

Asahi Kasei Corporation

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Consolidated Results for Fiscal 2015: April 1, 2015 – March 31, 2016

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	FY 2015	FY 2014
Net sales	1,940,914 [-2.3%]	1,986,405 [+4.7%]
Operating income	165,203 [+4.6%]	157,933 [+10.2%]
Ordinary income	161,370 [-3.1%]	166,543 [+16.6%]
Net income attributable to owners of the parent	91,754 [-13.2%]	105,652 [+4.3%]
Net income per share*	65.69	75.62
Diluted net income per share*	—	—
Net income/shareholders' equity	8.6%	10.6%
Ordinary income/total assets	7.6%	8.5%
Operating income/net sales	8.5%	8.0%

* Yen

Note:

- Comprehensive income—
¥(11,925) million during fiscal 2015, ¥214,484 million during fiscal 2014.
- Equity in earnings (losses) of affiliates—
¥(854) million during fiscal 2015, ¥1,738 million during fiscal 2014.

2. Financial position

At fiscal year end March	2016	2015
Total assets	2,211,729	2,014,531
Net assets	1,057,399	1,097,722
Net worth/total assets	47.1%	53.7%
Net worth per share*	745.94	775.05

* Yen

Note:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of March 31, 2016, was ¥1,041,901 million; as of March 31, 2015, ¥1,082,654 million.

3. Cash flows

	FY 2015	FY 2014
Cash flows from operating activities	216,218	137,597
Cash flows from investing activities	(285,287)	(100,470)
Cash flows from financing activities	101,365	(74,016)
Cash and cash equivalents at end of period	145,307	112,297

II. Cash Dividends

Fiscal year	Cash dividends per share*					Total annual dividend amount	Dividends/ consolidated net income	Dividends/ consolidated net worth
	Q1	Q2	Q3	Q4	Total annual			
2014	—	9.00	—	10.00	19.00	26,542	25.1%	2.7%
2015	—	10.00	—	10.00	20.00	27,936	30.4%	2.6%
2016 (forecast)	—	10.00	—	10.00	20.00		30.4%	

* Yen

III. Forecast for Fiscal 2016 (April 1, 2016 – March 31, 2017)

(percent change from same period of previous year in brackets)

	For Q1–Q2	For the fiscal year
Net sales	922,000 [–3.7%]	1,910,000 [–1.6%]
Operating income	63,000 [–25.4%]	145,000 [–12.2%]
Ordinary income	62,000 [–23.9%]	143,000 [–11.4%]
Net income attributable to owners of the parent	40,000 [–15.2%]	92,000 [0.3%]
Net income per share*	28.64	65.87

*Yen

Note:

Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period:

Addition of two new subsidiaries: Polypore International, LP* and Asahi Kasei Energy Storage Materials, Inc.

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

2. Changes in accounting policies, changes in accounting estimates, and retroactive restatement

Changes in accounting policy

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 21 “Revised Accounting Standard for Business Combinations,” ASBJ Statement No. 22 “Revised Accounting Standard for Consolidated Financial Statements,” and ASBJ Statement No. 7 “Revised Accounting Standard for Business Divestitures.” These revised accounting standards are applied from the fiscal year ended March 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recorded under capital surplus, and costs related to acquisition of increased ownership interest are recognized in the period in which they arise. Also, transitional accounting is applied to business combinations performed on or after the beginning of the fiscal year ended March 31, 2016, with revision of purchase price allocation applied to the quarterly consolidated financial statements during the quarter in which the date of the business combination occurs. The presentation method of net income was amended, and “minority interests” were changed to “non-controlling interests.” For comparison purposes, information for the fiscal year ended March 31, 2015, is shown in accordance with the new standards in the accompanying consolidated financial statements.

Transitional accounting in accordance with Article 58, Paragraph 2, Item 4, of ASBJ Statement No. 21, Article 44, Paragraph 5, Item 4, of ASBJ Statement No. 22, and Article 57, Paragraph 4, Item 4, of ASBJ Statement No. 7 is applied from the beginning of the fiscal year ended March 31, 2016.

As a result, operating income, ordinary income, and income before income taxes each decreased by ¥2,185 million in the fiscal year ended March 31, 2016.

In the 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 places.

