



Annual Report 2012

ASAHI KASEI CORPORATION



The Asahi Kasei Group operates a diversified range of businesses in the four sectors of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. With Asahi Kasei Corp. as a holding company, these businesses are advanced by nine core operating companies. Under our five-year medium-term strategic management initiative “For Tomorrow 2015” launched in fiscal 2011, we are actively expanding our world-leading businesses along with creating new value for society in the fields related to the environment & energy, residential living, and health care. By leveraging the comprehensive strengths of the Asahi Kasei Group, we will offer new value from the perspectives of “living in health and comfort” and “harmony with the natural environment,” aiming to achieve continuous growth in accordance with our Group Slogan—Creating for Tomorrow.

Group Mission

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

Group Vision

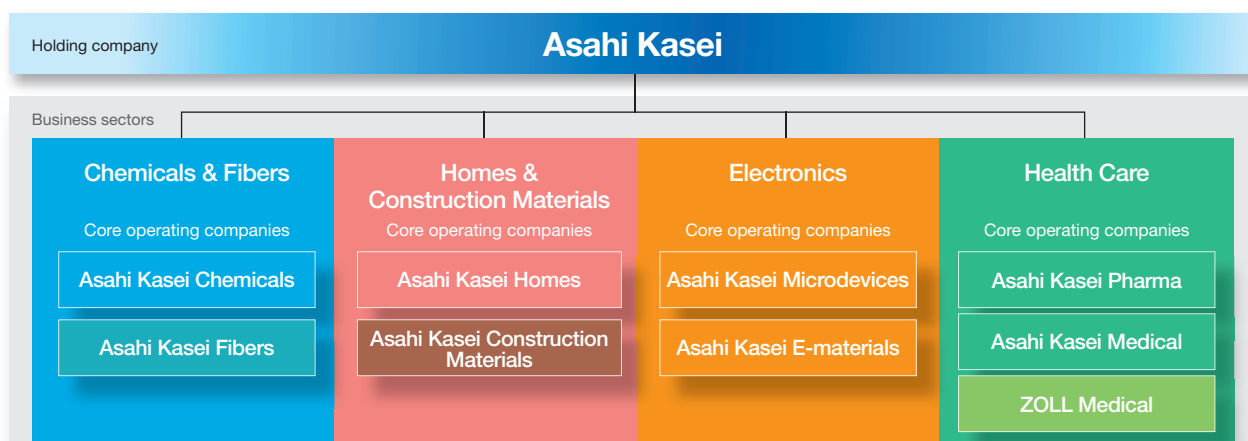
Providing new value to society by enabling “living in health and comfort” and “harmony with the natural environment.”

Group Values

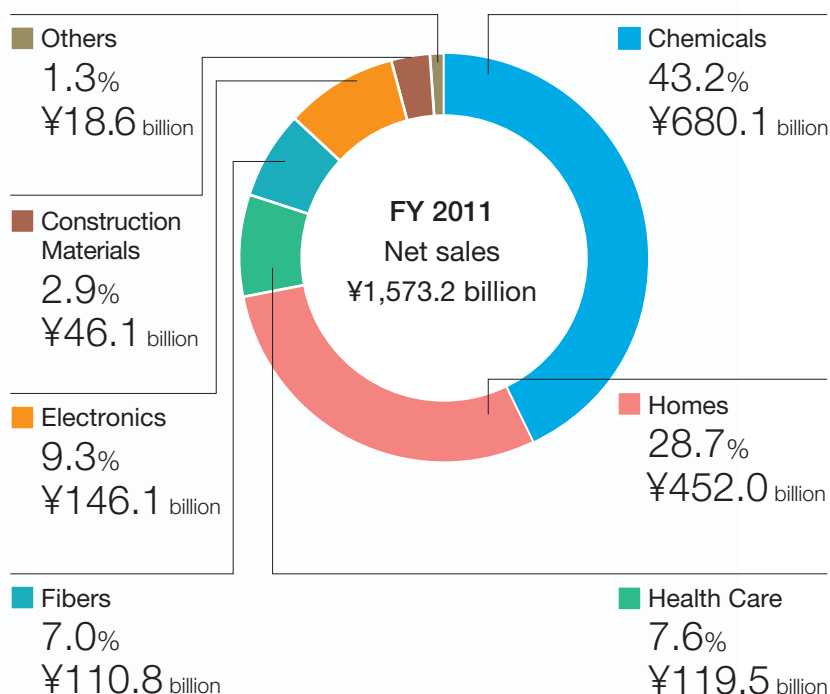
Sincerity—Being sincere with everyone.
 Challenge—Boldly taking challenges, continuously seeking change.
 Creativity—Creating new value through unity and synergy.

Group Slogan

Creating for Tomorrow

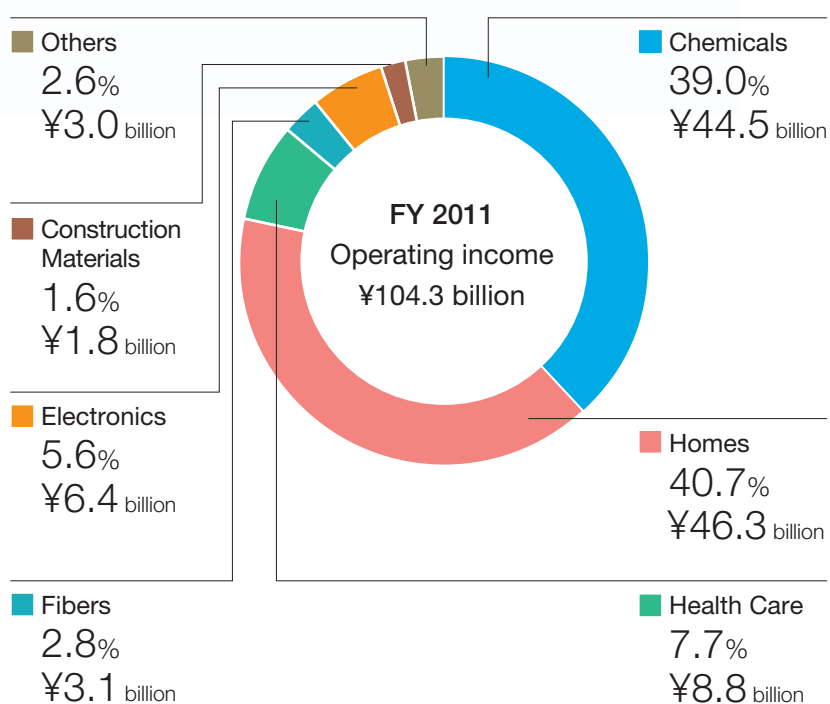


Net Sales



Operating Income

(Percentages before corporate expenses and eliminations)



Disclaimer

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

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Consolidated Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

Fiscal year beginning April 1	¥ billion					US\$ million*
	2011	2010	2009	2008	2007	2011
For the year						
Net sales**	¥1,573.2	¥1,555.9	¥1,392.2	¥1,521.2	¥1,663.8	\$ 19,155
Operating income	104.3	122.9	57.6	35.0	127.7	1,269
Net income	55.8	60.3	25.3	4.7	69.9	679
Comprehensive income	62.6	45.1	—	—	—	762
Free cash flows	51.8	69.3	69.1	(66.9)	3.8	631
At year-end						
Total assets	¥1,410.6	¥1,425.9	¥1,368.9	¥1,379.3	¥1,425.4	\$ 17,175
Net worth†	706.8	663.6	633.3	603.8	666.2	8,606
Interest-bearing debt	184.1	253.9	264.6	315.6	211.4	2,242
Per share						
		¥				US\$*
Net income	¥ 39.89	¥ 43.11	¥ 18.08	¥ 3.39	¥ 50.01	\$ 0.49
Net worth‡	505.72	474.59	452.91	431.77	476.39	6.16
Cash dividends	14.00	11.00	10.00	10.00	13.00	0.17
Key indexes						
Operating margin	6.6%	7.9%	4.1%	2.3%	7.7%	
Payout ratio	35.1%	25.5%	55.3%	295.0%	26.0%	
ROA	3.9%	4.3%	1.8%	0.3%	4.8%	
ROE	8.1%	9.3%	4.1%	0.7%	10.7%	
Net worth to total assets‡	50.1%	46.5%	46.3%	43.8%	46.7%	
D/E ratio‡	0.26	0.38	0.42	0.52	0.32	

* U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥82=US\$1 as described in Note 1 of Notes to Consolidated Financial Statements.

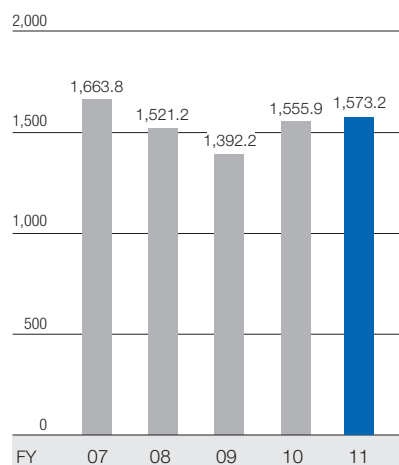
**Beginning with the year ended March 31, 2012, the accounting policy for naphtha resale in the Chemicals segment was changed. This change is applied retroactively to net sales for the years ended March 31, 2008, through March 31, 2011. Operating margin is recalculated accordingly.

† Net assets less minority interest.

‡ At fiscal year end.

Net Sales

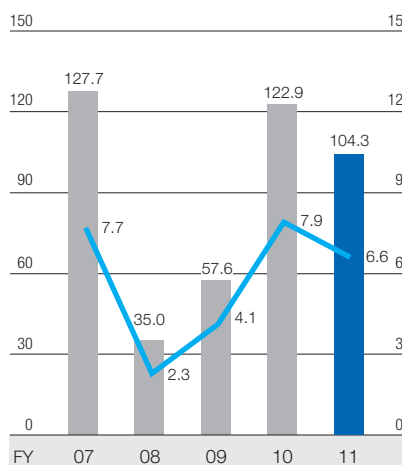
(¥ billion)



Operating Income, Operating Margin

(¥ billion)

(%)

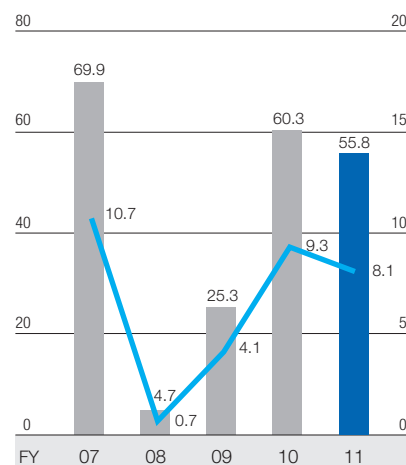


■ Operating income, left scale
— Operating margin, right scale

Net Income, ROE

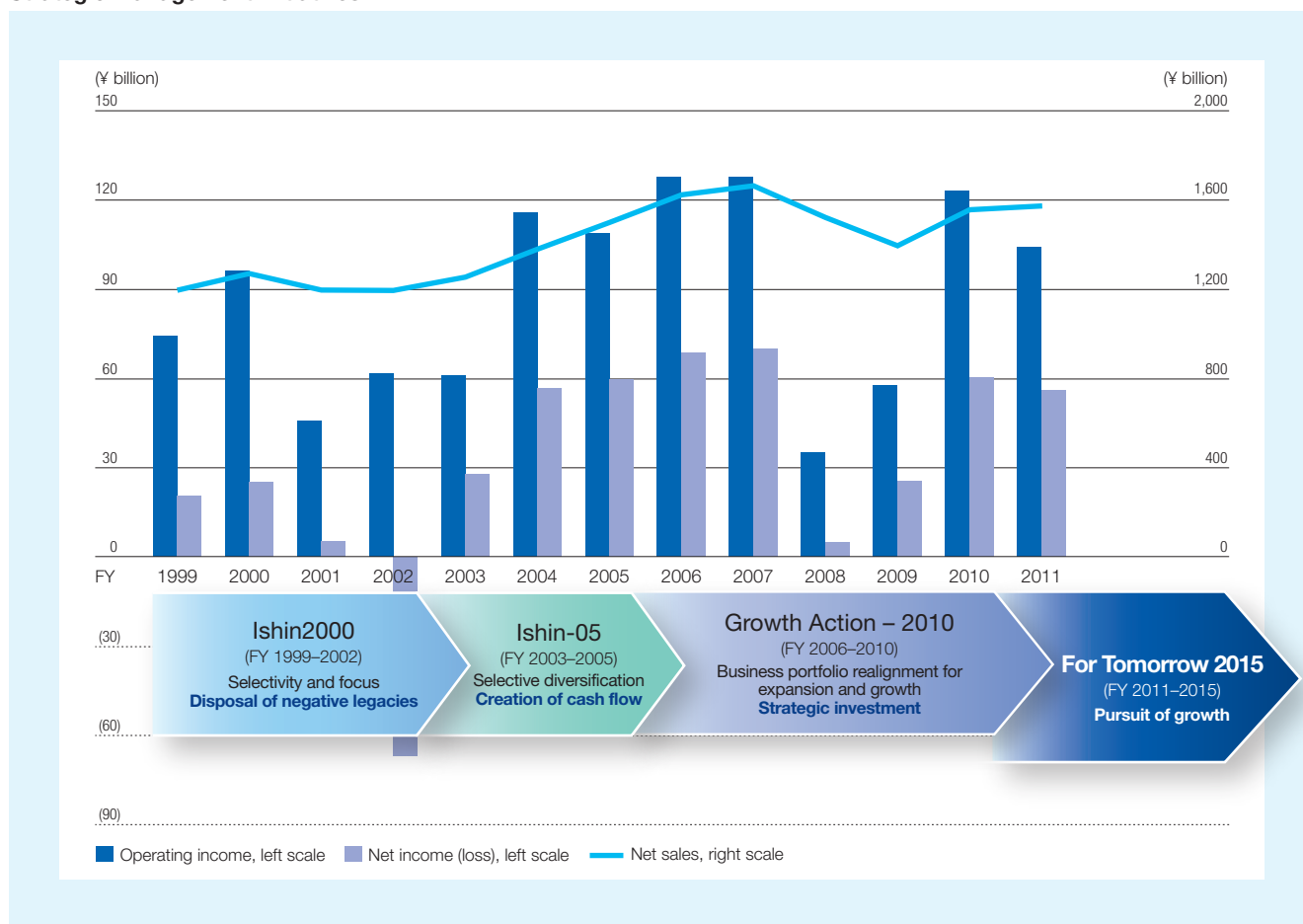
(¥ billion)

(%)

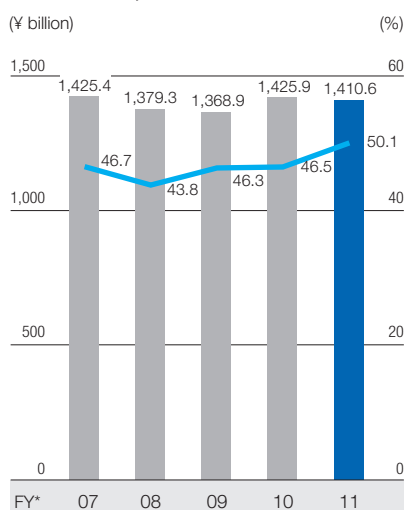


■ Net income, left scale
— ROE, right scale

Strategic Management Initiatives

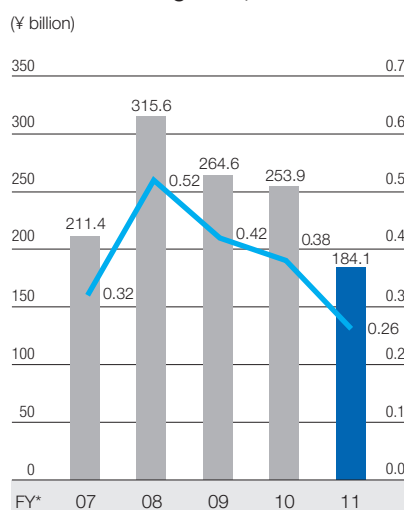


Total Assets, Net Worth to Total Assets



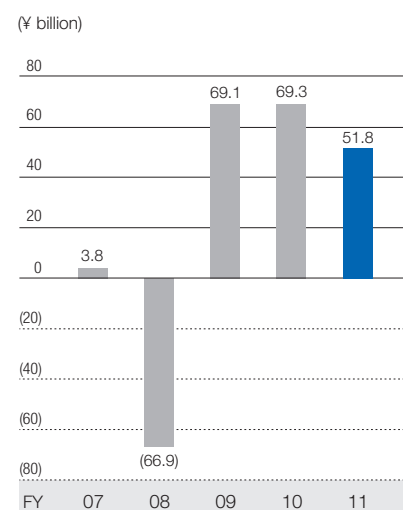
■ Total assets, left scale
 — Net worth to total assets, right scale
 * At year end.

Interest-Bearing Debt, D/E Ratio



■ Interest-bearing debt, left scale
 — D/E ratio, right scale
 * At year end.

Free Cash Flows



The Japanese economy slowed down significantly during fiscal 2011, with the global economy being affected by the sovereign debt crisis in Europe, and with exports to China and other emerging markets declining during the second half after having been relatively solid during the early part of the fiscal year. Although manufacturing activity generally recovered from the stagnant period following the Great East Japan Earthquake, Japan's economic circumstances remained challenging, with corporate earnings suppressed by the persistent strength of the yen and high prices for feedstocks and fuel.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥17.3 billion (1.1%) to ¥1,573.2 billion with strong performance in the Homes segment. Operating income decreased by ¥18.7 billion (15.2%) to ¥104.3 billion, largely due to the effect of high feedstock costs and the strong yen in the Chemicals segment. Ordinary income decreased by ¥10.7 billion (9.0%) to ¥107.6 billion, and net income decreased by ¥4.5 billion (7.5%) to ¥55.8 billion.

Although overall performance declined, we raised our annual dividend for the fiscal year by ¥3 per share from previous year to ¥14 per share.

The Asahi Kasei Group is now advancing under a five-year strategic management initiative called "For Tomorrow 2015," which we launched in April last year for completion in fiscal 2015. This initiative provides a clear focus that unifies our diverse operations on our Group Vision of providing new value for people by enabling *living in health and comfort* and *harmony with the natural environment* in accordance with our Group Slogan of "Creating for Tomorrow." In order to achieve this, in addition to further accelerating the expansion of our world-leading businesses, we are creating new value for society by expanding our operations in fields related to the environment & energy, residential

living, and health care. One notable advance was our April 2012 acquisition of ZOLL Medical Corporation, a major US manufacturer of critical care devices, and ZOLL is now a core operating company within the Asahi Kasei Group.

We will continue to strive for heightened corporate value through the achievement of further strategic advances under "For Tomorrow 2015."

August 2012



Ichiro Itoh
Chairman

Taketsugu Fujiwara
President

Mid-term management initiative

"For Tomorrow 2015" (FY 2011–2015)

Leveraging our diversified strengths, we will offer new value from the perspectives of *living in health and comfort* and *harmony with the natural environment* by "Creating for Tomorrow."

1 Expansion of world-leading businesses

Focused and proactive global development to build market leadership in growing markets.

Acrylonitrile (AN)

Solution-polymerized styrene-butadiene rubber (S-SBR)

Electronics: Hipore™ lithium-ion battery separator, LSIs, Sunfort™ dry film photoresist, photomask pellicles

Health Care: APS™ polysulfone-membrane artificial kidneys, Planova™ virus removal filters

Fibers: Bemberg™ cupro cellulosic fiber, Roica™ elastic polyurethane filament

2 Creation of new value for society

Meeting emerging social needs for "living in health and comfort" and "harmony with the natural environment" in the following three fields of focus through collaboration among different business units.

