fact we were one of the first companies to have 2 Outside Directors as early as 2007. Since then we increased the proportion of Outside Directors, and now one-third of our Directors, 3 out of 9, are Outside Directors. I think there are two major benefits of having Outside Directors. The first is the broader perspective brought to discussions in the Board of Directors. Our Outside Directors have experience in corporate management, academic research, and industrial policy, and one of them is our first female Director. They contribute opinions and advice from a different perspective than Directors from inside the company. This yields deeper discussions, and ensures that we reach objective, rational, and reasonable conclusions. The second benefit of having Outside Directors on the Board is a heightened sense of constantly being observed from an outside perspective. This engenders an objective and balanced perspective, which has a positive effect on business execution.

Another characteristic of our corporate governance is that in fiscal 2015 we established two advisory committees within the Board of Directors. The Nomination Advisory Committee in particular will ensure objective and rational selection of candidates for election to the Board of Directors. The Nomination Advisory Committee is comprised of 2 Directors from inside the company and 3 Outside Directors. As Outside Directors form a majority, this prevents internal company logic from prevailing. If the company's management is deemed to be off track, the committee can respond by deselecting Directors from candidacy for reelection.

This year, in accordance with the Corporate Governance Code, we began evaluation of the effectiveness of the Board of Directors. We performed a survey of Directors, discussed the results, and published a summary in this year's Corporate Governance Report. By continuing this process, any deficiency found in the workings of the Board of Directors will be immediately rectified. This mechanism will help ensure that we are constantly maintaining the effectiveness of the Board of Directors.

Q How do you evaluate the current makeup of the Board of Directors?

A We will study how to further raise diversity.

We currently have 9 Directors. Before we adopted an Executive Officer system in 2003, we had 30 Directors. This was reduced to 7. In 2005 we amended our Articles of Incorporation to limit the maximum size to 12 Directors. With too many people, it becomes hard to have a deep discussion. I think 12 is a reasonable maximum number.

Regarding the proportion of Outside Directors, I feel that the current proportion of one-third is appropriate to ensure effective and objective decisions. As the Asahi Kasei Group's operations continue to grow, we may feel that 9 Directors is not enough. If we increase the number, I think we should maintain at least one third Outside Directors.

Diversity is another issue we must consider. Our overseas sales in fiscal 2015 were 35% of the total, and 51.9% if you exclude the domestic homes business. To bring a global perspective to important decisions and management oversight, we need to consider the selection of a foreigner as Director. We also hope to nurture a female candidate to be Director from within the company, though this will take a little more time.

At this year's annual general meeting of shareholders, we received over 96% approval for our candidates to the Board of Directors. The main shareholder advisory firms all recommended approval. I take this as an indication of a general consensus that the Board structure we proposed was considered appropriate. We will continue to strive to maintain a Board structure that is deemed to be appropriate.

Q What are your expectations for the new President?

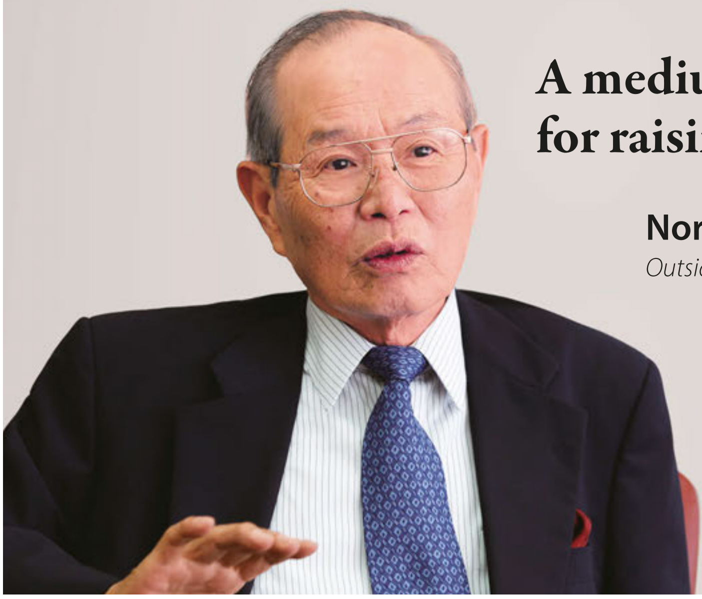
A I anticipate that he will be resolute in management, and advance the creation of new businesses.

The world is undergoing dramatic changes. Consider the UK's decision to withdraw from the EU, the US presidential election, and the economic slowdown in China and other emerging countries, to name just a few political and economic issues. There are many challenges to globally managing our company and achieving sustainable growth under these circumstances. We need not only courage to make decisions, but also courage to correct ourselves and courage to close a business if necessary. The President of the company needs to be resolute in all of these ways. I also look forward to new businesses and new products being created. During the previous medium-term management initiative, we complemented our own new business creation with M&A. But in line with Asahi Kasei's heritage of taking on challenges, I think we should put more effort into creating new business on our own with an entrepreneurial spirit.

Q Is there anything that you think the Board of Directors should discuss more deeply?

A We will place greater focus on monitoring the progress of management plans.

The Board of Directors discusses medium-term management plans and other aspects of growth strategy. In addition to reviewing the financial results, from now on I intend to place greater focus on monitoring the state of progress of execution of management plans. It is the Board of Directors which approves plans and budgets, so I think the Board of Directors should also follow up to confirm progress of achievement. As Chairman of the Board of Directors, I will work to ensure that the Board works effectively for the sustainable growth of the Asahi Kasei Group.



A medium-to-long term perspective for raising corporate value

Norio Ichino
Outside Director

Career summary

April 1964: Joined Tokyo Gas Co., Ltd.
June 1996: Director, Tokyo Gas Co., Ltd.
June 2003: President and Representative Director, Tokyo Gas Co., Ltd.
April 2006: Director and Vice Chairman of the Board, Tokyo Gas Co., Ltd.
April 2007: Director and Chairman of the Board, Tokyo Gas Co., Ltd.
April 2010: Director and Executive Advisor, Tokyo Gas Co., Ltd.
June 2010: Executive Advisor, Tokyo Gas Co., Ltd.
June 2011: Outside Director, Asahi Kasei Corp.*
April 2014: Special Advisor, Tokyo Gas Co., Ltd.*
* Position held at present.

Shareholders and investors are paying greater attention to the roles and responsibilities of Outside Directors in the Board of Directors. Norio Ichino shares his perspective on how the function of the Board of Directors can be further improved, as well as his own role on the Board of Directors, considering the future outlook for the Asahi Kasei Group.

Q How do you evaluate Asahi Kasei's Board of Directors?

A There are very active discussions, with objectivity and fairness maintained.

Under the leadership of Chairman Itoh, each Director's opinions are brought forward. The Corporate Auditors also freely express their opinions, and there are always active discussions. Matters pending approval have always been thoroughly discussed at the Management Council before being brought to the Board of Directors, and my impression is that the final decisions are made appropriately. I also feel that 9 Directors is an appropriate number. Considering that 3 of the 9 Directors are Outside Directors and 3 of the 5 Corporate Auditors are Outside Corporate Auditors, over 40% of the total are outsiders. I feel that this configuration ensures an objective and fair perspective.

Q Do you see any areas where the effectiveness of the Board of Directors could be improved?

A There should be more measures to nurture candidates for leadership positions and greater diversity.

I think there are 2 areas where there is room for improvement. The first would be to use the Board of Directors to nurture candidates for leadership positions. Considering the broad scope and large scale of the Asahi Kasei Group's operations, a leader needs to have considerable knowledge and judgment. In addition to the specialist knowledge gained through experience as President of a strategic business unit or core operating company, a birds-eye view of the overall Asahi Kasei Group requires a balanced perspective on which fields to concentrate investment in, a sense of how to achieve sustainable growth, and a strong awareness of compliance-related issues, to name a few. The Board of Directors is the ideal venue for fostering such perspectives. Considering the future growth of operations, I think the number of Directors could be increased by 1 or 2 people.

The second area would be to consider the selection of foreigners and women as candidates to be Director. Asahi Kasei needs to further globalize. The Board of Directors also needs to be made more global. This is not so simple, because a foreign candidate to the Board of Directors must understand and appreciate the Asahi Kasei Group's vision and values. Currently the company has 3 foreign Executive Officers. I think we should consider them as possible candidates to be Director. I also think we should consider female candidates from inside the company to be Director, not only for diversity but also to further raise the effectiveness of the Board of Directors by bringing in a broader perspective.

Q How do you see your own role in helping to further raise Asahi Kasei's corporate value?

A I work to oversee the company's management from a medium-to-long term perspective.

For the oversight of the company's management as an Outside Director, I offer opinions on corporate governance and express the perspective of the consumer based on my experience as a chief executive. When we are making the final decision on a matter, I am careful to consider whether it has been studied from a medium-to-long term perspective. It's natural that people working on the front lines of business tend to focus on the short term, since they are working hard every day to achieve results. I see my role as offering advice from a medium-to-long term perspective, to help businesses add even greater value. When we were considering the Polypore acquisition in 2015, I offered opinions based on a medium-to-long term perspective. Polypore's battery separator products were expected to be used in electric vehicles. I straightforwardly asked, "Is the electric vehicle's time really coming? Will it be the electric vehicle or the fuel-cell vehicle? What positive impact can we expect in 10 years?" After thorough discussion we determined that there were significant merits in both the short term and the long term, and that it would also contribute to the development of global human resources, and so we approved the acquisition.

I sense that the role of a Director is becoming more and more important. I will continue to deepen my understanding of the operations and vision of the Asahi Kasei Group, fulfilling my role of management oversight with a sense of responsibility.

Q How do you see the data manipulation issue at Asahi Kasei Construction Materials Corp.?

A It's time to get back to basics and thoroughly apply the "three actuals."

I think one cause of the data manipulation was poor management of on-site workers by Asahi Kasei Construction Materials. When work is entrusted to contractors and subcontractors without proper oversight, people become careless and management becomes lenient. To prevent that, there needs to be a system where supervisors oversee the work from day to day with a sense of responsibility, and they need to make this a regular practice. Furthermore, we need to share Asahi Kasei's vision and values with contractors and subcontractors, so that they can feel a sense of satisfaction in working within this corporate culture. If that had been the case, I don't think this kind of problem would have occurred.

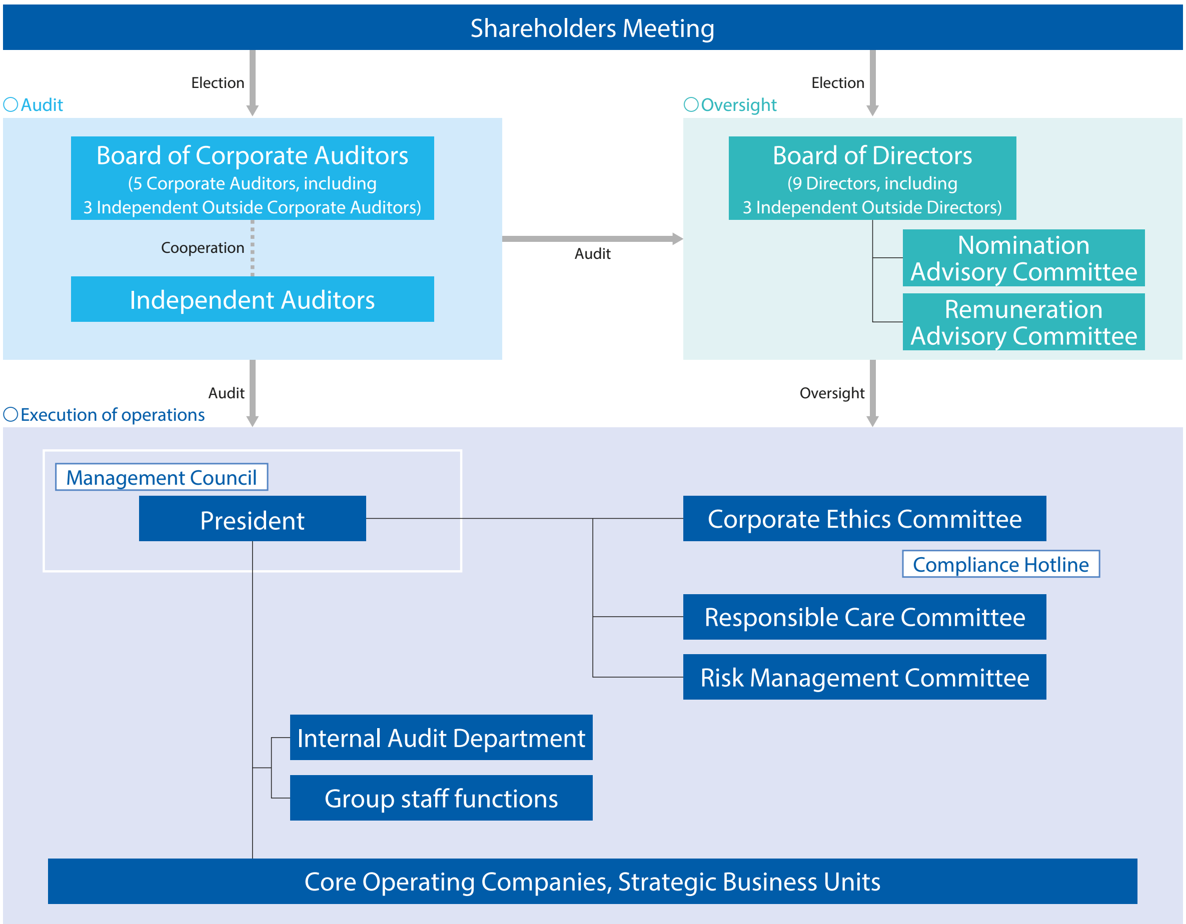
The Asahi Kasei Group is now working to prevent recurrence by thoroughly applying the "three actuals" set forth by President Kobori. Indeed, the "three actuals" are originally a part of Asahi Kasei's heritage. When the company entered a completely new field of business such as housing, they built the business into a success by focusing on the actual site and putting the customer first. I hope that all employees will take a moment to consider the principles of their actions, and feel a sense of pride and responsibility in their work. The Board of Directors will thoroughly apply the lessons from this issue as we work to heighten the company's risk management functions.

Corporate Governance

1 Basic Views on Corporate Governance

The Group Vision of Asahi Kasei is to provide new value to society and solve social issues by enabling "living in health and comfort" and "harmony with the natural environment" under the Group Mission of "contributing to life and living for people around the world." With this as a base, we aim to contribute to society, achieve sustainable growth, and enhance corporate value over the medium to long term by promoting innovation and creating synergy through integration of various businesses. We continue to pursue optimal corporate governance as a framework to make transparent, fair, timely, and resolute decisions in accordance with changes in the business environment.

2 Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management (as of June 28, 2016)



Note: In September 2016, the Corporate Ethics Committee and Risk Management Committee were replaced with a Risk Management & Compliance Committee chaired by the President of Asahi Kasei.

Evolution of Asahi Kasei's corporate governance system

FY	Board of Directors	Board of Corporate Auditors	Others
2003	• Changed term of office of Directors to 1 year (previously 2 years) • Changed maximum number of Directors to 15 (previously 45) • Changed number of Directors to 7 (previously 30) • Adopted Executive Officer system • Established Strategic Management Council (currently Management Council)	• 2 Outside Corporate Auditors out of 4 Corporate Auditors • Extended term of office of Corporate Auditors from 3 years to 4 years	• Transformed to a holding company configuration • Launched "Ishin-05" medium-term management initiative
2006			• Launched "Growth Action—2010" medium-term management initiative
2007	• 2 Outside Directors out of 11 Directors (previously 8 Directors all from inside)		
2008	• 3 Outside Directors out of 10 Directors		• Adopted takeover defense measures
2011			• Launched "For Tomorrow 2015" medium-term management initiative • Renewed takeover defense measures
2014	• Reduced number of Directors from 10 to 9, raising the proportion of Outside Directors to 1/3	• Increased number of Outside Corporate Auditors from 2 to 3, making Outside Corporate Auditors a majority	• Withdrew takeover defense measures • Discontinued system of retirement bonuses for Directors and Corporate Auditors
2015	• Established Nomination Advisory Committee and Remuneration Advisory Committee • Held regular meetings between Outside Directors and Independent Auditors • Held regular meetings between Outside Directors and Corporate Auditors • Established policies for nomination of candidates for Director and Corporate Auditor, criteria on the independence of Outside Directors and Outside Corporate Auditors, and policy regarding strategic shareholdings and exercise of voting rights thereof	• Clarified policy regarding prohibition of disadvantageous treatment due to reporting to Corporate Auditors and policy regarding bearing expenses of Corporate Auditors with amendment of basic policy for internal control	
2016			• Transformed to an operating holding company configuration • Launched "Cs for Tomorrow 2018" medium-term management initiative

3 Corporate Governance System

☐ Oversight and audit

The Board of Directors, which consists of nine Directors including three independent Outside Directors (one-third), makes decisions on matters requiring a Board of Directors resolution in accordance with laws or the Articles of Incorporation, makes decisions on important matters for Asahi Kasei Corp. (the Company) and other companies of the Group, and oversees execution of operations by Directors and Executive Officers.

The newly established Nomination Advisory Committee and Remuneration Advisory Committee under the Board of Directors consist of a majority of Outside Directors who provide active involvement in the consideration of matters such as: optimal makeup and size of the Board of Directors, policy regarding nomination of candidates for Directors and Corporate Auditors, criteria on the independence of Outside Directors and Outside Corporate Auditors, remuneration policy and system for Directors, and evaluation of individual Directors to determine remuneration based on performance.

The Board of Corporate Auditors consists of five Corporate Auditors including three independent Outside Corporate Auditors (a majority). In accordance with the audit policy stipulated by the Board of Corporate Auditors, each Corporate Auditor oversees execution of duties by Directors by attending the Board of Directors meetings and examining the state of operations. To enhance functions of the Board of Corporate Auditors and to facilitate smooth cooperation among Corporate Auditors from inside the company and Outside Corporate Auditors, a Corporate Auditors Office is staffed with full-time employees.

PricewaterhouseCoopers Aarata LLC performs financial audits based on the Companies Act and the Financial Instruments and Exchange Act.

Furthermore, the Internal Audit Department conducts internal audits based on the audit plan. Results of internal audits performed by each staff function are aggregated by the Internal Audit Department and reported to the Board of Directors.

☐ Execution of operation

We have adopted an Executive Officer system to enable faster business execution, and clearly define responsibilities; Directors fulfill decision-making and oversight functions, and Executive Officers fulfill execution of operations.

The Decision-Making and Approval Authority Regulations of the Group stipulate detailed criteria for decision-making with regard to matters concerning the management plan, investments and loans, funding and financial management, the organization and management system, research and development, and production technology, and delegate authority from the Board of Directors to the Management Council, strategic business units, and core operating companies.

4 Policy and Procedure to Nominate Candidates for Directors

In selecting candidates for Directors, we appoint persons with deep insight and excellent skills suitable for the role. For Directors from inside the company, we select those with expertise, experience and skills required in the respective field. On the other hand, Outside Directors are expected to supervise the management from an objective standpoint based on their deep insights and rich experience. Therefore we select from among people who were corporate executives, academic experts, or public officials.

To further heighten objectivity and transparency in appointing candidates for Directors, we established a Nomination Advisory Committee which consists of a majority of Outside Directors who take part in discussions on the makeup and size of the Board of Directors and policies for nomination of Directors and Corporate Auditors, and provide advice to the Board of Directors.

5 Policy and Procedure to Determine Remuneration of Directors

Directors' remuneration, within the remuneration limit approved at a shareholders meeting, is determined based on the remuneration system approved in advance by the Board of Directors, and it consists of the fixed base remuneration determined by rank of each Director and the performance-linked remuneration determined based on consolidated and non-consolidated financial results. Performance is evaluated considering the degree of achievement of individually established objectives, achievements, contributions to financial performance, and the degree of contributions, in addition to management benchmarks including but not limited to net sales, operating income, and ROA. We determine the level of remuneration based on research data provided by external specialized agencies, etc. In order to further improve the objectivity and transparency of Directors' remuneration, we have established a Remuneration Advisory Committee, which consists of a majority of Outside Directors, who participate in discussions about the Directors' remuneration system and operation thereof, and provide advice to the Board of Directors.

6 Independence Standards and Qualification for Outside Directors and Outside Corporate Auditors

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

1. Person who currently executes or has executed businesses of the Asahi Kasei Group (executive directors, executive officers, employees, etc.) over the last 10 years
2. Company or person who executes businesses thereof whose major business partner is the Asahi Kasei Group (company with more than 2% of its annual consolidated net sales from the Asahi Kasei Group)
3. Major business partner of the Asahi Kasei Group (when payments by this partner to the Asahi Kasei Group account for more than 2% of our annual consolidated net sales or when we borrow money from such partner amounting to more than 2% of our consolidated total assets) or person who executes businesses thereof
4. Person who receives money or other financial gain (10 million yen or more in a year) from the Asahi Kasei Group as an individual other than remuneration as a Director or Corporate Auditor of Asahi Kasei
5. Company which receives donation or aid (10 million yen or more in a year) from the Asahi Kasei Group or person who executes businesses thereof
6. Main shareholder of the Asahi Kasei Group (person or company who directly or indirectly owns 10% or more of all voting rights in Asahi Kasei) or person who executes businesses thereof
7. Person who executes businesses of a company which elects Directors, Corporate Auditors, or employees of the Asahi Kasei Group as its own Directors or Corporate Auditors
8. Independent Auditor of the Asahi Kasei Group or any staff thereof
9. Person who fell into any of the categories 2 through 8 above over the last three years
10. Person who has a close relative (spouse, relative within the second degree of kinship, and those who share living expenses) who falls under any of the categories 1 through 8 above, provided that "person who executes businesses thereof" in 1, 2, 3, 5, 6, and 7 above shall be replaced with "important person who executes businesses thereof (executive directors and executive officers, etc.)"

7 Audits

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 LLC is contracted as the Independent Auditors to perform financial audits in accordance with the Companies Act and Financial Instruments and Exchange Act.

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 of the consolidated financial audit of Asahi Kasei each quarter and each fiscal year.

The Internal Audit Dept. (15 personnel as of March 31, 2016) is a corporate organ under the direct authority of the President of Asahi Kasei. 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.

8 Compliance

☐ Corporate ethics

Our *Corporate Ethics—Basic Policy and Code of Conduct* (enacted in August 1998, revised in April 2016) 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 is based on our Group Mission, Group Vision, and Group Values.

☐ 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 (revised in April 2016) which covers issues related to personal information protection, is monitored by the Corporate Ethics Committee.

9 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.

☐ Basic policy

With our Group Mission of “contributing to life and living for people around the world,” we hold “ensuring transparency” as 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.

10 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 1988. 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, the state of compliance with laws and regulations including personal information protection law, and operation of the Compliance Hotline.

11 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.

12 Establishment of Risk Management & Compliance

The expansion of our global businesses through several M&As, including ZOLL in 2012 and Polypore International in 2015, and the occurrence of manipulation of precast concrete pile installation data by subsidiary Asahi Kasei Construction Materials, have raised the exigency of a review of our compliance system.

To reinforce the company-wide configuration, we established Risk Management & Compliance in January 2016 as the central hub to aggregate all risk management and compliance-related information. To further enhance the organization, managers responsible for risk management and compliance were designated in each strategic business unit and core operating company; they will lead the effort to achieve thorough compliance and perform a review to identify latent risks within each organization. We will formulate specific methods to strengthen compliance and obtain thorough risk management in accordance with the following policies.

Compliance

☐ Basic policy: Formulate and disseminate Code of Conduct for all employees in Japan and overseas

1) Adopt global standardized *Corporate Ethics—Basic Policy and Code of Conduct*
2) Formulate and implement compliance education programs
3) Monitor the dissemination of the above 1) and 2) among employees

Risk management

☐ Basic policy: Understand risks by business and establish a crisis response system

1) Identify risks in each business and each affiliated company
2) Formulate countermeasures to identified risks; monitor and periodically review
3) Establish and maintain a crisis response system

For more information regarding corporate governance, please refer to the Asahi Kasei Group website.
http://www.asahi-kasei.co.jp/asahi/en/aboutasahi/governance/

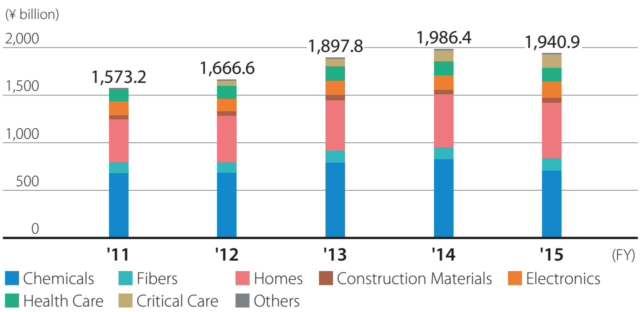
Financial and Non-Financial Highlights

For the years ended March 31	2016	2015	2014	2013
Net sales	¥1,940,914	¥1,986,405	¥1,897,766	¥1,666,640
Domestic sales	1,261,203	1,313,128	1,289,054	1,181,429
Overseas sales	679,711	673,277	608,712	485,211
Operating income	165,203	157,933	143,347	91,960
Ordinary income	161,370	166,543	142,865	95,125
Income before income taxes	146,389	158,440	163,860	82,302
Net income attributable to owners of the parent	91,754	105,652	101,296	53,712
Comprehensive income	(11,925)	214,484	146,102	117,515
Net income per share, yen	65.69	75.62	72.48	38.43
Capital expenditure	99,000	89,108	92,397	113,785
Depreciation and amortization	93,811	86,058	86,052	80,050
R&D expenditures	81,118	75,540	71,101	71,120
Cash dividends per share, yen	20.00	19.00	17.00	14.00

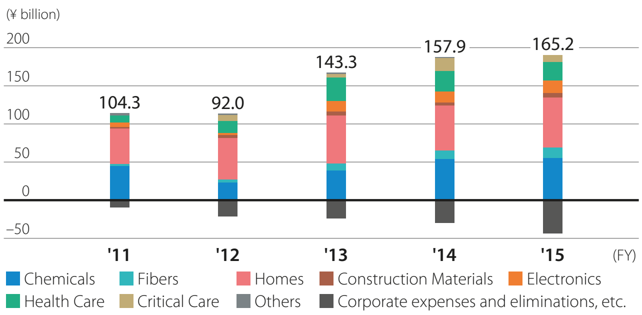
As of March 31	2016	2015	2014	2013
Total assets	¥2,211,729	¥2,014,531	¥1,915,089	¥1,800,170
Inventories	336,743	339,677	328,540	309,677
Property, plant and equipment	555,989	502,507	480,535	461,581
Investments and other assets	305,140	334,368	285,735	263,704
Net worth[a]	1,041,901	1,082,654	912,699	812,080
Net worth per share, yen	745.94	775.05	653.15	581.05
Net worth/total assets, %	47.1	53.7	47.7	45.1
Number of employees	32,821	30,313	29,127	28,363

[a] Net assets less non-controlling interests; shareholders' equity shown for the year ended March 31, 2006.
[b] In the year ended March 31, 2012, the accounting policy for naphtha resale was changed to exclude the naphtha resale amount from net sales. This change is applied retroactively from the year ended March 31, 2008, through the year ended March 31, 2011.