3. Number of shares outstanding

Fiscal year ended March	2016	2015
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	5,861,678	5,742,862
Average number of shares outstanding during period	1,396,812,330	1,397,093,805

V. Summary of Non-Consolidated Results

1. Results for fiscal 2015 (April 1, 2015 – March 31, 2016)

(1) Operating results (percent change from previous year in brackets)

	FY 2015	FY 2014
Revenue	46,790 [-15.9%]	55,634 [+22.5%]
Operating income	32,655 [-21.8%]	41,740 [+30.3%]
Ordinary income	35,023 [-20.5%]	44,062 [+29.1%]
Net income	40,055 [-2.1%]	40,922 [+16.9%]
Net income per share*	28.68	29.29
Diluted net income per share*	—	—

* Yen

(2) Financial position

At fiscal year end, March	2016	2015
Total assets	1,325,089	1,056,881
Net assets	500,064	505,430
Net worth/total assets	37.7%	47.8%
Net worth per share*	358.02	361.83

* Yen

VI. Overview of Consolidated Results

1. Consolidated group results

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.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) decreased by ¥45.5 billion (2.3%) from a year ago to ¥1,940.9 billion with lower market prices for petrochemical products in chemicals operations. Operating income increased by ¥7.3 billion (4.6%) to ¥165.2 billion, a new record high for the third consecutive year, with firm performance in homes and critical care operations. Ordinary income decreased by ¥5.2 billion (3.1%) to ¥161.4 billion with equity in earnings of affiliates transitioning to equity in losses of affiliates and foreign exchange gains transitioning to foreign exchange loss. Net income attributable to owners of the parent decreased by ¥13.9 billion (13.2%) to ¥91.8 billion.

2. 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 selling, general and administrative 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.

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 benefitted 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 Recomedulin™ 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 selling, general and administrative 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.

VII. Consolidated Financial Statements

1. Balance sheets

	At end of March 2015	At end of March 2016
Assets		
Current assets		
Cash and deposits	123,821	146,054
Notes and accounts receivable–trade	325,568	280,095
Short-term investment securities	1,802	1,534
Merchandise and finished goods	161,554	159,441
Work in process	112,813	108,684
Raw materials and supplies	65,311	68,618
Deferred tax assets	21,707	18,133
Other	80,520	75,324
Allowance for doubtful accounts	(1,517)	(1,865)
Total current assets	891,579	856,018
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	471,033	495,817
Accumulated depreciation	(261,352)	(268,635)
Buildings and structures, net	209,681	227,183
Machinery, equipment and vehicles	1,345,790	1,348,103
Accumulated depreciation	(1,170,771)	(1,149,544)
Machinery, equipment and vehicles, net	175,019	198,559
Land	59,287	61,046
Lease assets	13,054	12,928
Accumulated depreciation	(10,232)	(11,183)
Lease assets, net	2,822	1,745
Construction in progress	37,566	49,240
Other	143,593	147,286
Accumulated depreciation	(125,461)	(129,072)
Other, net	18,133	18,215
Subtotal	502,507	555,989
Intangible assets		
Goodwill	153,835	305,112
Other	132,241	189,470
Subtotal	286,076	494,582
Investments and other assets		
Investment securities	289,393	244,598
Long-term loans receivable	9,952	16,353
Net defined benefit asset	2,929	–
Deferred tax assets	11,351	20,098
Other	21,016	24,280
Allowance for doubtful accounts	(273)	(189)
Subtotal	334,368	305,140
Total noncurrent assets	1,122,952	1,355,711
Total assets	2,014,531	2,211,729

	At end of March 2015	At end of March 2016
Liabilities		
Current liabilities		
Notes and accounts payable–trade	151,867	126,653
Short-term loans payable	96,015	313,587
Lease obligations	1,383	919
Accrued expenses	101,164	98,717
Income taxes payable	10,203	32,735
Advances received	74,675	74,667
Provision for periodic repairs	2,396	3,908
Provision for product warranties	2,562	2,355
Provision for removal cost of property, plant and equipment	2,832	2,130
Asset retirement obligations	533	568
Other	63,817	69,423
Total current liabilities	507,449	725,662
Noncurrent liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	130,400	94,632
Lease obligations	1,219	537
Deferred tax liabilities	57,943	64,930
Provision for periodic repairs	1,248	558
Provision for removal cost of property, plant and equipment	7,865	7,228
Provision for loss on litigation	2,316	2,171
Net defined benefit liability	142,035	186,300
Asset retirement obligations	3,506	3,480
Long-term guarantee deposits	19,146	20,131
Other	3,683	8,702
Total noncurrent liabilities	409,360	428,669
Total liabilities	916,809	1,154,330
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,408	79,410
Retained earnings	699,259	763,076
Treasury stock	(3,041)	(3,150)
Total shareholders' equity	879,014	942,724
Accumulated other comprehensive income		
Net unrealized gain on other securities	113,562	92,280
Deferred gains or losses on hedges	(1,697)	(179)
Foreign currency translation adjustment	99,531	48,429
Remeasurements of defined benefit plans	(7,757)	(41,353)
Total accumulated other comprehensive income	203,639	99,177
Non-controlling interests	15,068	15,498
Total net assets	1,097,722	1,057,399
Total liabilities and net assets	2,014,531	2,211,729