Environment & Energy: Leveraging diverse technology to create a future in harmony with the natural environment (Hipore™ lithium-ion battery separator, LSIs, Microza™ hollow-fiber filtration membranes, Neoma™ and Jupii™ phenolic foam insulation panels, etc.)

Residential Living: Providing comfortable living to more customers, more quickly

(Order-built homes, real-estate business, remodeling, Hebel™ autoclaved aerated concrete, etc.)

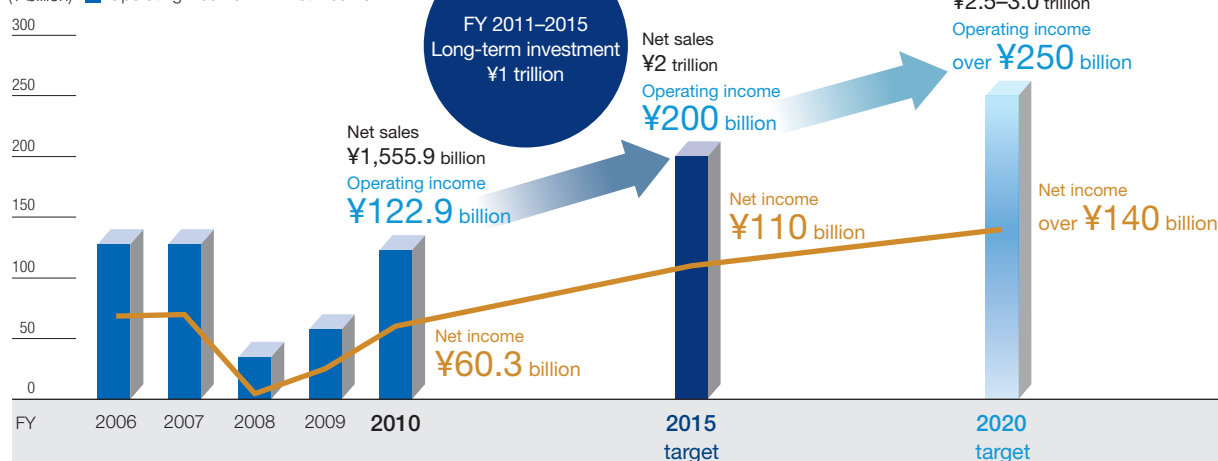
Health Care: Providing unique products and technologies for a lively society of health and longevity

(Teribone™ osteoporosis drug, hemodialysis, etc.)

➔ Creation of new businesses is advanced with "For Tomorrow" projects in each of these three fields.

Financial targets

(¥ billion) ■ Operating income — Net income





Taketsugu Fujiwara, President

Accelerating actions for future growth through our “For Tomorrow 2015” strategic management initiative.

In April 2011, the Asahi Kasei Group launched a strategic management initiative “For Tomorrow 2015” for the five years through fiscal 2015. Despite the challenging operating climate we faced during the second half of fiscal 2011, we maintained momentum on several strategic actions to build the foundations for further growth.

▶ For Tomorrow 2015

“For Tomorrow 2015” is focused on the creation of new value for the future by anticipating changes in society from the two perspectives of *living in health and comfort* and *harmony with the natural environment*, in accordance with our Group Mission of contributing to life and living for people around the world.

Our two main strategies for growth are the expansion of world-leading businesses and the creation of new value for society. For the former, we have been building on our established No. 1 and

No. 2 global positions, expanding proactively in markets where we can exert leadership, with a focus on growth in developing countries. For the latter, we have been concentrating our resources on the expansion of businesses related to the environment and energy, residential living, and health care. Leveraging the diverse strengths of the Asahi Kasei Group in these fields, we have established “For Tomorrow” projects that correspond to each of these three fields, extending across our various business units, working to provide unique solutions to the world’s emerging needs.

We plan to invest some ¥1 trillion to achieve these strategies over the five-year period through fiscal 2015. Our targets for fiscal 2015 are consolidated net sales of ¥2 trillion and operating income of ¥200 billion.

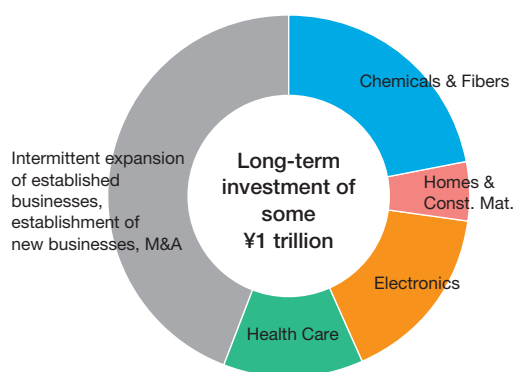
Progress to Date

We have taken several important steps during our first year of “For Tomorrow 2015.” For the expansion of world-leading businesses, we have strengthened the foundations of our acrylonitrile (AN) business to meet the growing demand in Asia with our world-leading production technology. We started-up a new AN plant in Thailand using the world’s first commercial propane-process technology—which is now ramping-up toward full-capacity operation, constructed a new AN plant in Korea, and established a joint venture in Saudi Arabia to study an AN project. For S-SBR, whose demand is growing in the market of fuel-efficient tires, we started construction of our first plant in Singapore and made a decision to add a second plant as well. In electronics, the Asahi Kasei Group enjoys the world’s top-share with Hipore™ Li-ion battery separator, which is widely used for smartphones, tablet PCs, and laptop computers. In order to maintain and reinforce our leading position, we are not only increasing production capacity but also making preparations for market expansion in automotive applications.

We also made significant progress in developing and expanding businesses that create new value for society. In the field of the environment and energy, we established a joint venture with FDK Corp. to accelerate the development of business related to the lithium ion capacitor (LIC), an advanced high-capacity energy storage device. We also acquired US venture company Crystal IS, Inc. to develop business related to ultraviolet light emitting diodes (UV LEDs). In the field of residential living, we constructed a demonstration house called “HH2015” in Fuji, Shizuoka prefecture, to showcase cutting-edge technologies, such as solar power generation systems and home dialysis devices. This facility

displays future products created through synergy among different operations within the Asahi Kasei Group as well as with various outside entities. In health care, we began a program of a joint research on cell processing for cancer treatment with tella, Inc., a company specializing in cell therapy. Most significant of all is our entry into the field of critical care through our acquisition of ZOLL Medical Corporation, a major US manufacturer of critical care devices and systems.

Long-term investment plan



Performance plan by business sector

(¥ billion)

	Net sales		Operating income	
	FY 2010	FY 2015 target	FY 2010	FY 2015 target
Chemicals & Fibers	808.6	880.0	68.6	75.0
Homes & Const. Mat.	456.6	570.0	38.6	50.0
Electronics	158.3	250.0	14.3	40.0
Health Care	116.4	180.0	7.0	25.0
Others	16.0	20.0	(5.5)	(5.0)
Subtotal	1,555.9	1,900.0	122.9	185.0
“For Tomorrow” projects*		100.0		15.0
		FY 2020, approx. 300		FY 2020, approx. 50
Total	1,555.9	2,000.0	122.9	200.0

* With our April 2012 acquisition of ZOLL, Critical Care is added as a new operating segment beginning in FY 2012. FY 2015 targets shown above as “For Tomorrow” projects include the Critical Care segment.

Forthcoming Steps

Subsequent to the launch of “For Tomorrow 2015,” the operating climate has worsened dramatically, with the extreme strength of Japanese yen impacting the profitability of exports and the sovereign debt crisis in Europe leading to reduced demand in our Chemicals and Electronics segments in particular. In response to these changes, we are not only further accelerating progress under our management initiative, but are also implementing an additional program to enhance structural profitability. We are targeting a cost reduction of over ¥20 billion by the end of “For Tomorrow 2015” by enhancing the efficiency of work in sales and R&D, reducing production costs, and streamlining physical distribution. These measures to reinforce our business foundation will play a vital part in achieving our “For Tomorrow 2015” targets.

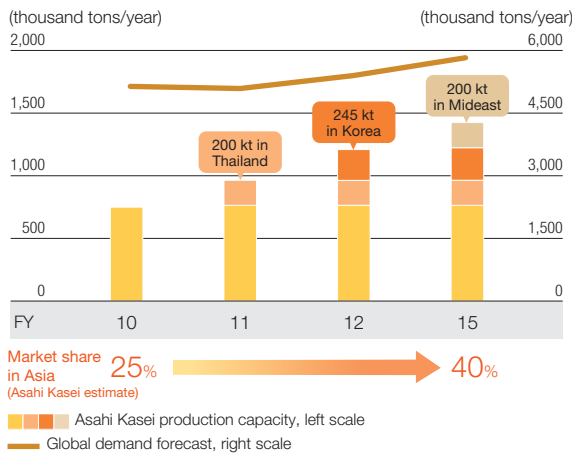
For the further development of our world-leading businesses, we will advance the strategic expansion of AN operations, and study further capacity increases for S-SBR overseas. We are also studying additional expansions of capacity for Hipore™ to maintain our world-leading share in mobile applications and establish leadership in the growing market for automotive applications. For the creation

of new value for society, we will strategically expand businesses in our three fields of focus. Growth in the field of the environment and energy will be achieved through the development of new electronic devices that, like the electronic compass, establish market leadership in each category, the expansion of our water-treatment membrane business, and the development of new businesses for LICs and UV LEDs. In residential living-related businesses, we will continue to launch new homes that address social needs such as support for raising children, and energy conservation and storage. We will also expand business for Jupii™ phenolic foam floor insulation panels. Expansion of operations in the field of health care will be achieved through further sales growth in Recomodulin™ recombinant thrombomodulin and Teribone™ for osteoporosis, advanced development of cell processing technology, and growth in the area of critical care with ZOLL as a core operating company.

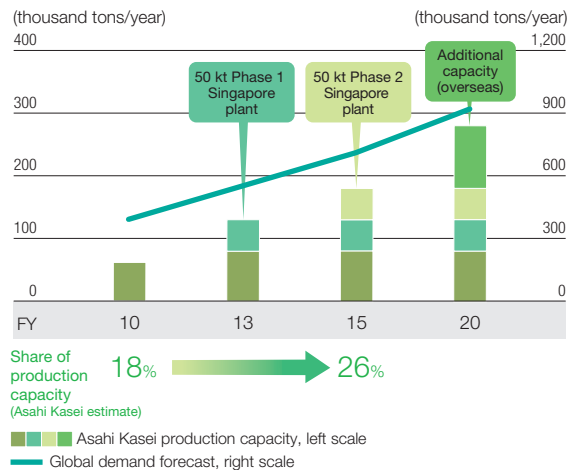
Expansion of Health Care Operations through Acquisition of ZOLL

We are focusing on three areas for growth in the field of health care by creating new value for society:

AN capacity expansion plan



S-SBR capacity expansion plan



critical care, medical IT, and cell culturing. Our particular interest in the area of critical care stems from the close coherence this area has with our Group Mission, the opportunity for synergies with our other health care operations, and the high market growth potential in this area worldwide.

ZOLL enjoys an outstanding reputation and strong brand value in the US, whose medical device market is highly influential around the world, and it has a wealth of experience in dealing effectively with medical regulations and health insurance systems, as well as a strong track record of successfully developing innovative new products. ZOLL's own future growth plans, moreover, corresponded flawlessly with our vision for business in this area, and so we moved to acquire the company. The acquisition was completed in April 2012, with ZOLL becoming a wholly owned subsidiary of Asahi Kasei and the newest core operating company in the Asahi Kasei Group. Together, we are now accelerating the expansion of ZOLL's high-growth products, both in the US and around the world. The inclusion of ZOLL's critical care business will enable us to scale up our health care sector to be a major pillar of our operating portfolio, on par with Chemicals and Homes.



Fiscal 2012 Outlook

The operating environment for the Asahi Kasei Group in fiscal 2012 is expected to remain challenging due to ongoing effects of the European economic crisis, the persistent strength of the yen, and slower economic growth in emerging countries. Although our global operations will be vulnerable to such factors, we still expect that our overall performance this fiscal year will improve from that of the previous year.

Three fields of focus for creation of new value for society

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



In Chemicals & Fibers, we are forecasting a recovery in sales of chemicals and derivative products, especially overseas, despite high feedstock costs and deteriorating terms of trade. Increased sales of Bemberg™ cupro fiber, spunbond nonwovens, and Leona™ nylon 66 filament are also anticipated.

In Homes & Construction Materials, increasing deliveries of order-built homes are expected to continue, along with increased sales of Hebel™ autoclaved aerated concrete (AAC), foundation systems, and thermal insulation products.

In Electronics, we are forecasting increased shipments of electronic devices, especially LSIs for smartphones and other portable devices. Among electronic materials, we are forecasting a recovery in demand most notably for Hipore™ lithium-ion battery separator.

Within the Health Care business sector, we are adding a new Critical Care operating segment to report results of ZOLL. We are forecasting higher operating income for this sector overall based on growing sales of Teribone™, Recomodulin™, and APST™ polysulfone-membrane artificial kidneys. Favorable performance in these products is expected

to soften the impact of rising R&D expenses. For the Critical Care segment, however, we are forecasting an operating loss due to amortization of goodwill.

For overall performance in fiscal 2012, we are forecasting increases from the previous year in sales, operating income, ordinary income, and net income.

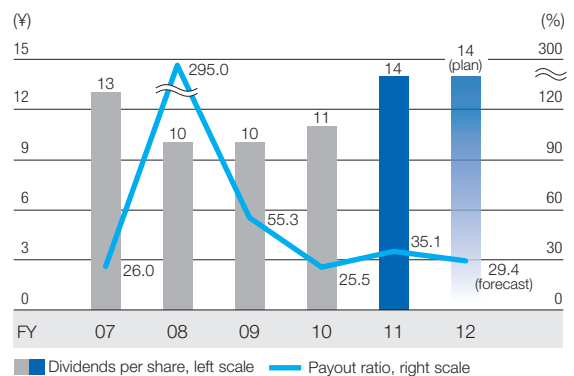
Return to Shareholders

The annual dividend for fiscal 2011 was raised by ¥3 per share from the previous year to ¥14 per share. We aim to maintain this dividend for fiscal 2012 reflecting forecasted consolidated financial results.

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

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

Dividends per Share, Payout Ratio



Under our “For Tomorrow 2015” strategic management initiative, we have launched three new projects: “Environment & Energy for Tomorrow,” “Residential Living for Tomorrow,” and “Health Care for Tomorrow.” These “For Tomorrow” projects aim to create new system-based, combined-unit businesses in each field by making the most of the Asahi Kasei Group’s diverse competencies.



Masafumi Nakao
Director
Lead Executive Officer
Asahi Kasei

Environment & Energy for Tomorrow

Leveraging diverse technology to create a future in harmony with the natural environment

Utilizing the technology of the Asahi Kasei Group, we are advancing the development of innovative materials, devices, and systems for application at each stage from power generation to storage and consumption—including cutting-edge battery materials, lithium ion capacitor modules and systems, next-generation energy-saving devices, and LED materials.

Lithium ion capacitors

In October 2011, we established a joint venture with FDK Corp. to accelerate the development of business related to the lithium ion capacitor (LIC), a next-generation energy storage device. LICs are capable of rapid charging and discharging at high current, and feature high capacity, long life, and outstanding safety. Demand for LICs is anticipated to grow rapidly in the future, most notably in load leveling for renewable energy and in power regeneration for construction equipment and electric vehicles. By combining FDK’s technology for integrated manufacture of cells and modules together with the Asahi Kasei Group’s basic cell technology, the joint venture will accelerate product commercialization as a leader in the LIC market.

Examples of LIC application

Load leveling

With rapid charge and discharge, LICs enable load leveling for intermittent renewable energy sources such as solar and wind.



Power regeneration

LICs are ideal for electric vehicles with regenerative braking systems to recover energy and provide power at start-up.



Power assistance

When a large amount of electricity is needed instantaneously, such as when a photocopier starts up, the LIC provides additional power.



Backup power

At hospitals or other facilities where stable power supply is indispensable, LICs compensate for voltage sags due to lightning, etc.



Ultraviolet light emitting diodes

In December 2011, we acquired full ownership of Crystal IS, Inc. (CIS), a US-based venture focused on the development of ultraviolet light emitting diodes (UV LEDs) using high-quality aluminum nitride (AlN) substrates. With shorter wavelength and higher energy than visible light, UV light can stimulate chemical reactions and provide a bactericidal effect. UV disinfection and sterilization are used for water treatment, medical devices, and many other applications, generally with a mercury-vapor light source. Featuring lower power consumption, more compact size, and longer service life than mercury-vapor lamps, UV LEDs are expected to facilitate the development of portable disinfection equipment while enabling a wide range of new applications. By merging the technology of CIS with the Asahi Kasei Group’s established technology for semiconductor thin films and devices, we will quickly build a new business for UV LEDs based on AlN substrates in this highly promising market.



UV LEDs and aluminum nitride substrate

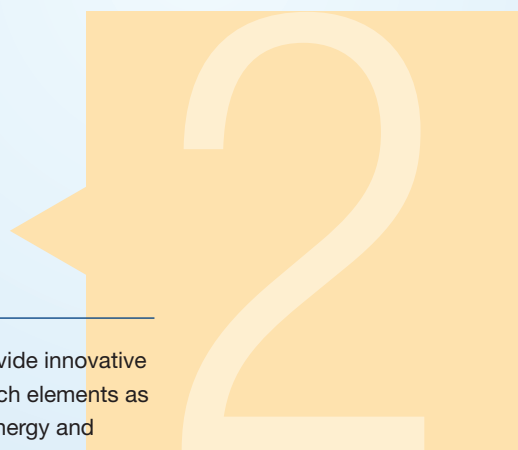


Residential Living for Tomorrow

Providing comfortable living to more customers, more quickly

Masahito Hirai
Executive Officer
Asahi Kasei
President
Asahi Kasei Homes

In addition to selling homes in the mature urban market, we also provide innovative lifestyle proposals that add new value for society by emphasizing such elements as healthy and comfortable living environments, interpersonal bonds, energy and resource conservation, and maximum utilization of land value.