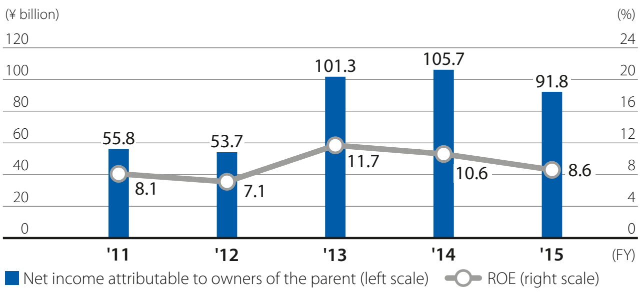
Net sales



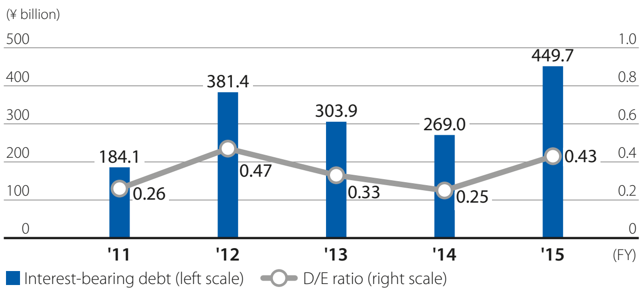
Operating income[1]



Net income attributable to owners of the parent, ROE



Interest-bearing debt, D/E ratio



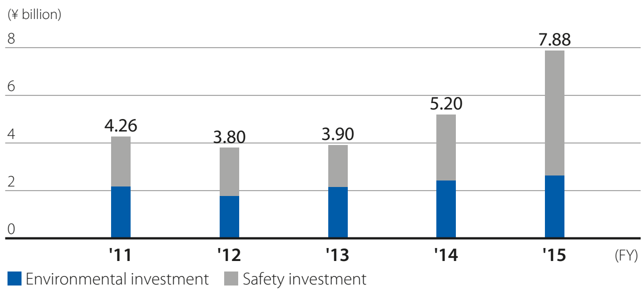
[1] Amortization of goodwill, etc., related to acquisition of ZOLL and Polypore are excluded from Critical Care and Electronics, respectively, and included in "Corporate expenses and eliminations, etc."

Millions of yen, except where noted

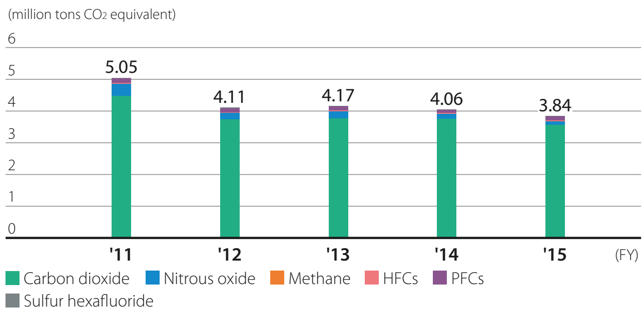
2012	2011[b]	2010[b]	2009[b]	2008[b]	2007	2006
¥1,573,230	¥1,555,945	¥1,392,212	¥1,521,178	¥1,663,778	¥1,623,791	¥1,498,620
1,151,705	1,106,656	1,021,803	1,127,213	1,176,441	1,195,751	1,125,454
421,525	449,289	370,409	393,965	487,337	428,040	373,166
104,258	122,927	57,622	34,959	127,656	127,801	108,726
107,567	118,219	56,367	32,500	120,456	126,507	104,166
94,866	98,342	46,056	19,031	105,599	114,883	94,481
55,766	60,288	25,286	4,745	69,945	68,575	59,668
62,561	45,088	—	—	—	—	—
39.89	43.11	18.08	3.39	50.01	49.00	42.46
85,124	66,014	83,990	126,725	82,911	84,413	66,310
78,440	84,092	86,166	79,436	73,983	71,646	69,399
66,269	62,320	62,924	60,849	56,170	52,426	51,467
14.00	11.00	10.00	10.00	13.00	12.00	10.00

2012	2011	2010	2009	2008	2007	2006
¥1,410,568	¥1,425,879	¥1,368,892	¥1,379,337	¥1,425,367	¥1,459,922	¥1,376,044
279,206	256,248	251,084	273,539	272,372	240,006	214,062
416,119	418,354	447,497	441,271	424,193	426,959	414,368
227,489	220,773	226,331	218,477	234,873	281,502	284,390
706,846	663,566	633,343	603,846	666,244	645,655	594,211
505.72	474.59	452.91	431.77	476.39	461.50	424.34
50.1	46.5	46.3	43.8	46.7	44.2	43.2
25,409	25,016	25,085	24,244	23,854	23,715	23,030

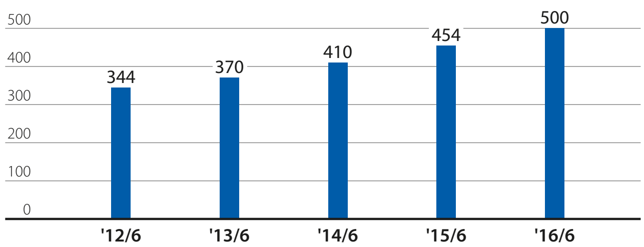
Environmental and safety investment



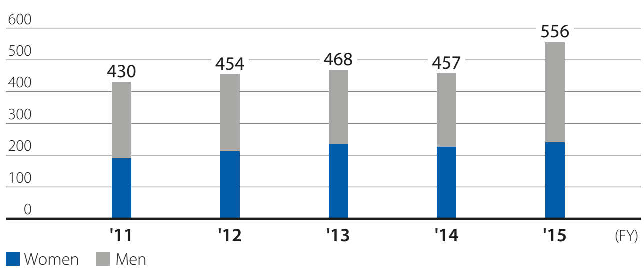
Greenhouse gas emissions from production processes



Number of women working as managers[2]



Employees using parental leave[3]

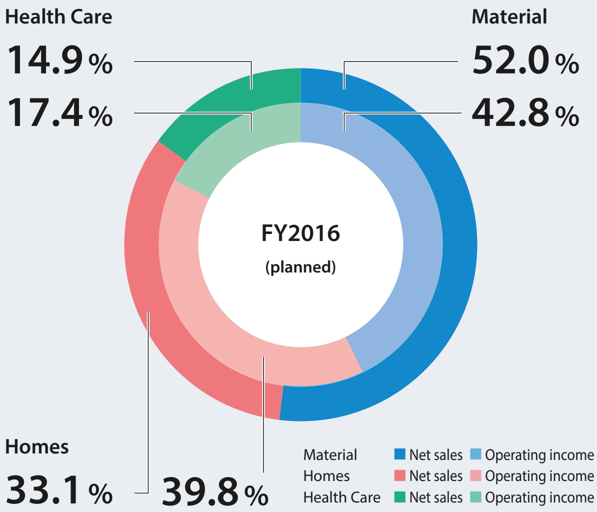


[2] Results as of June 30 each year for personnel employed by Asahi Kasei Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd. (Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp. included in FY2015 and earlier).

[3] 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.

At a Glance

Beginning with fiscal 2016, the Asahi Kasei Group has adopted an operating holding company configuration and reorganized its business portfolio into the three business sectors of Material, Homes, and Health Care. The new medium-term management initiative, Cs for Tomorrow 2018, is focused on increasing corporate value through optimal allocation of management resources into three sectors.



Note: Percentages shown exclude "Others" category and corporate expenses and eliminations.

Material

- Fibers & Textiles SBU
- Petrochemicals SBU
- Performance Polymers SBU
- Performance Materials SBU
- Separators SBU
- Consumables SBU
- Asahi Kasei Microdevices Corp. (electronic devices)

FY2016 forecast

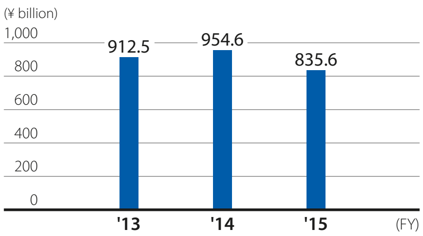
Net sales	Operating income
¥980.0 billion	¥70.0 billion

FY2015	FY2016
Asahi Kasei Fibers Corp.	Asahi Kasei Corp.
Asahi Kasei Chemicals Corp.	Asahi Kasei Corp.
Asahi Kasei E-materials Corp.	Asahi Kasei Corp.
Asahi Kasei Microdevices Corp.	Asahi Kasei Microdevices Corp.

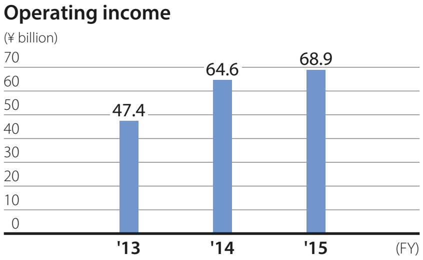
Net sales and operating income

Chemicals & Fibers

Net sales

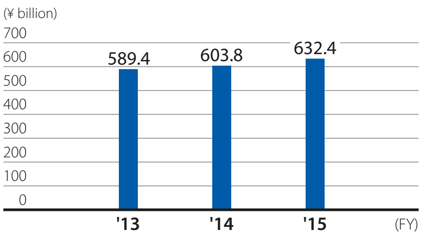


Operating income

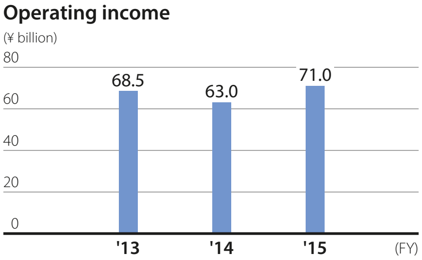


Homes & Construction Materials

Net sales



Operating income



In fiscal 2016, the former Chemicals & Fibers segment and the former Electronics segment are combined as a Material segment, and the former Homes & Construction Materials segment is renamed as a Homes segment; the Health Care segment remains unchanged. As a result, the former 4 segments are

Homes

- Homes
- Construction materials

FY2016 forecast

Net sales ¥624.0 billion

Operating income ¥65.0 billion

FY2015	FY2016
Asahi Kasei Homes Corp.	Asahi Kasei Homes Corp.
Asahi Kasei Construction Materials Corp.	Asahi Kasei Construction Materials Corp.

Health Care

- Pharmaceuticals
- Medical Care
- Acute Critical Care

FY2016 forecast

Net sales ¥280.0 billion

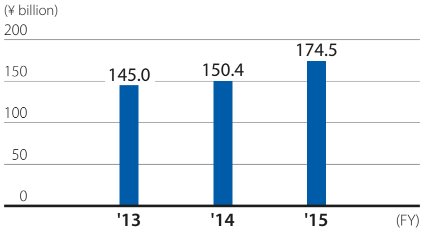
Operating income ¥28.5 billion

FY2015	FY2016
Asahi Kasei Pharma Corp.	Asahi Kasei Pharma Corp.
Asahi Kasei Medical Co., Ltd.	Asahi Kasei Medical Co., Ltd.
ZOLL Medical Corporation	ZOLL Medical Corporation

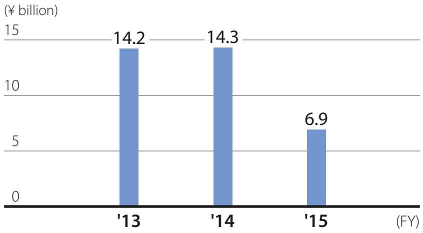
by segment

Electronics

Net sales

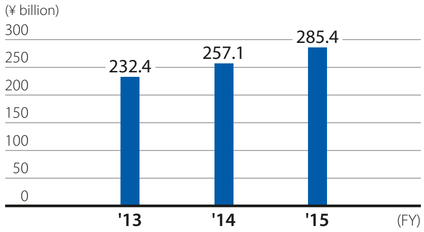


Operating income

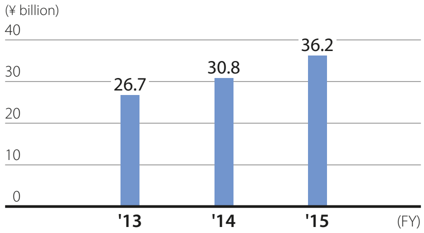


Health Care

Net sales



Operating income



revised into the 3 segments of Material, Homes, and Health Care. Concurrently with the segment revision, some operations are reclassified among different business categories. Fiscal 2015 results shown in the new segment classifications have been recalculated for comparison purposes.

Material

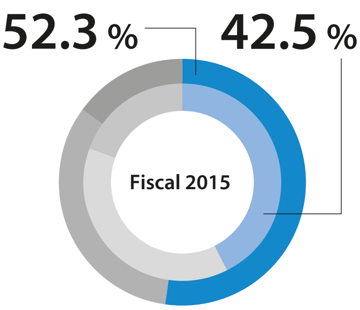
Yuji Kobayashi

Executive Officer
for Material business sector

Representative Director & Vice-Presidential Executive Officer, Asahi Kasei Corp.

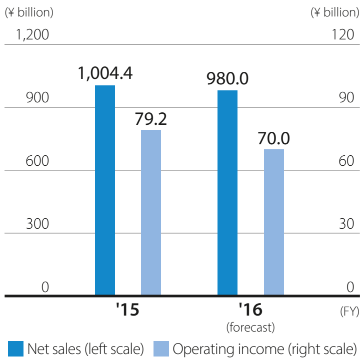
From unique fiber materials to petrochemicals and synthetic resins, and from consumables such as Saran Wrap™ cling film to battery separators and electronic devices such as LSIs and sensors, our high value-added product portfolio is expanding on a global scale, contributing to a better future through unrivalled technologies.

Sales composition **Operating income composition**



Not including "Others" category and corporate expenses and eliminations.

Net sales & operating income



Main products

- Bemberg™ cupro fiber
- Roica™ spandex
- Spunbond nonwovens
- Leona™ nylon 66 filament
- Acrylonitrile
- Styrene
- Polyethylene
- Engineering plastics
- Synthetic rubber
- Microza™ hollow-fiber filtration membranes
- Ion-exchange membranes
- Ceolus™ microcrystalline cellulose
- Saran Wrap™ cling film
- Sunfort™ photosensitive dry film
- Hipore™ and Celgard™ Li-ion battery separators
- Daramic™ lead-acid battery separator
- Mixed-signal LSIs
- Hall elements

Highlights

Asahi Kasei Europe began operating in Germany

Asahi Kasei Europe GmbH began operating on April 1, 2016, in Dusseldorf, Germany, as a base for the further expansion of material business in Europe mainly focusing on automotive-related applications. Asahi Kasei Europe also functions as a regional headquarters for all operations of Asahi Kasei in Europe, working to maximize earnings in the European market.

Asahi Kasei Europe's office building

Capacity expansion for Hipore™ LIB separator

With increasing demand for hybrid-electric and all-electric vehicles worldwide, the lithium-ion battery (LIB) market is forecasted to grow substantially in automotive applications, in addition to applications for consumer electronics. This capacity expansion at its plant in Moriyama, Shiga, will further reinforce Asahi Kasei's capability to provide stable supply to meet rising global demand for LIB separators.

Hipore™ LIB separator

Fibers and Textiles

Q **Please tell us about the situation of each business, and outlook for fiscal 2016.**

A **In fiscal 2015, we set a new record high in operating income for the second consecutive year. We forecast that business will continue to perform well in fiscal 2016, but with an impact from the stronger yen.**

In fiscal 2015, the fibers business achieved its highest net sales and operating income since the adoption of a holding company configuration in 2003. Feedstock costs declined for each product, the weaker yen contributed to performance, and shipments of Lamous™ artificial suede for automotive upholstery and Roica™ elastic polyurethane filament (spandex) increased. The growth of overseas subsidiaries also contributed to increased operating income.

In fiscal 2016, the operating climate is expected to be challenging with a stronger yen and a slowdown in the Chinese economy. We expect that the plants for our main products will continue to operate at full capacity. Capacity expansions made under the previous medium-term initiative, including polypropylene (PP) spunbond and Roica™ spandex in Thailand, and Leona™ nylon 66 filament for airbags in Miyazaki, Japan, in June 2016, will contribute to earnings.

Chemicals

Q **While feedstock costs fluctuate considerably, what is the situation of the main businesses and outlook for fiscal 2016?**

A **Lower sales in fiscal 2015 were mainly due to a significant decline in market prices for petrochemical products. In fiscal 2016 we expect an impact from a stronger yen.**

In fiscal 2015, while feedstock costs for petrochemical products declined with lower oil and naphtha prices, petrochemicals had lower net sales and operating income than in the previous year, due to deteriorated market prices most notably for acrylonitrile. In performance polymers, terms of trade improved due to lower feedstock costs, and sales of engineering plastics and synthetic rubber for fuel-efficient tires were firm, resulting in higher net sales and operating income than in the previous year. In specialty products, the effect of the weaker yen was most notable for ion-exchange membranes, and shipments of Saran Wrap™ cling film increased, resulting in higher net sales and operating income than in the previous year.

In fiscal 2016, we forecast increased shipments of synthetic rubber for fuel-efficient tires and consumable products such as Saran Wrap™ cling film. On the other hand, we expect a stronger yen to impact each business, and terms of trade centering on performance polymers to deteriorate. Shipments of styrene will decrease due to structural realignment of our domestic petrochemicals business.

Electronics

Q **Please recap fiscal 2015 and give your outlook for fiscal 2016.**

A **While there is an impact from amortization of goodwill and other intangible assets, etc., related to the acquisition of Polypore, shipments of battery separators are expected to grow.**

In fiscal 2015, electronic devices operations benefited from the weaker yen and sales of devices for smartphones such as audio LSIs and devices for camera modules were firm, but shipments of electronic compasses declined, resulting in lower net sales and operating income than in the previous year. In electronic materials operations, production and sale of general purpose epoxy resin were terminated, but the weaker yen contributed to performance, and sales of Hipore™ LIB separator were firm, resulting in lower net sales and higher operating income compared to the previous year. Beginning with Q2 2015, results of Polypore International, LP and its consolidated subsidiaries are included in the electronics business.

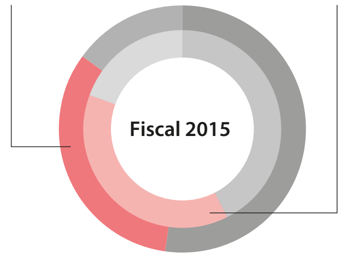
In fiscal 2016, we forecast moderate growth continuing in the consumer electronics market, while automotive applications for electronic devices grow with advanced electronic functions in vehicles, and demand for LIB separators in electric vehicle applications continues to grow. Shipments are forecasted to increase for audio LSIs, devices for camera modules, and battery separators such as Hipore™.

Homes

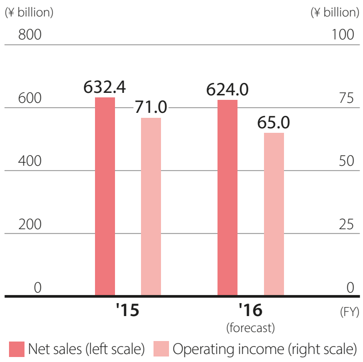
Eisuke Ikeda

Executive Officer
for Homes business sector
Primary Executive Officer, Asahi Kasei Corp.
President & Representative Director,
Asahi Kasei Homes Corp.

With our homes business that provides high-quality products and services for Long Life Homes that maintain high customer satisfaction that lasts more than half a century, and our construction materials business that provides innovative and original high value-added products, we set the stage for a rich and fulfilling lifestyle.



Not including "Others" category and corporate expenses and eliminations.



Main products

- Hebel Haus™ unit homes
- Hebel Maison™ apartment buildings
- Atlas™ condominiums
- Hebel Rooms™ apartment rental network
- Remodeling
- Mortgage financing
- Hebel™ AAC panels
- Neoma™ phenolic foam insulation panels
- Foundation systems
- Structural systems and components

Highlights

Development of condominiums in Taiwan

Asahi Kasei Homes began its first overseas housing project, a condominium development in the Zhonghe District of New Taipei City, Taiwan. With growing needs to redevelop older housing forecasted, Taiwan is a promising potential market for Asahi Kasei Homes to leverage its know-how for reconciling complex relationships between different ownership rights to create proposals that are acceptable to various interested parties.

Illustration of condominium planned in Taiwan

Alliance with Mori-Gumi Co., Ltd.

Asahi Kasei Homes has concluded an agreement with construction company Mori-Gumi on a capital and business alliance including the sharing of know-how in the fields of construction of mid-to-high-rise homes and condominiums, and large-scale repair and renovation of existing condominiums. To create synergies between the two companies more smoothly and efficiently, Asahi Kasei Homes acquired 30.2% of the stock of Mori-Gumi.

Homes

Q **How did your order-built homes and other peripheral businesses perform in fiscal 2015, and how was the trend for home orders?**

A **Homes operations achieved record highs in net sales and operating income in fiscal 2015. With resumption of advertising this May, we look forward to receiving increased orders.**

Having received record-high orders in fiscal 2014, our order-built homes business continued to make full use of its construction capability to increase deliveries in fiscal 2015, especially of Hebel Maison™ apartment buildings, enabling sales growth. SG&A expenses such as promotional expenses decreased due to curtailed advertising from the second half of the last fiscal year.

The performance of peripheral businesses was firm. The rental management business in real estate operations grew in line with increased deliveries of Hebel Maison™ apartment buildings, and deliveries of large-scale condominiums included Atlas Chofu. Among remodeling operations, reroofing, repainting, and equipment installation performed well. As a result, consolidated net sales and operating income for homes operations renewed its record highs.

Orders decreased by 5.9% from the previous year. In the first half, we proactively implemented marketing strategies including a campaign for celebrating the 40th anniversary of our two-generation homes that maintain leadership in urban markets. In the latter half, curtailed advertising had an impact on orders centering on apartment buildings. Although unit-homes operations saw decreased customer traffic, the decline in orders was relatively modest thanks to an effective approach to customers at model home parks, etc. Resumption of advertising in May 2016 will help return orders to a growth trajectory.

Hebel Haus™ Cut & Gable

Atlas Chofu

Construction Materials

Q **Please tell us about the situation of fiscal 2015, and prospects for the future.**

A **Although there is concern that the pile installation data manipulation incident may affect the foundation systems business, other businesses are expected to remain strong.**

In fiscal 2015, while Japan's overall total floor space of new construction and number of housing starts were largely unchanged from the previous year, the foundation systems business posted lower net sales and operating income due to the pile installation data incident that came to light during the second half of the fiscal year. Meanwhile, thermal insulation business performed well as an effect of reinforced marketing. Due to factors such as lower input costs, the overall construction materials businesses posted lower net sales and higher operating income from a year ago.

In fiscal 2016, the autoclaved aerated concrete (AAC) business is focused on capturing demand in major urban areas while raising productivity. In insulation materials business we are forecasting higher net sales and operating income with strong demand in homes with high-spec insulation, while further reinforcing marketing in residential markets and expanding sales in non-residential markets. While there is concern of an impact from the pile installation data incident on the foundation systems business, we will continue to revitalize our foundation systems business through efforts including thorough compliance.

Neoma™ phenolic foam insulation panel

Plant for Neoma™ panels

Health Care

Yutaka Shibata

Executive Officer for Health Care business sector (joint)

Primary Executive Officer, Asahi Kasei Corp.
President & Representative Director,
Asahi Kasei Medical Co., Ltd.

Richard Packer

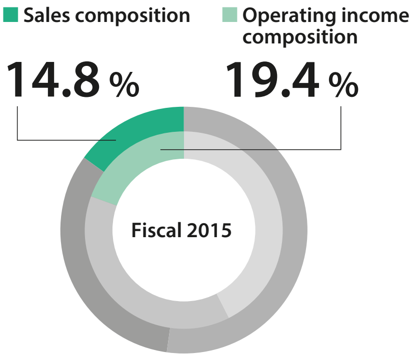
Executive Officer for Health Care business sector (joint)

Primary Executive Officer, Asahi Kasei Corp.
Chairman & Board Director,
ZOLL Medical Corporation

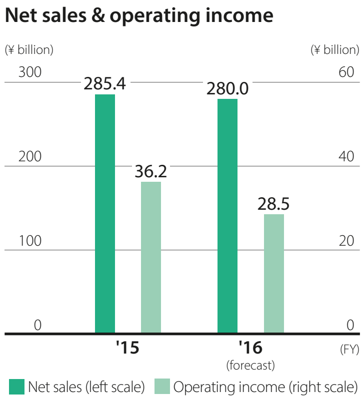
Main products

- Teribone™ osteoporosis drug
- Recomodulin™ anticoagulant
- APS™ polysulfone-membrane dialyzers
- Therapeutic apheresis devices
- Planova™ virus removal filters
- Defibrillators for professional use
- LifeVest™ wearable defibrillator
- AED Plus™ automated external defibrillator
- Thermogard System™ temperature management system

We contribute to advanced medical care around the world with world-class drugs in the fields of orthopedics, critical/intensive care, and the immune system; blood purification devices for chronic and acute renal failure, and various intractable diseases; and products for the manufacturing process of biopharmaceuticals and other new drugs. Our life-saving products in the field of acute critical care include AEDs, defibrillators for professional use, and intravascular temperature management systems.



Not including "Others" category and corporate expenses and eliminations.



Highlights

Strategic collaboration with Orion Corporation

Asahi Kasei Pharma entered a global strategic collaboration with Orion Corporation of Finland for the discovery, development, and commercialization of new pain management therapies. Four discovery phase candidates, two being provided by each company, are subject to joint development. Each company has the right to exclusively license the other's development-ready programs, with all development costs to be shared by both companies.

Sale of Teribone™ in Korea

Asahi Kasei Pharma's licensing partner, Dong-A ST Co., Ltd., began the sale of Teribone™ osteoporosis drug for the treatment of osteoporosis in postmenopausal women at high risk of bone fracture. Through Dong-A ST's effort to quickly facilitate its widespread use, Teribone™ will make a significant contribution to the treatment of osteoporosis in Korea.

Teribone™ osteoporosis drug

Pharmaceuticals and Medical Care

Q **Please tell us the fiscal 2016 outlook for the pharmaceuticals and medical care businesses considering the impact of reduced reimbursement prices.**

A **Lower net sales and operating income are forecasted. Pharmaceuticals will be impacted from reduced reimbursement prices and competition from generics. Medical care will be impacted by a stronger yen and reduced reimbursement prices.**

In fiscal 2015, although sales of Teribone™ and Recomodulin™ were firm, the pharmaceuticals operation had lower net sales and operating income than the previous year due to a significant decrease in shipments of Flivas™ as a result of competition from generics. Ongoing efforts to enhance the pharmaceutical product pipeline included the September 2015 filing of an application for approval to manufacture and market AK156 (zoledronic acid) for the treatment of osteoporosis in Japan, and the conclusion of joint R&D agreements with other companies. The medical care operation had higher net sales and operating income than the previous year due to increased shipments of dialysis products and Planova™, reaching the highest operating income for this business since the adoption of a holding company configuration.