2. Statements of income and statements of comprehensive income

1) Statements of income

	FY 2014	FY 2015
Net sales	1,986,405	1,940,914
Cost of sales	1,439,344	1,354,698
Gross profit	547,061	586,216
Selling, general and administrative expenses	389,128	421,013
Operating income	157,933	165,203
Non-operating income		
Interest income	1,389	1,417
Dividends income	3,923	4,757
Equity in earnings of affiliates	1,738	—
Foreign exchange gains	5,197	—
Other	5,041	5,148
Total non-operating income	17,288	11,322
Non-operating expenses		
Interest expense	3,056	3,611
Equity in losses of affiliates	—	854
Foreign exchange loss	—	3,679
Other	5,622	7,010
Total non-operating expenses	8,678	15,154
Ordinary income	166,543	161,370
Extraordinary income		
Gain on sales of investment securities	2,756	8,275
Gain on sales of noncurrent assets	382	917
Total extraordinary income	3,137	9,192
Extraordinary loss		
Loss on sales of investment securities	112	—
Loss on valuation of investment securities	1,136	363
Loss on disposal of noncurrent assets	4,728	5,214
Impairment loss	1,255	3,493
Business structure improvement expenses	4,010	3,606
Litigation settlement	—	1,201
Loss on piling business	—	1,456
Business integration expense	—	1,547
Special retirement expenses and other	—	2,027
Loss on discontinuation of joint sales agreement	—	5,266
Total extraordinary loss	11,241	24,173
Income before income taxes	158,440	146,389
Income taxes—current	44,059	55,419
Income taxes—deferred	7,483	(2,441)
Total income taxes	51,542	52,978
Net income	106,898	93,412
Net income attributable to non-controlling interests	1,246	1,658
Net income attributable to owners of the parent	105,652	91,754

2) Statements of comprehensive income

	FY 2014	FY 2015
Net income	106,898	93,412
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	37,947	(21,098)
Deferred gains or losses on hedges	(1,526)	1,519
Foreign currency translation adjustment	48,945	(48,860)
Remeasurements of defined benefit plans	17,096	(33,331)
Share of other comprehensive income of affiliates accounted for using equity method	5,125	(3,567)
Total other comprehensive income	107,587	(105,337)
Comprehensive income	214,484	(11,925)
Comprehensive income attributable to:		
Owners of the parent	212,159	(12,708)
Non-controlling interests	2,326	783

3. Statements of changes in net assets

	FY 2014	FY 2015
Shareholders' equity		
Capital stock		
Balance at beginning of fiscal year	103,389	103,389
Balance at end of fiscal year	103,389	103,389
Capital surplus		
Balance at beginning of fiscal year	79,404	79,408
Changes during the fiscal year		
Disposal of treasury stock	3	2
Total changes of items during the period	3	2
Balance at end of fiscal year	79,408	79,410
Retained earnings		
Balance at beginning of fiscal year	635,403	699,259
Cumulative effect of changes in accounting policies	(15,741)	—
Restated balance	619,662	699,259
Changes during the fiscal year		
Dividends from surplus	(26,547)	(27,937)
Net income attributable to owners of the parent	105,652	91,754
Change of scope of consolidation	296	—
Change of scope of equity method	197	—
Total changes of items during the period	79,597	63,817
Balance at end of fiscal year	699,259	763,076
Treasury stock		
Balance at beginning of fiscal year	(2,591)	(3,041)
Changes during the fiscal year		
Purchase of treasury stock	(455)	(113)
Disposal of treasury stock	5	4
Total changes of items during the period	(450)	(109)
Balance at end of fiscal year	(3,041)	(3,150)
Total shareholders' equity		
Balance at beginning of fiscal year	815,605	879,014
Cumulative effect of changes in accounting policies	(15,741)	—
Restated balance	799,863	879,014
Changes during the fiscal year		
Dividends from surplus	(26,547)	(27,937)
Net income attributable to owners of the parent	105,652	91,754
Purchase of treasury stock	(455)	(113)
Disposal of treasury stock	8	6
Change of scope of consolidation	296	—
Change of scope of equity method	197	—
Total changes of items during the period	79,151	63,710
Balance at end of fiscal year	879,014	942,724