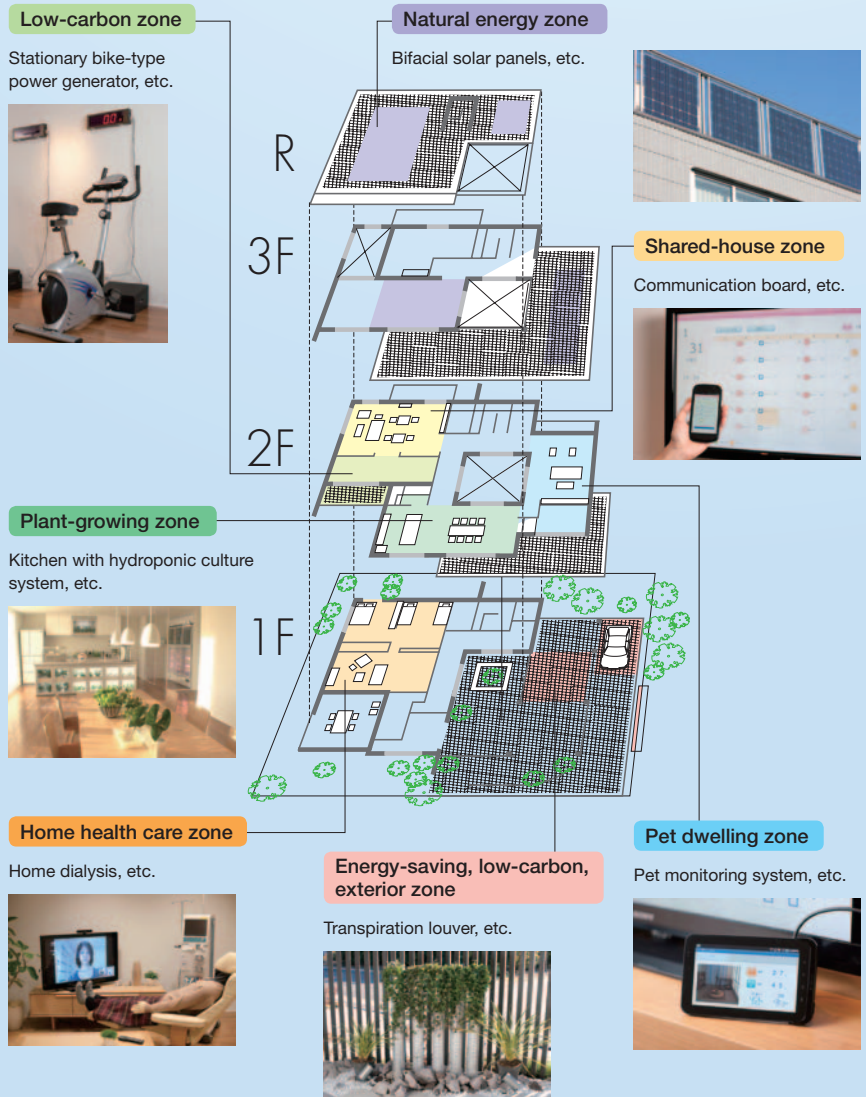
“HH2015” demonstration house

In December 2011, we completed the construction of a demonstration house called “HH2015” in Fuji, Shizuoka, Japan, which showcases the latest technology to meet the emerging changes in society through synergy among various operations within the Asahi Kasei Group as well as with outside entities. This provides a venue to test how new technology in the fields of environment & energy and health care, such as solar power generation systems and home dialysis devices, can be applied in the residential setting, and allows us to evaluate the practicality and commercial prospects of various product designs and functions.



“HH2015” demonstration house

Seven zones in HH2015





Yasuyuki Yoshida
Director
Primary Executive Officer
Asahi Kasei

Health Care for Tomorrow

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

Our main aim is to contribute to the advancement and widespread dissemination of Japanese medical technology as well as the establishment of Japanese society as a model for healthy longevity. While utilizing the technology and know-how of the Asahi Kasei Group, we proactively collaborate with outside organizations, both in industry and academia, bringing the disciplines of medicine and engineering together to take on the three challenges of “heightening emergency and critical care,” “utilizing medical IT to support healthy life,” and “applying cell therapy and regenerative medicine.”

Cell therapy and regenerative medicine

In September 2011 we began joint R&D for cell processing equipment for cancer treatment with tella, Inc., a leader in the field of dendritic cell (DC) vaccine therapy*. Currently, most of the process of culturing cells from patients and donors is performed manually by cell culture technicians, making it difficult to maintain efficient culturing procedures and achieve consistent quality of the cultured cells. Securing a stable, efficient supply of high-quality cells is therefore a key concern in this field. DC vaccine therapy, a promising field of cell therapy, targets and attacks only cancer cells without harming normal cells, with little concern of side effects. As a pioneer in this field, tella has contracted many medical institutions to

use its technology, and enjoys Japan's leading track record of cases treated. The joint R&D effort is focused on enabling the culture of cells with higher, more stable quality in a shorter time and at reduced cost, by applying the experience and know-how in membrane and bioprocessing technology of Asahi Kasei and the cutting-edge technology of tella.

* Dendritic cell (DC) vaccine therapy is a newly emerging and potent form of immunotherapy for the treatment of cancer. A cancer patient's DCs are cultured in vitro in large numbers, and are conditioned to recognize specific cancer antigens. After being returned to the patient's body, these DCs transmit the antigen characteristics to lymphocytes, which then specifically target and attack cancer cells based on their antigens.

Acquisition of ZOLL

In April 2012, Asahi Kasei acquired ZOLL Medical Corporation, a major US manufacturer of critical care devices, for approximately US\$2.21 billion. This acquisition provides an entry into the field of critical care, a major focus of our “Health Care for Tomorrow” project. ZOLL has a broad lineup of innovative products based on its world-leading core technology of resuscitation, including a new type of defibrillator for patients at high risk of sudden cardiac arrest. The company enjoys an outstanding reputation and strong brand value in the US, whose medical device market is highly influential around the world, and has a strong business platform in R&D, clinical development, dealing with medical regulations, manufacturing, and quality control. Together with ZOLL we are accelerating the expansion of operations in critical care. Combined with growth in our existing health care operations, this will enable our overall health care business sector to scale-up as a major pillar of our operating portfolio.



ZOLL headquarters in Massachusetts, US




The ZOLL AED Plus™ automated external defibrillator (AED), sold in Japan by Asahi Kasei since August 2011.

Acquisition of ZOLL Medical Corporation

ZOLL®

Profile of ZOLL

ZOLL is a major US manufacturer of critical care devices and systems. Its major strength is in defibrillators, with a rich product lineup that includes AEDs (automatic external defibrillators) for public use as well as number of models for medical professionals. ZOLL is the leading US supplier of defibrillators used by hospitals and emergency medical services (EMS). With these and a wide range of other products for critical care, the company is well positioned to maintain its strong pace of growth.

Company name	ZOLL Medical Corporation	
Establishment	1980	
Head office	Chelmsford, MA, USA	
Main business	Manufacture and sale of defibrillators, CPR devices, temperature management systems, and data management solutions	
Operation sites	Chelmsford, MA; Pittsburgh, PA; Sunnyvale, CA; Broomfield, CO; and some 20 other sites in Europe and Asia	
CEO	Richard A. Packer	
Employees	1,908 (as of October 2, 2011)	

Background of the acquisition by Asahi Kasei

Our relationship began with a business alliance under which Asahi Kasei began the exclusive sale in Japan of ZOLL's latest AED, the ZOLL AED Plus™, in August 2011. Subsequently, the management of the two companies deepened their interaction, and a merger agreement was signed in March 2012. We completed a TOB in April 2012, and ZOLL became a wholly owned subsidiary of Asahi Kasei.

Effect on Asahi Kasei's financial performance

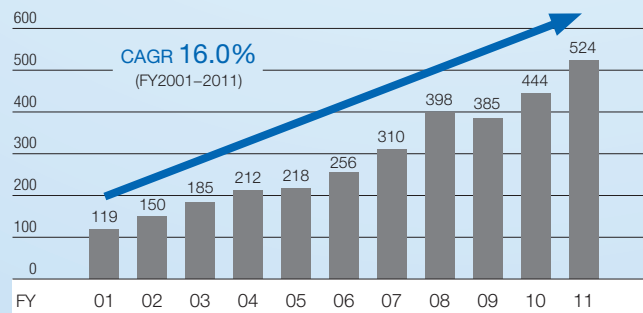
Due to depreciation and amortization, we expect that it will take two to three years for the Critical Care segment to contribute to consolidated operating income. Anticipating synergy between ZOLL and our existing health care operations, we are scaling up our health care business sector to reach sales of ¥500 billion in fiscal 2020.

Growth strategy

The initial focus is to further expand US sales of ZOLL's growing products such as defibrillators for patients at risk of sudden cardiac arrest and temperature management systems. We will also further develop marketing channels in Europe and Asia to enable the expansion of ZOLL's operations in these regions, and begin to study ways to gain synergy between ZOLL and our existing health care businesses. Through such strategic advancements, we will together strengthen our presence in the global critical care market.

ZOLL consolidated net sales trend

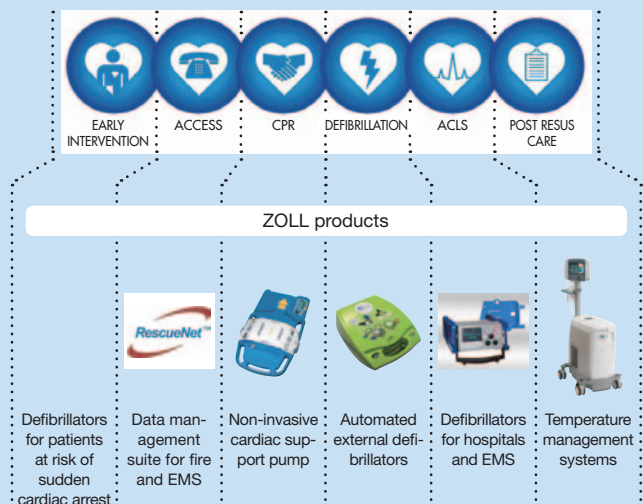
(US\$ million)



Note: Fiscal year ending in September (beginning in October of the previous year) until 2011, fiscal year beginning in April (ending in March of the following year) from 2012.

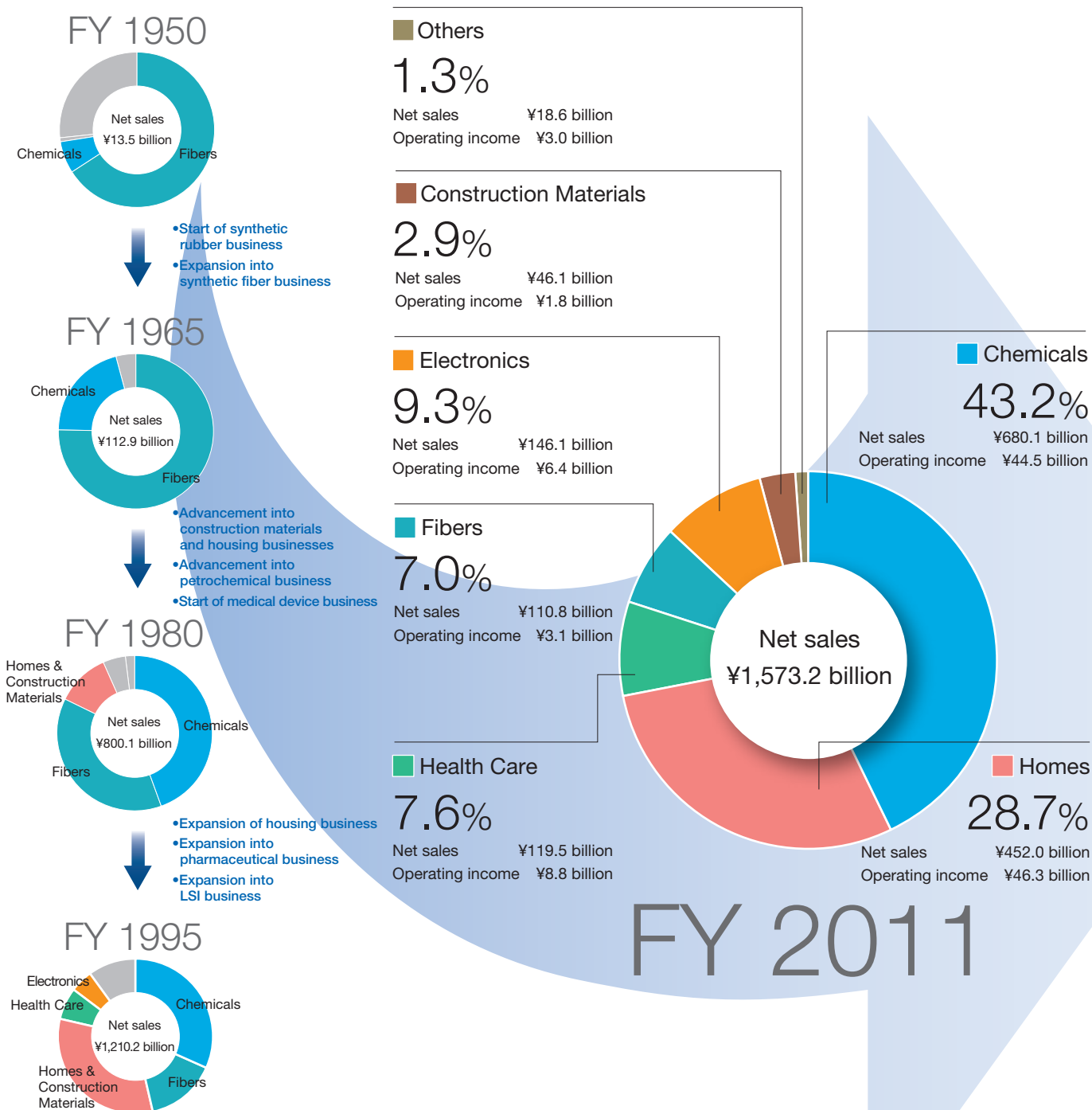
Product portfolio based on "Chain of Survival"*

* A guideline for the essential life-saving process in case of cardiac arrest as set forth by the American Heart Association (AHA), including procedures of reporting to EMS, CPR, defibrillation, and transfer to EMS.



By continuously transforming its business portfolio in anticipation of the changing needs of the times, the Asahi Kasei Group has developed and grown as one of Japan's leading chemical manufacturers, with a selectively diversified array of businesses. Under our medium-term strategic management initiative "For Tomorrow 2015," we are expanding our world-leading businesses as well as concentrating resources on fields related to the environment & energy, residential living, and health care, to create new businesses which meet emerging social needs.

History of business portfolio transformation
(sales composition)



Operating segments

Core operating companies, main businesses/products

Major consolidated subsidiaries

Chemicals



Asahi Kasei Chemicals Corp.

Chemicals and derivative products: Ammonia, nitric acid, caustic soda, acrylonitrile (AN), styrene, adipic acid, methyl methacrylate (MMA), and acrylic resin.

Polymer products: Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), Leona™ nylon 66, Suntec™ polyethylene (PE), synthetic rubber and elastomer, polystyrene.

Specialty products: Coating materials, latex, Ceolus™ microcrystalline cellulose, explosives, explosion-bonded metal clad, Microza™ UF and MF membranes and systems, ion-exchange membranes and electrolysis systems, Saran Wrap™ cling film, Ziploc™ storage bags, plastic film, sheet, and foam.

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

Homes



Asahi Kasei Homes Corp.

Order-built homes operations (unit homes and apartment buildings): Hebel Haus™ unit homes, Hebel Maison™ apartments.

Real estate-related operations: Management of Hebel Maison™ rental units, Hebel Town™ housing developments, Atlas™ condominiums, brokerage of used Hebel Haus™ homes

Remodeling: Exterior wall refurbishing, reroofing, redesign, interior renovation, solar panel installation.

Financial and other services: Mortgage financing, etc.

- Asahi Kasei Fudousan Residence Corp.
- Asahi Kasei Reform Co., Ltd.
- Asahi Kasei Mortgage Corp.
- Asahi Kasei Jyuko Co., Ltd.
- Asahi Kasei Home Construction Corp.

Health Care



Asahi Kasei Pharma Corp.

Asahi Kasei Medical Co., Ltd.

Pharmaceutical-related: Teribone™, Recomodulin™, Elcitonin™, Fiivas™, Toledomin™, Bredinin™, and other pharmaceuticals, Lucica™ GA-L glycolated albumin assay kit, L-series enriched liquid diets.

Medical device-related: APS™ polysulfone-membrane artificial kidneys (dialyzers), therapeutic apheresis devices, Planova™ virus removal filters, Sepacell™ leukocyte reduction filters.

- Asahi Kasei Pharma America Corp.
- Asahi Kasei Medical (Hangzhou) Co., Ltd.
- Asahi Kasei Bioprocess, Inc.
- Asahi Kasei Medical Europe GmbH

Fibers



Asahi Kasei Fibers Corp.

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

- Hangzhou Asahikasei Spandex Co., Ltd.
- Hangzhou Asahikasei Textiles Co., Ltd.
- Thai Asahi Kasei Spandex Co., Ltd.
- Asahi Kasei Spandex Europe GmbH
- Asahi Kasei Spunbond (Thailand) Co., Ltd.

Electronics



Asahi Kasei Microdevices Corp.

Asahi Kasei E-materials Corp.

Electronic devices: Mixed-signal LSIs, Hall elements.

Electronic materials: Hipore™ Li-ion battery separator, photomask pellicles, APR™ photosensitive resin and printing plate making systems, PimeI™ photosensitive polyimide/PBO precursor, Sunfort™ dry film photoresist, glass fabric for printed wiring boards.

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

Construction Materials



Asahi Kasei Construction Materials Corp.