Pharmaceuticals and medical care operations are forecasted to have lower net sales and operating income in fiscal 2016. In pharmaceuticals, reduced reimbursement prices will impact Teribone™, which is subject to repricing for market expansion, as well as other pharmaceutical products, while Flivas™ will continue to be impacted by competition from generics. Shipments of Teribone™ and Recomodulin™ are expected to increase, but the net sales and operating income from pharmaceuticals operation are expected to decrease. In medical care, shipments of Planova™ are expected to increase, but net sales and operating income are expected to decrease due to a stronger yen and reduced reimbursement prices.

Medical care products

Pharmaceuticals

Acute Critical Care

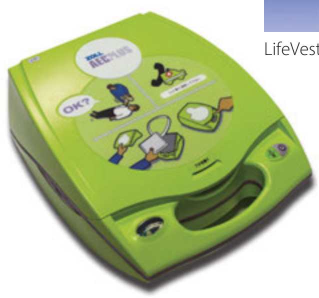
Q **The acute critical care operation has been growing steadily. Please tell us its outlook.**

A **We plan to continue to increase selling, general and administrative expenses for reinforced sales activity, and forecast that operations will continue to expand centering on the LifeVest™ wearable defibrillator.**

Fiscal 2015 saw continued growth in the acute critical care businesses. The LifeVest™ wearable defibrillator business continued to expand well, especially in the US. Sales of other products such as defibrillators and related accessories also increased centering on the North American hospital market and overseas markets. In September 2015, ZOLL acquired Kyma Medical Technologies, Ltd. of Israel, a company developing technologies to measure early signs of congestive heart failure, enabling ZOLL to broaden its product offerings with additional technologies designed to improve outcomes for heart failure patients.

The trend in fiscal 2016 will be largely unchanged, with continued growth expected. Selling, general and administrative expenses are expected to grow with reinforced sales activities, but we aim to increase net sales and operating income mainly with the expansion of defibrillator businesses centering on LifeVest™.

LifeVest™ wearable defibrillator

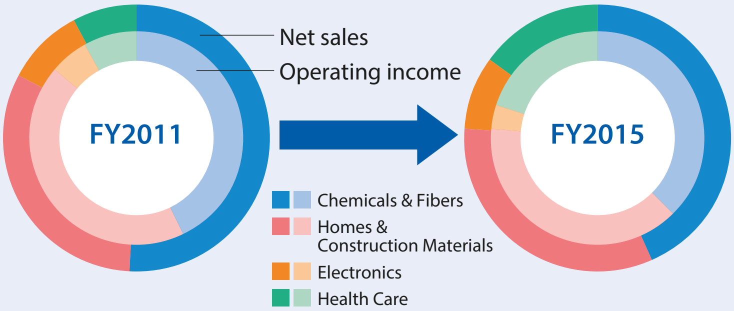


ZOLL AED Plus™ automated external defibrillator

Review of "For Tomorrow 2015" (FT2015)

Record-high operating results, more balanced sector structure

Under the basic strategies of "expansion of world-leading businesses" and "creation of new value for society," we achieved record-high operating income in the final year of FT2015. During the five-year period of the initiative, we further diversified with strategic actions including our two largest acquisitions. Here is a summary by fiscal year.



Fiscal 2011

Launch of FT2015—group-wide effort to create value for society, with our group slogan "Creating for Tomorrow"

The global economy significantly worsened due to the sovereign debt crisis in Europe and a slowdown in exports to emerging countries. Japan's economic circumstances remained challenging with the effects of the Great East Japan Earthquake, the persistent strength of the yen, and high feedstock and fuel costs. This operating environment was especially challenging for our chemicals business, while our housing business achieved record-high operating income.

Net sales	¥1,573.2 billion	Operating income	¥104.3 billion
Ordinary income	¥107.6 billion	Net income attributable to owners of the parent	¥55.8 billion

Highlights

Nov: Launch of Teribone™ osteoporosis drug in Japan

Asahi Kasei Pharma launched the sale of a 56.5 μg subcutaneous injection formulation of Teribone™ for treatment of osteoporosis with high risk of fracture, which has been increasing as the population ages. When administered once a week, Teribone™ can increase bone strength with both improved bone quality and increased bone mass, making a significant contribution to the treatment of osteoporosis.

Dec: Acquisition of Crystal IS, Inc.

Crystal IS, a US-based venture focused on the development of deep ultraviolet light emitting diodes (UVC LEDs), became a wholly owned subsidiary of Asahi Kasei.

Fiscal 2012

Solid steps for future growth following the basic strategies of FT2015

The global economy generally remained challenging with an economic downturn in Europe and slowing demand in China and other emerging economies. For the Japanese economy, expectations of recovery rose with domestic demand underpinned by firm consumer spending and with conditions for exports improving. While our global businesses such as chemicals and electronics faced difficult conditions, our domestic businesses performed well; our homes businesses achieved record-high operating income for the second consecutive year, and our pharmaceuticals business enjoyed growing sales of new drugs.

Net sales	¥1,666.6 billion	Operating income	¥92.0 billion
Ordinary income	¥95.1 billion	Net income attributable to owners of the parent	¥53.7 billion

Highlights

Apr: Acquisition of ZOLL Medical Corporation

Asahi Kasei acquired ZOLL, a major US manufacturer of acute critical care devices and systems, for $2.2 billion, marking our full-scale entry into the field.

Aug: Launch of new Hebel Haus™ series

Asahi Kasei Homes Corp. launched a new series of Hebel Haus™ products with features for families living with their parents and a single sibling.

Fiscal 2013

Net sales, operating income, ordinary income, and net income all reaching record highs

The global economy gradually recovered with growth in the US and improvement in Europe, but the management climate was obscured by slower growth in China and other emerging economies. The Japanese economy recovered with a correction of the overvalued yen and a wealth effect from higher stock prices resulting in improved corporate earnings and revived consumer spending, but instability in the global economy remained a concern. Record-high results were achieved as our domestic businesses such as homes and pharmaceuticals performed well while our chemicals and electronics businesses recovered due to improved export conditions.

Net sales	¥1,897.8 billion	Operating income	¥143.3 billion
Ordinary income	¥142.9 billion	Net income attributable to owners of the parent	¥101.3 billion

Highlights

Apr: Start of new S-SBR plant in Singapore

A new plant for S-SBR for fuel-efficient, high-performance tires started operation in Singapore. Developed with our original technology, our S-SBR is the optimal material for achieving a high-level balance of tire performance characteristics including good wet grip and fuel efficiency as well as abrasion resistance and handling stability.

Jul: Approval in Japan for LifeVest™ wearable defibrillator

Approval for manufacturing and marketing of the LifeVest™ wearable defibrillator was received in Japan. It provides protection for patients at risk of sudden cardiac arrest, automatically delivering a treatment shock to restore normal heart rhythm when a life-threatening heart rhythm is detected.

Fiscal 2014

Second year of record-high net sales, operating income, ordinary income, and net income

While the US economy continued to recover, and slower growth was seen in China and other emerging countries, political instability in certain regions raised geopolitical risks. Consumer spending in Japan softened early in the fiscal year due to the consumption tax increase, but the Japanese economy gradually recovered later in the fiscal year with the weaker yen and lower oil prices leading to improved corporate performance. While construction materials and pharmaceuticals had lower sales volumes, performance in chemicals and critical care was strong, contributing to record-high results for the second consecutive year.

Net sales	¥1,986.4 billion	Operating income	¥157.9 billion
Ordinary income	¥166.5 billion	Net income attributable to owners of the parent	¥105.7 billion

Highlights

May: Start of new production facility for Bemberg™ cupro fiber

Our new production facility for Bemberg™ cupro fiber started operation to meet growing demand in the fields of functional innerwear and ethnic garments in emerging markets.

Feb: Announcement of acquisition of Polypore International

We announced an agreement to acquire Polypore International to expand our battery separator business with high growth potential and reinforce operations in the field of the environment and energy.

Fiscal 2015

Final year of FT2015—third consecutive year of record-high operating income

While slower growth persisted in China, the US and Europe were on a path of gradual recovery with increased consumer spending. The Japanese economy saw steady consumer spending along with firm corporate performance, but uncertainty remained regarding the risk of further downturn in emerging economies and appreciation of the yen from the latter half of the period. Our consolidated net sales decreased from a year ago with lower market prices for petrochemical products in chemicals operations. Operating income increased with firm performance in homes and critical care operations, setting a new record high for the third consecutive year.

Net sales	¥1,940.9 billion	Operating income	¥165.2 billion
Ordinary income	¥161.4 billion	Net income attributable to owners of the parent	¥91.8 billion

Highlights

Sep: Capacity increase for Hipore™ LIB separator

We announced an expansion of our plant in Moriyama, Shiga, Japan, for Hipore™ Li-ion battery (LIB) separator to meet growing demand not only in consumer electronics such as smartphones and tablet PCs, but also in hybrid electric vehicles, all electric vehicles, and other automotive applications.

Feb: Closing of our naphtha cracker in Mizushima

Our naphtha cracker in Mizushima was unified with the adjacent naphtha cracker of Mitsubishi Chemical Corp. Joint operation of the unified naphtha cracker began in April 2016.

SPECIAL FEATURE

Creating new high value added businesses across the Asahi Kasei Group

Masafumi Nakao

Director, Primary Executive Officer; Executive Officer for R&D

April 1978 Joined Asahi Kasei
April 2004 President, Representative Director, Asahi Kasei Electronics Co., Ltd.
April 2006 General Manager of Research & Development Center, Asahi Kasei EMD Corp.
April 2009 Director, Executive Officer, Asahi Kasei Microdevices Corp.
April 2012 Lead Executive Officer, General Manager of New Business Development, Asahi Kasei Corp.
June 2012 Director, Lead Executive Officer, General Manager of New Business Development, Asahi Kasei Corp.
April 2014 Lead Executive Officer, General Manager of Corporate Research & Development, Asahi Kasei Corp.
April 2015 Senior Executive Officer, General Manager of Corporate Research & Development, Asahi Kasei Corp.
April 2016 Primary Executive Officer, Asahi Kasei Corp.
June 2016 Director, Primary Executive Officer, Asahi Kasei Corp.

Evolution of new business creation

Watabe Asahi Kasei has grown to be one of Japan's leading diversified manufacturers. Tell us about your company's heritage of R&D.

Nakao There are bound to be various challenges along the way from the start of research to final commercialization. I think we have a heritage of working persistently to overcome the challenges to successfully advance R&D ahead of our competitors. Take Planova™ virus removal filters for biopharmaceutical manufacture, for example, or ion-exchange membrane technology for chlor-alkali production. In both cases, the early period of development was very tough going. But our researchers kept pressing ahead with the support of management that believed in the potential of these projects. In the end we were able to create very healthy businesses.

Watabe My impression is that your in-house R&D did not sufficiently create new businesses in the past decade. What do you think about this?

Nakao I don't think this is an issue just for us; many companies have a similar challenge. Competition is becoming more intense with the rise of emerging countries, and conventional ways of creating new business may no longer be effective. Even as we continue in-house R&D, we also need to be more flexible and venturesome to obtain new technologies externally, through collaboration with academia, M&A, etc. In any case, we still need our own outstanding researchers who are capable of discerning which outside technologies we need, and to adapt them to suit our purposes. Having many such researchers is one of our strengths, together with our various core technologies and business platforms established in our diversified operations. These enable us to access markets from various angles.

Looking at the past decade, yes, it has taken time for our in-house R&D to bear fruit, especially in materials. But we have made good progress with superior new technologies which have excellent prospects for commercialization.

Watabe Asahi Kasei became an operating holding company in April 2016. Did the previous holding company configuration impede the creation of new businesses?

Nakao We adopted the configuration of a holding company with core operating companies 13 years ago. Since then, we improved management efficiency with a focus on greater cash flow as well as independence and autonomy for each operation. This clearly brought enhanced earnings and financial strength. In other words, we improved our ability to reap a harvest from seeds sown in the past. Nevertheless, we came to recognize that the previous configuration made it difficult for us to fully coordinate among our different businesses. This was true both for long-term R&D and for leveraging our diverse market channels across the Asahi Kasei Group. To overcome this shortcoming, in April 2016 we consolidated our

Mr. Takato Watabe, a securities analyst who covers Asahi Kasei at Morgan Stanley MUFG Securities, asks about the creation of new businesses as a basic strategy of the new "Cs for Tomorrow 2018" medium-term management initiative.

material-related operations within Asahi Kasei Corp., which transformed into an operating holding company. Whereas future-oriented R&D at the holding company had been performed separately from the R&D within established businesses at each core operating company, we now have an R&D organization that combines material-related R&D together under Corporate Research & Development, in coordination with the R&D sections of each strategic business unit (SBU). Under the new configuration, R&D with a longer perspective is seamlessly connected with product development peripheral to established businesses.

Watabe In addition to changing your R&D configuration, your company has become more actively engaged in M&A, creating synergy with ZOLL and Polypore. What is your perspective?

Nakao Since our Polypore acquisition is still fairly recent, let me talk about ZOLL. After we acquired them in 2012, we set up a Health Care Council comprised of ZOLL, Asahi Kasei Corp., Asahi Kasei Pharma, and Asahi Kasei Medical. The council meets regularly to share information on each business, to discuss how to create new business, and to discuss what we need to do over the longer term to build the Health Care sector into the third major pillar of the Asahi Kasei Group.

We have learned a lot from ZOLL, which is adept at a "hunting" type of approach that is common among American and European companies. They identify a target, and then set up a business model to capture a market. Asahi Kasei has traditionally succeeded with a "farming" type of approach, cultivating a market and fostering a business based on our seeds of technology. Being able to combine the best aspects of each approach is a significant strength for us.

Each of the companies we acquired during the previous medium-term management initiative, namely ZOLL, Polypore, and Crystal IS, have very strong market access. We will continue to look for ways to more fully utilize their market channels in various other businesses. In health care, for example, we are working to achieve a higher degree of utilization of ZOLL's business platform in the US, the most advanced market for medical technology.

Watabe These are examples of "connections" as mentioned in the new management initiative, aren't they?

Nakao Yes. We gain many fresh insights by bringing different managerial perspectives together. This yields much richer and deeper management discussions.

3-axis perspective for new business creation

Watabe How do you plan to create new businesses under "Cs for Tomorrow 2018"?

Nakao In the new initiative, we are focused on contributing to the realization of a "society of clean environmental energy" and a "society of healthy/comfortable longevity with peace of mind." We will create new businesses by leveraging our strengths in technology and operations from a 3-axis perspective.

Takato Watabe

Managing Director
Equity Research
Morgan Stanley MUFG Securities Co., Ltd.

Joined Daiwa Institute of Research in 1990. After working at Merrill Lynch Securities, Deutsche Securities, SMBC Nikko Securities, etc., assumed current position at Morgan Stanley MUFG Securities in February 2014.

SPECIAL FEATURE

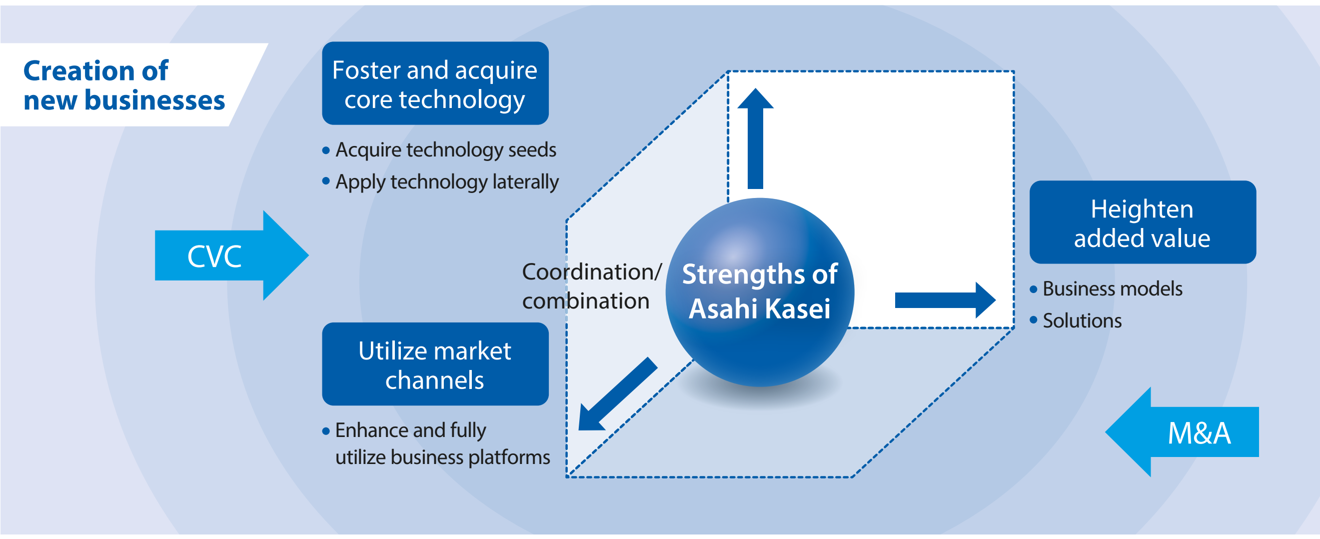
The first axis is to fully utilize our market channels. By utilizing the various market channels that we have throughout the Asahi Kasei Group, we can identify emerging market needs and develop new businesses accordingly. The second axis is to heighten added value. In addition to just supplying substances, which had been our main approach particularly in material businesses, we will place greater emphasis on building new business models around services and solutions. ZOLL has done this with its LifeVest™ business, and we will look for ways to do something similar in other businesses as well. The third axis is to foster and acquire core technology. While performing in-house R&D, we may identify an area that falls short. In that case, we will seek an external technology that complements our own to expedite commercialization. Our key fields of focus to create new businesses and to raise the profitability of established businesses are the environment & energy, automotive, and health care. We will leverage our strength in residential living to gain synergy with new developments in the fields of the environment & energy and health care.

Watabe Could you give us an example of R&D in your areas of focus?

Nakao In the field of the environment & energy, we have been working on R&D in anticipation of hydrogen becoming a mainstream source of energy. At the COP21 meeting in 2015, the Paris Agreement was adopted as an international framework to mitigate global warming from 2020. The agreement aims to limit global warming to less than 2°C. In effect this means that greenhouse gas emissions from human activity would eventually need to be reduced to a net zero. This is an enormous challenge for mankind, as our lives are highly dependent on energy from fossil fuels. But this is also a huge opportunity for our company. Hydrogen is a source of energy with no greenhouse gas emissions. Hydrogen can be produced by alkaline water electrolysis using renewable energy such as sunlight or wind, and then stored to be used as a source of zero-emission energy. This is an excellent opportunity for us. We are in a position to lead the world in the field of alkaline water electrolysis, by leveraging our world-leading ion-exchange membrane technology. Ultimately, we hope to not only provide materials, components, and systems for hydrogen production, but also to expand the scope of our business to include the provision of total solutions with various services.

Watabe Can you tell us more about your movement toward solution-oriented business?

Nakao ICT (information and communication technology) is changing the world, and having a huge impact on business. A good illustration of this would be the business models of ZOLL. ZOLL began as a pioneer in defibrillators, and became a world leader with their core technology of resuscitation. They extended their business to cover the whole Chain of Survival—the steps in the lifesaving process advocated by the American Heart Association—offering solutions that address each step in the chain. ZOLL extensively utilizes ICT in their business models. One example is the LifeVest™ wearable defibrillator, which is worn on a temporary basis by patients at risk of sudden cardiac arrest. It continuously monitors the patient's heart and, if a life-threatening heart rhythm is detected, it automatically delivers a treatment shock to restore a normal rhythm. At the same time, it uses ICT to alert the physician of the patient's condition. ZOLL has many other products and services that utilize ICT. In many countries, they offer solutions that allow physicians to remotely monitor



a patient's heart, systems to manage the dispatch of emergency services, and systems to connect patient data between medical providers and insurance companies, to name a few.

Watabe Considering ZOLL and your other acquisitions, it looks like the ability to discern potential is the key to success.

Nakao This is especially true of our acquisition of Crystal IS in the field of UVC LEDs. These use compound semiconductor technology, an area where we have many years of experience. LEDs for lighting use compound semiconductor technology as well, but since this field is crowded with many players competing fiercely, it is not attractive to us despite its large market size. We decided to develop UVC LEDs, where the technical hurdles are higher. Although the timing of market uptake is uncertain, we see great growth potential in various application areas for disinfection and sterilization, replacing power-hungry and hazardous mercury lamps. Together with Crystal IS, we are determined to overcome the technical challenges in development, and lead the world in cultivating new markets.

Watabe How do you look at R&D expenditure for the creation of new businesses?

Nakao In fiscal 2015 our R&D expenditure was 4.2% of sales. When we look at our individual businesses, each of them is generally in line with the average for their respective industry. However, we are flexible when it comes to concentrating resources on a strategic project as necessary. We view this in the same way as strategic investment or M&A. Sometimes we will invest more to strengthen a certain area. So there will be some fluctuation; we don't just aim for a certain percentage.

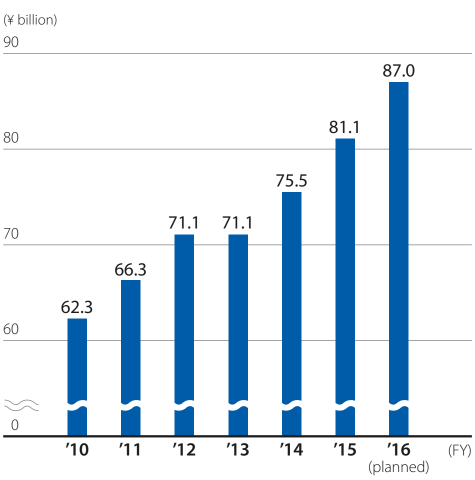
A seamless R&D configuration

Watabe What is the mission of corporate R&D towards 2025, and how does it coordinate with R&D in each business unit?

Nakao We are focused on creating distinctive new businesses with high added value. We don't want to play catch-up, but to create new markets ourselves. We want these to be transformational for our business portfolio. The key is our ability to discern the potential of a new business. By enhancing coordination with each business unit, we will leverage our broad range of operations and diverse perspectives to identify kemerging market needs. We also have various unique core technologies that can facilitate the creation of new businesses. The new corporate configuration that began in April enables more seamless collaboration between corporate R&D and the R&D of each business unit. We are already making progress, and I look forward to achieving concrete results.

Watabe We talked about your heritage of innovation, diverse businesses, capable researchers, and the ability to discern promising opportunities over the medium to long term. Stakeholders have high expectations that your new configuration will enhance your ability to create new businesses through better connections among various businesses, with business retaining the independence and autonomy fostered under the previous configuration. I am looking forward to seeing your operations grow through advanced innovation.

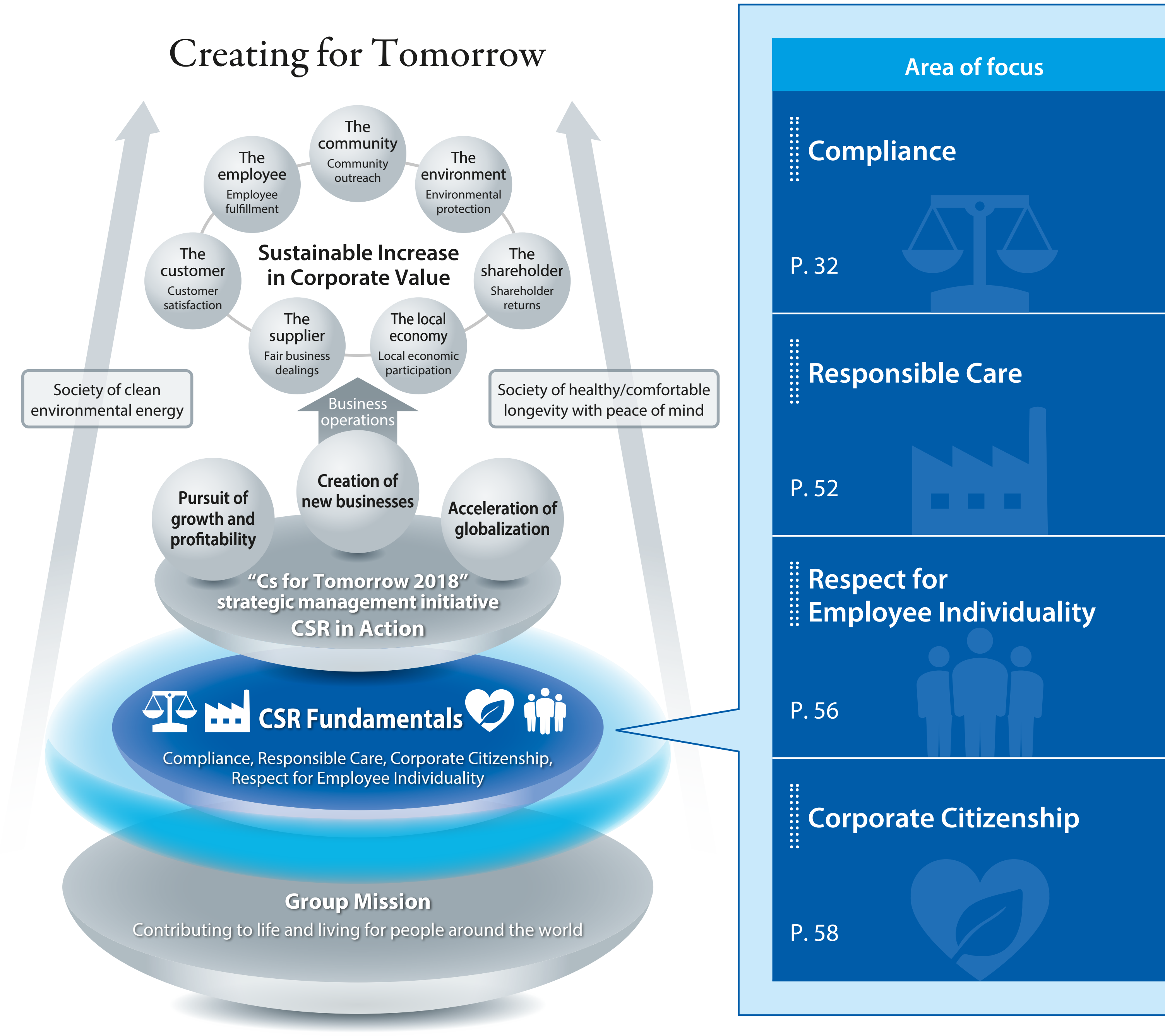
R&D expenditures



Medium-Term Management Initiative and CSR Fundamentals

The Asahi Kasei Group is focused on providing solutions to various challenges faced by society in accordance with our Group Mission of contributing to life and living for people around the world.
Under our Cs for Tomorrow 2018 management initiative which began in fiscal 2016, we are emphasizing business operations that contribute to a "society of clean environmental energy" and a "society of healthy/comfortable longevity with peace of mind" based on four CSR Fundamentals: Compliance, Responsible Care, Corporate Citizenship, and Respect for Employee Individuality.