	FY 2014	FY 2015
Accumulated other comprehensive income		
Net unrealized gain on other securities		
Balance at beginning of fiscal year	75,626	113,562
Changes during the fiscal year		
Net changes of items other than shareholders' equity	37,937	(21,282)
Total changes of items during the period	37,937	(21,282)
Balance at end of fiscal year	113,562	92,280
Deferred gains or losses on hedges		
Balance at beginning of fiscal year	(171)	(1,697)
Changes during the fiscal year		
Net changes of items other than shareholders' equity	(1,526)	1,519
Total changes of items during the period	(1,526)	1,519
Balance at end of fiscal year	(1,697)	(179)
Foreign currency translation adjustment		
Balance at beginning of fiscal year	46,734	99,531
Changes during the fiscal year		
Net changes of items other than shareholders' equity	52,797	(51,102)
Total changes of items during the period	52,797	(51,102)
Balance at end of fiscal year	99,531	48,429
Remeasurements of defined benefit plans		
Balance at beginning of fiscal year	(25,094)	(7,757)
Changes during the fiscal year		
Net changes of items other than shareholders' equity	17,338	(33,596)
Total changes of items during the period	17,338	(33,596)
Balance at end of fiscal year	(7,757)	(41,353)
Total accumulated other comprehensive income		
Balance at beginning of fiscal year	97,095	203,639
Changes during the fiscal year		
Net changes of items other than shareholders' equity	106,545	(104,462)
Total changes of items during the period	106,545	(104,462)
Balance at end of fiscal year	203,639	99,177
Non-controlling interests		
Balance at beginning of fiscal year	13,067	15,068
Changes during the fiscal year		
Net changes of items other than shareholders' equity	2,002	430
Total changes of items during the period	2,002	430
Balance at end of fiscal year	15,068	15,498
Total net assets		
Balance at beginning of fiscal year	925,766	1,097,722
Cumulative effect of changes in accounting policies	(15,741)	—
Restated balance	910,025	1,097,722
Changes during the fiscal year		
Dividends from surplus	(26,547)	(27,937)
Net income attributable to owners of the parent	105,652	91,754
Purchase of treasury stock	(455)	(113)
Disposal of treasury stock	8	6
Change of scope of consolidation	296	—
Change of scope of equity method	197	—
Net changes of items other than shareholders' equity	108,546	(104,032)
Total changes of items during the period	187,697	(40,323)
Balance at end of fiscal year	1,097,722	1,057,399

4. Statements of cash flows

	FY 2014	FY 2015
Cash flows from operating activities		
Income before income taxes	158,440	146,389
Depreciation and amortization	86,058	93,811
Impairment loss	1,255	3,493
Amortization of goodwill	9,320	15,821
Amortization of negative goodwill	(159)	(159)
(Decrease) increase in provision for periodic repairs	(4,496)	824
Increase (decrease) in provision for product warranties	22	(193)
Decrease in provision for removal cost of property, plant and equipment	(1,723)	(1,339)
Decrease in net defined benefit liability	(2,300)	(9,227)
Interest and dividend income	(5,312)	(6,173)
Interest expense	3,056	3,611
Equity in (earnings) losses of affiliates	(1,738)	854
Gain on sales of investment securities	(2,644)	(8,275)
Loss on valuation of investment securities	1,136	363
Gain on sale of property, plant and equipment	(382)	(917)
Loss on disposal of noncurrent assets	4,728	5,214
Decrease in notes and accounts receivable–trade	717	48,513
(Increase) decrease in inventories	(3,610)	12,901
Decrease in notes and accounts payable–trade	(13,559)	(24,104)
Increase (decrease) in accrued expenses	5,662	(3,980)
(Decrease) increase in advances received	(6,553)	120
Other, net	(8,587)	(4,863)
Subtotal	219,331	272,687
Interest and dividend income, received	6,761	7,558
Interest expense paid	(3,081)	(3,596)
Income taxes paid	(85,415)	(60,431)
Net cash provided by operating activities	137,597	216,218
Cash flows from investing activities		
Payments into time deposits	(17,182)	(6,360)
Proceeds from withdrawal of time deposits	13,436	17,364
Purchase of property, plant and equipment	(82,990)	(85,184)
Proceeds from sales of property, plant and equipment	944	774
Purchase of intangible assets	(10,661)	(10,330)
Purchase of investment securities	(1,349)	(7,017)
Proceeds from sales of investment securities	5,341	10,197
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(2,808)	(193,680)
Payments for transfer of business	(3,763)	(200)
Payments of loans receivable	(5,296)	(11,131)
Collection of loans receivable	6,295	2,520
Other, net	(2,438)	(2,241)
Net cash used in investing activities	(100,470)	(285,287)