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

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

Others

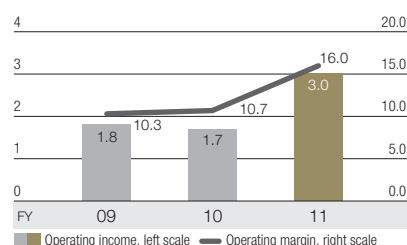
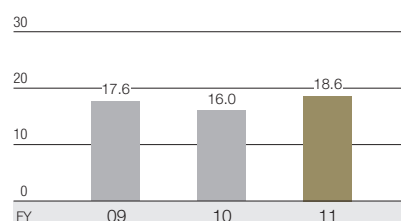
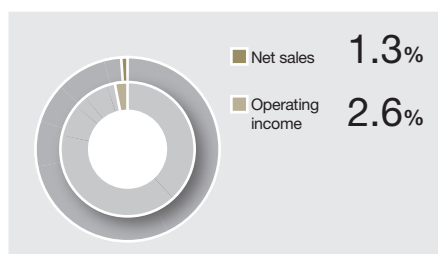
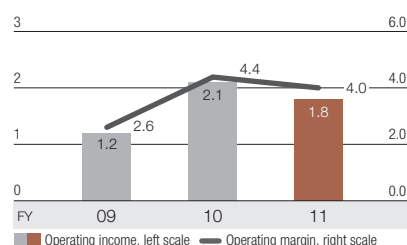
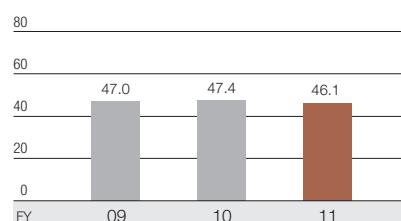
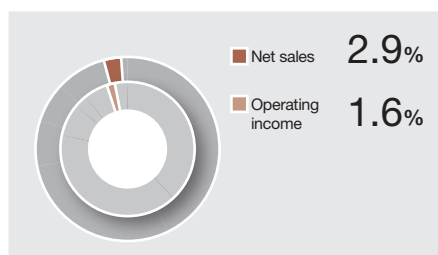
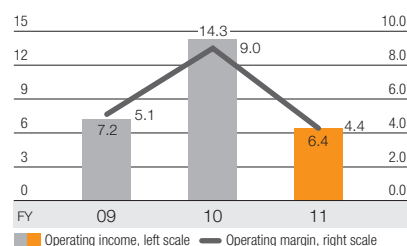
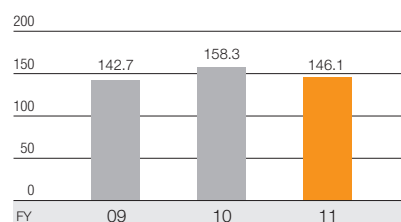
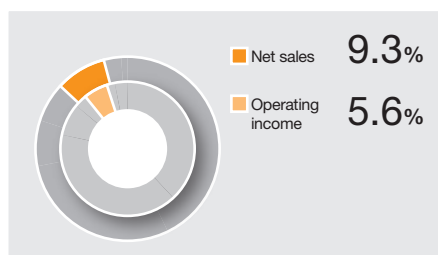
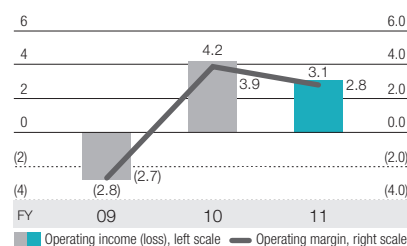
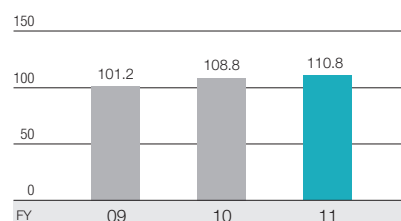
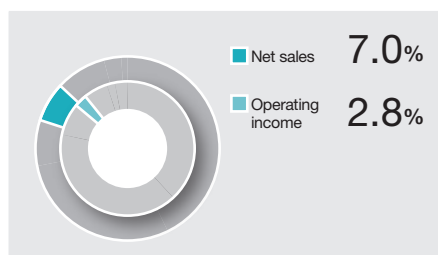
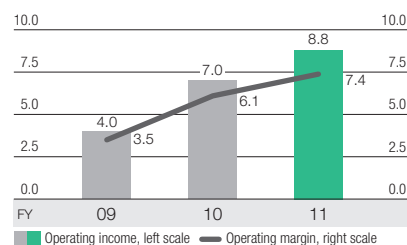
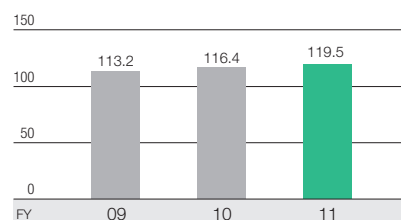
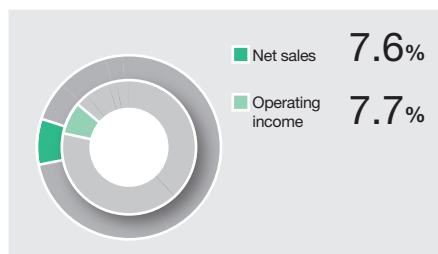
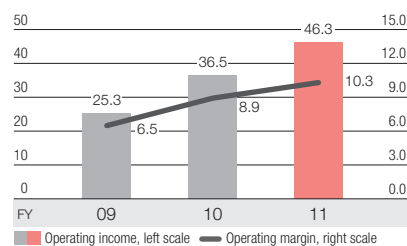
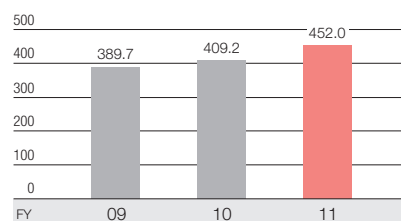
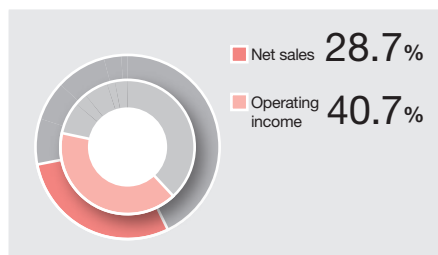
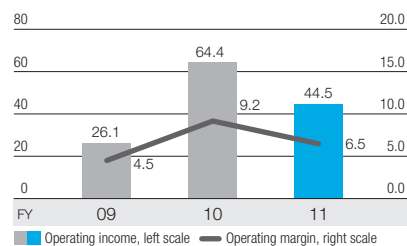
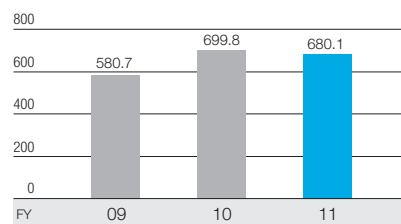
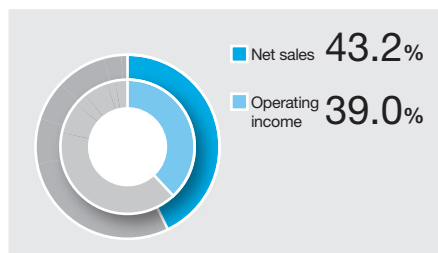
Plant engineering, environmental engineering, research and analysis, personnel staffing and placement.

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

Fiscal 2011 composition of sales, operating income*

Net sales (¥ billion)

Operating income (¥ billion), operating margin (%)



* Percentages before corporate expenses and eliminations.



Chemicals

Net sales vs. fiscal 2010
¥680.1 billion **-2.8%**

Operating income vs. fiscal 2010
¥44.5 billion **-30.9%**

Financial Highlights

(¥ billion)

Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥580.7	¥699.8	¥680.1	¥782.0
Overseas sales ratio	42.0%	43.5%	41.3%	—
Operating income	26.1	64.4	44.5	46.0
Operating margin	4.5%	9.2%	6.5%	5.9%
R&D expenditure	14.0	15.5	16.2	—
R&D expenditure as % of net sales	2.4%	2.2%	2.4%	—
Capital expenditure	27.6	23.2	39.1	50.0
Depreciation and amortization	32.4	31.9	29.6	—

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

Yuji Kobayashi

President, Asahi Kasei Chemicals



“For Tomorrow 2015” strategies

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

1. Aiming for leading position in globally competitive businesses

- Acrylonitrile (AN): Constructing cost-competitive plants to meet global demand growth, aiming for world No. 1 position.
- Solution-polymerized styrene-butadiene rubber (S-SBR): Proactive capacity expansion to meet strong demand growth in the fuel-efficient tire market.

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

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

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

- Establishment and expansion of new businesses in promising markets.

4. Optimization of petrochemical operations in Japan for stable profitability

Fiscal 2011 Review

Sales decreased by ¥19.7 billion (2.8%) to ¥680.1 billion, and operating income decreased by ¥19.9 billion (30.9%) to ¥44.5 billion.

Operating income from chemicals and derivative products decreased as market demand in China and other Asian countries declined in the second half of the fiscal year, and terms of trade for monomer products such as acrylonitrile and adipic acid deteriorated significantly due to high prices for naphtha and other feedstocks and the strong yen. Operating income from polymer products increased as domestic Japanese demand in automotive applications recovered in the second half of the fiscal year after a downturn following the Great East Japan Earthquake, and also synthetic rubber for tires performed well. Operating income from specialty products increased as home-use products such as Saran Wrap™ performed well, as did functional additives.

Fiscal 2012 Outlook

Shipment volumes are expected to increase in fiscal 2012, especially for chemicals and derivative products, enabling increased sales and operating income despite deteriorating margins due to higher feedstock prices.

Major Investments

Under construction in fiscal 2011

- New power generation facility for use with wood biomass fuel in Nobeoka, Miyazaki, Japan
- New AN and MMA plants in Thailand
- Capacity expansion for AN in Korea
- New S-SBR plant (1st phase) in Singapore
- New integrated R&D center in Kawasaki, Kanagawa, Japan

R&D

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

In chemicals and derivative products, we are advancing the verification of two new process technologies to enable feedstock diversification: the “E-flex” process for highly efficient production of propylene using C₂ fractions or bioethanol as feedstock, and the “BB-flex” process to produce butadiene from butene. Studies on their commercialization are in progress. We have also developed new process technology to produce diphenyl carbonate (DPC) using CO₂ as feedstock, and are now studying plans for commercialization.

In polymer products, we are advancing the development of a number of innovative products including polyamide with ultra-high

heat resistance, high rigidity, and excellent moldability using novel molecular design; synthetic rubber for next-generation eco efficient tires; modified polyphenylene ether (mPPE) expandable beads with high flame retardance and high heat resistance; and a new resin having optically isotropic properties in all directions. Computer-aided engineering (CAE) technology we developed in-house has become an essential element of our R&D capability, and is playing an increasingly significant role in new market development and joint development with customers.

Projects in specialty products include the development of LED encapsulants based on our silicone modification technology, and the development of low-cost, safe, and low-waste processes to manufacture active pharmaceutical ingredients (APIs) through a combination of our organic synthesis technology and process technology. In the field of membrane separation we have developed a phosphorus adsorbent with a porous structure to enable the world's fastest selective, high-level removal and high-purity recovery of phosphorus from treated water, and trials are in progress at large-scale water treatment facilities. The creation and development of new products and businesses are advancing through the accelerated development of materials for renewable energy and energy conservation, combining technologies not only within the Asahi Kasei Group but also with outside entities.

Highlights

Decision to construct second plant in Singapore for S-SBR for fuel efficient tires

In December 2011, Asahi Kasei Chemicals finalized a decision to construct its second S-SBR plant with annual production capacity of 50,000 tons in Singapore. With tightening environmental regulations and heightening environmental awareness,



Groundbreaking for our first S-SBR plant in Singapore

demand for high-performance tires which provide improved fuel efficiency is growing throughout the world. Demand for S-SBR which enables the production of tires that provide greater fuel efficiency while maintaining safety performance is therefore growing briskly. With this second plant in addition to the plant currently under construction in Singapore, Asahi Kasei Chemicals will enhance its ability to provide a stable supply of S-SBR as strong market growth continues.

Decision to construct a new acetonitrile plant in Korea

In January 2012, Asahi Kasei Chemicals finalized a decision to construct a new plant in Korea to produce acetonitrile—a byproduct of acrylonitrile (AN) used as a solvent in the manufacture of pharmaceuticals. The production of crude acetonitrile byproduct is expected to increase in Korea once a new AN plant currently under construction begins oper-

ating in 2013. The new acetonitrile plant, with a production capacity of 11,000 tons per year, will utilize the additional byproduct in Korea, serving as Asahi Kasei Chemicals' second production base in addition to a plant in Kawasaki, Kanagawa, Japan with capacity of 14,000 tons per year. With these two facilities, Asahi Kasei Chemicals will be in a stronger position to provide a reliable supply of acetonitrile to meet growing demand in the pharmaceutical industry, especially in India and China.



AN plant in Korea



Homes

Net sales
¥452.0 billion vs. fiscal 2010
+10.4%

Operating income
¥46.3 billion vs. fiscal 2010
+27.0%

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

Masahito Hirai

President, Asahi Kasei Homes



Financial Highlights

(¥ billion)				
Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥389.7	¥409.2	¥452.0	¥482.0
Overseas sales ratio	—	—	—	—
Operating income	25.3	36.5	46.3	50.0
Operating margin	6.5%	8.9%	10.3%	10.4%
R&D expenditure	2.1	2.0	2.1	—
R&D expenditure as % of net sales	0.5%	0.5%	0.5%	—
Capital expenditure	6.0	6.3	6.3	5.0
Depreciation and amortization	4.3	4.3	4.8	—

“For Tomorrow 2015” strategies

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

1. Houses, apartments

- Establishment of No. 1 position as a differentiated market leader with new residential lifestyle proposals that meet emerging social needs.
- Promotion of community-specific proposals to increase market share, and reinforcing marketing capabilities in selected urban areas of Japan.
- Expansion of multi-dwelling homes business.

2. Real estate

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

3. Expansion of housing-related operations

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

Fiscal 2011 Review

Sales increased by ¥42.7 billion (10.4%) to ¥452.0 billion, and operating income increased by ¥9.9 billion (27.0%) to ¥46.3 billion. Customer orders for order-built homes increased by ¥17.4 billion to ¥371.9 billion.

Operating income from order-built homes increased as deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. Operating income from pre-built homes remains unchanged since last year. Operating income from housing-related operations increased as real-estate rental operations performed well and remodeling operations expanded steadily.

Fiscal 2012 Outlook

With increased deliveries of order-built homes buoyed by a rise in orders, sales and operating income are forecasted to increase in fiscal 2012.

R&D

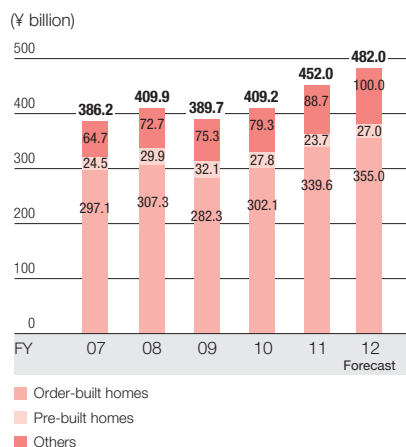
R&D is focused on enhancing core technologies. Shelter technology brings greater safety and security through

earthquake resistance, seismic damping, base isolation, and fire resistance; greater long-term usability through physical durability/evaluation, systematic maintenance, and ease of remodeling; enhanced livability through thermal insulation, air circulation, and sound barrier; and enhanced ecology through energy conservation and reduced CO₂ emissions.

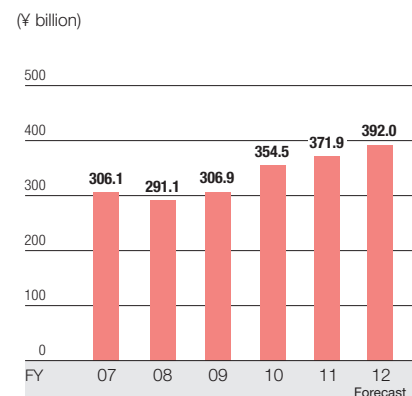
Lifestyle technology brings greater comfort, convenience, and satisfaction. Evaluation/simulation technology is being

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

Sales Trends (Asahi Kasei Homes consolidated)



Orders Received



Highlights

Establishment of Asahi Kasei Fudosan Residence Corp.

Asahi Kasei Real Estate, Ltd. was renamed Asahi Kasei Fudosan Residence Corp. in October 2011 with the transfer of the housing development business from Asahi Kasei Homes Corp. for integrated operation of real estate-related businesses. The new configuration will enable the efficient provision of more optimal solutions to a wide range of customers' needs related to urban residence and asset management.

Launch of new homes featuring the feel of nature

In April 2011, Asahi Kasei Homes launched Hebel Haus™ Soranoma Plus, a home featuring semi-outdoor space integrated with a second-story living

room. This design facilitates maximum utilization of sunlight and natural wind while maintaining a high level of privacy for residents. This was followed with the November 2011 launch of Hebel Haus™ Sky Cottage, a home featuring a third-



Hebel Haus™ Soranoma Plus

floor patio that extends from a large room on the top floor to form a large open area suited to variety of activities that facilitate family gatherings.



Hebel Haus™ Sky Cottage



Health Care

Net sales vs. fiscal 2010
¥119.5 billion +2.7%

Operating income vs. fiscal 2010
¥8.8 billion +25.0%

In order to contribute to life and living for people around the world, we are focused on providing the world with innovative new drugs that address unmet medical needs, as a specialized global pharmaceutical company.

Toshio Asano (left)

President, Asahi Kasei Pharma

With the ideal of healthy and affluent society that provides fair access to health care of a high standard, we are developing new medical enterprises that enable the development of innovative medical devices as well as the improvement, creation, and establishment of treatment technologies by leveraging our vast expertise and resources.

Yutaka Shibata (right)

President, Asahi Kasei Medical



Financial Highlights

	(¥ billion)			
Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥113.2	¥116.4	¥119.5	¥131.0
Overseas sales ratio	22.3%	22.9%	23.9%	—
Operating income	4.0	7.0	8.8	12.5
Operating margin	3.5%	6.1%	7.4%	9.5%
R&D expenditure	18.4	16.5	17.5	—
R&D expenditure as % of net sales	16.3%	14.2%	14.6%	—
Capital expenditure	9.2	7.4	10.7	11.0
Depreciation and amortization	12.2	11.4	11.5	—

“For Tomorrow 2015” strategies

Pharmaceutical-related

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

1. Japanese operations

We will continue to increase earnings by advancing the growth of Recomedulin™ and Teribone™ as high-selling drugs. R&D-related investments will be increased to further reinforce the new drug pipeline, and clinical development will be accelerated. In our main therapeutic field of orthopedics, we are advancing the development of drugs related to locomotive syndrome, including drugs for osteoporosis and rheumatoid arthritis, in order to build a world-leading position in this area. In diagnostics, we are working to expand use of the Lucica™ GA-L glycosylated albumin assay kit, while advancing the development of infectious disease diagnostic kits.

2. Overseas operations

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

Fiscal 2011 Review

Sales increased by ¥3.1 billion (2.7%) to ¥119.5 billion, and operating income increased by ¥1.8 billion (25.0%) to ¥8.8 billion.

Although operating expenses in pharmaceuticals operations rose with an increase in the number of medical representatives and higher R&D expenses, operating income increased with growing sales of Reomodulin™ recombinant thrombomodulin and the November 2011 launch of sales of Teribone™, a new osteoporosis drug. In devices-related operations, shipments of Planova™ virus removal filters increased, but operating income remains unchanged as the strong yen impacted performance in each product group.

Fiscal 2012 Outlook

We are forecasting higher sales and operating income for the Health Care segment based on growing sales of Teribone™ and Reomodulin™ in pharmaceuticals, and APS™ polysulfone-

membrane artificial kidneys in medical devices. Some impact from rising expenses for pharmaceuticals R&D is forecasted.

Major Investments

Completed in fiscal 2011

- Medical Material Laboratory, Nobeoka, Miyazaki, Japan

R&D

In pharmaceuticals, we are focused on contributing to “living in health and comfort” by addressing unmet medical needs which are increasing together with maturing markets and the aging population, particularly in the fields of orthopedics and

urology. We are not only searching for new subjects for R&D, but also pursuing continuous proprietary technological innovation and enhanced collaboration with world-leading technologies.

In medical devices and related systems, we are utilizing our comprehensive strength to advance R&D to provide products, technology, and services that extend the potential of medical treatment as well as heighten medical standards. We are further advancing technological developments in blood-related therapies (hemodialysis and therapeutic apheresis), leukocyte reduction, and virus removal, while also focusing on next-generation fields of research including regenerative medicine utilizing autohemotherapy.

Medical device-related

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

1. Blood purification

To meet forecasted growth in demand for artificial kidneys, we are strengthening our hemodialysis business by developing new variations of APS™ polysulfone membrane artificial kidneys and making continuous investments for expansion. For therapeutic apheresis devices that enable new possibilities for the treatment of intractable diseases and for the prevention of illnesses, we are enhancing our manufacturing process technology and heightening competitiveness as we continue to grow as the world leader in this field.

2. Blood transfusion

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

3. Bioprocess products

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

Pharmaceutical Product Pipeline (as of May 2012)				
Development stage	Code name, form, generic name	Classifications	Indication	Remarks
Pending approval	AK-120, oral, famciclovir	Antiviral	Herpes simplex	Additional indication
Phase III	AK-156, injection, zoledronic acid	Bisphosphonate	Osteoporosis	New efficacy, new dose; once-yearly administration
	AK-160, injection	Collagenase clostridium histolyticum	Dupuytren's contracture	New biologic
Phase II	AT-877, oral, fasudil hydrochloride hydrate	Rho-kinase inhibitor	Pulmonary arterial hypertension	Additional indication, new dosage form
Phase II (overseas)	ART-123, injection, recombinant thrombomodulin alpha	Recombinant human thrombomodulin	Sepsis with disseminated intravascular coagulation	New biologic
	AK106	Anti-inflammatory	Rheumatoid arthritis	New chemical entity

Highlights

Launch of Teribone™ osteoporosis drug in Japan

In November 2011, Asahi Kasei Pharma launched the sale of a 56.5 µg subcutaneous injection formulation of Teribone™ (generic name: teriparatide acetate) for the osteoporosis, which affects an increasing number of people as the population ages. The drug



Teribone™

facilitates bone formation for patients with just weekly administration. Since osteoporosis carries an increased risk of vertebral and femoral fracture, with a high probability of resulting in confinement to bed, this drug is expected to provide a valuable contribution to dealing with an important social issue.