Position of CSR Fundamentals



Our four CSR Fundamentals of Compliance, Responsible Care, Corporate Citizenship, and Respect for Employee Individuality are applied throughout the Asahi Kasei Group.

CSR Fundamentals

Key subjects under CT2018		Goals
Identification of compliance-related issues Enriching the risk compliance system		• Gain trust through not only thorough compliance with laws and regulations, but also consideration of generally accepted social norms • Understand risks in management, and establish a system to mitigate them and enable sustainable development
Environmental protection Operational safety Workplace safety and hygiene Health maintenance Product safety Managing chemical substances		• Contribute to establishment of a recycling-oriented society • Enrich system for risk assessment • Zero workplace injuries • Maintain and promote employees' health • Enrich RC compliance • Minimize risks from chemicals
Dissemination of Human Resources Principles └Developing human resources (global human resources) Valuing human rights and diversity Balancing work and family life	 Platinum Kurumin certification for outstanding support for the development of the next generation.	• Employee engagement in challenging and fulfilling work in global business operations • Workplace environment that respects diversity and work-life balance, enabling employees to perform to their full potential
Stakeholder dialog • Customers • Investors • Suppliers • Public outreach Community fellowship		• Maintain good relationships with stakeholders • Utilize our resources to provide solutions to challenges faced by society

CSR Fundamentals

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.

Message from the Executive for RC

Masafumi Nakao
Director, Primary Executive Officer
Asahi Kasei Corp.

Asahi Kasei adopted an operating holding company configuration in fiscal 2016 at the start of the three-year medium-term management initiative "Cs for Tomorrow 2018" (CT2018). During fiscal 2016, we will not only implement various measures to achieve our business targets and build the base for the next phase towards fiscal 2025, but also contribute to society through our business operations. The operating climate is changing greatly with growing awareness for global environmental issues and corporate responsibility as a social entity. At the Asahi Kasei Group, in accordance with our Group Mission of *contributing to life and living for people around the world*, we will give due consideration to the environment, safety, and health throughout the full life cycle from R&D to manufacturing, product supply, and disposal, while focusing on the three fundamental "actuals" of the actual place, actual thing, and actual fact, as we ensure the stable provision of product quality that our customers can depend on. While working to achieve our annual RC objectives, we will also advance RC activities from a broader perspective, reinforcing R&D to provide solutions to global warming and other environmental issues, in order to raise our corporate value for our various stakeholders.

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 homes, health care, fibers, electronics, and construction materials.

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

Asahi Kasei Group RC Principles

RC at the Asahi Kasei Group is guided by the following principles: In April 2016, a statement regarding quality assurance was added, and the six elements were condensed into four.

We give the utmost consideration to environmental protection, quality assurance, operational safety, workplace safety and hygiene, and health maintenance, throughout the product life cycle from R&D to disposal, as preeminent management tasks in all operations.

- **We give full consideration to the global environment, and make efforts to reduce the environmental burden of all operations.**
- **We continuously provide safe products and services with the quality that gives customers a sense of security and satisfaction.**
- **We strive for stable and safe operation while preventing workplace accidents and securing the safety of personnel and members of the community.**
- **We strive for a comfortable workplace environment, and support the maintenance and promotion of employee health.**

In addition to maintaining legal compliance, we set self-imposed targets for continuous improvement, while performing proactive information disclosure and communication to gain public understanding and trust.

Revised on April 1, 2016

RC Management System

The management system of Asahi Kasei Group RC is maintained in accordance with our Group RC Management Guidelines and other internal standards. The RC Committee, a corporate organ under the direct authority of the President of Asahi Kasei, deliberates RC plans and results and ensures that 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

	FY2015 RC Objectives	FY2015 Results	Attainment	FY2016 RC Objectives
RC compliance	Enhance RC compliance	Emergence of pile installation data issue at Asahi Kasei Construction Materials; lessons applied in review of RC system	★	Review RC framework (including quality assurance) Enhance RC compliance
	Advance RC education and training	RC training course for section managers and assistant chiefs revised Group discussions enhanced Follow-up enhanced	★★	Advance RC education and training
	Enhance RC at affiliates	RC at affiliates enhanced through instructions and support by core operating companies	★★★	Enhance RC at affiliates
	Enhance dialog with the public	RC reports of 2 core operating companies and 8 plant complex sites were used in community outreach	★★★	Continue to enhance dialog with the public
Environmental protection	Avoid all polluting accidents and minor incidents	No polluting accidents, 5 intermediate incidents (including 4 freon leaks)	★	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 reached with final disposal rate of 0.2%		· Maintain rate of final disposal at 0.3% or less of generated industrial waste
	· Recycling rate of at least 89%	Goal reached with recycling rate of 98%		· Maintain recycling rate of at least 90%
	Prevention of global warming:		★★	Prevention of global warming:
	· Reduce CO_2 emissions in Japan by 25% from FY2005 level	28% reduction from FY2005 level		· Reduce CO_2 emissions in Japan by 28% from FY2005 level
	· Reduce CO_2 emissions in Japan and overseas by 5% from FY2010 level	17% reduction from FY2010 level		· Reduce CO_2 emissions in Japan and overseas by 5% from FY2010 level
	· Reduce GHG emissions in Japan by 32% from FY2005 level	35% reduction from FY2005 level		· Reduce GHG emissions in Japan by 35% from FY2005 level
	· LCA/CO_2 contribution ratio[1] of 7.9	LCA/CO_2 contribution ratio of 7.7		· Achieve LCA/CO_2 contribution ratio of 8.1
	Protect water resources:		★★★	Protect water resources:
	· Water resource contribution ratio[2] of 7.0	Water resource contribution ratio of 8.0		· Water resource contribution ratio of 8.3
	Control emissions of chemical substances:		★★★	Control emissions of chemical substances:
	· Control emissions of PRTR-specified substances · Control emissions of air and water pollutants	Release of PRTR-specified substances and emission of VOCs reduced by 91% and 87%, respectively, from FY2000 level		· Control emissions of PRTR specified substances · 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, 4 incidents	★★	Continue to avoid all industrial accidents
	Continuously monitor for hazards of fire, explosion, and leaks; perform training of managers	Review performed at time of on-site confirmation for preventing abnormal reactions	★★★	Enhance risk assessment: · Continuously monitor for hazards of fire, explosion, and leaks
	Prevent abnormal reactions, confirm interlock functions on-site	Confirmed progress in preventing abnormal reactions and securing interlock functions	★★★	· Continue ongoing review to prevent abnormal reactions and confirm interlock functions · Enhance pre-investment safety assessment system
	Control changes to equipment and operating conditions	Control confirmed at RC Audits, etc.	★★★	Control changes to equipment and operating conditions
	Review earthquake response and enhance emergency response systems:			Enhance earthquake response system:
	· Confirm seismic resistance of high-pressure gas facilities and formulate plans	Completed according to the plan	★★★	· Review earthquake preparedness (emergency facilities, disaster response supplies)
	· Implement seismic retrofitting for specific and non-specific buildings	Delay in some retrofitting for FY2016	★★	· Advance seismic retrofitting of specific and non-specific buildings
	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
Workplace safety and hygiene	Avoid all workplace injuries:		★★	Avoid all workplace injuries:
	· Achieve frequency rate[3] of 0.1 or less	0.28		· Achieve frequency rate of 0.1 or less
	· Achieve severity rate[4] of 0.005 or less	0.004		· Achieve severity rate of 0.005 or less
	Deepen utilization of OHSMS:		★★★	Deepen utilization of OHSMS:
	· Reduce latent risks at workplaces	Improvement in reducing latent risk confirmed at audit		· Enhance risk assessment for workplace tasks
	· Enhance internal audits	Improvement confirmed at audit with reference to internal audit records		
	· Make the effects of OHSMS more visible	Improvement of risk level confirmed at audit		
	· Ensure thorough compliance with safe working standards	Compliance confirmed at audit		
	Avoid all accidents in "caught in/between machinery" category:		★★★	Avoid all accidents in "caught in/between machinery" category (zero lost-workday injuries):
	· No lost-workday injury due to "caught in/between machinery" accidents	Zero lost-workday injuries; contributive effect from mechanical equipment improvement and risk assessment		· Perform sound risk assessment for mechanical equipment
	Avoid fire, explosion, chemical burn, poisoning, etc. related to chemical substances:		★	Avoid chemical injury, poisoning, fire, explosion, etc. related to chemical substances (zero lost-workday injuries):
	· Zero lost-workday injuries related to chemical substances	1 injury		· Perform sound risk assessment for chemical substances · Perform sound management of workplace environment
	Prevent injuries during working hours unrelated to operating procedures and during commuting:		★	Prevent injuries during working hours unrelated to operating procedures and during commuting:
	· Prevent lost-workday injury related to stairways	3 injuries		· Prevent lost-workday injury related to stairways and walking · Prevent traffic accidents resulting in harm to self or others while commuting or traveling for sales
	Enhance safety management guidance of on-site contractors:		★★★	Enhance safety management guidance of on-site contractors:
	· Enhance safety management structure as the contracting manufacturer	Status and continuous improvement confirmed at audit		· No serious accident of on-site contractors
	· Enhance safety management of on-site contractors	Safety management guidance at each site and continuous improvement confirmed		
	Reinforce management of safety on equipment work:		★★	Reinforce management of safety on equipment work:
	· Enhance implementation of safety management standards	Progress confirmed at audit; 1 lasting injury from equipment work		· No serious accident of equipment workers
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 with health warning signs and ratio of employees who smoke generally unchanged; slight increase in employees with obesity		· 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:		★★★	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:		★★★	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	★★★	Maintain zero 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[5] activities	Continued risk assessment and public disclosure of safety documents	★★★	· Encourage JIPS activities
	· Promote JAMP[6] tools	Provided and received information via MSDSplus and AIS, participated in verification of new JAMP-IT tools		· 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:
	· 40% increase from FY2010 level	1% increase from FY2010 level		· FY2018 objective: maintain FY2015 level
	Number of residents in Hebel Haus™ homes:		★★★	Number of residents in Hebel Haus™ homes:
	· 20% increase from FY2010 level	20% increase from FY2010 level		· FY2018 objective: 10% increase from FY2015 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.
[5] Japan Initiative of Product Stewardship: A chemical industry initiative promoted by the Japan Chemical Industry Association to minimize chemical risks through voluntary risk assessment and management.
[6] Joint Article Management Promotion-consortium.

Environmental protection

As in our Group Vision of "harmony with the natural environment," the Asahi Kasei Group considers environmental preservation as one of the most important tasks. Our major focuses are on 1) prevention of global warming, 2) promotion of a recycling-oriented society, 3) management of chemical substances, and 4) preservation of biodiversity. For prevention of global warming, we have established new indicators and targets to curtail greenhouse gas emissions to be achieved by fiscal 2020 and fiscal 2030. Regarding promotion of a recycling-oriented society, we continue to reduce our rate of final disposal and increase our rate of recycling. 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.

The Asahi Kasei Group's quantitative indicators and targets to curtail global warming (building a low-carbon society)

Reduction in CO_2 emissions	Reduction in GHG emissions	Clean power generation	LCA/CO_2 contribution ratio
• Reduce CO_2 emissions in Japan to 30% below the FY2005 level by FY2020 • Reduce CO_2 emissions in Japan and overseas to 5% below the FY2010 level by FY2020	• Reduce GHG emissions in Japan to 35% below the FY2005 level by FY2020 • Reduce GHG emissions in Japan to 10% below the FY2013 level by FY2030	• New coal-fired power plants must meet certain criteria (criteria disclosed on our website) • Maintain use of biomass fuel at 60% or more by energy content in mixed combustion at the biomass power plant in Nobeoka	• Achieve a ratio of 10.0 in FY2020 (3.2 in FY2010) • Achieve a ratio of 15.0 in FY2030

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 operational accidents through risk assessments prior to the construction of new plants, periodic inspections of existing plants performed by auditors specialized in fire and explosion prevention, process reviews from the perspective of preventing abnormal reactions and ensuring interlock functions, and process reviews corresponding to the age of facilities.

In fiscal 2013, we completed a program of on-site confirmation to identify hazards from the perspective of preventing abnormal reactions and ensuring interlock functions. From fiscal 2013 onwards, we have been preparing technical documents on items with a high degree of hazard and on accidents and problems which occurred in the past. From fiscal 2015, we are implementing education and training for managers and operators to enable them to properly identify the cause and take appropriate action if problems occur, including problems that have not been previously encountered. There were no operational accidents during fiscal 2015.

Workplace safety and hygiene

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

Integration of workplace safety initiatives

* Occupational Health and Safety Management System. A standardized 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

- Fall on same level 33%
- Fall from height 13%
- Kickback/overexertion 13%
- Contact with harmful substance 7%
- Others 7%
- Traffic accident 27%

- Caught in/between machinery 15%
- Caught in something else 3%
- Fall on same level 19%
- Fall from height 13%
- Kickback/overexertion 12%
- Fire 1%
- Explosion or rupture 2%
- Contact with high-temperature substance/object 5%
- Hit by flying/falling object 3%
- Others 5%
- Traffic accident 23%

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

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 2015, interviews to monitor the effectiveness of the health management centers were performed at 7 sites. The series of interviews launched in fiscal 2014 confirm whether the activities 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.

Quality assurance

Upon our transition to an operating holding company configuration in April 2016, Corporate ESH & QA was reorganized, including the establishment of a new Quality Assurance Group, to place greater emphasis on quality assurance to deliver safe and reliable products to our customers. In fiscal 2015, we once again met our target of no serious product safety incidents.

Asahi Kasei Group Quality Policy

The Asahi Kasei Group creates and provides products and services with the quality to meet the needs of customers and society and ensure safety and security.

Reinforcing the quality assurance system: maintaining zero serious product safety incidents

■ Consumer satisfaction and safety

Products and services provided by the Asahi Kasei Group include materials, products, installations, various services, and after-sales support. We believe that providing products and services that satisfy our customers is our ultimate mission. We constantly strive to enhance our systems for quality assurance, including product safety.

■ Effort to maintain zero serious product safety incidents

As part of the effort to prevent serious product safety incidents, we established new quality assurance bylaws that stipulate quality assurance activities for RC administrators to perform. The bylaws newly define the central role of quality assurance managers in activities to enhance quality assurance, and are applied in concert with our product safety guidelines to secure product safety and prevent the occurrence of serious product safety incidents.

All business units of the Asahi Kasei Group apply these uniform bylaws and guidelines to assure the quality of products and services.

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 (including intermediates), use, and disposal.

The Asahi Kasei Group's effort

Strict management and control of chemical substances is a key element in the effort to ensure environmental protection, operational safety, workplace safety and hygiene, health maintenance, and product safety. Chemical substances are managed at each stage from development to use and disposal. The management of chemical substances begins with R&D, which is guided throughout every stage by a commitment to developing products and process characterized by safe, environmentally sound production, handling, and use.

Industry-wide initiatives
Joint Article Management Program (JAMP)

As an active member of JAMP, we participate in the development of systems to manage chemical substance information as well as revision of the list of applicable substances. As an upstream company, we also convey relevant information throughout the supply chain to help establish JAMP as a widely used tool.

In fiscal 2015, we continued to provide JAMP Tools via the JAMP-IT platform to convey relevant information on hazardous chemicals and share information externally. As a major upstream company, we will continue to work with the JAMP Office toward the greater adoption of the JAMP-IT platform as a means of information sharing. We also took part in verification of information transmission tools for a new scheme called "chemSHERPA" promoted by the Ministry of Economy, Trade and Industry, and actively participated in detailed discussions about the new tools and the list of chemical substances. We are also working on the transition process from the current JAMP scheme to chemSHERPA which will be performed over two years from fiscal 2016.

CSR Fundamentals

Respect for Employee Individuality

The Asahi Kasei Group considers fulfilling and satisfying working conditions and workplace culture, in which personnel feel motivated to achieve and take pride in their career, to be a 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	Basic Expectations	Expectations of Leaders
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.	• Enterprise and growth through challenge and change • Integrity and responsibility in action • Respect for diversity	• Building the team, heightening performance and achievement • Going beyond conventional boundaries, in thought and action • Contributing to mutual development and growth

Human resource development

■ A wide range of training programs

Employees are given a wide range of training to develop the skills needed to successfully advance their careers. A regular program of training is applied throughout the Asahi Kasei Group at key career stages—upon hiring, promotion to manager, promotion to department general manager, promotion to division general manager, and appointment to an executive position. From fiscal 2016 we are placing greater emphasis on "Management by Objectives" training to enhance the management skills of section managers and general managers. Other individual training programs such as for global management are implemented according to business need. Each core operating company also implements training programs to support the development of employee skills required for its specific field of business.

■ Group Masters

The Asahi Kasei Group employs a "Group Masters" program to recognize employees who have developed and exercised extraordinary expertise and skills that hold universal value, and to facilitate their application throughout the Group. As of May 2016, 86 Group Masters are designated: 1 as a Group Fellow, 23 as Senior Group Experts, and 62 as Group Experts, with rank and remuneration commensurate with senior general manager, general manager, and section manager, respectively.

■ Development of global human resources

To support the expansion of world-leading businesses from the perspective of human resources, we are implementing measures such as internship programs for young personnel, and holding training sessions for personnel at overseas subsidiaries on subjects such as dissemination of corporate philosophy and intercultural communication.

Valuing human rights and diversity

Basic policy

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

Hiring

The Asahi Kasei Group is working to create new value for society by enabling *living in health and comfort* and *harmony with the natural environment*. We strive to hire motivated and capable personnel who will successfully execute our strategy on a global scale.

We continue to hire university graduates of foreign nationality every year, and the overall makeup of our personnel is becoming more global. We are also strengthening our ties to universities both in Japan and overseas, through career briefing sessions and student internships, as part of an ongoing effort to attract talent.

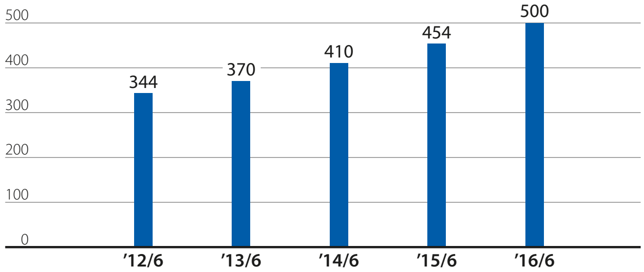
In April 2016, 351 new graduates were hired: 272 men and 79 women. In addition, 71 persons were hired in mid-career between April 2015 and March 2016.

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

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 has risen to 500 in June 2016. In fiscal 2016, we also formulated an action plan and targets in accordance with the Act to Advance Women's Success in Their Working Life.

Number of women as managers*

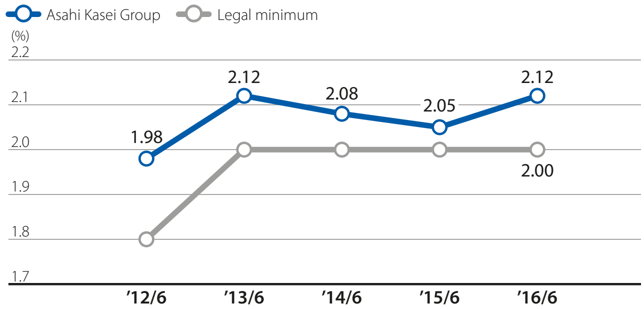


* Results as of June 30 each year for personnel employed by Asahi Kasei Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Pharma Corp., and Asahi Kasei Medical Co., Ltd. (Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., Asahi Kasei E-materials Corp. are included up to June 30, 2015).

Employment of persons with disabilities

Asahi Kasei Ability Corp. was established in 1985 for the employment of persons with disabilities, performing a wide range of services for the Asahi Kasei Group. The employment rate at applicable companies of the Asahi Kasei Group was 2.12% (529.0 persons) as of June 1, 2016, exceeding the legal requirement.

Rate of employment of persons with disabilities at applicable Group companies*



* Results as of June 1 each year at applicable Group companies. Calculation based on total employment of 25,000.5 persons in the 21 applicable companies. As of June 1, 2016, the number of persons with disabilities employed by Asahi Kasei Ability Corp. stood at 334.0 of the total 529.0 employees with disabilities. Calculated in accordance with the Act on Employment Promotion etc. of Persons with Disabilities.

Balancing work and family life

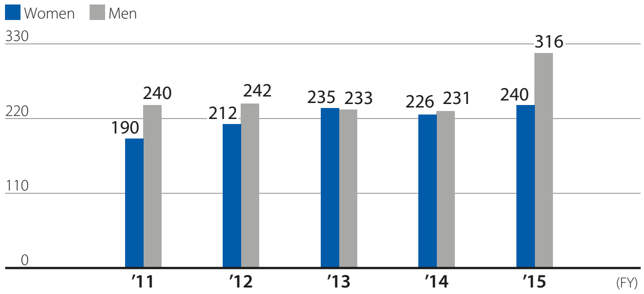
Basic policy

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 2015, 556 personnel utilized parental leave. This is included 316 men, which is 40% of those who were qualified, and 240 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.

Shortened working hours for child care

Personnel are able to utilize shortened working hours to care for preschoolers, with the working day shortened by up to 2 hours until the child enters elementary school. In September 2007, a provision called "Kids Support" was added to enable personnel with children in the first and second grades to work shortened hours as well. These provisions may be used concurrently with a "flex-time" system for flexible working hours.

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 2015, 10 personnel utilized this provision.

Platinum Kurumin certification mark

In 2016, we received the Platinum Kurumin certification mark from the Ministry of Health, Labour and Welfare.* Platinum Kurumin certification is awarded in recognition of proactive support for the development of the next generation which is superior to the previously received Kurumin certification.

プラチナくるみん
子育てサポートしています

* Certification received for Asahi Kasei Corp., Asahi Kasei Homes Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Pharma Corp., Asahi Kasei Medical Co., Ltd., and Asahi Kasei Ability Corp. Asahi Kasei Ability Corp. is the first company in Miyazaki prefecture to receive Platinum Kurumin certification.

CSR Fundamentals

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.

Stakeholders		Customers	Shareholders, investors	Suppliers	Local communities
Corporate Communications at Asahi Kasei Corp.	Communications sections at core operating companies	Marketing and sales departments, consumer contact offices	Investor Relations at Asahi Kasei Corp.	Purchasing and logistics sections, environment and safety sections at production sites	General affairs and administration sections at production sites
• Issuing news releases • Holding news conferences • Issuing documents for information disclosure • Website disclosure of information • Responding to CSR-related questionnaires • Promoting for social contribution activities	• Issuing news releases • Holding news conferences • Website disclosure of information	• Face-to-face discussion by marketing and sales personnel • Taking inquiries via telephone, website, etc.	• Meeting with securities analysts and institutional investors • Seminars for Individual investors • Website disclosure of information • Taking inquiries via telephone, website, etc.	• Safety discussion forums • Information exchange forums	• Periodic community dialog meetings • Community outreach initiatives
		Customer relations	Investor Relations	Principled supplier relationships	Public outreach

Asahi Kasei Group

Customer relations

We believe that it is by maintaining customer satisfaction that our products and services contribute to society. For materials, intermediates, and devices, communication with our customers is handled by the sales and technical support departments of each business unit. For end products and housing, 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

Information on shareholder distribution is available in the Corporate Citizenship section of our CSR website.

IR meetings with institutional investors and securities analysts

Investor Relations (IR) regularly holds meetings with institutional investors and securities analysts in Japan and overseas, including quarterly results briefings and an annual management briefing with the President.

In fiscal 2015, business briefings were held with the aim of deepening understanding among institutional investors and securities analysts regarding key businesses of Asahi Kasei. We also provide a wide variety of information for investors on our website.

Seminars for individual investors

We hold various seminars to provide individual investors with a better understanding of the operations of the Asahi Kasei Group. 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.

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

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 departments throughout the Asahi Kasei Group regard suppliers as important partners and work to build relationships with them based on sincerity in accordance with our Group Philosophy. To this end, we are placing greater emphasis on CSR in accordance with our Procurement Policy. Each year we conduct a survey of suppliers to help foster greater awareness of the importance of CSR issues.

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.

Many of our major plants offer plant tours to provide the local community with a better understanding of our operations and the measures we implement for the environment and safety. Measures for community dialog and interaction include regularly held forums and meetings with representatives of local governments and members of local residents associations. We also open our gymnasiums, sports fields, parking lots, and other facilities for public use and enjoyment, and host a variety of events.

Community fellowship

The Community Fellowship Committee is organized under direct supervision of the President of Asahi Kasei. Its roles include formulation of overall policy, plans, and courses of action in regard to community fellowship activities. The Committee also monitors and reviews community fellowship activities at each site and at each affiliated company of the Asahi Kasei Group. Under our Community Fellowship Policy, we are involved in a wide range of community-focused activities in accordance with the three themes of Nurturing the Next Generation, Coexistence with the Environment, and Promotion of Culture, Art, and Sports.

We participate in the One-Percent Club of the Keidanren (Japan Business Federation), and convert our social contribution activities into monetary value by a method set forth in its annual Survey of Expenditure for Corporate Philanthropic Activities. In fiscal 2014, this was ¥1.299 billion.

Nurturing the Next Generation

To promote understanding and heighten interest in science and technology among elementary, junior high, and high school students, we visit schools and host visits by students to factories to give explanations and demonstrations of science and technology and on environmental issues. We also support career development with occupational lectures and host visits by junior high and high school students to our corporate head office. Such activities were held 94 times in fiscal 2015, with a total of some 2,650 students of 91 schools participating. In August 2015, we held a laboratory tour for female high school students, together with informal discussion with our researchers, as part of our effort to foster interest in careers in science and technology among young women. We also sponsor educational events including science competitions and environmental education programs organized by newspaper companies, exhibit at science and chemistry events, and have a partnership with National Museum of Emerging Science and Innovation (Miraikan).

Coexistence with the Environment

In addition to our afforestation activities in Miyazaki and Shizuoka, we participate in an afforestation project in the Horqin Desert of Inner Mongolia, China. We also exhibit at environmental-related events, and work to raise understanding of environmental issues.

Disaster relief

We participate in a Disaster Relief Market featuring produce of the areas affected by the Great East Japan Earthquake.

Following the Kumamoto earthquakes in 2016, we donated ¥50 million to the Kumamoto prefectural government to support people in affected areas. We also decided to donate 100,000 rolls of Saran Wrap™ cling film to support people living in evacuation shelters.

Promotion of Culture, Art, and Sports

Members of our corporate distance running and judo teams have competed in the Olympics a total of some 50 times. In Nobeoka, Miyazaki, where the teams are based, we host a major track event, and hold running and judo lessons for the local youth. 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.