	FY 2014	FY 2015
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(24,324)	213,417
Decrease in commercial paper	(10,000)	—
Proceeds from long-term loans payable	10,950	9,445
Repayment of long-term loans payable	(21,064)	(91,760)
Repayments of lease obligations	(1,830)	(1,411)
Purchase of treasury stock	(462)	(113)
Proceeds from disposal of treasury stock	8	6
Cash dividends paid	(26,547)	(27,937)
Cash dividends paid to non-controlling interests	(745)	(653)
Other, net	(2)	371
Net cash (used in) provided by financing activities	(74,016)	101,365
Effect of exchange rate change on cash and cash equivalents	5,467	(5,560)
Net (decrease) increase in cash and cash equivalents	(31,423)	26,736
Cash and cash equivalents at beginning of period	143,139	112,297
Increase in cash and cash equivalents resulting from changes in scope of consolidation	581	6,273
Cash and cash equivalents at end of period	112,297	145,307

5. Notes to consolidated financial statements

Consolidated balance sheets

Contingent liabilities

It has become clear that Asahi Kasei Construction Materials Corp., a consolidated subsidiary of Asahi Kasei Corp., which performed pile installation work as secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan, submitted incorrect data in the pile installation report for the precast concrete piles installed for this project. 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 advance investigation, 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 regarding the 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 found for 360 projects.

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 MLIT.

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

As an effect of this matter, an extraordinary loss of ¥1,456 million was recorded in fiscal 2015 as "loss on piling business" for expenses for investigation, etc., of the manipulation of data.

Although there is a possibility that an effect on the consolidated results of Asahi Kasei Corp. may emerge such as the recording of an additional reserve, etc., no such effect is reflected in the consolidated financial statements for fiscal 2015 due to the difficulty of making a rational estimate of the amount of financial impact from this matter as of the time of preparation of the consolidated financial statements.

Consolidated statements of income

Loss on piling business

It has become clear that there was manipulation of ammeter data and flowmeter data in the pile installation work which consolidated subsidiary Asahi Kasei Construction Materials Corp. performed as secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan, and a portion of similar pile installation work performed over the past 10 years. Expenses incurred such as for investigation of the data manipulation are recorded as "loss on piling business."

VIII. Segment Information

1. Reporting segments

(1) Fiscal 2014

	Reporting segments					Others	Total
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal		
<i>Sales</i>							
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
<i>Other items</i>							
Depreciation	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 associates 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

(2) Fiscal 2015

	Reporting segments					Others	Total
	Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care	Subtotal		
<i>Sales</i>							
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
<i>Other items</i>							
Depreciation	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 associates 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

2. Differences between total amounts of reporting segments and recorded amounts on consolidated financial statements

Sales	Fiscal 2014	Fiscal 2015
Total of reporting segments	1,984,798	1,940,691
Net sales in "Others" category	42,760	36,761
Elimination of intersegment transactions	(41,152)	(36,538)
Net sales on consolidated statements of income	1,986,405	1,940,914

Operating income	Fiscal 2014	Fiscal 2015
Total of reporting segments	172,806	183,072
Operating income in "Others" category	949	553
Elimination of intersegment transactions	1,087	170
Corporate expenses, etc.*	(16,910)	(18,592)
Operating income on consolidated statements of income	157,933	165,203

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

Assets	Fiscal 2014	Fiscal 2015
Total of reporting segments	1,905,906	2,224,838
Assets in "Others" category	62,874	62,613
Elimination of intersegment transactions	(249,428)	(320,251)
Corporate assets*	295,179	244,529
Total assets on consolidated balance sheets	2,014,531	2,211,729

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

IX. Geographic information

1. Net sales

(1) Fiscal 2014

Japan	China	Other regions	Total
1,313,128	194,007	479,271	1,986,405

(2) Fiscal 2015

Japan	China	Other regions	Total
1,261,203	185,241	494,470	1,940,914

2. Property, plant and equipment

(1) Fiscal 2014

Japan	United States	Other regions	Total
361,130	30,814	110,563	502,507

(2) Fiscal 2015

Japan	United States	Other regions	Total
361,825	91,425	102,739	555,989