Fibers

Net sales vs. fiscal 2010
¥110.8 billion +1.9%

Operating income vs. fiscal 2010
¥3.1 billion -25.2%

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

Toshio Takanashi
 President, Asahi Kasei Fibers



Financial Highlights

(¥ billion)				
Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥101.2	¥108.8	¥110.8	¥112.0
Overseas sales ratio	32.7%	34.4%	31.9%	—
Operating income (loss)	(2.8)	4.2	3.1	4.5
Operating margin	(2.7)%	3.9%	2.8%	4.0%
R&D expenditure	3.8	3.2	2.8	—
R&D expenditure as % of net sales	3.8%	2.9%	2.6%	—
Capital expenditure	4.6	3.7	5.7	11.0
Depreciation and amortization	7.7	7.0	6.4	—

“For Tomorrow 2015” strategies

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

1. Roica™ elastic polyurethane

- Further development and commercialization of new high-function yarns.
- Securing a presence in growing Asian markets and globally, with the plant in Thailand as a key manufacturing base.

2. Nonwovens

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

3. Bemberg™ regenerated cellulose

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

4. Leona™ nylon 66 filament

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

Fiscal 2011 Review

Sales increased by ¥2.1 billion (1.9%) to ¥110.8 billion, however operating income decreased by ¥1.1 billion (25.2%) to ¥3.1 billion.

Although shipments of spunbond in diaper applications increased, shipments of Leona™ nylon 66 filament in airbag applications increased, and Bemberg™ regenerated cellulose performed well, operating income decreased as the strong yen and high feedstock costs impacted products throughout the segment.

Fiscal 2012 Outlook

We forecast increased sales and operating income with growing shipments of

Bemberg™, spunbond, and Leona™ filament.

Major Investments

Under construction in fiscal 2011

- New spunbond plant in Thailand

R&D

In cooperation with other companies within the Asahi Kasei Group as well as with outside companies, we are enriching and enhancing our R&D functions to achieve results more quickly. Development of high-value added grades based on our unique technologies and manufacturing process innovation are advancing for Roica™ polyurethane, Bemberg™ regenerated

cellulose, Leona™ nylon 66, and various nonwovens. In addition, the creation of new cellulose-related business and the development of new nonwovens are advancing in accordance with the concepts of “living in health and comfort” and “harmony with the natural environment.”

Highlights

New functional knit Spiel™ which generates heat when stretched

In November 2011, Asahi Kasei Fibers launched Spiel™, a new functional knit that generates heat when stretched. This material was created by leveraging the company's advanced knitting technology and high-performance Roica™ spandex yarn. The heat generation function of this product will not only meet heightening demand for comfort and eco-efficiency in daily clothing, but also have great potential to expand its applications to various apparel categories such as sportswear. Asahi Kasei Fibers will continue to strengthen the Roica™ brand with additional developments of innovative yarns and fabrics that respond to customer's need.



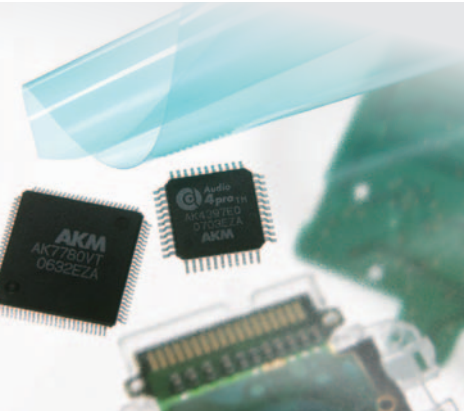
Asahi Kasei Award for Fashion Design Creativity in China

In March 2012, Asahi Kasei participated in China International Fashion Week, a major fashion event held in Beijing twice a year, to recognize top Chinese fashion designers with its “Asahi Kasei Award for Fashion Design Creativity in China.” Together with the award ceremony, a fashion show by the prize-winning designer is held to showcase apparel

made with Asahi Kasei's top-quality Bemberg™ cupro cellulosic fiber. The prize has been awarded ten times since its start in 2007, and it has now become an influential recognition within the Chinese fashion industry. Through this award, Asahi Kasei will continue supporting the development of the country's fashion design talent while heightening recognition of the Asahi Kasei Group in China.



Fashion show featuring top-quality Bemberg™ fabric



Electronics

Net sales vs. fiscal 2010
¥146.1 billion **-7.7%**

Operating income vs. fiscal 2010
¥6.4 billion **-55.0%**

Making the most of our unique technology, we are building our position as a leading supplier of electronic components, which continues to develop and supply category-leading products to the global market, and expand business as an electronic device manufacturer that customers throughout the world can rely on.

Makoto Konosu (left)

President, Asahi Kasei Microdevices

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

Tetsuro Ota (right)

President, Asahi Kasei E-materials



Financial Highlights

	(¥ billion)			
Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥142.7	¥158.3	¥146.1	¥152.0
Overseas sales ratio	46.5%	50.3%	50.8%	—
Operating income	7.2	14.3	6.4	10.5
Operating margin	5.1%	9.0%	4.4%	6.9%
R&D expenditure	18.4	18.4	19.2	—
R&D expenditure as % of net sales	12.9%	11.6%	13.1%	—
Capital expenditure	22.8	20.3	13.4	20.0
Depreciation and amortization	23.6	23.9	21.0	—

“For Tomorrow 2015” strategies

Electronic devices

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

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

Electronic materials

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

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

Fiscal 2011 Review

Sales decreased by ¥12.2 billion (7.7%) to ¥146.1 billion, and operating income decreased by ¥7.8 billion (55.0%) to ¥6.4 billion.

Although sales of mixed-signal LSIs for smartphones were firm, operating income in electronic devices decreased as an effect of a general deterioration in the operating climate which resulted in sluggish growth in shipment volumes, and by declining product prices and the strong yen. Although sales of Hipore™ Li-ion battery separator increased, operating income in electronic materials decreased with declining product prices and high feedstock costs.

Fiscal 2012 Outlook

For electronic devices we are forecasting increased shipments, especially of LSIs for smartphones and other portable devices, and a recovery in demand for electronic materials, most notably Hipore™ LIB separator. For the segment overall, both sales and operating income are forecasted to increase from the previous year.

Major Investments

Completed in fiscal 2011

- Capacity expansion for Hipore™ LIB separator (lines 2 and 3) in Hyuga, Miyazaki, Japan

Under construction in fiscal 2011

- Capacity expansion for Hipore™ LIB separator (line 4) in Hyuga, Miyazaki, Japan

R&D

With a wealth of design assets and a sophisticated organization of design engineers, we develop unique electronic devices in a timely fashion to keep pace with the rapid technology innovation of the electronics industry. Advanced development of high-performance products is based on both compound semiconductor process technology gained through development of high-sensitivity magnetic sensors and mixed-signal LSI technology.

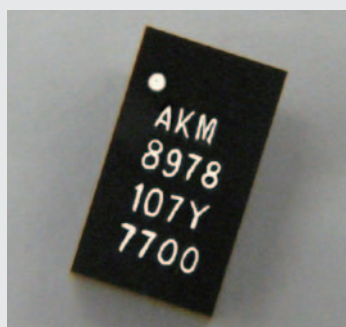
Development of new electronic materials which contribute to energy and resource conservation, reduced environmental burdens, and living in health and comfort is advancing based on our

core technologies for polymer design and synthesis, membrane formation, and precision surface processing. Environment and energy-related materials such as high-performance lithium-ion battery materials for both portable electronics and automotive applications, and materials for solar cells are currently under development, as are new materials which correspond to leading technological trends for finer patterning in both semiconductors and printed wiring boards.

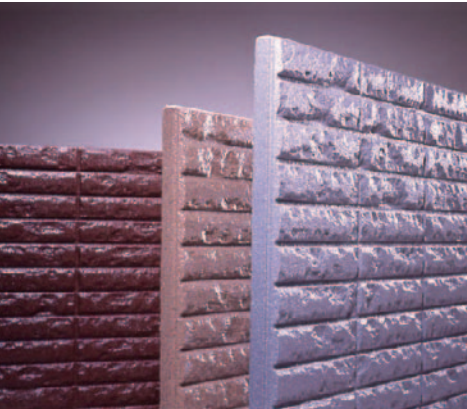
Highlights

New 6-axis electronic compass

Asahi Kasei Microdevices developed its latest 6-axis electronic compass, the AK8978, for portable appliances in January 2012. Asahi Kasei's electronic compasses have earned the leading global market share in smartphones and tablet PCs, and this is new 6-axis compass combines the company's 3-axis electronic compass with a high-performance 3-axis accelerometer from Analog Devices, Inc. in a single package.



AK8978, the latest 6-axis electronic compass



Construction Materials

Net sales vs. fiscal 2010
¥46.1 billion **-2.7%**

Operating income vs. fiscal 2010
¥1.8 billion **-12.8%**

Financial Highlights

(¥ billion)

Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥47.0	¥47.4	¥46.1	¥53.0
Overseas sales ratio	—	—	—	—
Operating income	1.2	2.1	1.8	3.0
Operating margin	2.6%	4.4%	4.0%	5.7%
R&D expenditure	1.1	1.1	1.1	—
R&D expenditure as % of net sales	2.3%	2.4%	2.5%	—
Capital expenditure	1.2	1.7	1.6	1.5
Depreciation and amortization	3.3	2.8	2.4	—

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

Tomihiro Maeda

President,
Asahi Kasei Construction Materials



“For Tomorrow 2015” strategies

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

We are focusing management resources on businesses where we can exert our strengths in markets which are growing in step with ongoing changes, such as heightening environmental awareness and a society-wide transformation to longer-lasting, more sustainable infrastructure. We are also advancing a transformation of business to achieve a shift from simply selling products to a more solution-oriented configuration encompassing peripheral fields and including systems and combination products based on the customer's perspective.

1. AAC-related

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

2. Foundation systems

Expanding business by further development of fields other than homes and buildings, including transmission towers, transportation infrastructure, and seismic reinforcement, centered on competitive Eazet™ and ATT Column™ small-diameter steel-pipe piling systems.

3. Insulation materials

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

4. Structural materials

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

Fiscal 2011 Review

Sales decreased by ¥1.3 billion (2.7%) to ¥46.1 billion, and operating income decreased by ¥0.3 billion (12.8%) to ¥1.8 billion.

Although shipment volumes and product prices of Hebel™ autoclaved aerated concrete panels were recovering, performance in foundation systems was sluggish, and performance in insulation materials operations were impacted by the expiration of government policy such as the eco-point program to support energy conservation.

Fiscal 2012 Outlook

We forecast an increase in sales and operating income during fiscal 2012 with

increased shipments of Hebel™ panels and of products throughout the foundation systems and insulation materials lineups.

R&D

R&D is focused on heightening basic technology in our four businesses of AAC, foundation systems, insulation materials, and steel-frame structural materials. We are also proactively advancing R&D to establish new solution-oriented businesses by creating services and products in fields peripheral to existing businesses, such as remodeling service for exterior AAC walls and non-construction applications for small-scale piling systems such as Eazet™ and ATT Column™.

Highlights

Expansion of capacity for phenolic foam insulation panels

In April 2012, Asahi Kasei Construction Materials finalized a decision to increase production capacity of Neoma™ high-performance phenolic foam insulation panels and Jupii™ floor insulation panels developed based on Neoma™ technology. The market for high-performance insulation panels is anticipated to grow dramatically against a background of heightened demand for energy conservation and better insulated homes, with renewed consumer interest in “smart” and “zero-energy” homes as well as the roadmap toward mandatory energy conservation standards for homes in 2020 which was

recently issued by the Japanese government. Asahi Kasei Construction Materials will add a new production line at its plant in Ibaraki prefecture to secure stable supply of their products. As a Japan’s leading manufacturer of

phenolic foam insulation panels, the company will continue to strengthen operations through the reliable supply of high-quality, high-performance products that contribute to improved thermal environments in architectural works.



Neoma™



Jupii™

Others

Net sales vs. fiscal 2010
¥18.6 billion +15.9%

Operating income vs. fiscal 2010
¥3.0 billion +74.0%

Financial Highlights

(¥ billion)				
Fiscal year beginning April 1	2009	2010	2011	2012 forecast
Net sales	¥17.6	¥16.0	¥18.6	¥20.0
Overseas sales ratio	10.9%	7.5%	12.7%	—
Operating income	1.8	1.7	3.0	2.0
Operating margin	10.3%	10.7%	16.0%	10.0%
R&D expenditure	0.2	0.3	0.2	—
R&D expenditure as % of net sales	1.2%	1.7%	1.2%	—
Capital expenditure	0.9	1.0	0.8	1.5
Depreciation and amortization	0.8	0.9	0.9	—

Fiscal 2011 Review

Sales increased by ¥2.5 billion (15.9%) from a year ago to ¥18.6 billion, and operating income increased by ¥1.3 billion (74.0%) to ¥3.0 billion.

Operating income in engineering operation increased from fiscal 2010 due to firm performance of large-scale constructions and overseas plant operations.

R&D

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

Fiscal 2012 Outlook

We are forecasting increased sales from engineering operations in fiscal 2012, and increased sales for Others overall, but decreased operating income due to intensified competition.

Toward Sustainable Growth

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Basic Concept for Corporate Governance

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

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

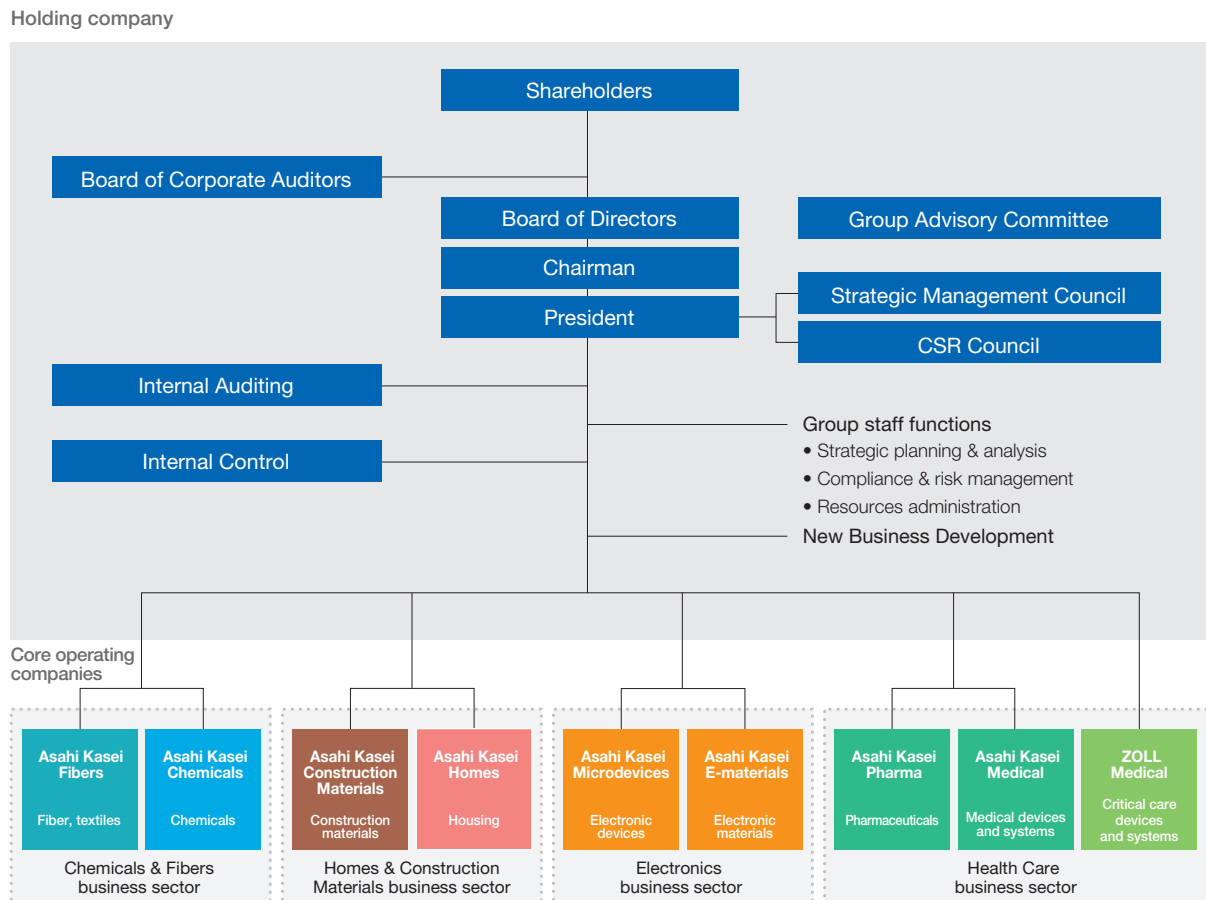
2) The Group Approval Authority Regulations are positioned as the highest ranking among all the regulations governing the overall Group for decision-making in executing business. Authority is distributed to each organ of the holding company and the core operating companies in accordance with the degree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

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

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

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

Management Configuration (as of June 28, 2012)



Board of Directors

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

Strategic Management Council

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

Group Advisory Committee

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

Board of Corporate Auditors

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

We employ an Executive Officer system, under which we have ten Directors, including three Outside Directors, and eighteen Executive Officers, including six who concurrently serve as Director, as well as a Corporate Auditor system, under which we have four Corporate Auditors, including two Outside Corporate Auditors. (as of June 28, 2012)

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

Corporate Governance System

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

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

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

Audits

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

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

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

Independent Auditors designated to perform the audit for fiscal 2011 were Mr. Keiichi Ohtsuka and Mr. Takahiro Nakazawa. The Independent Auditors form a team of assistants for performance of the audit in accordance with its audit plan. The team mainly comprises certified public accountants and junior accountants, and also includes certified information systems accountants and other specialist accountants.

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

Adoption of Shareholder Rights Plan

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

June 2011.

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

Compliance

Corporate Ethics

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

Protection of Personal Information

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

Information Disclosure Policy

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

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

Compliance Monitoring by the Corporate Ethics Committee

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

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

Risk Management

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

After the Great East Japan Earthquake, the Asahi Kasei Group reviewed its preparedness for the possible occurrence of a major earthquake in areas such as Tokai, Minami-tokai, Nankai, and Hyuganada. Important matters were identified for group-wide implementation from the perspectives of 1) preparatory measures to minimize

damage, 2) immediate earthquake response measures, and 3) restoration and recovery measures. All operating sites, plants, and offices have reviewed their earthquake and tsunami response preparations accordingly, and instituted programs for ongoing periodic review to ensure continuous improvement.

When major flooding occurred in Thailand in October 2011, inundating one of our plants, the safety of all Asahi Kasei Group personnel throughout the country was swiftly confirmed. In addition, a broad communication network was established to connect all of our manufacturing bases and offices in Thailand during the early stages of flooding to enable personnel to smoothly share information about damage, evacuation, and risk management measures taken at each location.