CONNECTION 1

Bemberg™

Participation in Business Call to Action led by United Nations Development Programme: For sustainable development of India's fiber industry

Young women keep their eyes fixed on saris and dupattas that are woven from Asahi Kasei's Bemberg™ cupro regenerated cellulose fiber. They are pleasantly soft, drape comfortably on the skin, and have colorful patterns. This is a university classroom in India where students are studying fashion. Bemberg™ is the subject of the lecture.

Bemberg™ is the brand name for cupro. It is a regenerated cellulose fiber made from cotton linter—the short downy fibers on cotton seeds—featuring a luxurious silky feel, moisture absorption/release, and superior comfort. Being made from material of natural origin, it is an environmentally compatible fiber. Indian saris and other ethnic garments are traditionally made from silk. But silk is difficult to handle, and quite expensive. Asahi Kasei realized that Bemberg™ would be a good alternative to silk for saris and dupattas, and began selling it in India 40 years ago. Today, saris and other ethnic garments made of Bemberg™ are worn by many women.

In developing the Bemberg™ business in India, Asahi Kasei became involved both directly and indirectly in the value chain from raw material to finished fabric. In order to empower the local residents through their active participation in business activities, Asahi Kasei has worked to help them develop skills, secure stable income, and create new business opportunities. Asahi Kasei also focuses on fostering young talent that will lead the future of India's fiber industry and fashion industry, providing support for university education to develop the potential of the next generation.

In May 2015, Asahi Kasei joined the Business Call to Action (BCtA)[1] led by the United Nations Development Programme[2], and has been promoting inclusive business with Bemberg™ fiber. "Although corporate growth and profitability are important, in today's society a company can no longer act as a single entity seeking only its own benefits. To pursue sustainable development, a company also needs to promote initiatives that facilitate the well-being of local residents as well as the development of the community. That is the key to sustainable development of a business," says Takehiro Kamiyama, General Manager of Bemberg Sales Dept. 2 in Asahi Kasei's Fibers & Textiles SBU.

Day by day, Asahi Kasei's Bemberg™ business is helping India's fiber industry achieve sustainable development, while contributing to the local community.


1

[1] Business Call to Action (BCtA):
BCtA is a unique multilateral alliance by four donor governments and the United Nations Development Programme (UNDP) which hosts the secretariat. BCtA challenges companies to advance core business activities that are inclusive of poor populations and contribute to the achievement of the Sustainable Development Goals (SDGs). Worldwide, 137 companies, from SMEs to multinationals, have responded to the BCtA by making commitments to improve the lives and livelihoods of millions through commercially-viable business ventures that engage low-income people as consumers, producers, suppliers, and distributors of goods and services.

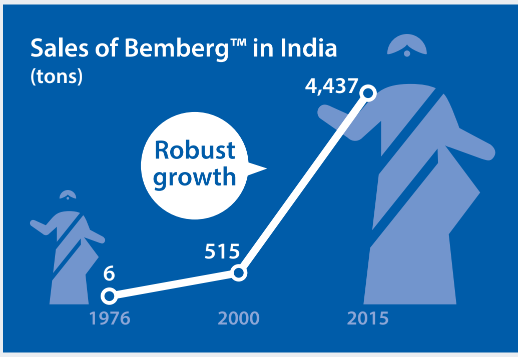
[2] United Nations Development Programme (UNDP):
UNDP was founded in 1966 as one of the United Nation's subsidiary bodies under the UN General Assembly and the UN Economic and Social Council. Headquartered in New York, UNDP provides development assistance in nearly 170 countries with focuses on sustainable development; democratic governance and peacebuilding; and climate and disaster resilience.

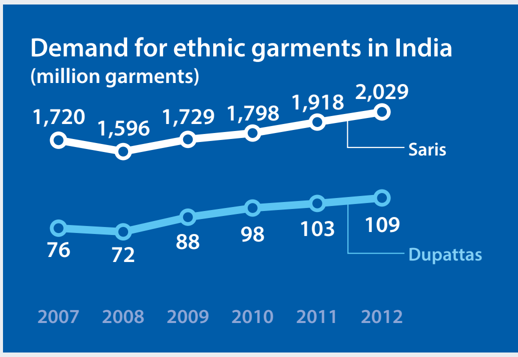
BUSINESS CALL TO ACTION

Highlight

Bemberg™ business initiatives in India

- We currently procure from India some one-third of the cotton linter used for the production of cupro yarn. To support local producers, we loan equipment to collect cotton linter free of charge, and have engineers stationed in India to provide the local workers with training and technical instructions for improving productivity.
- Cotton linter imported to Japan is processed into cupro yarn, which is exported to India and sold to weavers. We also provide continuing technical guidance on weaving and dyeing in the fabric production process in India.
- We also focus on the education of young people and students who will lead the next generation of India's fiber industry and fashion industry, and contribute to human resource development by supporting the enhancement of skills at several Indian universities.





1 Education at a fashion university 2 Providing technical guidance for inspecting collected linter 3 Providing technical guidance for dyeing fabric

Female Indian students studying Bemberg™ business in Japan

Two female students majoring in Textile Design at India's National Institute of Design (NID), one undergraduate and one graduate student, came to Japan as interns of Asahi Kasei for six weeks from June 2016. The internship covered a wide range of subjects, including the production of Bemberg™ and examples of its use in its fabric. Professor Srivastava Aarti of NID, who accompanied the students, said, "Bemberg™ is a wonderful alternative to silk, it's cool and has a soft feel. As a textile designer myself, I really want to use this material."

The interns visit Asahi Kasei's Bemberg™ lining showroom in Tokyo

CONNECTION 2

Condominium Redevelopment

Providing a solution to the social issue of aging condominiums by persistently maintaining sincerity with the residents

Several elderly women chat enjoyably in the 1st floor lobby of the newly built condominium. Some men are reading in the residents' library. The symbolic tree stretches its branches across the courtyard, slowly passing the time.

This is the Atlas Ikejiri Residence, completed in 2014 by Asahi Kasei Realty & Residence Corp. to replace the Ikejiri Danchi housing complex located here in Tokyo's Setagaya Ward. Ikejiri Danchi included shops and offices in addition to residential units, and featured excellent transport access, but the aging structure had inadequate earthquake resistance. Although talk about rebuilding it began as early as 1993, concrete plans failed to materialize for many years due to the complex relationship of ownership and lease rights among the various residents and tenants. The structure continued to age further with no resolution in sight until Asahi Kasei came to carefully listen to the assorted views of each party, and successfully craft a proposal for rebuilding that was deemed acceptable among the many concerned parties.

Aging condominiums are a challenging social issue for Japanese society. The supply of residential units in multi-dwelling structures swelled from the 1970s—including both commercially developed condominiums and publicly operated housing complexes—and condominium life became common in major urban areas. There are now over 6 million condominium units in Japan, and some 14 million people, over 1/10 of the population, live in condominiums. But over 1 million of these units are in buildings that do not meet the latest earthquake-resistance standards, and in many cases the older buildings are deteriorating beyond their age due to inadequate maintenance.

While rebuilding such older structures would greatly contribute to the safety and security of the community, there are difficult challenges to overcome. Many residents and other parties with fractional ownership rights are retirees who are unable or unwilling to make a large investment in a project to rebuild. Although amendments to relevant laws and regulations have made it easier in principle to obtain agreement to rebuild, progress has been generally slow. To craft a complex proposal that meets the various needs of the many interested parties is a time-consuming process that requires persistence. Many developers simply decided that there would not be a sufficient financial return to justify such effort.

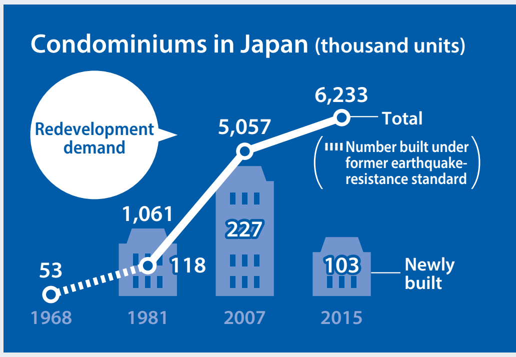
Asahi Kasei began tackling this challenge 15 years ago, leveraging the experience and know-how gained in its housing business to sincerely appreciate the needs of each concerned party, and to craft an acceptable proposal. Having successfully completed many such condominium redevelopment projects, the company is contributing to a comfortable life with peace of mind for a large number of people, with residential environments featuring not only outstanding earthquake resistance but also barrier-free functionality and many shared facilities to foster a greater sense of community among residents.

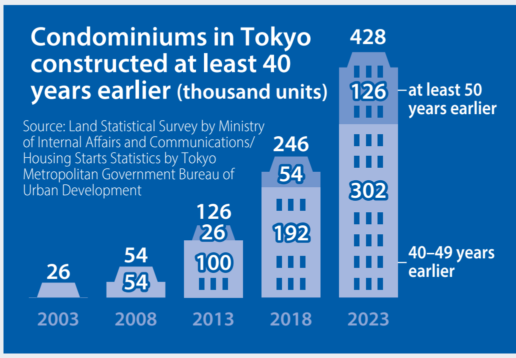
1

Highlight

Notable housing complex redevelopments by Asahi Kasei Realty & Residence Corp.

- Dojunkai Edogawa Apartment Complex, redeveloped as Atlas Edogawa Apartment Complex (Shinjuku Ward, Tokyo)
  ⇒ Achieved a redevelopment which had been in planning for 30 years
- Suwacho Housing Complex, redeveloped as Atlas Suwacho Residence (Shinjuku Ward, Tokyo)
  ⇒ The first successful redevelopment under the amended law
- Kokuryo Housing Complex, redeveloped as Atlas Kokuryo (Chofu City, Tokyo)
  ⇒ The first redevelopment to remove the legal designation of a housing complex
- Ikejiri Danchi, redeveloped as Atlas Ikejiri Residence (Setagaya Ward, Tokyo)
  ⇒ Successful redevelopment overcoming coexistence of ownership rights and lease rights
- Chofu Fuijimicho Housing Complex, redeveloped as Atlas Chofu (Chofu City, Tokyo)
  ⇒ Redevelopment removing the legal designation of a housing complex and repositioning a public road





1 Atlas Ikejiri Residence 2 The former Ikejiri Danchi

Condominium Redevelopment Research Center

The Condominium Redevelopment Research Center of Asahi Kasei Realty & Residence Corp. serves as the central base for know-how to flexibly apply to individual projects. Mr. Yugo Ohki, who spent many years in the condominium redevelopment business puts it this way, "Redeveloping a condominium requires a detailed understanding of each individual resident's feelings, their wants, and their needs. Many people have fractional ownership of the structure, and they all have different individual circumstances. I apply my years of experience to come up with a proposal that various different parties can accept. By replacing an old worn-out building with a new one, we contribute to the safety and security of the community, which creates value for society."

CONNECTION 3

AEDs

Aiming to reduce deaths from sudden cardiac arrest, teaching the youth the importance of life-saving action

Elementary school students gathered around a manikin on the floor are practicing cardiopulmonary resuscitation (CPR) and learning how to use an automated external defibrillator (AED). “Push harder!” “It’s not easy.” “I did it!” Employees of Asahi Kasei ZOLL Medical Corp. are helping to teach the children how to save a life using an AED, and what to do until the ambulance arrives. “What would you do if one of your friends collapsed while playing?” The students are prompted to consider this seriously, realizing that it could really happen.

AEDs became available for use by the general public in Japan in 2004, but most people would not be confident in using one if they suddenly needed to. In 2011, an elementary school girl in Saitama prefecture became the victim of sudden cardiac arrest. Even though the school had an AED, nobody used it. This tragic case prompted various initiatives to raise general awareness and confidence in AED use. In 2014, Asahi Kasei ZOLL Medical Corp. began to help educate elementary school students about AEDs using hands-on demonstrations together while distributing an easy-to-understand booklet.

Ms. Sumie Ikeda of Asahi Kasei ZOLL Medical Corp. says, “Although AEDs are available in many public places in Japan, they are actually used only very seldom. This booklet helps make AEDs familiar to kids at an early age, so they can be prepared to use one if the need arises later in life. To really help save more lives means not only making AEDs available in more places, but also raising familiarity and confidence with AEDs among the general public. When sudden cardiac arrest strikes, every second matters. We want people to be able to act without hesitation when needed.”

In addition to helping to educate the youth about AEDs, Asahi Kasei ZOLL Medical Corp. also loans AEDs free of charge at marathons and other events, and holds training sessions and demonstrations in connection with them. Through such efforts, the company continues to strive to help reduce deaths from sudden cardiac arrest.

Highlight

Support for marathons and other events

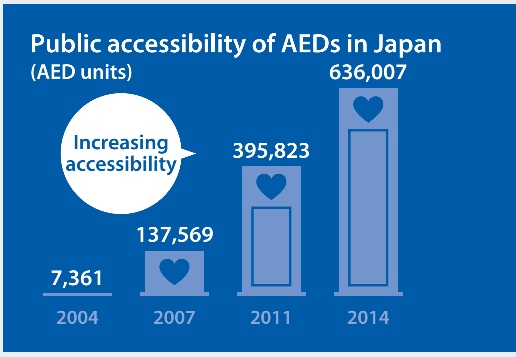
Asahi Kasei ZOLL Medical Corp. loans AEDs free of charge and holds training sessions and demonstrations at several marathons and other events throughout Japan.

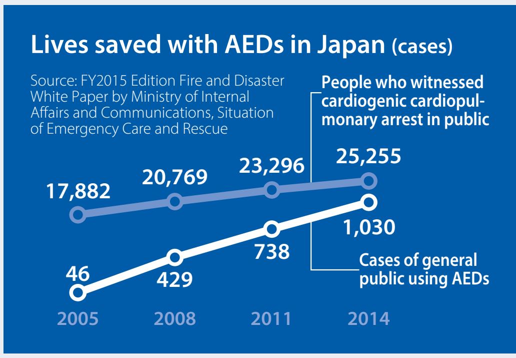
AEDs loaned free of charge in fiscal 2015

- May 2015 Gifu Seiryu Half-Marathon Race, 75 AEDs
- May 2015 Tohoku Rokkon Festival, 15 AEDs
- Nov 2015 Ibigawa Marathon, 78 AEDs
- Feb 2016 Nobeoka Nishinippon Marathon, 8 AEDs
- Mar 2016 Itabashi City Marathon, 50 AEDs
- Mar 2016 Kagoshima Marathon, 60 AEDs

ZOLL Foundation

ZOLL Medical Corporation, parent company of Asahi Kasei ZOLL Medical Corp., established the ZOLL Foundation in December 2013 as an independent entity organized for scientific and educational purposes. The ZOLL Foundation provides grants to support research, education, and public awareness related to improving resuscitation practices, preventing patient deterioration associated with cardiac arrest and morbidity, and enhancing the care of acute patients to reduce mortality and morbidity. In fiscal 2015, grants were provided to the University of Pittsburgh, the University of Pennsylvania, and the University of Toronto.





AED booklet for elementary school students

The booklet was produced to be easy to understand by the intended audience of elementary students. Professor Taku Iwami of Kyoto University served as chief editor. While being easy to understand, the booklet retains detailed accuracy. It is informative for adults as well as students.

- What to do if someone suddenly collapses
- How to call an ambulance
- How to perform CPR
- How to use an AED
- How AEDs work and where they are

Financial Section

Contents

Management's Discussion and Analysis

Fiscal year 2015 (April 1, 2015 – March 31, 2016)

Operating Environment

Although slower growth persisted in China, and other emerging economies continued to slow down during fiscal 2015, the global economy overall was on a path of gradual recovery with increased consumer spending together with improved employment in the US, and signs of recovery in private consumption in Europe. The Japanese economy saw steady consumer spending along with firm corporate performance and capital expenditure, but uncertainty remained regarding the risk of further downturn in emerging economies and appreciation of the yen from the latter half of the period.

Overview of Consolidated Results

Net sales, operating income

Consolidated net sales for the fiscal year decreased by ¥45.5 billion (2.3%) to ¥1,940.9 billion. Overseas sales increased by ¥6.4 billion (1.0%) to ¥679.7 billion, largely in the Health Care segment, and increased by 1.1 percentage points as a portion of consolidated net sales from 33.9% to 35.0%. Domestic sales decreased by ¥51.9 billion (4.0%) to ¥1,261.2 billion with lower market prices in chemicals operations in the Chemicals & Fibers segment.

Operating income increased by ¥7.3 billion (4.6%) to ¥165.2 billion. As a percentage of net sales, cost of sales decreased by 2.7 percentage points to 69.8%. Selling, general and administrative (SG&A) expenses increased by ¥31.9 billion despite the decrease in net sales, increasing as a portion of net sales by 2.1 percentage points to 21.7%. Operating margin increased by 0.6 percentage points to 8.5%.

Non-operating income and expenses, ordinary income

Net non-operating expenses were ¥3.8 billion, a ¥12.4 billion decline from the ¥8.6 billion net non-operating income of a year earlier. Foreign exchange gain transitioned to foreign exchange loss, and equity in earnings of affiliates transitioned to equity in losses of affiliates. As a result, ordinary income decreased by ¥5.2 billion (3.1%) to ¥161.4 billion.

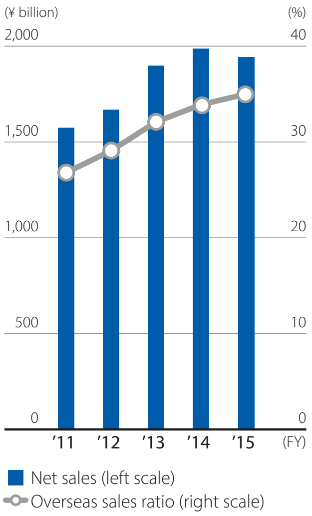
Extraordinary income and loss

Extraordinary loss of ¥24.2 billion included ¥5.3 billion in loss on discontinuation of joint sales agreement, ¥5.2 billion in loss on disposal of noncurrent assets, ¥3.6 billion in business structure improvement expenses, ¥3.5 billion in impairment loss, ¥2.0 billion in special retirement expenses and other, ¥1.5 billion in business integration expense, and ¥1.5 billion in loss on piling business. The net extraordinary loss of ¥15.0 billion was ¥6.9 billion greater than a year ago.

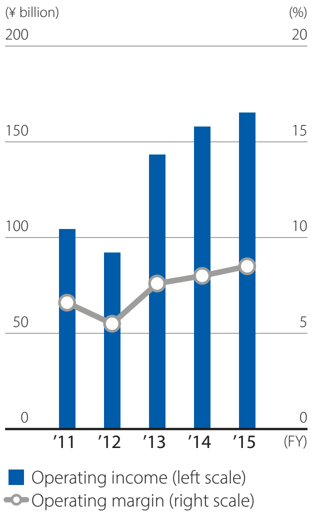
Net income attributable to owners of the parent

With ordinary income of ¥161.4 billion and net extraordinary loss of ¥15.0 billion, income before income taxes was ¥146.4 billion. Income tax expense was ¥53.0 billion (current income taxes of ¥55.4 billion less deferred income taxes of ¥2.4 billion). Net income attributable to non-controlling interests was ¥1.7 billion. As a result, net income attributable to owners of the parent decreased by ¥13.9 billion (13.2%) to ¥91.8 billion, and net income per share decreased by ¥9.93 to ¥65.69 from the ¥75.62 of the previous year.

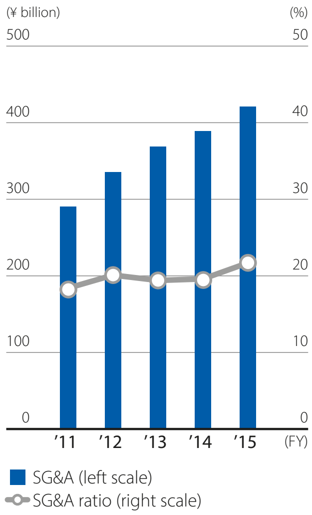
Net Sales,
Overseas Sales Ratio



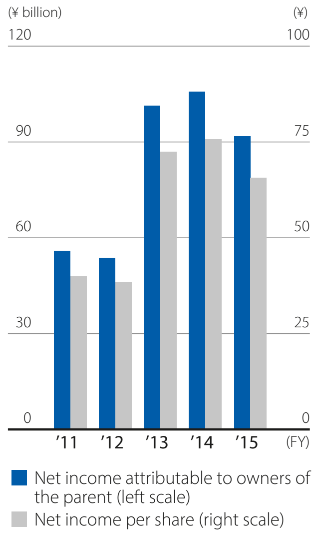
Operating Income,
Operating Margin



SG&A, SG&A Ratio



Net Income Attributable to
Owners of the Parent,
Net Income per Share



Results by Operating Segment

The Asahi Kasei Group's operations are described by major business classification: four reportable segments of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, together with an "Others" category. Results of Polypore International, LP* and its consolidated subsidiaries (collectively "Polypore"), acquired on August 26, 2015 (US Eastern time), are included in the Electronics segment.

* Polypore International, Inc. changed to Polypore International, LP on March 31, 2016.

Chemicals & Fibers

Sales decreased by ¥119.0 billion (12.5%) from a year ago to ¥835.6 billion, and operating income increased by ¥4.3 billion (6.7%) from a year ago to ¥68.9 billion.

Among chemicals operations, feedstock costs for petrochemical products declined with lower oil and naphtha prices, but market prices deteriorated most notably for acrylonitrile. In performance polymers, terms of trade improved due to lower feedstock costs, and sales of engineering plastics and synthetic rubber for fuel-efficient tires were firm. In specialty products, the effect of the weaker yen was most notable for ion-exchange membranes, and shipment of Saran Wrap™ cling film increased.

In fibers operations, feedstock costs declined for each product, the weaker yen contributed to performance, and shipments of Lamous™ artificial suede for automotive upholstery and Roica™ elastic polyurethane filament increased.

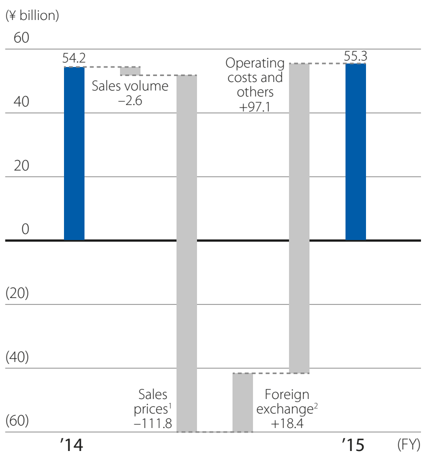
Homes & Construction Materials

Sales increased by ¥28.6 billion (4.7%) from a year ago to ¥632.4 billion, and operating income increased by ¥8.0 billion (12.6%) from a year ago to ¥71.0 billion.

Among homes operations, in order-built homes, deliveries of Hebel Maison™ apartment buildings increased, and SG&A expenses such as promotional expenses decreased. In real estate, management of rental units was firm. In remodeling, orders increased centering on renovation work and equipment installation.

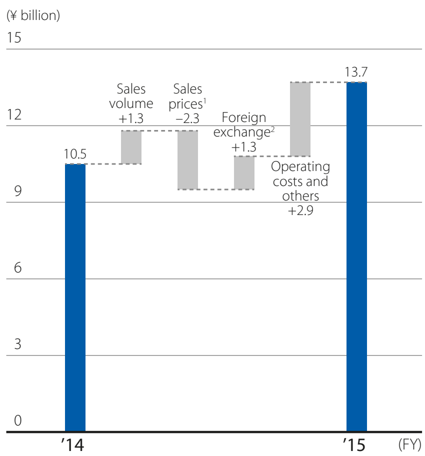
In construction materials operations, shipments decreased for foundation systems. Feedstock costs declined. Sales of Neoma™ high-performance phenolic foam insulation panels were firm.

Chemicals Business
Operating Income Increases/Decreases



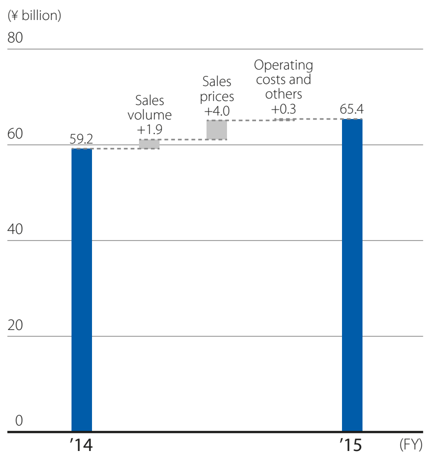
¹ Excluding impact of foreign exchange
² Impact of foreign exchange on sales prices

Fibers Business
Operating Income Increases/Decreases



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

Homes Business
Operating Income Increases/Decreases



Electronics

Sales increased by ¥24.1 billion (16.0%) from a year ago to ¥174.5 billion, and operating income decreased by ¥7.4 billion (51.8%) from a year ago to ¥6.9 billion.

Electronic devices operations benefited from the weaker yen, and sales of devices for smartphones such as audio LSIs and devices for camera modules were firm, but shipments of electronic compasses declined.

In electronic materials operations, production and sale of general purpose epoxy resin were terminated, but the weaker yen contributed to performance, and sales of Hipore™ Li-ion battery separator were firm.

The effect on operating income from amortization of goodwill and other intangible assets, etc., related to the acquisition of Polypore was ¥9.8 billion.

Health Care

Sales increased by ¥28.3 billion (11.0%) from a year ago to ¥285.4 billion, and operating income increased by ¥5.4 billion (17.5%) from a year ago to ¥36.2 billion.

In pharmaceuticals operations, sales of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin were firm, while shipments of Flivas™ agent for treatment of benign prostatic hyperplasia decreased due to competition from generics.

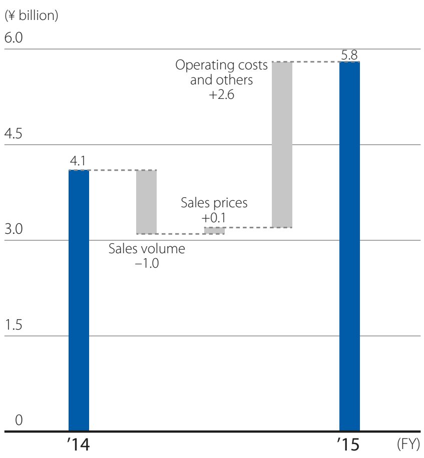
In medical devices operations, shipments increased for dialysis products and Planova™ virus removal filters.

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

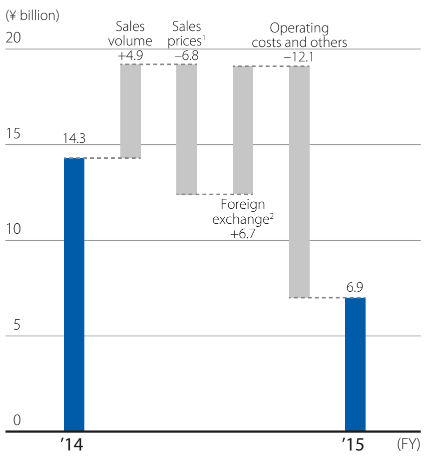
Others

Sales decreased by ¥7.4 billion (36.4%) from a year ago to ¥13.0 billion, and operating income decreased by ¥0.4 billion (41.7%) from a year ago to ¥0.6 billion.