CSR at the Asahi Kasei Group

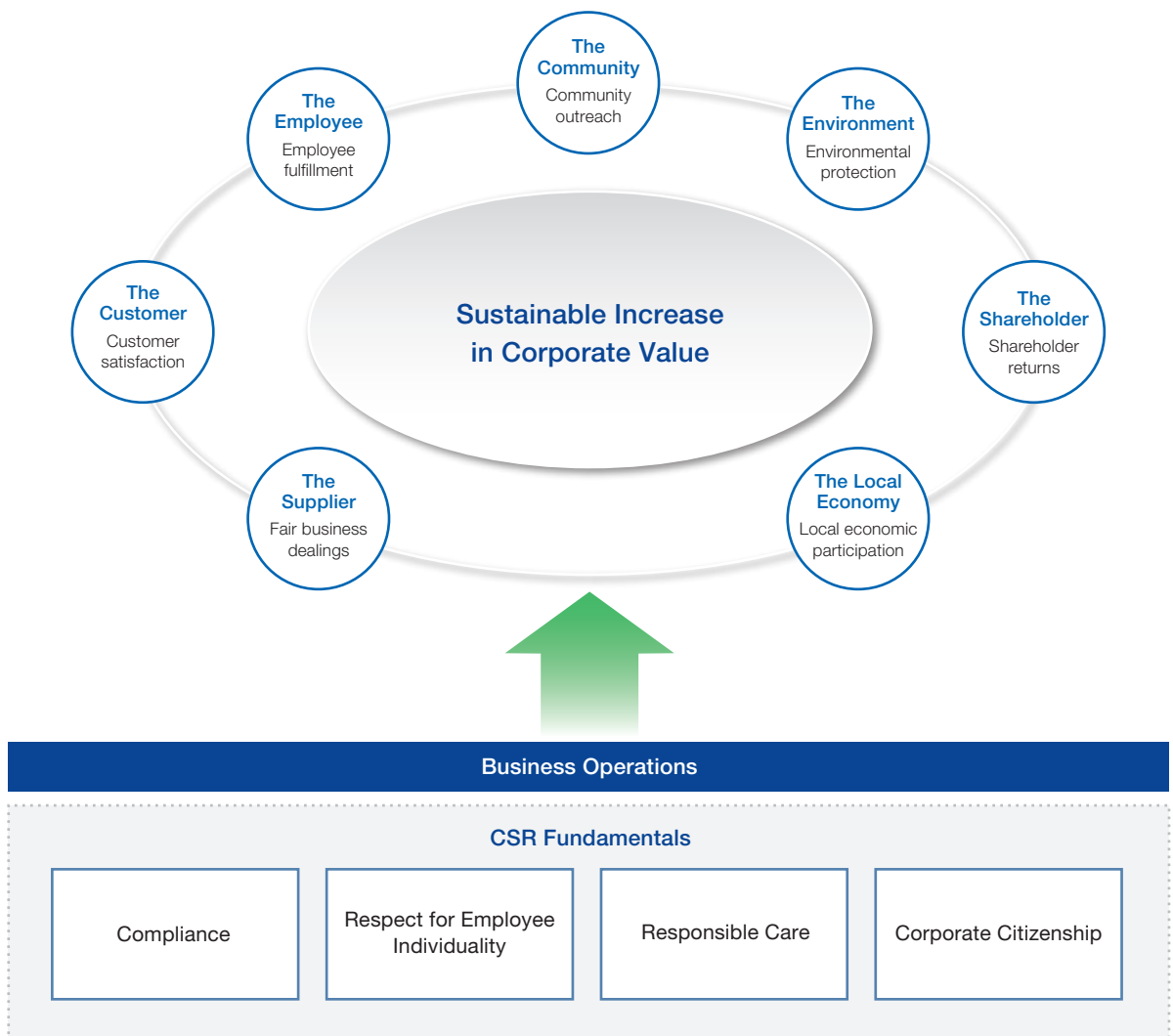
CSR in Action

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

CSR Fundamentals

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

Asahi Kasei Group CSR



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

Framework for Advancement

The CSR Council, formed in April 2005 with the holding company President serving as chair, formulates CSR policy and guides the CSR effort throughout the Asahi Kasei Group. At the same time, it monitors specific CSR

initiatives implemented by its seven committees, including the Corporate Ethics Committee to ensure regulatory compliance and the Responsible Care Committee to guide efforts for environment, health, and safety.



Highlight

Forest planting in China

Since June 2011, the Asahi Kasei Group and China Business Network, a leading Chinese media group, have jointly advanced an environmental public service project

in China to heighten people's awareness for the preservation of natural forest and water environments. As a part of the project, the Asahi Kasei Group participated in an afforestation program in the Horqin desert of Inner Mongolia, planting 8,300 trees on April 10, 2012.



Forest planting in Inner Mongolia, China

Directors, Corporate Auditors, Executive Officers

(As of June 28, 2012)



Ichiro Itoh

Chairman &
Representative Director



Taketsugu Fujiwara

President & Representative Director
Presidential Executive Officer



Koji Fujiwara

Director
Primary Executive Officer



Yasuyuki Yoshida

Director
Primary Executive Officer



Hideki Kobori

Director
Senior Executive Officer



Hiroshi Kobayashi

Director
Lead Executive Officer



Masafumi Nakao

Director
Lead Executive Officer



Yukiharu Kodama

Outside Director



Morio Ikeda

Outside Director



Norio Ichino

Outside Director

Kenji Nakamae

Corporate Auditor

Yuji Mizuno

Senior Executive Officer

Hiroshi Sawayama

Lead Executive Officer

Toshio Asano

Executive Officer

Toshiyuki Kawasaki

Corporate Auditor

Ryo Matsui

Lead Executive Officer

Makoto Konosu

Executive Officer

Shoichiro Tonomura

Executive Officer

Kazuo Tezuka

Outside Corporate Auditor

Toshikatsu Sunami

Lead Executive Officer

Masahito Hirai

Executive Officer

Yoshihiro Wada

Executive Officer

Yuji Aoki

Outside Corporate Auditor

Shinichiro Nei

Lead Executive Officer

Yuji Kobayashi

Executive Officer

Naoki Okada

Executive Officer

Financial Section

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For the years ended March 31	2012	2011 ^{b,c}	2010 ^{b,d}	2009 ^{b,d}	2009 ^b
Net sales	¥1,573,230	¥1,555,945	¥1,392,212	¥1,521,178	¥1,521,178
Chemicals	680,112	699,801	580,709	657,393	709,556
Life & Living	—	—	—	—	—
Chemical and Chemical-related	—	—	—	—	—
Homes	451,965	409,224	389,728	409,882	409,882
Housing and Construction Materials	—	—	—	—	—
Health Care	119,483	116,387	113,207	119,619	119,619
Fibers	110,849	108,761	101,201	116,405	102,176
Electronics	146,113	158,337	142,700	129,655	91,721
Construction Materials	46,146	47,418	47,024	60,927	60,927
Others	18,562	16,017	17,642	27,297	27,297
Domestic sales	1,151,705	1,106,656	1,021,803	1,127,213	1,127,213
Overseas sales	421,525	449,289	370,409	393,965	393,965
Operating income	104,258	122,927	57,622	34,959	34,959
Ordinary income	107,567	118,219	56,367	32,500	32,500
Income (loss) before income taxes	94,866	98,342	46,056	19,031	19,031
Net income (loss)	55,766	60,288	25,286	4,745	4,745
Comprehensive income	62,561	45,088	—	—	—
Net income (loss) per share, yen	39.89	43.11	18.08	3.39	3.39
Capital expenditure	85,124	66,014	83,990	126,725	126,725
Depreciation and amortization	78,440	84,092	86,166	79,436	79,436
R&D expenditures	66,269	62,320	62,924	60,849	60,849
Cash dividends per share, yen	14.00	11.00	10.00	10.00	10.00

As of March 31	2012	2011	2010	2009	2009
Total assets	¥1,410,568	¥1,425,879	¥1,368,892	¥1,379,337	¥1,379,337
Inventories	279,206	256,248	251,084	273,539	273,539
Property, plant and equipment	416,119	418,354	447,497	441,271	441,271
Investments and other assets	227,489	220,773	226,331	218,477	218,477
Net worth^a	706,846	663,566	633,343	603,846	603,846
Net worth per share, yen	505.72	474.59	452.91	431.77	431.77
Net worth/total assets, %	50.1	46.5	46.3	43.8	43.8
Number of employees	25,409	25,016	25,085	24,244	24,244

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

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

c. In the year ended March 31, 2011, the Services, Engineering and Others segment was replaced with the Others category. Figures under the previous classification are shown on the same line.

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

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

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

Millions of yen, except where noted							
2008 ^{b,e}	2007	2006 ^f	2005	2004 ^g	2003 ^g	2003	2002
¥1,663,778	¥1,623,791	¥1,498,620	¥1,377,697	¥1,253,534	¥1,193,614	¥1,193,614	¥1,195,393
846,224	752,632	660,402	557,439	453,707	424,673	—	—
—	52,558	51,942	59,149	59,813	52,908	—	—
—	—	—	—	—	—	477,581	440,698
386,227	405,695	404,539	375,755	361,273	320,553	—	—
—	—	—	—	—	—	383,654	408,474
111,232	104,474	105,842	103,933	105,965	105,463	105,463	98,686
114,072	106,639	89,704	104,261	101,514	110,551	110,551	125,908
113,267	112,094	102,859	93,025	82,484	71,579	71,579	64,062
55,732	60,818	56,512	59,908	60,622	63,101	—	—
37,024	28,881	26,821	24,228	28,156	44,786	44,786	57,565
1,176,441	1,195,751	1,125,454	1,067,893	1,011,366	981,064	981,064	1,006,810
487,337	428,040	373,166	309,804	242,168	212,550	212,550	188,583
127,656	127,801	108,726	115,809	60,932	61,555	61,555	45,664
120,456	126,507	104,166	112,876	53,643	50,389	50,389	39,849
105,599	114,883	94,481	91,141	54,820	(100,869)	(100,869)	10,679
69,945	68,575	59,668	56,454	27,672	(66,791)	(66,791)	5,180
—	—	—	—	—	—	—	—
50.01	49.00	42.46	40.16	19.62	(47.63)	(47.63)	3.61
82,911	84,413	66,310	68,479	86,387	93,985	93,985	74,826
73,983	71,646	69,399	71,531	64,408	60,808	60,808	60,676
56,170	52,426	51,467	50,715	48,420	49,311	49,311	49,574
13.00	12.00	10.00	8.00	6.00	6.00	6.00	6.00

2008	2007	2006	2005	2004	2003	2003	2002
¥1,425,367	¥1,459,922	¥1,376,044	¥1,270,057	¥1,249,206	¥1,212,374	¥1,212,374	¥1,193,011
272,372	240,006	214,062	202,521	181,609	176,788	176,788	180,826
424,193	426,959	414,368	419,969	428,302	427,188	427,188	415,193
234,873	281,502	284,390	223,958	226,825	198,697	198,697	181,618
666,244	645,655	594,211	511,726	450,451	407,639	407,639	496,826
476.39	461.50	424.34	365.43	321.41	290.92	290.92	353.16
46.7	44.2	43.2	40.3	36.1	33.6	33.6	41.6
23,854	23,715	23,030	23,820	25,011	25,730	25,730	26,227

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

g. In the year ended March 31, 2004, business categories were aligned with the core operating companies in the holding company configuration adopted on October 1, 2003.

- The "fabricated home products" segment of the Chemical and Chemical-related sector is separated to an independent Life & Living segment. The remainder of the Chemical and Chemical-related sector is reclassified as the Chemicals segment.
- The Housing and Construction Materials sector is separated into the Homes segment and the Construction Materials segment.
- The Fibers and Textiles sector is renamed the Fibers segment.
- With the divestment of liquors operations, the Liquors, Services and Others sector is renamed the Services, Engineering and Others segment.

For comparison purposes, results for the year ended March 31, 2003, are recalculated in accordance with the revised categories.

Fiscal year 2011 (April 1, 2011 – March 31, 2012)

Operating Environment

The Japanese economy slowed down significantly during the fiscal year, with the global economy being affected by the sovereign debt crisis in Europe, and with exports to China and other emerging markets slowing down in the second half after having been relatively solid during the early part of the fiscal year. Although manufacturing activity generally recovered from the stagnant period following the Great East Japan Earthquake, Japan's economic circumstances remained challenging, with corporate earnings suppressed by the persistent strength of the yen and high prices for feedstocks and fuel.

Overview of Consolidated Results

The accounting policy for naphtha resale transactions was changed during the fiscal year under review. Comparisons with the previous year's results as described below are based on this change being applied retroactively. This also applies to Results by Operating Segment.

Net sales, operating income

Consolidated net sales for the fiscal year increased by ¥17.3 billion (1.1%) to ¥1,573.2 billion. Overseas sales decreased, largely in Chemicals, by ¥27.8 billion (6.2%) to ¥421.5 billion, and decreased by 2.1 percentage points as a portion of consolidated net sales from 28.9% to 26.8%. Domestic sales increased by ¥45.0 billion (4.1%) to ¥1,151.7 billion with strong performance in the Homes segment.

Operating income decreased by ¥18.7 billion (15.2%) to ¥104.3 billion. As a percentage of net sales, cost of sales increased by 0.9 percentage points to 74.9%. SG&A increased by ¥8.2 billion, increasing as a percentage of net sales by 0.3 percentage points to 18.4% despite the increase in sales. Operating margin decreased by 1.3 percentage points to 6.6%.

Non-operating income and expenses, ordinary income

Net non-operating income was ¥3.3 billion, an ¥8.0 billion improvement from the ¥4.7 billion net non-operating expenses of a year earlier, largely due to the recording of a ¥2.2 billion gain on reversal of provision for removal cost of property, plant and equipment and a ¥3.7 billion decrease in foreign exchange loss. As a result, ordinary income decreased by ¥10.7 billion (9.0%) to ¥107.6 billion.

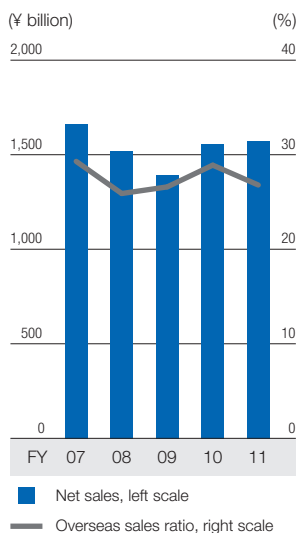
Extraordinary income and loss

Extraordinary income of ¥3.0 billion included a ¥2.3 billion gain on step acquisitions. Extraordinary loss of ¥15.7 billion included ¥8.5 billion in business structure improvement expenses and a ¥3.5 billion loss on disposal of noncurrent assets. The net extraordinary loss of ¥12.7 billion was ¥7.2 billion lower than a year ago.

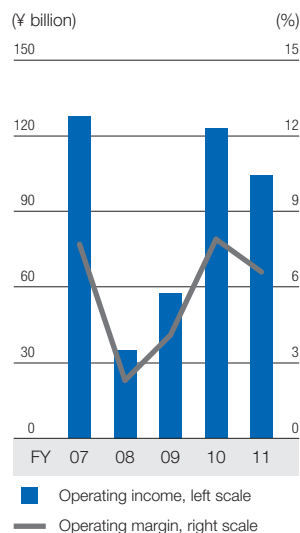
Net income

With ordinary income of ¥107.6 billion and the net extraordinary loss of ¥12.7 billion, income before income taxes and minority interests was ¥94.9 billion. Income tax

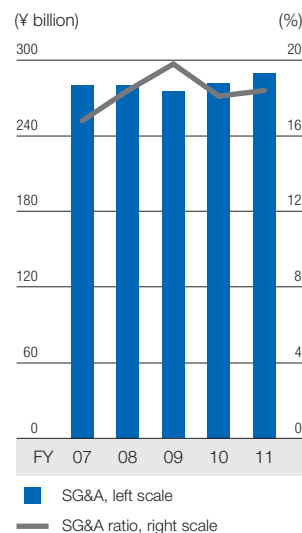
Net Sales, Overseas Sales Ratio



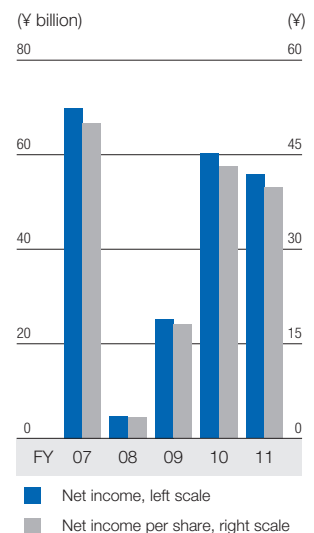
Operating Income, Operating Margin



SG&A, SG&A Ratio



Net Income, Net Income per Share



expense was ¥38.0 billion (current income taxes of ¥31.2 billion combined with a deferred income tax obligation of ¥6.8 billion). Minority interests in income of consolidated subsidiaries were ¥1.1 billion. As a result, net income decreased by ¥4.5 billion (7.5%) to ¥55.8 billion, and net income per share decreased by ¥3.22 to ¥39.89 from the ¥43.11 of a year earlier.

Results by Operating Segment

The Asahi Kasei Group's operations are described by major business classification: six reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials, together with an "Others" category.

Chemicals

Sales decreased by ¥19.7 billion (2.8%) from a year ago to ¥680.1 billion, and operating income decreased by ¥19.9 billion (30.9%) to ¥44.5 billion.

Operating income from chemicals and derivative products decreased as market demand in China and other Asian countries declined in the second half, and terms of trade for monomer products such as acrylonitrile and adipic acid deteriorated significantly due to high prices for naphtha and other feedstocks and the strong yen. Operating income from polymer products increased as engineering plastics recovered in the second half after a downturn following the Great East Japan Earthquake, and synthetic rubber for tires performed well. Operating income from specialty products increased as home-use products such as Saran Wrap™ performed well, as did functional additives.

Homes

Sales increased by ¥42.7 billion (10.4%) from a year ago to ¥452.0 billion, and operating income increased by ¥9.9 billion (27.0%) to ¥46.3 billion. Orders for order-built homes increased by ¥17.4 billion to ¥371.9 billion.

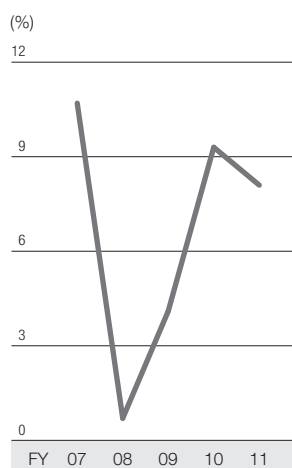
Operating income from order-built homes increased as deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. Operating income from pre-built homes was largely unchanged from a year ago. Operating income from housing-related operations increased as real-estate rental operations performed well and remodeling operations expanded steadily.

Health Care

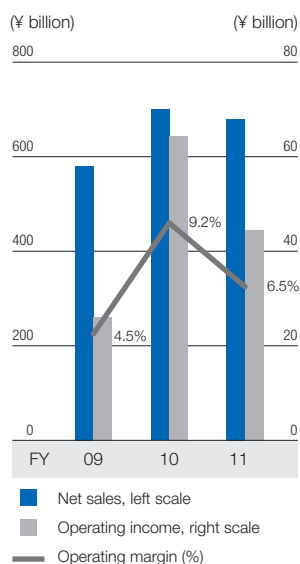
Sales increased by ¥3.1 billion (2.7%) from a year ago to ¥119.5 billion, and operating income increased by ¥1.8 billion (25.0%) to ¥8.8 billion.

Although operating expenses in pharmaceuticals operations rose with an increase in the number of medical representatives and higher R&D expenses, operating income increased with growing sales of Recomedulin™ recombinant thrombomodulin and the November 2011 launch of sales of Teribone™, a new osteoporosis drug. In devices-related operations, shipments of Planova™ virus removal filters increased, but operating income was largely unchanged as the strong yen impacted performance in each product group.

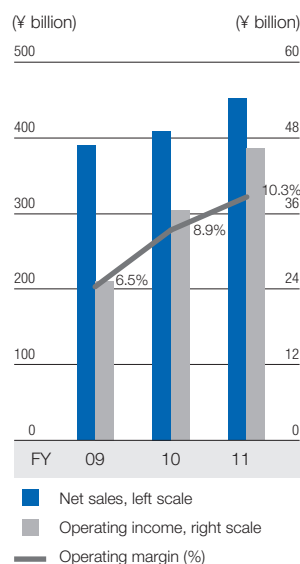
ROE



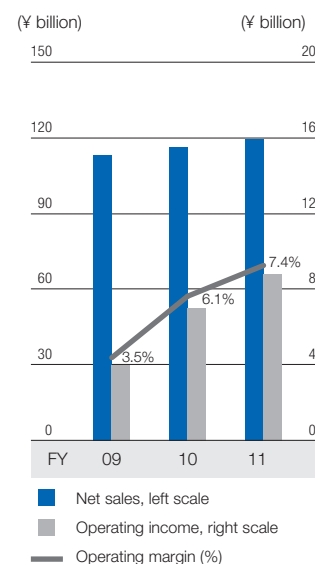
Chemicals



Homes



Health Care



Fibers

Sales increased by ¥2.1 billion (1.9%) from a year ago to ¥110.8 billion, but operating income decreased by ¥1.1 billion (25.2%) to ¥3.1 billion.

Although shipments of spunbond in diaper applications increased, shipments of Leona™ nylon 66 filament in airbag applications increased, and Bemberg™ regenerated cellulose performed well, operating income decreased as the strong yen and high feedstock costs impacted products throughout the segment.

Electronics

Sales decreased by ¥12.2 billion (7.7%) from a year ago to ¥146.1 billion, and operating income decreased by ¥7.8 billion (55.0%) to ¥6.4 billion.

Although sales of mixed-signal LSIs for smartphones were firm, operating income in electronic devices decreased as an effect of a general deterioration in the operating climate which resulted in sluggish growth in shipment volumes, and by declining product prices and the strong yen. Although sales of Hipore™ Li-ion battery separator increased, operating income in electronic materials decreased with declining product prices and high feedstock costs.

Construction Materials

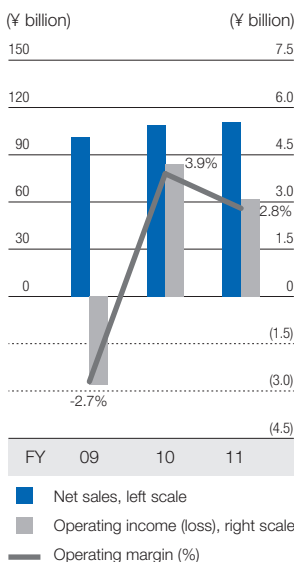
Sales decreased by ¥1.3 billion (2.7%) from a year ago to ¥46.1 billion, and operating income decreased by ¥0.3 billion (12.8%) to ¥1.8 billion.

Although shipment volumes and product prices of Hebel™ autoclaved aerated concrete panels were recovering, performance in foundation systems was sluggish, and performance in insulation materials operations were impacted by the expiration of government policy such as the eco-point program to support energy conservation.

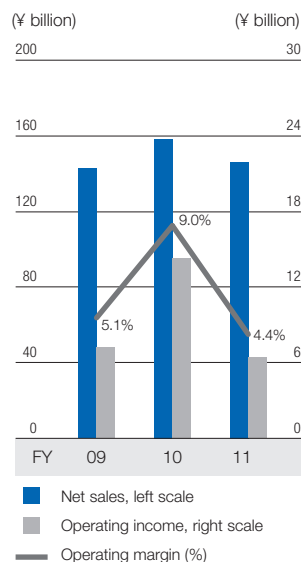
Others

Sales increased by ¥2.5 billion (15.9%) from a year ago to ¥18.6 billion, and operating income increased by ¥1.3 billion (74.0%) to ¥3.0 billion.

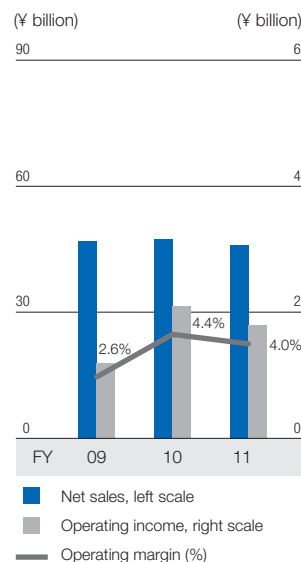
Fibers



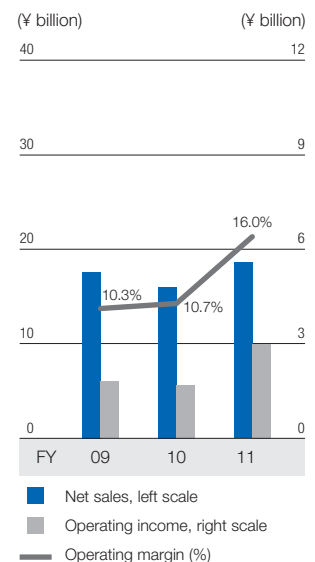
Electronics



Construction Materials



Others



Liquidity and Capital Resources

Financial position

Total assets at fiscal year end were ¥1,410.6 billion, ¥15.3 billion (1.1%) lower than a year earlier.

Although inventories increased by ¥23.0 billion, current assets decreased by ¥33.9 billion (4.5%) to 721.8 billion, mainly as cash and deposits decreased by ¥37.4 billion and notes and accounts receivable—trade decreased by ¥7.4 billion.

Noncurrent assets increased by ¥18.6 billion (2.8%) to ¥688.8 billion, notably with a ¥14.1 billion increase in intangible assets and a ¥11.2 billion increase in investment securities largely due to higher fair market value.

Current liabilities decreased by ¥34.2 billion (7.1%) to ¥449.6 billion, mainly as a result of a ¥34.4 billion decrease in short-term loans payable.

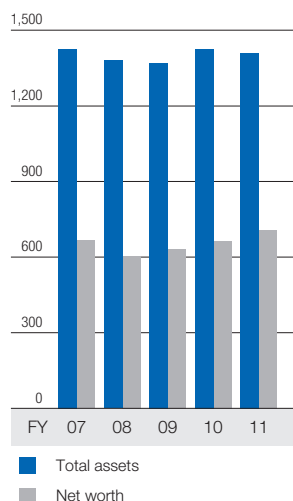
Noncurrent liabilities decreased by ¥24.8 billion (9.3%) to ¥241.7 billion, mainly as a result of a ¥29.0 billion decrease in long-term loans payable.

Interest-bearing debt decreased by ¥69.8 billion to ¥184.1 billion.

Net assets increased by ¥43.7 billion (6.5%) from ¥675.6 billion to ¥719.3 billion. Net income was ¥55.8 billion, and net unrealized gain on other securities increased by ¥10.5 billion, while dividend payments were ¥18.2 billion. As a result, net worth per share increased by ¥31.14 to ¥505.72, net worth/total assets increased from 46.5% to 50.1%, and debt-to-equity ratio decreased by 0.12 to 0.26.

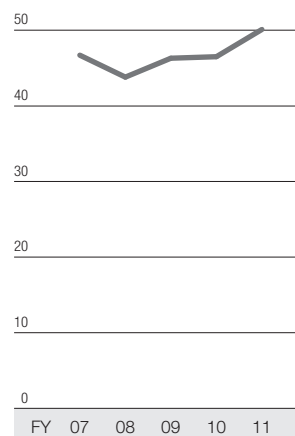
Total Assets, Net Worth

(¥ billion)



Net Worth to Total Assets

(%)



Capital expenditure

Capital expenditure (capex) was primarily for new and expanded production plant and equipment in long-term growth fields. Investments were also made for rationalization, 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 ¥85.1 billion was invested during the fiscal year for the expansion of businesses with competitive superiority, particular in the Chemicals, Health Care, and Electronics segments, as well as for modification and rationalization.

	Totals for the year (¥ million)	Compared to previous year (%)
Chemicals	39,080	168.6
Homes	6,272	99.5
Health Care	10,678	143.8
Fibers	5,697	155.3
Electronics	13,429	66.3
Construction Materials	1,631	96.9
Others	786	80.1
Combined	77,572	122.2
Corporate assets and eliminations	7,551	301.0
Consolidated	85,124	128.9

Notable capex by operating segment was as follows.

Chemicals

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

Homes

Leases, rationalization, labor-saving, and maintenance.

Health Care

Construction of laboratory for medical materials research, rationalization, labor-saving, and maintenance.

Fibers

Rationalization, labor-saving, and maintenance.

Electronics

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

Construction Materials

Rationalization, labor-saving, and maintenance.

Others

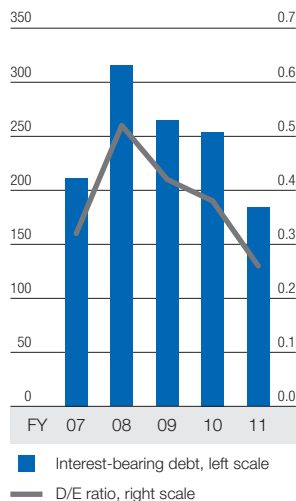
Rationalization, labor-saving, and maintenance.

Corporate assets

R&D equipment, IT systems, and maintenance.

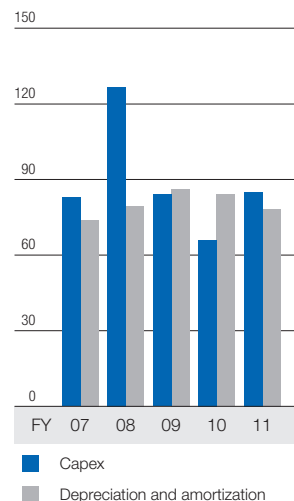
Interest-Bearing Debt, D/E Ratio

(¥ billion)



Capex, Depreciation and Amortization

(¥ billion)



Cash flows

Free cash flows* were a positive ¥51.8 billion, as cash generated, principally from income before income taxes and minority interests and from depreciation and amortization, exceeded cash used, principally for purchase of noncurrent assets and purchase of investment securities. Cash flows from financing activities were a net ¥91.0 billion used, principally due to decrease in short-term loans payable. As a result, cash and cash equivalents at fiscal year end were ¥96.4 billion, ¥38.1 billion less than a year earlier.

Cash flows from operating activities

Cash used included ¥22.5 billion for increase in inventories and ¥46.9 billion for income taxes paid. Income before income taxes and minority interests generated ¥94.9 billion and depreciation and amortization generated ¥78.4 billion. Net cash provided by operating activities was ¥141.3 billion, ¥6.9 billion less than a year earlier.

Cash flows from investing activities

Cash used included ¥67.4 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness, ¥9.2 billion for purchase of intangible assets, and ¥7.1 billion for purchase of additional shares in subsidiaries resulting in change in scope of consolidation. Net cash used in investing activities was ¥89.5 billion, ¥10.7 billion more than a year earlier.

Cash flows from financing activities

In addition to ¥71.6 billion of net cash used to reduce interest-bearing debt, including loans, ¥18.2 billion was used for dividend payments. Net cash used in financing activities was ¥91.0 billion, ¥64.9 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.

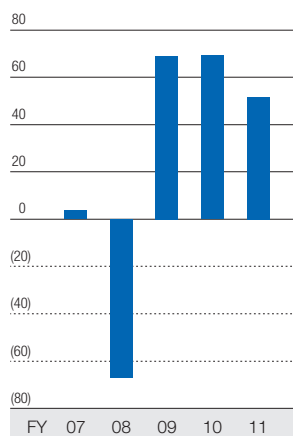
Free cash flows will be used as a source of funds for strategic investments to further enhance corporate value under the “For Tomorrow 2015” strategic management initiative focused on the expansion of world-leading businesses and the creation of new value for society by expanding operations in the fields of the environment & energy, residential living, and health care.

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.

Advancing these measures will enable us to reinforce our financial condition while providing an appropriate return to shareholders.

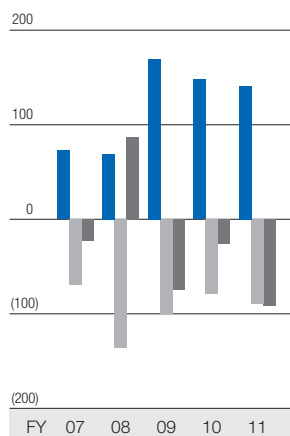
Free Cash Flows

(¥ billion)



Cash Flows

(¥ billion)



- Net cash provided by operating activities
- Net cash used in investing activities
- Net cash provided by (used in) financing activities

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

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

Crude oil and naphtha prices

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

Exchange rate fluctuation

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

Overseas operations

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

Housing-related tax policy, interest rate fluctuation

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

Profitability of electronics-related businesses

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

Pharmaceuticals and medical devices

Pharmaceutical and medical device businesses may be significantly affected by government measures to curtail health care expenditure or other changes in government policy. Unforeseeable side effects or complications may emerge, significantly affecting these businesses. The pharmaceutical business additionally faces the possibility that product approval may be withdrawn as a result of Japan's reexamination system, and that competition may

intensify as a result of the market entry of generics. For pharmaceuticals and medical devices under development, regulatory approval may fail to be obtained, market demand may be lower than expected, and the national reimbursement prices may be lower than expected. Such scenarios may affect our consolidated performance and financial condition.

Industrial accidents and natural disasters

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

Intellectual property, product liability, and legal regulation

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

Irrecoverable credits

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

Business and capital alliances

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

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2012 and 2011

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Current assets:			
Cash and deposits (Notes 9 and 11)	¥102,875	¥140,319	\$1,252,587
Notes and accounts receivable—trade (Note 5(e))	266,056	273,414	3,239,450
Short-term investment securities (Notes 9, 11 and 12)	360	371	4,383
Merchandise and finished goods	138,133	129,898	1,681,882
Work in progress	87,450	76,551	1,064,775
Raw materials and supplies	53,623	49,799	652,904
Deferred tax assets (Note 15)	19,454	23,131	236,868
Other	54,835	63,240	667,661
Allowance for doubtful accounts	(1,017)	(1,072)	(12,383)
Total current assets	721,770	755,651	8,788,141
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5(b), (d))	410,057	409,263	4,992,780
Accumulated depreciation	(235,060)	(231,474)	(2,862,048)
Buildings and structures, net	174,997	177,789	2,130,732
Machinery, equipment and vehicles (Note 5(b), (d))	1,203,905	1,192,132	14,658,529
Accumulated depreciation	(1,075,668)	(1,047,912)	(13,097,139)
Machinery, equipment and vehicles, net	128,237	144,220	1,561,390
Land (Note 5(d))	55,667	55,243	677,791
Lease assets (Note 10)	11,694	8,581	142,384
Accumulated depreciation	(4,804)	(3,118)	(58,493)
Lease assets, net	6,890	5,463	83,891
Construction in progress	37,787	22,173	460,088
Other (Note 5(b), (d))	122,426	118,718	1,490,637
Accumulated depreciation	(109,884)	(105,252)	(1,337,928)
Other, net	12,542	13,466	152,709
Subtotal	416,119	418,354	5,066,590
Intangible assets			
Goodwill	8,502	5,087	103,519
Other	36,687	26,015	446,694
Subtotal	45,189	31,101	550,213
Investments and other assets			
Investment securities (Notes 5(a), 11 and 12)	177,513	166,317	2,161,366
Long-term loans receivable (Note 11)	5,559	5,181	67,685
Deferred tax assets (Note 15)	18,965	22,005	230,914
Other	25,692	27,507	312,821
Allowance for doubtful accounts	(240)	(237)	(2,922)
Subtotal	227,489	220,773	2,769,865
Total noncurrent assets	688,798	670,228	8,386,680
Total assets	¥1,410,568	¥1,425,879	\$17,174,820

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Liabilities:			
Current liabilities:			
Notes and accounts payable—trade (Notes 5(e) and 11)	¥143,194	¥136,407	\$1,743,504
Short-term loans payable (Notes 5(b), 11 and 21)	74,490	108,889	906,977
Commercial paper (Notes 11 and 21)	15,000	23,000	182,637
Lease obligations (Notes 10, 11 and 21)	2,207	1,522	26,872
Accrued expenses	92,663	88,750	1,128,248
Income taxes payable (Note 11)	8,380	24,085	102,033
Advances received	49,950	52,346	608,182
Provision for periodic repairs	6,045	3,239	73,603
Provision for product warranties	2,151	2,465	26,190
Provision for removal cost of property, plant and equipment	1,818	2,885	22,136
Asset retirement obligations (Note 17)	460	512	5,601
Other (Note 5(e))	53,242	39,668	648,265
Total current liabilities	449,600	483,768	5,474,248
Noncurrent liabilities:			
Bonds payable (Notes 11 and 21)	25,000	25,000	304,395
Long-term loans payable (Notes 5(b), 11 and 21)	62,710	91,722	763,546
Lease obligations (Notes 10 and 11)	4,707	3,802	57,312
Deferred tax liabilities (Note 15)	11,402	6,374	138,829
Provision for retirement benefits (Note 14)	106,277	107,309	1,294,009
Provision for directors' retirement benefits	806	1,119	9,814
Provision for periodic repairs	1,977	2,131	24,072
Provision for removal cost of property, plant and equipment	4,204	6,110	51,187
Asset retirement obligations (Note 17)	3,242	3,316	39,474
Long-term guarantee deposited (Note 11)	18,286	18,340	222,647
Other	3,072	1,284	37,404
Total noncurrent liabilities	241,683	266,509	2,942,688
Total liabilities	691,283	750,277	8,416,937
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,402,616,332 shares	103,389	103,389	1,258,846
Capital surplus	79,404	79,402	966,809
Retained earnings (Note 8(b)(iii))	516,401	478,681	6,287,605
Treasury stock			
(2012—4,925,730 shares, 2011—4,420,688 shares)	(2,388)	(2,115)	(29,076)
Total shareholders' equity	696,805	659,357	8,484,171
Accumulated other comprehensive income			
Net unrealized gain on other securities	40,148	29,647	488,835
Deferred gains or losses on hedges	(1,734)	(140)	(21,113)
Foreign currency translation adjustments	(28,374)	(25,299)	(345,477)
Total accumulated other comprehensive income	10,040	4,209	122,245
Minority interests	12,439	12,036	151,455
Total net assets	719,285	675,602	8,757,884
Commitments and contingent liabilities (Notes 5(c) and 10)			
Total liabilities and net assets	¥1,410,568	¥1,425,879	\$17,174,820

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net sales (Note 18)	¥1,573,230	¥1,555,945	\$19,155,363
Cost of sales (Note 6(b))	1,178,968	1,151,204	14,354,901
Gross profit	394,261	407,741	4,800,451
Selling, general and administrative expenses (Note 6(a))	290,003	281,814	3,531,024
Operating income (Note 18)	104,258	122,927	1,269,427
Non-operating income:			
Interest income	1,434	1,118	17,460
Dividends income	2,744	2,273	33,410
Equity in earnings of affiliates	669	2,212	8,146
Gain on reversal of provision for removal cost of property, plant and equipment	2,236	—	27,225
Other	3,734	4,248	45,465
Total non-operating income	10,817	9,851	131,706
Non-operating expenses:			
Interest expense	2,685	3,313	32,692
Foreign exchange loss	162	3,880	1,972
Donations	979	1,009	11,920
Other	3,681	6,357	44,819
Total non-operating expenses	7,507	14,560	91,404
Ordinary income	107,567	118,219	1,309,716
Extraordinary income:			
Gain on sales of investment securities	191	416	2,326
Gain on sales of noncurrent assets (Note 6(c))	494	463	6,015
Reversal of allowance for doubtful accounts	—	84	—
Gain on business transfer	—	736	—
Gain on step acquisitions (Note 16)	2,277	—	27,724
Total extraordinary income	2,961	1,699	36,053
Extraordinary loss:			
Loss on sales of investment securities	—	380	—
Loss on valuation of investment securities	1,898	651	23,110
Loss on disposal of noncurrent assets (Note 6(d))	3,546	4,879	43,175
Impairment loss (Note 6(e))	460	2,404	5,601
Environmental expenses (Note 6(f))	277	1,185	3,373
Cumulative adjustment for adoption of accounting standard for asset retirement obligations	—	1,240	—
Loss on disaster (Note 6(g))	1,027	821	12,505
Business structure improvement expenses (Note 6(h))	8,454	10,016	102,934
Total extraordinary loss	15,662	21,576	190,698
Income before income taxes and minority interests	94,866	98,342	1,155,071
Income taxes (Note 15) — current	31,152	39,628	379,301
— deferred	6,829	(2,952)	83,149
Total income taxes	37,981	36,675	462,450
Income before minority interests	56,885	61,667	692,621
Minority interests in income	1,119	1,379	13,625
Net income	¥55,766	¥60,288	\$678,997