Construction Materials Business Operating Income Increases/Decreases

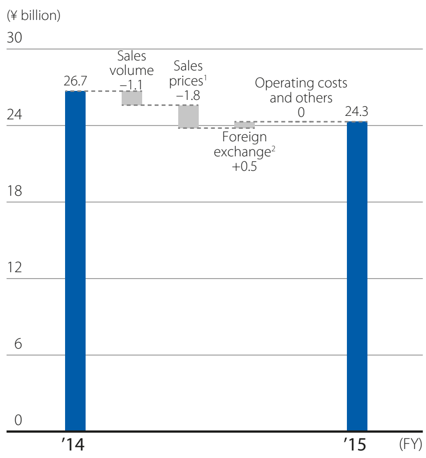


Electronics Business Operating Income Increases/Decreases



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

Health Care Business Operating Income Increases/Decreases



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

Liquidity and Capital Resources

Financial position

Total assets at fiscal year end were ¥2,211.7 billion, ¥197.2 billion (9.8%) higher than a year earlier.

Current assets decreased by ¥35.6 billion (4.0%) to ¥856.0 billion, mainly as notes and accounts receivable–trade decreased by ¥45.5 billion, while cash and deposits increased by ¥22.2 billion.

Noncurrent assets increased by ¥232.8 billion (20.7%) to ¥1,355.7 billion, notably with a ¥208.5 billion increase in intangible assets and a ¥53.5 billion increase in property, plant and equipment, while there was a ¥44.8 billion decrease in investment securities.

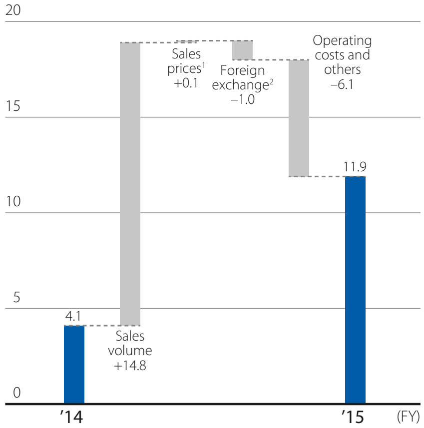
Current liabilities increased by ¥218.2 billion (43.0%) to ¥725.7 billion, mainly as a result of a ¥217.6 billion increase in short-term loans payable and a ¥22.5 billion increase in income taxes payable, while there was a ¥25.2 billion decrease in notes and accounts payable–trade.

Although long-term loans payable decreased by ¥35.8 billion, noncurrent liabilities increased by ¥19.3 billion (4.7%) to ¥428.7 billion with a ¥44.3 billion increase in net defined benefit liability.

Interest-bearing debt increased by ¥180.7 billion (67.2%) to ¥449.7 billion.

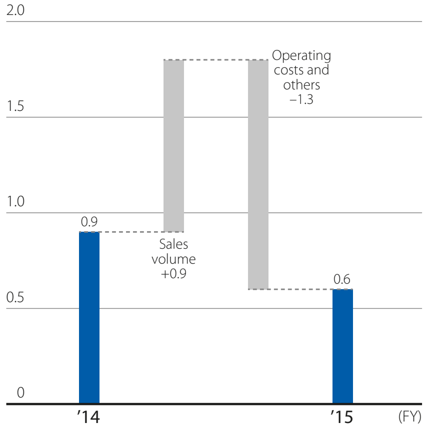
Net assets decreased by ¥40.3 billion (3.7%) from ¥1,097.7 billion to ¥1,057.4 billion. Net income attributable to owners of the parent was ¥91.8 billion and dividend payments were ¥27.9 billion, while foreign currency translation adjustment decreased by ¥51.1 billion, remeasurements of defined benefit plans decreased by ¥33.6 billion, and net unrealized gain on other securities decreased by ¥21.3 billion. As a result, net worth per share decreased by ¥29.11 to ¥745.94, net worth to total assets decreased from 53.7% to 47.1%, and the D/E ratio increased by 0.18 points to 0.43.

Critical Care Business
Operating Income Increases/Decreases

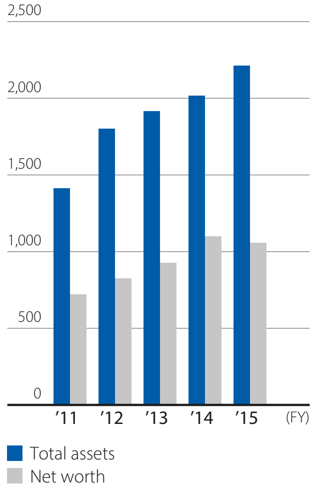


[1] Excluding impact of foreign exchange
[2] Impact of foreign exchange on sales prices

Others
Operating Income Increases/Decreases



Total Assets, Net Worth



Capital Expenditure

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

Capex by operating segment shown below is for property, plant and equipment and intangible assets (other than goodwill), combined, excluding consumption tax.

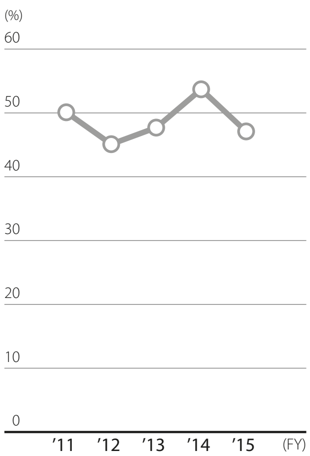
A total of ¥99.0 billion was invested during the fiscal year for the expansion of businesses with competitive superiority, particularly in the Chemicals & Fibers segment, as well as for modification and rationalization.

	Totals for the year (¥ million)	Compared to previous year (%)
Chemicals & Fibers	43,669	104.7
Homes & Construction Materials	11,947	110.0
Electronics	16,708	144.0
Health Care	19,382	116.8
Others	1,513	109.0
Combined	93,220	113.5
Corporate assets and eliminations	5,780	83.3
Consolidated	99,000	111.1

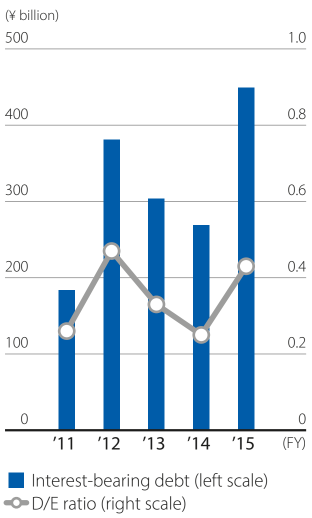
Notable capex by operating segment was as follows.

Chemicals & Fibers	Construction of a new production line for hexamethylene diisocyanate (HDI)-based polyisocyanate, construction of a new plant for synthetic rubber for fuel-efficient high-performance tires, construction of a new production line for spunbond non-wovens, construction of a new production line for Roica™ elastic polyurethane filament, construction of a new plant for plastic compounds, 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

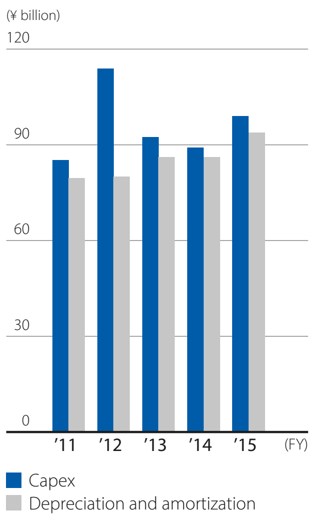
Net Worth to Total Assets



Interest-Bearing Debt, D/E Ratio



Capex, Depreciation and Amortization



Cash Flows

Free cash flows* were a negative ¥69.1 billion, as cash used, principally for purchase of shares in subsidiaries resulting in change in scope of consolidation and purchase of property, plant and equipment, exceeded cash provided principally from income before income taxes and from depreciation and amortization. Cash flows from financing activities were a net ¥101.4 billion provided, principally due to an increase in short-term loans payable. As a result, cash and cash equivalents at fiscal year end were ¥145.3 billion, ¥33.0 billion more than a year earlier.

Cash flows from operating activities

Cash used included ¥60.4 billion for income taxes paid and a ¥24.1 billion decrease in notes and accounts payable–trade. Income before income taxes provided ¥146.4 billion, depreciation and amortization provided ¥93.8 billion, and decrease in notes and accounts receivable–trade provided ¥48.5 billion. Net cash provided by operating activities was ¥216.2 billion, ¥78.6 billion more than a year earlier.

Cash flows from investing activities

Cash used included ¥193.7 billion for purchase of shares in subsidiaries resulting in change in scope of consolidation, including the acquisition of Polypore, and ¥85.2 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness. Net cash used in investing activities was ¥285.3 billion, ¥184.8 billion more than a year earlier.

Cash flows from financing activities

Cash used included ¥91.8 billion to repay long-term loans payable. Cash provided included a ¥213.4 billion increase in short-term loans payable mainly to finance the Polypore acquisition. Net cash provided by financing activities was ¥101.4 billion, ¥175.4 billion more than a year earlier.

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

Financial Policy

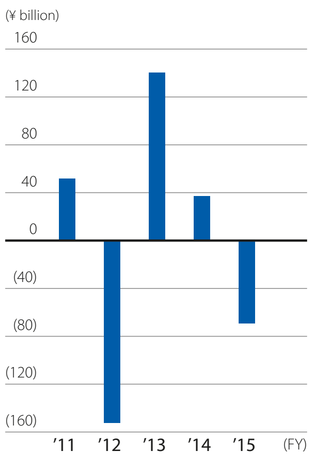
We aim to increase free cash flows with increased earnings through enhanced cost efficiency, greater product competitiveness, and business structure improvements, and with greater capital efficiency through utilization of group finance and maintenance of optimum inventory levels.

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

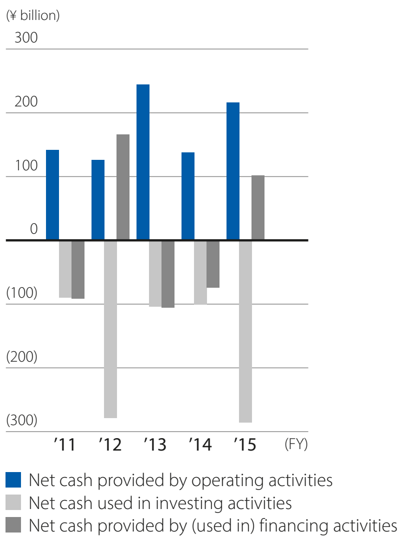
These resources will be used to fund strategic investments under the “Cs for Tomorrow 2018” strategic management initiative focused on the pursuit of growth and profitability, creation of new businesses, and acceleration of globalization, as well as dividends for shareholders.

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 as of June 28, 2016, 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

The value of items denominated in currencies other than the yen is affected by the rate of exchange at the time of conversion to yen. Although measures such as currency exchange hedges are utilized to minimize the short-term effects of exchange rate fluctuations, such fluctuations may exceed the foreseeable range over the short to long term, thereby affecting our consolidated performance and financial condition.

Overseas operations

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

Housing-related tax policy, interest rate fluctuation

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

Profitability of electronics-related businesses

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

Pharmaceutical, medical device, and critical care device businesses

Pharmaceutical, medical device, and 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.

Business counterparties

The occurrence of misconduct or unforeseeable credit impairment, etc., may necessitate additional losses or allowances to be recorded in financial accounts, 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.

Manipulation of data for installation of foundation piles

It has become clear that consolidated subsidiary Asahi Kasei Construction Materials Corp. submitted incorrect data in pile installation reports for the precast concrete piles which it installed as secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan, and a portion of the similar pile installation work performed over the past 10 years. On January 13, 2016, Asahi Kasei Construction Materials Corp. received instructions in accordance with Paragraph 1 of Article 28 of the Construction Business Act, an order to suspend business in accordance with Paragraph 3 of Article 28 of the Construction Business Act, and a recommendation in accordance with Paragraph 1 of Article 41 of the Construction Business Act from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. This matter may result in diminished trust which could cause a decline in sales, etc., thereby affecting our consolidated performance and financial condition.

Consolidated Financial Statements

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2016	2015	2016
Current assets:			
Cash and deposits (Notes 8 and 10)	¥ 146,054	¥ 123,821	$ 1,296,874
Notes and accounts receivable—trade	280,095	325,568	2,487,080
Short-term investment securities (Notes 8, 10 and 11)	1,534	1,802	13,621
Merchandise and finished goods	159,441	161,554	1,415,743
Work in process	108,684	112,813	965,051
Raw materials and supplies	68,618	65,311	609,288
Deferred tax assets (Note 14)	18,133	21,707	161,010
Other	75,324	80,520	668,833
Allowance for doubtful accounts	(1,865)	(1,517)	(16,560)
Total current assets	856,018	891,579	7,600,941
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 4 (b), (d))	495,817	471,033	4,402,566
Accumulated depreciation	(268,635)	(261,352)	(2,385,322)
Buildings and structures, net	227,183	209,681	2,017,253
Machinery, equipment and vehicles (Note 4 (b), (d))	1,348,103	1,345,790	11,970,369
Accumulated depreciation	(1,149,544)	(1,170,771)	(10,207,281)
Machinery, equipment and vehicles, net	198,559	175,019	1,763,088
Land (Note 4 (d))	61,046	59,287	542,053
Lease assets (Note 9)	12,928	13,054	114,793
Accumulated depreciation	(11,183)	(10,232)	(99,299)
Lease assets, net	1,745	2,822	15,495
Construction in progress	49,240	37,566	437,223
Other (Note 4 (d))	147,286	143,593	1,307,814
Accumulated depreciation	(129,072)	(125,461)	(1,146,084)
Other, net	18,215	18,133	161,739
Subtotal	555,989	502,507	4,936,858
Intangible assets			
Goodwill (Note 15 (e))	305,112	153,835	2,709,217
Other	189,470	132,241	1,682,383
Subtotal	494,582	286,076	4,391,600
Investments and other assets			
Investment securities (Notes 4 (a), (b), 10 and 11)	244,598	289,393	2,171,888
Long-term loans receivable (Note 10)	16,353	9,952	145,205
Net defined benefit asset (Note 13)	—	2,929	—
Deferred tax assets (Note 14)	20,098	11,351	178,459
Other	24,280	21,016	215,592
Allowance for doubtful accounts	(189)	(273)	(1,678)
Subtotal	305,140	334,368	2,709,465
Total noncurrent assets	1,355,711	1,122,952	12,037,924
Total assets	¥ 2,211,729	¥ 2,014,531	$ 19,638,865

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 1) 2016
Liabilities:			
Current liabilities:			
Notes and accounts payable—trade (Note 10)	¥ 126,653	¥ 151,867	$ 1,124,605
Short-term loans payable (Notes 4 (b), 10 and 21)	313,587	96,015	2,784,470
Lease obligations (Notes 9, 10 and 21)	919	1,383	8,160
Accrued expenses	98,717	101,164	876,549
Income taxes payable (Note 10)	32,735	10,203	290,668
Advances received	74,667	74,675	662,999
Provision for periodic repairs	3,908	2,396	34,701
Provision for product warranties	2,355	2,562	20,911
Provision for removal cost of property, plant and equipment	2,130	2,832	18,913
Asset retirement obligations (Note 16)	568	533	5,044
Other	69,423	63,817	616,436
Total current liabilities	725,662	507,449	6,443,456
Noncurrent liabilities:			
Bonds payable (Notes 10 and 21)	40,000	40,000	355,177
Long-term loans payable (Notes 4 (b), 10 and 21)	94,632	130,400	840,277
Lease obligations (Notes 9, 10 and 21)	537	1,219	4,768
Deferred tax liabilities (Note 14)	64,930	57,943	576,541
Provision for periodic repairs	558	1,248	4,955
Provision for removal cost of property, plant and equipment	7,228	7,865	64,180
Provision for loss on litigation	2,171	2,316	19,277
Net defined benefit liability (Note 13)	186,300	142,035	1,654,235
Asset retirement obligations (Note 16)	3,480	3,506	30,900
Long-term guarantee deposits (Note 10)	20,131	19,146	178,752
Other	8,702	3,683	77,269
Total noncurrent liabilities	428,669	409,360	3,806,331
Total liabilities	1,154,330	916,809	10,249,778
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,402,616,332 shares	103,389	103,389	918,034
Capital surplus	79,410	79,408	705,115
Retained earnings (Note 7 (b) (ii))	763,076	699,259	6,775,670
Treasury stock	(3,150)	(3,041)	(27,970)
(2016—5,861,678 shares, 2015—5,742,862 shares)			
Total shareholders' equity	942,724	879,014	8,370,840
Accumulated other comprehensive income			
Net unrealized gain on other securities	92,280	113,562	819,393
Deferred gains or losses on hedges	(179)	(1,697)	(1,589)
Foreign currency translation adjustment	48,429	99,531	430,021
Remeasurements of defined benefit plans	(41,353)	(7,757)	(367,191)
Total accumulated other comprehensive income	99,177	203,639	880,634
Non-controlling interests	15,498	15,068	137,613
Total net assets	1,057,399	1,097,722	9,389,087
Commitments and contingent liabilities (Notes 4 (c) and 9)			
Total liabilities and net assets	¥2,211,729	¥2,014,531	$19,638,865

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net sales (Note 17)	¥1,940,914	¥1,986,405	$17,234,186
Cost of sales (Note 5 (b))	1,354,698	1,439,344	12,028,929
Gross profit	586,216	547,061	5,205,257
Selling, general and administrative expenses (Note 5 (a))	421,013	389,128	3,738,350
Operating income (Note 17)	165,203	157,933	1,466,906
Non-operating income:			
Interest income	1,417	1,389	12,582
Dividends income	4,757	3,923	42,239
Equity in earnings of affiliates	—	1,738	—
Foreign exchange gain	—	5,197	—
Other	5,148	5,041	45,711
Total non-operating income	11,322	17,288	100,533
Non-operating expenses:			
Interest expense	3,611	3,056	32,064
Equity in losses of affiliates	854	—	7,583
Foreign exchange loss	3,679	—	32,667
Other	7,010	5,622	62,245
Total non-operating expenses	15,154	8,678	134,559
Ordinary income	161,370	166,543	1,432,872
Extraordinary income:			
Gain on sales of investment securities	8,275	2,756	73,477
Gain on sales of noncurrent assets (Note 5 (c))	917	382	8,142
Total extraordinary income	9,192	3,137	81,620
Extraordinary loss:			
Loss on sales of investment securities	—	112	—
Loss on valuation of investment securities	363	1,136	3,223
Loss on disposal of noncurrent assets (Note 5 (d))	5,214	4,728	46,297
Impairment loss (Note 5 (e))	3,493	1,255	31,016
Business structure improvement expenses (Note 5 (e), (f))	3,606	4,010	32,019
Litigation settlement	1,201	—	10,664
Loss on piling business (Note 5 (g))	1,456	—	12,928
Business integration expense	1,547	—	13,736
Special retirement expenses and other	2,027	—	17,999
Loss on discontinuation of joint sales agreement (Note 5 (e), (h))	5,266	—	46,759
Total extraordinary loss	24,173	11,241	214,642
Income before income taxes	146,389	158,440	1,299,849
Income taxes (Note 14) — current	55,419	44,059	492,088
— deferred	(2,441)	7,483	(21,675)
Total income taxes	52,978	51,542	470,414
Net income	93,412	106,898	829,444
Net income attributable to non-controlling interests	1,658	1,246	14,722
Net income attributable to owners of the parent	¥ 91,754	¥ 105,652	$ 814,722

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income	¥ 93,412	¥106,898	$ 829,444
Other comprehensive income			
Net (decrease) increase in unrealized gain on other securities	(21,098)	37,947	(187,338)
Deferred gains or losses on hedges	1,519	(1,526)	13,488
Foreign currency translation adjustment	(48,860)	48,945	(433,848)
Remeasurements of defined benefit plans	(33,331)	17,096	(295,960)
Share of other comprehensive income of affiliates accounted for using equity method	(3,567)	5,125	(31,673)
Total other comprehensive income (Note 6)	(105,337)	107,587	(935,331)
Comprehensive income	¥ (11,925)	¥214,484	$(105,887)
Comprehensive income attributable to:			
Owners of the parent	¥ (12,708)	¥212,159	$(112,840)
Non-controlling interests	783	2,326	6,953

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, 2016 and 2015

	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	Non-controlling interests	Total net assets
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
Cumulative effect of changes in accounting policies					—							—
Restated balance	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
Changes during the fiscal year												
Dividends from surplus			(27,937)		(27,937)							(27,937)
Net income attributable to owners of the parent			91,754		91,754							91,754
Purchase of treasury stock				(113)	(113)							(113)
Disposal of treasury stock		2		4	6							6
Change of scope of consolidation												
Change of scope of equity method												
Net changes of items other than shareholders' equity						(21,282)	1,519	(51,102)	(33,596)	(104,462)	430	(104,032)
Total changes of items during the period	—	2	63,817	(109)	63,710	(21,282)	1,519	(51,102)	(33,596)	(104,462)	430	(40,323)
Balance at March 31, 2016	¥103,389	¥79,410	¥763,076	¥(3,150)	¥942,724	¥ 92,280	¥ (179)	¥ 48,429	¥(41,353)	¥ 99,177	¥15,498	¥1,057,399

	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	Non-controlling 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 attributable to owners of the parent			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

	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	Non-controlling interests	Total net assets
Balance at March 31, 2015	$918,034	$705,097	$6,209,013	$(27,002)	$7,805,132	$1,008,364	$(15,068)	$ 883,777	$ (68,878)	$1,808,196	$133,795	$9,747,132
Cumulative effect of changes in accounting policies					—							—
Restated balance	918,034	705,097	6,209,013	(27,002)	7,805,132	1,008,364	(15,068)	883,777	(68,878)	1,808,196	133,795	9,747,132
Changes during the fiscal year												
Dividends from surplus			(248,064)		(248,064)							(248,064)
Net income attributable to owners of the parent			814,722		814,722							814,722
Purchase of treasury stock				(1,003)	(1,003)							(1,003)
Disposal of treasury stock		18		36	53							53
Change of scope of consolidation												
Change of scope of equity method												
Net changes of items other than shareholders' equity						(188,972)	13,488	(453,756)	(298,313)	(927,562)	3,818	(923,744)
Total changes of items during the period	—	18	566,658	(968)	565,708	(188,972)	13,488	(453,756)	(298,313)	(927,562)	3,818	(358,045)
Balance at March 31, 2016	$918,034	$705,115	$6,775,670	$(27,970)	$8,370,840	$ 819,393	$ (1,589)	$ 430,021	$(367,191)	$ 880,634	$137,613	$9,389,087

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, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities:			
Income before income taxes	¥ 146,389	¥ 158,440	$ 1,299,849
Depreciation and amortization	93,811	86,058	832,987
Impairment loss	3,493	1,255	31,016
Amortization of goodwill	15,821	9,320	140,481
Amortization of negative goodwill	(159)	(159)	(1,412)
Increase (decrease) in provision for periodic repairs	824	(4,496)	7,317
(Decrease) increase in provision for product warranties	(193)	22	(1,714)
Decrease in provision for removal cost of property, plant and equipment	(1,339)	(1,723)	(11,890)
Decrease in net defined benefit liability	(9,227)	(2,300)	(81,930)
Interest and dividend income	(6,173)	(5,312)	(54,813)
Interest expense	3,611	3,056	32,064
Equity in (earnings) losses of affiliates	854	(1,738)	7,583
Gain on sales of investment securities	(8,275)	(2,644)	(73,477)
Loss on valuation of investment securities	363	1,136	3,223
Gain on sale of property, plant and equipment	(917)	(382)	(8,142)
Loss on disposal of noncurrent assets	5,214	4,728	46,297
Decrease in notes and accounts receivable—trade	48,513	717	430,767
Increase (decrease) in inventories	12,901	(3,610)	114,553
Decrease in notes and accounts payable—trade	(24,104)	(13,559)	(214,029)
(Decrease) increase in accrued expenses	(3,980)	5,662	(35,340)
Increase (decrease) in advances received	120	(6,553)	1,066
Other, net	(4,863)	(8,587)	(43,181)
Subtotal	272,687	219,331	2,421,302
Interest and dividend income, received	7,558	6,761	67,111
Interest expense paid	(3,596)	(3,081)	(31,930)
Income taxes paid	(60,431)	(85,415)	(536,592)
Net cash provided by operating activities	216,218	137,597	1,919,890
Cash flows from investing activities:			
Payments into time deposits	(6,360)	(17,182)	(56,473)
Proceeds from withdrawal of time deposits	17,364	13,436	154,182
Purchase of property, plant and equipment	(85,184)	(82,990)	(756,384)
Proceeds from sales of property, plant and equipment	774	944	6,873
Purchase of intangible assets	(10,330)	(10,661)	(91,724)
Purchase of investment securities	(7,017)	(1,349)	(62,307)
Proceeds from sales of investment securities	10,197	5,341	90,543
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(193,680)	(2,808)	(1,719,766)
Payments for transfer of business	(200)	(3,763)	(1,776)
Payments of loans receivable	(11,131)	(5,296)	(98,837)
Collection of loans receivable	2,520	6,295	22,376
Other, net	(2,241)	(2,438)	(19,899)
Net cash used in investing activities	(285,287)	(100,470)	(2,533,182)
Cash flows from financing activities:			
Increase (decrease) in short-term loans payable	213,417	(24,324)	1,895,019
Decrease in commercial paper	—	(10,000)	—
Proceeds from long-term loans payable	9,445	10,950	83,866
Repayment of long-term loans payable	(91,760)	(21,064)	(814,775)
Repayments of lease obligations	(1,411)	(1,830)	(12,529)
Purchase of treasury stock	(113)	(462)	(1,003)
Proceeds from disposal of treasury stock	6	8	53
Cash dividends paid	(27,937)	(26,547)	(248,064)
Cash dividends paid to non-controlling interests	(653)	(745)	(5,798)
Other, net	371	(2)	3,294
Net cash provided by (used in) financing activities	101,365	(74,016)	900,062
Effect of exchange rate change on cash and cash equivalents	(5,560)	5,467	(49,370)
Net increase (decrease) in cash and cash equivalents	26,736	(31,423)	237,400
Cash and cash equivalents at beginning of year	112,297	143,139	997,132
Increase in cash and cash equivalents resulting from changes in scope of consolidation	6,273	581	55,701
Cash and cash equivalents at end of year (Note 8)	¥ 145,307	¥ 112,297	$ 1,290,242

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 ¥112.62=US$1 prevailing on March 31, 2016, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 174 subsidiaries (140 subsidiaries at March 31, 2015, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, are all majority and wholly owned companies, including 10 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., ZOLL Medical Corporation and Polypore International, LP), 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 31 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2016 (37 at March 31, 2015), 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.

v) Provision for loss on litigation

Provision for loss on litigation is recorded for estimated losses related to pending litigation.

(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 a 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, 2016 and 2015, 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 non-controlling interests 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 revisions of the "Accounting Standard for Business Combinations" (Accounting Standards Board of Japan (ASBJ) Statement No. 21), the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22), and the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) have been applied from the fiscal year ended March 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary as long as control over the subsidiary is retained are recorded as capital surplus, and costs related to acquisition of increased ownership interest are recognized as expenses during the period in which they arise. Also, with regard to business combinations performed on or after the beginning of the fiscal year ended March 31, 2016, the revised allocation of acquisition costs arising from the settlement of provisional accounting treatment are retrospectively reflected as if the accounting for the business combination had been completed at the acquisition date. The presentation of "net income" was amended, and the title of "minority interests" was changed to "non-controlling interests." The consolidated financial statements for the previous fiscal year have been reclassified to reflect these changes in presentation.

In accordance with the transitional treatment set forth in Article 58-2 (4) of the "Accounting Standard for Business Combinations," Article 44-5 (4) of the "Accounting Standard for Consolidated Financial Statements," and Article 57-4 (4) of the "Accounting Standard for Business Divestitures," the revised standards above have been applied from the beginning of the fiscal year ended March 31, 2016. As a result, operating income, ordinary income, and income before income taxes decreased respectively by ¥2,185 million in the fiscal year ended March 31, 2016.

In the consolidated statements of cash flows for the fiscal year ended March 31, 2016, cash flows from purchases or sales of shares of subsidiaries that do not result in changes in scope of consolidation are included in cash flows from financing activities, while cash flows from expenses related to purchases of shares of subsidiaries that result in changes in scope of consolidation and expenses related to purchases or sales of shares of subsidiaries that do not result in changes in scope of consolidation are included in cash flows from operating activities. The effect on per-share information is shown in the relevant parts.

(b) Accounting standards issued but not yet applied

The ASBJ issued ASBJ Guidance No. 26 "Implementation Guidance on Recoverability of Deferred Tax Assets." This guidance basically continues to apply the framework adopted in the Audit Committee's Report No. 66 entitled "Auditing Treatment for Judgment of Recoverability of Deferred Tax Assets," which provided the criteria for classification of entities into five categories to determine the estimated amount of deferred tax assets. However, this guidance provides certain necessary revisions as follows:

1) Treatment of entities not included in any category.
2) Requirements for classification in category 2 and in category 3.
3) Treatment of future deductible temporary differences that entities in category 2 cannot schedule.
4) Treatment of the reasonable estimable period of future taxable income before additions or deductions of temporary differences for entities in category 3.
5) Treatment of entities fulfilling the requirements of category 4 which are also applicable to category 2 or category 3.

The Company will apply the revised guidance from the beginning of the fiscal year ending March 31, 2017. The effects of the adoption of the guidance on the consolidated financial statements will be immaterial.

(c) Changes in presentation

Consolidated statements of income

In the fiscal year ended March 31, 2016, "costs associated with idle portion of facilities" and "donations," both of which had previously been reported separately, became 10% or less of total non-operating income respectively, and are included in "other" under non-operating expenses. The consolidated statements of income for the fiscal year ended March 31, 2015, have been reclassified accordingly, resulting in "costs associated with idle portion of facilities" of ¥1,168 million and "donations" of ¥869 million being included in "other" under non-operating expenses.

4. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2016 and 2015, amounted to ¥55,786 million (US$495,347 thousand) and ¥69,210 million, respectively. Included in those amounts are investments in joint ventures of ¥27,003 million (US$ 239,771 thousand) and ¥33,912 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2016 and 2015, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Pledged assets			
Buildings and structures	¥118	¥130	$1,048
Machinery, equipment and vehicles	1	2	9
Total pledged assets	¥120	¥132	$1,066
Secured debt			
Short-term loans payable	¥ 1	¥ 2	$ 9
Long-term loans payable	77	135	684
Total secured debt	¥ 78	¥137	$ 693

Besides the above, investment securities pledged to suppliers as transaction guarantees at March 31, 2016 and 2015, were ¥54 million (US$479 thousand) and ¥64 million, respectively.

(c) Contingent liabilities

Asahi Kasei Construction Materials Corp., a consolidated subsidiary of Asahi Kasei Corp., submitted incorrect data within their pile installation report for the precast concrete piles installed as a secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan. There was manipulation of ammeter data obtained when boring holes for installation and manipulation of flowmeter data for the injection of cement milk for consolidation of pile tips.

Asahi Kasei Corp. established a task force and fact-finding committee as well as an independent commission to aid in the investigation process, and on October 22, 2015, Asahi Kasei Construction Materials Corp. reported its record of similar pile installation work over the past 10 years to Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

On November 24, 2015, Asahi Kasei Construction Materials Corp. completed all possible investigation of whether or not there was manipulation of data installation of precast concrete piles, and reported the results to the MLIT. Out of the 3,052 projects subject to investigation, manipulation of data was identified in 360 projects.

On January 13, 2016, Asahi Kasei Construction Materials Corp. received instructions in accordance with Article 28, Paragraph 1 of the Construction Business Act, an order which suspended operations in accordance with Article 28, Paragraph 3 of the Construction Business Act, and a recommendation in accordance with Article 41, Paragraph 1 of the Construction Business Act from the Kanto Regional Development Bureau of the MLIT.

Regarding those projects where manipulation of data was identified, Asahi Kasei Construction Materials will cooperate with the contractors and the owners of the buildings in efforts to confirm safety based on instructions from the MLIT. Where the Specific Administrative Agency has confirmed safety, the Specific Administrative Agency will issue a report to the MLIT.

As a result of this matter, Asahi Kasei Corp. has recorded an extraordinary loss of approximately ¥1,456 million in the year ended March 31, 2016, as "loss on piling business" for expenses related to the investigation, etc., of the manipulation of data.

Although there is potential for further effects on the consolidated results of Asahi Kasei Corp. which may emerge from the recording of an additional reserve, etc., no such effect is reflected in the consolidated financial statements for the year ended March 31, 2016, due to the difficulty of judgment in the rational estimate of the amount of financial impact from this matter as of the time of preparation of the consolidated financial statements.

Contingent liabilities at March 31, 2016 and 2015, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans guaranteed	¥36,808	¥38,664	$326,834
Letters of awareness	—	—	—
Completion guarantees	11,989	16,250	106,455
Total	¥48,797	¥54,914	$433,289

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, 2016 and 2015, were ¥9,684 million (US$85,988 thousand) and ¥9,176 million, respectively. The breakdown of reduced-value entries as of March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Buildings and structures	¥3,407	¥3,442	$30,252
Machinery, equipment and vehicles	5,937	5,394	52,717
Land	167	167	1,483
Other	173	173	1,536
Total	¥9,684	¥9,176	$85,988

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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Salaries and benefits	¥160,091	¥148,306	$1,421,515
Research and development*	60,990	57,896	541,556
Freight and storage	36,794	36,091	326,709

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2016 and 2015, were ¥81,118 million (US$720,281 thousand) and ¥75,540 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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
	¥1,427	¥2,142	$12,671

(c) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Land	¥777	¥176	$6,899
Machinery	93	184	826
Other	47	21	417

(d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2016 and 2015, was primarily loss on abandonment and sale of buildings, machinery and equipment, etc. The abandonment and sale of buildings, machinery and equipment, etc. was performed under a single, all-inclusive contract for each facility.

(e) Impairment losses

Major components of impairment losses for the years ended March 31, 2016 and 2015, were as follows:

Use	Asset class	Location	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016	Item on the Consolidated Statements of Income
Joint sales rights of pharmaceutical products	Sales rights	Chiyoda-ku, Tokyo	¥3,942	—	$35,003	Loss on discontinuation of joint sales agreement
Underground uranium storage facility	Buildings, etc.	Hyuga, Miyazaki	1,850	—	16,427	Impairment losses
Idle assets	Buildings, etc.	Fuji, Shizuoka, etc.	817	¥621	7,254	Impairment losses
Production facility for semiconductors	Machinery and equipment, etc.	Nobeoka, Miyazaki	550	—	4,884	Impairment losses
Production facility for performance paper	Machinery and equipment, etc.	Gobo, Wakayama	142	—	1,261	Business structure improvement expenses
Production facility for petrochemicals	Machinery and equipment, etc.	Kurashiki, Okayama	—	455	—	Business structure improvement expenses
Production facility for semiconductors	Machinery and equipment, etc.	Goshogawara, Aomori	—	268	—	Impairment losses
Production facility for plastic raw materials	Machinery and equipment, etc.	Ulsan, Korea	—	217	—	Impairment losses
Facility for wastewater recycling	Machinery and equipment	Jiangsu, China	—	145	—	Impairment losses
Others	Machinery and equipment, etc.	Fuji, Shizuoka, Oita, etc.	600	172	5,328	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 underground uranium storage facility, the book value was reduced to the recoverable amount due to disappearance of prospects for future profit, and with respect to joint sales rights of pharmaceutical products, idle assets 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 semiconductors, production facility for performance paper and part of others, the book value was reduced to the recoverable amount due to diminished profitability. The recoverable amount is stated as value for future usage, which is calculated based on discounted future cash flows within applicable discount rate of 6% as of March 31, 2016 and 2015.

Among the extraordinary losses under others, ¥324 million (US$2,877 thousand) and ¥168 million were recorded under business structure improvement expenses for the years ended March 2016 and 2015, respectively.

(f) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Impairment of fixed assets	¥ 466	¥ 623	$ 4,138
Additional payment of retirement benefits due to application of early retirement, etc.	110	—	977
Loss on disposal and devaluation of inventory and others	3,029	3,387	26,896
Total	¥3,606	¥4,010	$32,019

(g) Loss on piling business

Asahi Kasei Construction Materials Corp., a consolidated subsidiary of Asahi Kasei Corp., submitted incorrect data within their pile installation report for the precast concrete piles installed as a secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan. There was manipulation of ammeter data obtained when boring holes for installation, and manipulation of flowmeter data for the injection of cement milk for consolidation of pile tips. As a result of this matter, Asahi Kasei Corp. has recorded an extraordinary loss in the year ended March 31, 2016, as "loss on piling business" for expenses related to the investigation, etc., of the manipulation of such data.

(h) Loss on discontinuation of joint sales agreement

	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016
Impairment losses	¥3,942	¥—	$35,003
Cancellation fee	1,303	—	11,570
Other	22	—	195
Total	¥5,266	¥—	$46,759

6. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized gain on other securities			
Changes during the fiscal year	¥ (26,559)	¥ 53,024	$(235,828)
Recycling adjustment	(7,879)	(2,689)	(69,961)
Pre-tax effect	(34,438)	50,335	(305,789)
Tax effect	13,341	(12,389)	118,460
Net increase in unrealized gain on other securities	(21,098)	37,947	(187,338)
Deferred gains or losses on hedges			
Changes during the fiscal year	(5,649)	(2,037)	(50,160)
Recycling adjustment	1,976	72	17,546
Adjustment on the acquisition cost of assets	5,718	—	50,773
Pre-tax effect	2,045	(1,965)	18,158
Tax effect	(527)	438	(4,679)
Deferred gains or losses on hedges	1,519	(1,526)	13,488
Foreign currency translation adjustment			
Changes during the fiscal year	(49,549)	48,829	(439,966)
Recycling adjustment	1,028	(24)	9,128
Pre-tax effect	(48,522)	48,805	(430,847)
Tax effect	(338)	140	(3,001)
Foreign currency translation adjustment	(48,860)	48,945	433,848
Remeasurements of defined benefit plans			
Changes during the fiscal year	(50,607)	20,168	(449,361)
Recycling adjustment	3,397	5,516	30,163
Pre-tax effect	(47,210)	25,685	(419,197)
Tax effect	13,880	(8,588)	123,246
Remeasurements of defined benefit plans	(33,331)	17,096	(295,960)
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	(3,363)	5,174	(29,861)
Recycling adjustment	(204)	(49)	(1,811)
Share of other comprehensive income of affiliates accounted for using equity method	(3,567)	5,125	(31,673)
Total other comprehensive income	¥(105,337)	¥107,587	$(935,331)

7. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2016

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

	Thousands of shares			
	Number of shares as of March 31, 2015	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, 2016
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)	5,743	125	7	5,862
Total	5,743	125	7	5,862

Notes: 1. The increase of 125 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 7 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 12, 2015.

Dividends for common stock

Total dividends	¥13,969 million (US$124,037 thousand)
Dividend per share	¥10.00 (US$0.09)
Date of record	March 31, 2015
Payment date	June 4, 2015

2) The following was resolved by the Board of Directors on November 6, 2015.

Dividends for common stock

Total dividends	¥13,968 million (US$124,028 thousand)
Dividend per share	¥10.00 (US$0.09)
Date of record	September 30, 2015
Payment date	December 1, 2015

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 11, 2016.

Dividends for common stock

Total dividends	¥13,968 million (US$124,028 thousand)
Source of dividends	Retained earnings
Dividend per share	¥10.00 (US$0.09)
Date of record	March 31, 2016
Payment date	June 6, 2016

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
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

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

Dividends for common stock

Total dividends	¥12,573 million
Dividend per share	¥9.00
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
Source of dividends	Retained earnings
Dividend per share	¥10.00
Date of record	March 31, 2015
Payment date	June 4, 2015

8. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2016 and 2015, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and deposits	¥146,054	¥123,821	$1,296,874
Time deposits with deposit term of over 3 months	(2,281)	(13,326)	(20,254)
Money market funds included in short-term investment securities	1,534	1,802	13,621
Cash and cash equivalents	¥145,307	¥112,297	$1,290,242

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

Assets and liabilities of acquired companies (Polypore International, LP and its 22 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 42,963	$ 381,486
Noncurrent assets	140,091	1,243,926
Goodwill	183,553	1,629,844
Current liabilities	(56,555)	(502,175)
Noncurrent liabilities	(99,826)	(886,397)
Non-controlling interests	(184)	(1,634)
Acquisition cost of shares	210,043	1,865,059
Cash and cash equivalents	(20,759)	(184,328)
Net cash used for acquisition	189,284	1,680,732

Assets and liabilities of acquired company (Kyma Medical Technologies Ltd.) and net cash outflow for such acquisition is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 185	$ 1,643
Noncurrent assets	1,313	11,659
Goodwill	3,406	30,243
Current liabilities	(33)	(293)
Noncurrent liabilities	(241)	(2,140)
Acquisition cost of shares	4,631	41,121
Account payables included in the acquisition price	(63)	(559)
Cash and cash equivalents	(170)	(1,510)
Net cash used for acquisition	4,397	39,043

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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Due within one year	¥ 5,414	¥ 4,986	$48,073
Due after one year	5,255	7,313	46,661
Total	¥10,668	¥12,300	$94,726

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, 2016 and 2015, 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		
	2016		
	Carrying amount	Fair value	Difference
Cash and deposits	¥146,054	¥146,054	¥ —
Notes and accounts receivable—trade	280,095		
Allowance for doubtful accounts (*1)	(1,699)		
	278,396	278,396	—
Short-term investment securities and investment securities			
Investments in affiliates	10,890	5,985	(4,905)
Other securities	183,672	183,672	—
Long-term loans receivable	16,607	16,604	(3)
Total assets	¥635,618	¥630,711	¥(4,908)
Notes and accounts payable—trade	¥126,653	¥126,653	¥ —
Short-term loans payable	273,418	273,418	—
Income taxes payable	32,735	32,735	—
Bonds payable	40,000	40,650	(650)
Long-term loans payable	134,801	137,008	(2,207)
Lease obligations	1,456	1,465	(9)
Long-term guarantee deposits	8,032	8,088	(55)
Total liabilities	¥617,096	¥620,017	¥(2,921)
Derivative financial instruments (*2)	¥ 354	¥ 354	¥ —

	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			
Investment in affiliates	11,221	7,562	(3,659)
Other securities	215,200	215,200	—
Long-term loans receivable	10,758	10,751	(8)
Total assets	¥685,200	¥681,533	¥(3,667)
Notes and accounts payable—trade	¥151,867	¥151,867	¥ —
Short-term loans payable	62,648	62,648	—
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)	¥ —

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Fair value	Difference
Cash and deposits	$1,296,874	$1,296,874	$ —
Notes and accounts receivable—trade	2,487,080		
Allowance for doubtful accounts (*1)	(15,086)		
	2,471,994	2,471,994	—
Short-term investment securities and investment securities			
Investment in affiliates	96,697	53,143	(43,554)
Other securities	1,630,900	1,630,900	—
Long-term loans receivable	147,460	147,434	(27)
Total assets	$5,643,918	$5,600,346	$(43,580)
Notes and accounts payable—trade	$1,124,605	$1,124,605	$ —
Short-term loans payable	2,427,793	2,427,793	—
Income taxes payable	290,668	290,668	—
Bonds payable	355,177	360,948	(5,772)
Long-term loans payable	1,196,954	1,216,551	(19,597)
Lease obligations	12,928	13,008	(80)
Long-term guarantee deposits	71,319	71,817	(488)
Total liabilities	$5,479,453	$5,505,390	$(25,937)
Derivative financial instruments (*2)	$ 3,143	$ 3,143	$ —

(*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 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, 2016 and 2015, amounting to ¥40,169 million (US$356,677 thousand) and ¥33,367 million, respectively. Their fair values are based on present value of principal and interest discounted using the current assumed rates for similar long-term loans payable. For long-term loans payable bearing variable interest rates, fair value of those subject to special treatment of interest rate-swaps is based on present value by totaling the amount of principal and interest, together with related interest-rate swaps, discounted by the interest rate that would apply if equivalent long-term loans were newly entered. For other long-term loans payable, book value is used as fair value as they are deemed to reflect market interest rates within a short term.

4) Lease obligations

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

5) Long-term guarantee deposits

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

iii) Derivative transactions

Refer to Note 12 "Derivative financial instruments."

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2016 and 2015, amounting to ¥48,453 million (US$430,233 thousand) and ¥61,594 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 investment securities, with a carrying amount as of March 31, 2016 and 2015, amounting to ¥3,117 million (US$27,677 thousand) and ¥3,180 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 4) For long-term guarantee deposits, the fair value of a portion having a carrying amount as of March 31, 2016 and 2015, amounting to ¥12,098 million (US$107,423 thousand) and ¥12,209 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 5) For monetary credits and securities with maturity, the amounts scheduled for redemption subsequent to the closing date are as follows:

	Millions of yen			
	2016			
	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	¥146,054	¥ —	¥—	¥—
Notes and accounts receivable—trade	280,095	—	—	—
Long-term loans receivable	254	16,353	—	—
Total	¥426,402	¥16,353	¥—	¥—

	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	—	—
Total	¥450,196	¥9,952	¥—	¥—

	Thousands of U.S. dollars			
	2016			
	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	$1,296,874	$ —	$—	$—
Notes and accounts receivable—trade	2,487,080	—	—	—
Long-term loans receivable	2,255	145,205	—	—
Total	$3,786,201	$145,205	$—	$—

Note 6) 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				
	2016				
Year ending March 31	Short-term loans payable	Bonds payable	Long-term loans payable	Lease obligations	Total
2017	¥273,418	¥ —	¥40,169	¥919	¥314,506
2018	—	20,000	18,941	280	39,221
2019	—	—	49,616	118	49,734
2020	—	20,000	12,028	83	32,111
2021	—	—	4,436	55	4,491
2022 and thereafter	—	—	9,611	1	9,612

	Millions of yen				
	2015				
Year ending March 31	Short-term loans payable	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

	Thousands of U.S. dollars				
	2016				
Year ending March 31	Short-term loans payable	Bonds payable	Long-term loans payable	Lease obligations	Total
2017	$2,427,793	$ —	$356,677	$8,160	$2,792,630
2018	—	177,588	168,185	2,486	348,260
2019	—	—	440,561	1,048	441,609
2020	—	177,588	106,802	737	285,127
2021	—	—	39,389	488	39,877
2022 and thereafter	—	—	85,340	9	85,349

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, 2016 and 2015, were as follows:

	Millions of yen		
	2016		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥172,068	¥36,960	¥135,107
Others	—	—	—
Subtotal	172,068	36,960	135,107
Securities with unrealized losses:			
Equity securities	10,070	12,439	(2,369)
Others	1,534	1,534	—
Subtotal	11,604	13,973	(2,369)
Total	¥183,672	¥50,934	¥132,738

	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)
Total	¥215,200	¥47,925	¥167,274

	Thousands of U.S. dollars		
	2016		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$1,527,864	$328,183	$1,199,671
Others	—	—	—
Subtotal	1,527,864	328,183	1,199,671
Securities with unrealized losses:			
Equity securities	89,416	110,451	(21,035)
Others	13,621	13,621	—
Subtotal	103,037	124,072	(21,035)
Total	$1,630,900	$452,264	$1,178,636

(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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Selling amount	¥10,396	¥3,005	$92,310
Gain on sales of securities	8,275	2,756	73,477
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, 2016, was ¥924 million (US$8,205 thousand), which is the sum of ¥796 million (US$7,068 thousand) for equity securities of unconsolidated subsidiaries and affiliates, and ¥127 million (US$1,128 thousand) for other securities, and for the year ended March 31, 2015, ¥1,656 million, which is the sum of ¥1,649 million for equity securities of unconsolidated subsidiaries and affiliates, and ¥7 million for other securities. Among the loss on other devaluation of investment securities for the year ended March 31, 2016, ¥561 million (US$4,981 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			
		2016			
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	¥21,694	¥ —	¥ 698	¥ 698
	Euro	6,137	—	16	16
	Thai baht	1,115	—	(0)	(0)
	Singapore dollar	396	—	40	40
	Buying				
	U.S. dollar	2,679	728	(148)	(148)
	Euro	0	—	(0)	(0)
	Thai baht	9	—	(0)	(0)
	Total	¥32,030	¥728	¥ 605	¥ 605

		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)
	Singapore dollar	—	—	—	—
	Buying				
	U.S. dollar	2,672	260	(263)	(263)
	Euro	—	—	—	—
	Thai baht	—	—	—	—
	Total	¥31,738	¥260	¥(486)	¥(486)

Classification	Items	Thousands of U.S. dollars 2016 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	$192,630	$ —	$ 6,198	$ 6,198
	Euro	54,493	—	142	142
	Thai baht	9,901	—	(0)	(0)
	Singapore dollar	3,516	—	355	355
	Buying				
	U.S. dollar	23,788	6,464	(1,314)	(1,314)
	Euro	0	—	(0)	(0)
	Thai baht	80	—	(0)	(0)
	Total	$284,408	$6,464	$ 5,372	$ 5,372

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

i) Foreign exchange forward contracts

Classification	Items	Hedged assets/liabilities	Millions of yen 2016 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	¥2,953	¥—	¥(170)
	Euro	Accounts receivable—trade	111	—	(2)
	Singapore dollar	Accounts receivable—trade	289	—	(12)
	Buying				
	U.S. dollar	Accounts payable—trade	2,018	—	(62)
	Euro	Accounts payable—trade	21	—	(0)
	Thai baht	Accounts payable—trade	177	—	(6)
	Singapore dollar	Accounts payable—trade	29	—	1
	U.S. dollar	Investment securities	—	—	—
	Total		¥5,596	¥—	¥(251)

Classification	Items	Hedged assets/liabilities	Millions of yen 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	¥ 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)
	Total		¥199,089	¥—	¥(1,870)

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2016 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	$26,221	$—	$(1,510)
	Euro	Accounts receivable—trade	986	—	(18)
	Singapore dollar	Accounts receivable—trade	2,566	—	(107)
	Buying				
	U.S. dollar	Accounts payable—trade	17,919	—	(551)
	Euro	Accounts payable—trade	186	—	(0)
	Thai baht	Accounts payable—trade	1,572	—	(53)
	Singapore dollar	Accounts payable—trade	258	—	9
	U.S. dollar	Investment securities	—	—	—
	Total		$49,689	$—	$(2,229)

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

Classification	Items	Hedged assets/liabilities	Millions of yen 2016 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	¥76,871	¥64,084	(*)
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	477	318	(*)
	Total		¥77,349	¥64,403	¥—

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	—	—	—
	Total		¥90,425	¥77,122	¥—

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2016 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	$682,570	$569,029	(*)
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	4,235	2,824	—
	Total		$686,814	$571,861	$—

(*) 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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Beginning balance of the projected benefit obligations	¥352,813	¥329,869	$3,132,774
Cumulative effect of changes in accounting polices	—	23,336	—
Restated balance	352,813	353,205	3,132,774
Service cost	13,604	13,624	120,796
Interest cost	3,439	3,431	30,536
Actuarial gains/losses	44,020	(191)	390,872
Payment of retirement benefits	(18,549)	(17,558)	(164,704)
Increase from changes in scope of consolidation	3,101	—	27,535
Other	160	302	1,421
Ending balance of the projected benefit obligations	¥398,588	¥352,813	$3,539,229

Reconciliations of beginning and ending balances of plan assets for the fiscal years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Beginning balance of plan assets	¥213,707	¥188,715	$1,897,594
Expected return	5,311	4,717	47,159
Actuarial gains/losses	(6,598)	19,977	(58,586)
Contributions	10,200	10,015	90,570
Payment of retirement benefits	(10,146)	(9,915)	(90,091)
Other	(186)	198	(1,652)
Ending balance of plan assets	¥212,288	¥213,707	$1,884,994

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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Projected benefit obligations of funded plans	¥ 255,432	¥ 219,775	$ 2,268,087
Plan assets	(212,288)	(213,707)	(1,884,994)
Subtotal	43,145	6,068	383,102
Projected benefit obligations of unfunded plans	143,155	133,038	1,271,133
Net of liability and asset that have been recorded in the consolidated balance sheet	¥ 186,300	¥ 139,106	$ 1,654,235
Net defined benefit liability	¥ 186,300	¥ 142,035	$ 1,654,235
Net defined benefit asset	—	(2,929)	—
Net of liability and asset that have been recorded in the consolidated balance sheet	¥ 186,300	¥ 139,106	$ 1,654,235

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service cost (net of employee contributions)	¥11,967	¥12,037	$106,260
Interest cost	3,439	3,431	30,536
Expected return on plan assets	(5,311)	(4,717)	(47,159)
Amortization of actuarial gains/losses	3,266	5,375	29,000
Amortization of prior service costs	142	142	1,261
Additional retirement benefits and other	452	992	4,013
Retirement benefit expenses of defined benefit plans	¥13,956	¥17,259	$123,921

The components of other comprehensive income on defined benefit plans for the fiscal years ended March 31, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Prior service costs	¥ 142	¥ 142	$ 1,261
Actuarial gains/losses	(47,352)	25,543	(420,458)
Total	¥(47,210)	¥25,685	$(419,197)

Accumulated other comprehensive income on defined benefit plans at March 31, 2016 and 2015, was follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized prior service costs	¥ 361	¥ 503	$ 3,205
Unrecognized actuarial gains/losses	58,468	11,116	519,162
Total	¥58,829	¥11,619	$522,367

Share by major classifications for plan assets at March 31, 2016 and 2015, was as follows:

	2016	2015
Bond	36%	43%
Stock	21	24
Alternative investments	16	16
Life insurance	14	12
Cash and deposits	10	4
Other	3	1
Total	100%	100%

Note: Alternative investments include mainly investments in real estate and hedge funds.

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, 2016 and 2015, were as follows:

	2016	2015
Discount rate	Mainly 0.1%	Mainly 0.9%
The long-term rate of expected return on plan assets	Mainly 2.5%	Mainly 2.5%
Expected rate of increase in salary	2.3–7.1%	2.3–7.3%

Required payments to defined contribution plans at March 31, 2016, amounted to ¥1,416 million (US$12,573 thousand), and at March 31, 2015, amounted to ¥774 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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 57,150	¥ 44,782	$ 507,459
Tax loss carry forwards	8,105	15,474	71,968
Accrued bonuses	7,682	8,125	68,212
Foreign tax credit carry forwards	5,319	189	47,230
Impairment losses	4,332	4,180	38,466
Loss on disposal of noncurrent assets	4,198	4,071	37,276
Unrealized gain on noncurrent assets and others	4,004	4,481	35,553
Depreciation	2,696	2,968	23,939
Accrued enterprise tax	2,074	1,537	18,416
Unrealized loss on investment securities	2,073	2,553	18,407
Provision for periodic repairs	1,283	1,198	11,392
Provision for product warranties	1,168	1,261	10,371
Devaluation of inventories	1,057	1,217	9,386
Allowance for doubtful accounts	821	758	7,290
Asset retirement obligations	813	918	7,219
Environmental expenses	238	313	2,113
Experiment and research expenses	198	115	1,758
Deferred gains or losses on hedges	19	678	169
Other	9,742	10,934	86,503
Subtotal deferred tax assets	112,969	105,753	1,003,099
Less: Valuation allowance	(16,294)	(19,314)	(144,681)
Total deferred tax assets	96,676	86,439	858,427
Deferred tax liabilities:			
Identified intangible assets during business combination	(53,707)	(34,704)	(476,887)
Unrealized gain on other securities	(42,075)	(55,582)	(373,601)
Depreciation—overseas subsidiaries	(13,158)	(5,149)	(116,835)
Deferred gain on property, plant and equipment	(9,037)	(9,406)	(80,243)
Accelerated depreciation	(137)	(203)	(1,216)
Other	(5,382)	(6,287)	(47,789)
Total deferred tax liabilities	(123,496)	(111,330)	(1,096,573)
Net deferred tax assets (liabilities)	¥ (26,820)	¥ (24,891)	$ (238,146)

Net deferred tax assets (liabilities) at March 31, 2016 and 2015, were included in the following line items on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Current assets—deferred tax assets	¥ 18,133	¥ 21,707	$ 161,010
Noncurrent assets—deferred tax assets	20,098	11,351	178,459
Current liabilities—other	(120)	(7)	(1,066)
Noncurrent liabilities—deferred tax liabilities	(64,930)	(57,943)	(576,541)

In the fiscal year ended March 31, 2016, the foreign tax credit carry forwards, which had previously been included in other, are reported separately due to their materiality. The figure shown as other for the fiscal year ended March 31, 2015, has been restated accordingly.

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2016 and 2015, was as follows:

	2016	2015
Statutory tax rate	33.1%	35.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	1.1	0.7
Equalization of inhabitants taxes	0.3	0.3
R&D expenses deductible from income taxes	(4.6)	(4.2)
Amortization of goodwill and negative goodwill	3.5	2.1
Equity in earnings (losses) of unconsolidated subsidiaries and affiliates	0.2	(0.4)
Undistributed earnings of foreign subsidiaries	(0.1)	0.4
Difference of tax rates for foreign subsidiaries	(1.0)	(2.7)
Valuation allowance	0.7	(1.6)
Decrease in deferred tax assets due to the change in statutory tax rate	1.9	3.2
Other	1.1	(0.8)
Effective income tax rate	36.2%	32.5%

The "Act for partial Revision of the Income Tax Act etc." (Act No. 15 of 2016) and "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were issued on March 29, 2016, and applied from the fiscal year beginning on or after April 1, 2016.

In accordance with this change, the statutory effective tax rate applied in calculating deferred tax assets and liabilities was changed from 32.3% to the tax rate as follows depending on the expected timing of reversal for each temporary difference:

Expected timing of reversal	Tax rate
April 1, 2016, through March 31, 2018	30.9%
April 1, 2018, onward	30.6%

As a result of this change, deferred tax assets (after netting deferred tax liabilities) decreased by ¥1,114 million (US$9,892 thousand), income taxes—deferred increased by ¥2,687 million (US$23,859 thousand), net unrealized gain on other securities increased by ¥2,265 million (US$20,111 thousand), deferred gains or losses on hedges increased by ¥2 million (US$18 thousand), and remeasurements of defined benefit plans increased by ¥694 million (US$6,162 thousand) in the consolidated financial statements for the fiscal year ended March 31, 2016.

15. Business combinations

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

1. Polypore International, Inc.

(a) Outline of business combination

i) Name of counterparty

Polypore International, Inc.

ii) Nature of the businesses

Development, manufacture, and sale of polymer membranes

iii) Main reasons for the acquisition

a. To develop more innovative products for use in various fields in the battery separator business which can expect further growth through joint R&D, mutual technology provision, etc. between the Company and Polypore International, Inc.

b. To further accelerate the globalization of the Company's Hipore™ business by utilizing global product supply and marketing network of Polypore International, Inc.

c. To enter the lead-acid battery separator business which can provide long-term stable earnings contribution by supplying Daramic™ brand products of Polypore International, Inc. Also, to enable the provision of a broader range of products and technologies in the lithium-ion battery separator business where future growth is expected, including in automotive applications, by supplying Celgard™ brand products.

iv) The acquisition date

August 26, 2015

v) Statutory form of business combination

Transfer of shares for cash as consideration

vi) Name of company after transaction

Polypore International, LP (Changed on March 31, 2016, due to conversion to limited partnership)

vii) Acquired voting right

Voting right before the acquisition	0%
Voting right after the acquisition	100%

viii) Basic means of materializing the acquisition

Stock purchase for cash as consideration by a special purpose subsidiary of the Company.

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

From August 26, 2015, to March 31, 2016

(c) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥210,043	$1,865,059
Purchase price	¥210,043	$1,865,059

(d) Major acquisition related costs

Advisory fees and others ¥2,185 million (US$19,402 thousand)

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

i) Amount of goodwill

¥183,553 million (US$1,629,844 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 20 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 42,963	$ 381,486
Noncurrent assets	140,091	1,243,926
Total assets	¥183,054	$1,625,413
Current liabilities	¥ 56,555	$ 502,175
Noncurrent liabilities	99,826	886,397
Total liabilities	¥156,380	$1,388,563

(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
Customer-related assets	¥57,982	$514,846
Trademarks	10,770	95,631
Technology-related assets	9,317	82,730
In-process R&D	2,533	22,492

ii) Major weighted average useful life

Customer-related assets	20 years
Trademarks	20 years
Technology-related assets	15 years
In-process R&D	20 years
Total	19 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. Kyma Medical Technologies Ltd.

(a) Outline of business combination

i) Name of acquiree

Kyma Medical Technologies Ltd.

ii) Nature of the businesses

Development of technology for monitoring of cardiac patients

iii) Main reasons for the acquisition

a. To add technology to measure early signs of congestive heart failure.

b. To further enrich the remote cardiac monitoring technology of ZOLL Medical Corporation using the technology of Kyma Medical Technologies Ltd., with a future expectation that combination with technology of Kyma Medical Technologies Ltd. may enable performance enhancement of the LifeVest™ of ZOLL Medical Corporation.

c. To use the marketing channels of ZOLL Medical Corporation to achieve greater market penetration of technology of Kyma Medical Technologies Ltd.

iv) The acquisition date

September 16, 2015

v) Statutory form of business combination

Stock purchase for cash as consideration

vi) Name of company after transaction

Kyma Medical Technologies Ltd.

vii) Acquired voting right

Voting right before the acquisition	0%
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 September 16, 2015, to March 31, 2016

(c) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥4,631	$41,121
Purchase price	¥4,631	$41,121

Note: Stock purchase price includes ¥1,270 million (US$11,277 thousand) of contingent consideration (fair value).

(d) Major acquisition related costs

Advisory fees and others ¥117 million (US$1,039 thousand)

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

i) Amount of goodwill

¥3,406 million (US$30,243 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 20 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 185	$ 1,643
Noncurrent assets	1,313	11,659
Total assets	¥1,498	$13,301
Current liabilities	¥ 33	$ 293
Noncurrent liabilities	241	2,140
Total liabilities	¥ 274	$ 2,433

(g) 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 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.

(h) 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
In-process R&D	¥1,271	$11,286

ii) Major weighted average useful life

In-process R&D	15 years

(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 aforementioned 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, 2016, 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 0.0% to 6.4%.

(c) Increase (decrease) in the total amount of asset retirement obligations in the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥4,039	¥4,050	$35,864
Increase due to asset retirement obligations accrued	200	332	1,776
Adjustment due to passage of time	133	123	1,181
Increase due to accounting estimates*	—	18	—
Decrease due to fulfillment of asset retirement obligations	(193)	(513)	(1,714)
Increase (decrease) due to foreign exchange fluctuation	(131)	29	(1,163)
Balance at end of year	¥4,047	¥4,039	$35,935

* 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, 2016 and 2015, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Balance at beginning of year	¥1,650	¥1,652	$14,651
Increase due to new lease agreements	126	14	1,119
Decrease due to the cancelation of existing lease agreements	(43)	(17)	(382)
Balance at end of year	¥1,733	¥1,650	$15,388

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 core operating companies performing operations in four business fields. Each core operating company lays out strategy and develops business activities in Japan and abroad.

The Company consists of four segments identified by business fields, including "Chemicals & Fibers," "Homes & Construction Materials," "Electronics," and "Health Care."

Main products of the four reportable segments are as follows:

Chemicals & Fibers segment

Chemicals business

The Company manufactures, processes, and sells petrochemical products (such as nitric acid, caustic soda, acrylonitrile, styrene, methyl methacrylate (MMA), 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 manufactures, 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 & 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 manufactures 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

Electronics business

The Company manufactures and sells mixed-signal LSIs, Hall elements, Hipore™ and Celgard™ Li-ion battery separators, Daramic™ lead-acid battery separator, photomask pellicles, APR™ photosensitive resin and printing plate making systems, Pimel™ photosensitive polyimide precursor, Sunfort™ photosensitive dry film, 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

	2016						
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal	Others (Note 1)	Total
Sales:							
External customers	¥835,582	¥632,418	¥174,477	¥285,404	¥1,927,882	¥13,032	¥1,940,914
Intersegment	12,341	53	367	48	12,809	23,728	36,538
Total	847,922	632,472	174,844	285,452	1,940,691	36,761	1,977,452
Operating income	68,948	71,000	6,889	36,235	183,072	553	183,625
Assets	737,604	449,289	563,680	474,265	2,224,838	62,613	2,287,451
Other items							
Depreciation (Note 2)	37,435	9,529	17,275	21,539	85,778	1,251	87,030
Amortization of goodwill	517	—	5,369	9,646	15,533	288	15,821
Investments in affiliates accounted for using equity method	31,802	—	333	—	32,135	17,398	49,534
Increase in property, plant and equipment, and intangible assets	43,669	11,947	16,708	19,382	91,706	1,513	93,220

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

	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.

	Thousands of U.S. dollars						
	2016						
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal	Others (Note 1)	Total
Sales:							
External customers	$7,419,481	$5,615,503	$1,549,254	$2,534,221	$17,118,469	$115,717	$17,234,186
Intersegment	109,581	471	3,259	426	113,736	210,691	324,436
Total	7,529,053	5,615,983	1,552,513	2,534,647	17,232,206	326,416	17,558,622
Operating income	612,218	630,439	61,170	321,746	1,625,573	4,910	1,630,483
Assets	6,549,494	3,989,425	5,005,150	4,211,197	19,755,265	555,967	20,311,232
Other items							
Depreciation (Note 2)	332,401	84,612	153,392	191,254	761,659	11,108	772,776
Amortization of goodwill	4,591	—	47,674	85,651	137,924	2,557	140,481
Investments in affiliates accounted for using equity method	282,383	—	2,957	—	285,340	154,484	439,833
Increase in property, plant and equipment, and intangible assets	387,755	106,082	148,357	172,101	814,296	13,435	827,739

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	2016	2015	2016
Total of reporting segments	¥1,940,691	¥1,984,798	$17,232,206
Net sales in "Others" category	36,761	42,760	326,416
Elimination of intersegment transactions	(36,538)	(41,152)	(324,436)
Net sales on consolidated statements of income	¥1,940,914	¥1,986,405	$17,234,186

	Millions of yen		Thousands of U.S. dollars
Operating income	2016	2015	2016
Total of reporting segments	¥183,072	¥172,806	$1,625,573
Operating income in "Others" category	553	949	4,910
Elimination of intersegment transactions	170	1,087	1,510
Corporate expenses, etc.*	(18,592)	(16,910)	(165,086)
Operating income on consolidated statements of income	¥165,203	¥157,933	$1,466,906

* 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	2016	2015	2016
Total of reporting segments	¥2,224,838	¥1,905,906	$19,755,265
Assets in "Others" category	62,613	62,874	555,967
Elimination of intersegment transactions	(320,251)	(249,428)	(2,843,642)
Corporate assets*	244,529	295,179	2,171,275
Total assets on consolidated balance sheets	¥2,211,729	¥2,014,531	$19,638,865

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

	Total of reportable segments			Others			Adjustments (Note 1)			Amounts from consolidated financial statements		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
Other items	2016	2015	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016
Depreciation (Note 2)	¥85,778	¥79,064	$761,659	¥ 1,251	¥ 1,094	$ 11,108	¥6,782	¥5,900	$60,220	¥93,811	¥86,058	$832,987
Amortization of goodwill	15,533	9,056	137,924	288	264	2,557	—	—	—	15,821	9,320	140,481
Investments in affiliates accounted for using equity method	32,135	46,547	285,340	17,398	17,013	154,484	—	—	—	49,534	63,560	439,833
Increase in property, plant and equipment, and intangible assets	91,706	80,776	814,296	1,513	1,389	13,435	5,780	6,943	51,323	99,000	89,108	879,062

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			
2016				2015				**2016**			
Japan	China	Other regions	Total	Japan	China	Other regions	Total	Japan	China	Other regions	Total
¥1,261,203	¥185,241	¥494,470	¥1,940,914	¥1,313,128	¥194,007	¥479,271	¥1,986,405	$11,198,748	$1,644,832	$4,390,606	$17,234,186

2) Property, plant and equipment.

Millions of yen								Thousands of U.S. dollars			
2016				2015				**2016**			
Japan	United States	Other regions	Total	Japan	United States	Other regions	Total	Japan	United States	Other regions	Total
¥361,825	¥91,425	¥102,739	¥555,989	¥361,130	¥30,814	¥110,563	¥502,507	$3,212,795	$811,801	$912,262	$4,936,858

(Change in presentation method)

"United States" was included within "Other" in the fiscal year ended March 31, 2015, but from the fiscal year ended March 31, 2016 it has been presented as an independent category since the value of tangible fixed assets in the United States exceeded 10% of the tangible fixed assets on the consolidated balance sheets. Figures for the fiscal year ended March 31, 2015 have been restated accordingly.

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	¥11,989 million (US$106,455 thousand) in the year ended March 31, 2016, ¥16,250 million in the year ended March 31, 2015
Amount 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 (US$577 thousand)
Business line	Wholesale trade
Share of voting rights held by the company	0.0%
Relationship with the related party	Purchasing consumable goods
Nature of transaction	Purchasing consumable goods
Transaction amount	¥225 million (US$1,998 thousand) in the year ended March 31, 2016, ¥228 million in the year ended March 31, 2015
Account recorded	Accrued expenses
Balance at end of year	¥23 million (US$204 thousand) in the year ended March 31, 2016, ¥43 million as of March 31, 2015

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 (US$89 thousand)
Business line	Manufacture and sale of plastic packaging material
Share of voting rights held by the related party	0.0%
Relationship with the related party	Purchasing consumable goods and raw materials
Nature of transaction	Purchasing consumable goods and raw materials
Transaction amount	¥45 million (US$400 thousand) in the year ended March 31, 2016, ¥49 million in the year ended March 31, 2015
Account recorded	Accrued expenses and notes and accounts payable—trade
Balance at end of year	¥3 million (US$27 thousand) in the year ended March 31, 2016, ¥2 million as of March 31, 2015

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, 2016 and 2015, were as follows:

	Yen		U.S. dollars
	2016	2015	2016
Basic net assets per share	¥745.94	¥775.05	$6.62
Basic net income per share	¥ 65.69	¥ 75.62	$0.58

(a) Basis for calculation of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total net assets	¥1,057,399	¥1,097,722	$ 9,389,087
Amount deducted from total net assets	15,498	15,068	137,613
of which, non-controlling interests	*(15,498)*	*(15,068)*	*(137,613)*
Net assets allocated to capital stock	¥1,041,901	¥1,082,654	$ 9,251,474
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,396,755	1,396,873	12,402,371

(b) Basis for calculation of net income per share

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2015
Net income attributable to owners of the parent	¥ 91,754	¥ 105,652	$ 814,722
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock owners of the parent	¥ 91,754	¥ 105,652	$ 814,722
Weighted-average number of shares of capital stock (thousand)	1,396,812	1,397,094	12,402,877

Notes: 1. As the Company had no dilutive securities at March 31, 2016 and 2015, the Company does not disclose diluted net income per share for the years ended March 31, 2016 and 2015.
2. As stated in Note 3. a, the revised accounting standards for business combination and consolidated financial statements are applied. As a result, basic EPS for the year ended March 31, 2016, decreased by ¥0.94 (US$0.008).

20. Subsequent events

1. Merger through absorption of subsidiaries

On April 1, 2016, Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp., consolidated subsidiaries of the Company, were merged through absorption with the Company.

(a) Outline of the transaction

i) Name and nature of business of merging companies

Surviving company

Name	Asahi Kasei Corp.
Nature of business	Diversified chemicals operations

Absorbed companies

Name	Asahi Kasei Chemicals Corp.	Asahi Kasei Fibers Corp.	Asahi Kasei E-materials Corp.
Nature of business	Manufacture and sale of chemical products	Manufacture and sale of fiber products	Manufacture and sale of electronic materials

ii) Date of merger

April 1, 2016

iii) Statutory form of merger

Absorption-type merger with Asahi Kasei Corp. as the surviving company

iv) Name of surviving company

Asahi Kasei Corp.

v) Other items related to outline of the transaction

With the start of the Asahi Kasei Group's new medium-term management initiative in fiscal 2016, the operating portfolio was realigned into three business sectors of Material (currently the Chemicals & Fibers segment and the Electronics segment), Homes (currently the Homes & Construction Materials segment), and Health Care. Within each business sector, portfolio-based management will be thoroughly implemented with optimum allocation of management resources, and further growth will be pursued by creating synergy among the sectors. Together with this change, in order to obtain efficient management and mutual coordination within the Material business sector and achieve greater corporate value, the decision was made to merge Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp. with the Company.

(b) Outline of the accounting treatment implemented

The transaction was treated as a transaction under common control in accordance with the Accounting Standards Board of Japan (ASBJ) Statement No. 21 "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10 "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

2. Change in segment classifications

In the year ended March 31, 2016, the Company had four reportable segments of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care based on its four business sectors. Beginning with the year ending March 31, 2017, these are changed to the three reportable segments of Material, Homes, and Health Care based on three business sectors.

Recalculated segment information concerning net sales and operating income for each reportable segment for the year ended March 31, 2016, based on the new segmentation is as follows:

	Millions of yen							
	Reportable segments							Amounts from consolidated financial statements
	Material	Homes	Health Care	Subtotal	Others	Total	Adjustments	
Sales:								
External customers	¥1,004,438	¥632,418	¥285,404	¥1,922,261	¥18,653	¥1,940,914	¥ —	¥1,940,914
Intersegment	3,761	53	48	3,862	41,854	45,716	(45,716)	—
Total	1,008,198	632,472	285,452	1,926,123	60,508	1,986,630	(45,716)	1,940,914
Operating income	79,209	71,000	36,235	186,444	3,781	190,225	(25,022)	165,203

	Thousands of U.S. dollars							
	Reportable segments							Amounts from consolidated financial statements
	Material	Homes	Health Care	Subtotal	Others	Total	Adjustments	
Sales:								
External customers	$8,918,824	$5,615,503	$2,534,221	$17,068,558	$165,628	$17,234,186	$ —	$17,234,186
Intersegment	33,395	471	426	34,292	371,639	405,931	(405,931)	—
Total	8,952,211	5,615,983	2,534,647	17,102,850	537,276	17,640,117	(405,931)	17,234,186
Operating income	703,330	630,439	321,746	1,655,514	33,573	1,689,087	(222,181)	1,466,906

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

21. Borrowings

(a) Bonds payable at March 31, 2016 and 2015, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unsecured 1.46% yen bonds due in 2019	¥20,000	¥20,000	$177,588
Unsecured 0.30% yen bonds due in 2017	20,000	20,000	177,588
Total	¥40,000	¥40,000	$355,177

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, 2016, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2017	¥ —	$ —
2018	20,000	177,588
2019	—	—
2020	20,000	177,588
2021	—	—
2022 and thereafter	—	—
Total	¥40,000	$355,177

(b) Loans payable at March 31, 2016 and 2015, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Short-term loans payable with an interest rate of 0.36%	¥273,418	¥ 62,648	$2,427,793
Current portion of long-term loans payable with an interest rate of 0.77%	40,169	33,367	356,677
Current portion of lease obligations with an interest rate of 1.40%	919	1,383	8,160
Long-term loans payable (except portion due within one year) with an interest rate of 1.00%	94,632	130,400	840,277
Lease obligations (except portion due within one year) with an interest rate of 1.82%	537	1,219	4,768
Total	¥409,675	¥229,018	$3,637,675

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2016.
2. The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2017, 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
2018	¥18,941	$168,185	¥280	$2,486
2019	49,616	440,561	118	1,048
2020	12,028	106,802	83	737
2021	4,436	39,389	55	488
2022 and thereafter	9,611	85,340	1	9

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, 2016, 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, 2016, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As described in Note 4 "Notes to Consolidated Balance Sheets (c) Contingent liabilities", Asahi Kasei Construction Materials Corporation, a consolidated subsidiary of the Company submitted incorrect data within their pile installation report for the precast concrete piles installed as a secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan. It was determined that there was manipulation of ammeter data and flowmeter data. The Company established a task force division, internal investigation committee and an external investigation committee to aid in the investigation process and Asahi Kasei Construction Materials Corporation released its records of similar pile installation work to Japan's Ministry of Land, Infrastructure, Transport and Tourism. As a result of this matter, the Company has recorded an extraordinary loss in the year ended March 31, 2016 as "loss on piling business" for expenses related to the investigation, etc., of the manipulation of data. Although there is a potential for further effect on the consolidated results of the Company which may emerge from the recording of an additional reserve, etc., no such effect is reflected in the consolidated financial statements for the year ended March 31, 2016 due to the difficulty of judgment in the rational estimate of the amount of financial impact from this matter as of the time of preparation of the consolidated financial statements.
2. As described in Note 20 "Subsequent events 1. Merger through absorption of subsidiaries", Asahi Kasei Chemicals Corporation, Asahi Kasei Fibers Corporation, and Asahi Kasei E-materials Corporation, consolidated subsidiaries of the Company, were merged through absorption with the Company on April 1, 2016.
3. As described in Note 20 "Subsequent events 2. Change in segment classifications", the Company changed the reportable segments from the beginning of the year ending March 31, 2017.

Our opinion is not qualified with respect to these matters.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2016 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 LLC

July 13, 2016

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

Major Subsidiaries and Affiliates

(As of April 1, 2016)

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
Material Segment				
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$	31.9**	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
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 Italia SRL*	Sale of cupro cellulosic fiber and nonwovens	€	3	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

* Consolidated subsidiary
** Including capital reserve

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
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
Polypore International, LP*	Battery separators	US$	2,233**	100.0
Asahi Kasei Microdevices Corp.*	Electronic devices	¥	3,000	100.0
Homes Segment				
Asahi Kasei Homes Corp.*	Housing	¥	3,250	100.0
Asahi Kasei Realty & 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 Jyuko Vietnam Corp.*	Steel-frame members	US$	13.9**	78.00
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
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
Asahi Kasei Pharma America Corp.*	Clinical trials for new drugs, sale of pharmaceuticals	US$	49**	100.0
Med-Tech Inc.*	Medical devices	¥	140	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 Kasei Europe GmbH*	Business support services, sale of performance resin	€	7.9	100.0
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 Yukizai Corp.	Synthetic resin, fabricated plastic products	¥	5,000	30.6
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
Asahi Kasei Energy Storage Materials, Inc.*	Holding company of Polypore International, LP	US$	2,256**	100.0

* Consolidated subsidiary
** Including capital reserve

Company Information

Corporate Profile (as of March 31, 2016)

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,389 million
Employees	32,821 (consolidated)
	1,178 (non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

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

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

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

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

Asahi Kasei Europe GmbH
Am Seestern 4, 40547
Düsseldorf, Germany
Phone: +49-211-8822-030
Fax: +49-211-8822-0333

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

Core Operating Companies

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

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

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

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

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

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

Investors Information

(As of March 31, 2016)

Stock Listing	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 LLC
Number of Shareholders	90,122

Largest Shareholders	% of equity*
Nippon Life Insurance Co.	5.23
The Master Trust Bank of Japan, Ltd. (trust account)	5.04
Japan Trustee Services Bank, Ltd. (trust account)	3.94
Sumitomo Mitsui Banking Corp.	2.53
Asahi Kasei Group Employee Stockholding Assn.	2.47
Japan Trustee Services Bank, Ltd. (trust account 9)	2.08
Mizuho Bank, Ltd.	1.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.45
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (Mizuho Bank account)	1.42
Sumitomo Life Insurance Co.	1.40

* Percentage of equity ownership after exclusion of treasury stock.

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

Asahi Kasei IR Website

Asahi Kasei's financial results and other materials for investors are available in our IR website.

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

ASAHI KASEI CORPORATION
1-105 Kanda Jinbocho, Chiyoda-ku,
Tokyo 101-8101 Japan
www.asahi-kasei.co.jp/asahi/en

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

MIX
Paper from responsible sources
FSC® C014473
FSC
www.fsc.org

VEGETABLE OIL INK

Printed in Japan
2016.11