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income before minority interests	¥56,885	¥61,667	\$692,621
Other comprehensive income			
Net increase or decrease in unrealized gain on other securities	10,553	(7,059)	128,491
Deferred gains or losses on hedges	(1,594)	(31)	(19,408)
Foreign currency translation adjustment	(1,029)	(7,114)	(12,529)
Share of other comprehensive income of affiliates accounted for using equity method	(2,255)	(2,375)	(27,456)
Total other comprehensive income (Note 7)	5,676	(16,579)	69,110
Comprehensive income (Note 7)	62,561	45,088	761,731
Comprehensive income attributable to:			
Owners of the Parent	61,597	44,042	749,994
Minority interests	¥963	¥1,047	\$11,725

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, 2012 and 2011

	Millions of yen										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2011	¥103,389	¥79,402	¥478,681	¥(2,115)	¥659,357	¥29,647	¥(140)	¥(25,299)	¥4,209	¥12,036	¥ 675,602
Changes during the fiscal year											
Dividends from surplus			(18,173)		(18,173)						(18,173)
Net income			55,766		55,766						55,766
Purchase of treasury stock				(291)	(291)						(291)
Disposal of treasury stock		1		18	19						19
Change of scope of equity method			(111)		(111)						(111)
Increase resulting from corporate split			71		71						71
Effect of change in the reporting period of consolidated subsidiaries and affiliates			168		168						168
Net changes of items other than shareholders' equity						10,501	(1,594)	(3,075)	5,832	403	6,235
Total changes of items during the period	—	1	37,720	(273)	37,448	10,501	(1,594)	(3,075)	5,832	403	43,683
Balance at March 31, 2012	¥103,389	¥79,404	¥516,401	¥(2,388)	¥696,805	¥40,148	¥(1,734)	¥(28,374)	¥10,040	¥12,439	¥ 719,285

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

	Thousands of U.S. dollars (Note 1)										
	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2011	\$1,258,846	\$966,784	\$5,828,333	\$(25,752)	\$8,028,211	\$360,977	\$(1,705)	\$(308,036)	\$51,248	\$146,548	\$8,226,008
Changes during the fiscal year											
Dividends from surplus			(221,271)		(221,271)						(221,271)
Net income			678,997		678,997						678,997
Purchase of treasury stock				(3,543)	(3,543)						(3,543)
Disposal of treasury stock		12		219	231						231
Change of scope of equity method			(1,352)		(1,352)						(1,352)
Increase resulting from corporate split			864		864						864
Effect of change in the reporting period of consolidated subsidiaries and affiliates			2,046		2,046						2,046
Net changes of items other than shareholders' equity						127,858	(19,408)	(37,441)	71,009	4,907	75,916
Total changes of items during the period	—	12	459,272	(3,324)	455,960	127,858	(19,408)	(37,441)	71,009	4,907	531,876
Balance at March 31, 2012	\$1,258,846	\$966,809	\$6,287,605	\$(29,076)	\$8,484,171	\$488,835	\$(21,113)	\$(345,477)	\$122,245	\$151,455	\$8,757,884

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥94,866	¥98,342	\$1,155,071
Depreciation and amortization	78,440	84,092	955,071
Impairment loss	460	2,404	5,601
Amortization of goodwill	1,179	1,073	14,355
Amortization of negative goodwill	(231)	(266)	(2,813)
Increase (decrease) in provision for periodic repairs	2,652	(2,990)	32,290
Decrease in provision for product warranties	(317)	(1,139)	(3,860)
(Decrease) increase in provision for removal cost of property, plant and equipment	(2,973)	3,754	(36,199)
Decrease in provision for retirement benefits	(999)	(2,050)	(12,164)
Interest and dividend income	(4,178)	(3,391)	(50,871)
Interest expense	2,685	3,313	32,692
Equity in earnings of affiliates	(669)	(2,212)	(8,146)
Gain on sales of investment securities	(191)	(36)	(2,326)
Loss on valuation of investment securities	1,898	651	23,110
Gain on sale of property, plant and equipment	(494)	(463)	(6,015)
Loss on disposal of noncurrent assets	3,546	4,879	43,175
Gain on business transfer	—	(736)	—
Gain on step acquisition	(2,277)	—	(27,724)
Decrease (increase) in notes and accounts receivable—trade	4,918	(36,454)	59,881
Increase in inventories	(22,532)	(4,841)	(274,346)
Increase in notes and accounts payable—trade	6,859	13,618	83,514
Increase in accrued expenses	3,905	2,922	47,547
(Decrease) increase in advances received	(2,488)	15,309	(30,293)
Other, net	21,331	(3,405)	259,722
Subtotal	185,391	172,376	2,257,287
Interest and dividend income, received	5,555	4,458	67,637
Interest expense paid	(2,787)	(3,424)	(33,934)
Income taxes paid	(46,899)	(25,282)	(571,034)
Net cash provided by operating activities	141,260	148,128	1,719,956
Cash flows from investing activities:			
Payments into time deposits	(11,930)	(11,720)	(145,258)
Proceeds from withdrawal of time deposits	10,917	6,773	132,923
Purchase of property, plant and equipment	(67,435)	(63,651)	(821,076)
Proceeds from sales of property, plant and equipment	1,205	1,092	14,672
Purchase of intangible assets	(9,224)	(5,333)	(112,310)
Purchase of investment securities	(5,251)	(7,619)	(63,935)
Proceeds from sales of investment securities	543	1,303	6,611
Purchase of additional shares in subsidiaries resulting in change in scope of consolidation	(7,080)	—	(86,205)
Additional purchase of investments in consolidated subsidiaries	—	(408)	—
Proceeds from business transfer	—	2,538	—
Payments of loans receivable	(5,144)	(5,840)	(62,632)
Collection of loans receivable	5,224	6,513	63,606
Other, net	(1,328)	(2,486)	(16,169)
Net cash used in investing activities	(89,503)	(78,838)	(1,089,772)
Cash flows from financing activities:			
Increase in short-term loans payable	45,588	71,335	555,071
Decrease in short-term loans payable	(76,627)	(72,682)	(932,996)
Proceeds from issuance of commercial paper	15,000	46,000	182,637
Redemptions of commercial paper	(23,000)	(42,000)	(280,044)
Proceeds from long-term loans payable	2,384	6,910	29,027
Repayment of long-term loans payable	(32,911)	(19,878)	(400,718)
Repayments of lease obligations	(2,063)	(1,345)	(25,119)
Purchase of treasury stock	(299)	(119)	(3,641)
Proceeds from disposal of treasury stock	19	18	231
Cash dividends paid	(18,173)	(13,984)	(221,271)
Cash dividends paid to minority shareholders	(805)	(547)	(9,802)
Other, net	(143)	147	(1,741)
Net cash used in financing activities	(91,030)	(26,144)	(1,108,365)
Effect of exchange rate change on cash and cash equivalents	(823)	(2,698)	(10,021)
Net (decrease) increase in cash and cash equivalents	(40,096)	40,449	(488,202)
Cash and cash equivalents at beginning of year	134,450	93,125	1,637,039
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,528	876	18,605
Effect of change in the reporting period of consolidated subsidiaries and affiliates	469	—	5,710
Cash and cash equivalents at end of year (Note 9)	¥96,351	¥134,450	\$1,173,152

The accompanying notes are an integral part of these statements.

1. Major policies for preparing the consolidated financial statements

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the financial statements. In addition, the notes to the consolidated financial statements include certain financial information which is not required under the disclosure regulations in Japan, but is presented herein as additional information.

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 ¥82=US\$1 prevailing on March 31, 2012, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 105 subsidiaries (101 subsidiaries at March 31, 2011, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, are all majority and wholly owned companies, including 9 core operating companies (Asahi Kasei Chemicals Corp., Asahi Kasei Homes Corp., Asahi Kasei Pharma Corp., Asahi Kasei Kuraray Medical Co., Ltd., Asahi Kasei Medical Co., Ltd., Asahi Kasei Fibers Corp., Asahi Kasei Microdevices Corp., Asahi Kasei E-materials Corp. and Asahi Kasei Construction Materials Corp.), and Tong Suh Petrochemical Corp. Ltd. (Korea). Material inter-company transac-

tions 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 46 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2012 (49 at March 31, 2011), including Asahi Kasei Metals Ltd., Asahi Kasei Geotechnologies Co., Ltd. and Asahi Organic Chemicals Industry Co., Ltd.

Certain subsidiaries' results are reported in the consolidated financial statements using a 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.

Among the consolidated subsidiaries whose closing date was December 31 until the fiscal year ended March 31, 2011, accounting treatment for 8 companies was changed from the conventional method of applying appropriate accounting adjustments to reflect their significant transactions which occur between December 31 and March 31. Beginning with the fiscal year ended March 31, 2012, those 8 subsidiaries either provisionally close their accounts on March 31, or have changed their formal closing date to March 31. The impact of this change is shown in the consolidated statements of changes in net assets and, as an adjustment to cash and cash equivalents at the beginning of the fiscal year, in the consolidated statements of cash flows as "effect of change in the reporting period of consolidated subsidiaries and affiliates."

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 by 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 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 particu-

lar concern based on individual estimates of recoverability, are recognized as allowance for doubtful accounts.

ii) Provision for periodic repairs

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

iii) Provision for product warranties

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

iv) Provision for 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 each year end.

v) Provision for retirement benefits

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

vi) Provision for directors' retirement benefits

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

(e) Significant revenue and expense recognition

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

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

ii) Other construction activities

The completed-contract method

(f) Financial instruments**i) Securities**

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of unconsolidated subsidiaries and affiliates, and other securities. At March 31, 2012 and 2011, 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.

(g) 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.

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

(h) Translation of foreign currencies

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

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at year-end exchange rates, and income and expenses of same are translated into Japanese yen at the average exchange rate for the fiscal year. Shareholders' equity of foreign subsidiaries is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustments in the consolidated balance sheets. A portion of the foreign currency translation adjustment is allocated to minority interest and the Company's portion is presented as a separate component of net assets in the consolidated balance sheets.

3. Changes in significant accounting policies**(a) Change in accounting policy****Change in accounting policy of naphtha resale transactions**

Asahi Kasei Chemicals Corp., a consolidated subsidiary of Asahi Kasei Corp., resells a portion of the naphtha it has originally purchased and subsequently purchases other naphtha for use, in order to improve raw material quality as well as save production costs. Through the third quarter of the fiscal year ended March 31, 2012, the naphtha resale amount was included in net sales, and the cost for purchased naphtha was included in cost of sales. During the fourth quarter of the fiscal year ended March 31, 2012, the Company changed its accounting policy for naphtha resale transactions to charging or crediting to cost of sales the net difference between sales and cost of sales for resold naphtha.

The proportion of naphtha resale amounts within the group's total sales has increased over the years as a result of changes in the business environment. At the beginning of the current fiscal year, Asahi Kasei Chemicals Corp., absorbed by merger one of its subsidiaries, Sanyo Petrochemical, Co., Ltd., which had been engaged in naphtha resale transactions as a principal business, and Asahi Kasei Chemicals Corp., reassessed its accounting policy for naphtha resale transactions. Because its principal business is to produce petrochemical products, Asahi Kasei Chemicals Corp. concluded that the new accounting policy, which includes in cost of sales the net difference between sales and cost of sales relevant to resold naphtha, more appropriately reflects the substance of naphtha resale transactions, resulting in a more appropriate presentation of its chemical business, as compared to the existing accounting policy, which presents sales and cost of sales relevant to naphtha resale transactions on a gross basis.

This new accounting policy was applied retroactively in the fourth quarter of the fiscal year ended March 31, 2012, when it became clear that naphtha resale transactions continue to increase, as well as in the prior fiscal year, and the respective financial information presented for the prior fiscal year is restated accordingly.

As an impact of this accounting change, both net sales and cost of sales for the fiscal year ended March 31, 2011, decreased by ¥42,442 million. This accounting change has no impact on operating income, ordinary income, and income before income taxes. Furthermore, this accounting change does not have any cumulative impact on net assets at the beginning of the prior fiscal year nor per share information for the prior fiscal year.

(b) Change in presentation**i) Consolidated balance sheets**

Until the fiscal year ended March 31, 2011, "provision for removal cost of property, plant and equipment" was included in "accrued expenses" under current liabilities. In the fiscal year ended March 31, 2012, the Company disclosed this provision in the consolidated balance sheets as a separate line item. This is because of a change in the estimate of the removal cost, as stated in the footnote for "change in accounting estimates," which resulted in a reversal of the provision of removal cost being reported in the consolidated statements of income, as "gain on reversal of provision for removal cost of property, plant and equipment" under non-operating income. The current and noncurrent portions of the provision are reported separately under current liabilities and noncurrent liabilities.

In order to reflect this change, the balance sheets as of March 31, 2011, have also been reclassified accordingly, resulting in "accrued expenses" being ¥8,995 million lower than previously reported, reflecting the separation of ¥2,885 million as "provision for removal cost of property, plant and equipment" (the current portion) under current liabilities, and of ¥6,110 million as "provision for removal cost of property, plant and equipment" (the noncurrent portion) under noncurrent liabilities.

ii) Consolidated statements of income

Through the fiscal year ended March 31, 2011, "donations" were included in "others" under non-operating expenses. In the fiscal year ended March 31, 2012, "donations" exceeded 10% of total of non-operating expenses, and therefore are reported separately. The consolidated statements of income for the fiscal year ended March 31, 2011, have also been reclassified accordingly, resulting in "others" under non-operating expenses being ¥1,009 million lower than previously reported, reflecting the separation of ¥1,009 million as "donations."

"Litigation related expenses," which were reported separately in the fiscal year ended March 31, 2011, are now less than 10% of total of non-operating expenses and therefore included in "others" in the fiscal year ended March 31, 2012. The consolidated statement of income for the fiscal year ended March 31, 2011, has been reclassified accordingly, resulting ¥1,908 million which had been reported as "litigation related expenses" now being included in "others."

iii) Consolidated statements of cash flows

“(Decrease) increase in provision for removal cost of property, plant and equipment,” which had been included in “increase in accrued expenses” under cash flows from operating activities until the fiscal year ended March 31, 2011, is reported separately in the fiscal year ended March 31, 2012. This is due to a change in the presentation of the balance sheets which resulted in “provision for removal cost of property, plant and equipment” being reported separately from “accrued expenses.” The consolidated statement of cash flows for the fiscal year ended March 31, 2011, has been reclassified accordingly, resulting in “increase in accrued expenses” being ¥3,754 million lower than previously reported, reflecting the separate reporting of the same amount as “(decrease) increase in provision for removal

cost of property, plant and equipment.”

(c) Change in accounting estimates

To provide for the future removal cost of property, plant and equipment, an estimate of the required amount has been set aside as “provision for removal cost of property, plant and equipment,” and it has been included as part of “accrued expenses.” During the fiscal year ended March 31, 2012, based on an updated estimate of the removal cost due to a change in the removal method, the Company reversed the corresponding accrued expenses and presented the remaining balance as “provision for removal cost of property, plant and equipment” as a separate line item in the consolidated balance sheets.

As a result of this change in accounting estimates, both ordinary income and income before taxes for the fiscal year ended March 31, 2012, increased by ¥2,236 million.

4. Additional information

With regard to accounting changes and corrections of prior period errors which are made on or after the beginning of the fiscal year ended March 31, 2012, the Company has applied the “Accounting Standard for Accounting Changes and Error Corrections”

(Accounting Standards Board of Japan (“ASBJ”) Statement No. 24) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24).

5. Notes to Consolidated Balance Sheets**(a) Investment securities**

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2012 and 2011, amounted to ¥64,099 million (US\$780,458 thousand) and ¥63,690 million, respectively. Included in those amounts are investments in joint ventures of ¥31,415 million (US\$382,503 thousand) and ¥34,266 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2012 and 2011, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Pledged assets			
Buildings and structures	¥251	¥341	\$3,056
Machinery, equipment and vehicles	7	12	85
Other	0	0	0
	¥258	¥353	\$3,141
Secured debt			
Short-term loans payable	¥107	¥109	\$1,303
Long-term loans payable	315	423	3,835
	¥423	¥531	\$5,150

Besides the above, investment securities pledged to suppliers as transaction guarantee at March 31, 2012 and 2011, were ¥40 million (US\$487 thousand) and ¥87 million, respectively.

(c) Contingent liabilities

Contingent liabilities at March 31, 2012 and 2011, arising in the ordinary course of business are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans guaranteed	¥33,464	¥31,592	\$407,452
Commitment for guarantees	491	760	5,978
Letters of awareness	114	309	1,388
Completion guarantees	17,163	15,002	208,974
Notes discounted	17	37	207
	¥51,249	¥47,700	\$623,999

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

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

The accumulated reduced-value entries, which is directly deducted from property, plant and equipment, as of March 31, 2012 and 2011, were ¥7,631 million (US\$92,914 thousand) and ¥7,268 million, respectively. The breakdown of reduced-value entries as of March 31, 2012 and 2011, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Buildings and structures	¥3,134	¥3,095	\$38,159
Machinery, equipment and vehicles	4,103	3,810	49,957
Land	230	226	2,800
Other	164	137	1,997
	¥7,631	¥7,268	\$92,914

(e) Notes maturing on March 31, 2012

Although financial institutions in Japan were closed on March 31, 2012, and notes maturing on that date were actually settled on the following business day, April 2, 2012, those were accounted for as if settled on March 31, 2012.

The breakdown of those notes at March 31, 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Notes and accounts receivable—trade	¥3,443	¥—	\$41,921
Notes and accounts payable—trade	1,807	—	22,002
Current liabilities—other	¥372	¥—	\$4,529

6. Notes to Consolidated Statements of Income**(a) Selling, general and administrative expenses**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Freight and storage	¥33,435	¥33,946	\$407,099
Salaries and benefits	101,863	94,383	1,240,265
Research and development*	¥48,537	¥44,745	\$590,978

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2012 and 2011, were ¥66,269 million (US\$806,879 thousand) and ¥62,320 million, respectively.

(b) Gain or loss on devaluation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. Loss or (gain) on devaluation of inventories for the years ended March 31, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	¥983	¥(429)	\$11,969

(c) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Land	¥261	¥423	\$3,178
Machinery	101	—	1,230
Other	¥132	¥40	\$1,607

(d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2012 and 2011, was primarily loss on abandonment and sale of buildings, machinery and equipment, etc. The abandonment and sale of buildings, machinery and equipment, etc. was performed under a single, all-inclusive contract for each facility.

(e) Impairment losses

Impairment losses for the years ended March 31, 2012 and 2011, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars
			2012	2011	2012
Production facility for glass fabric	Machinery and equipment, etc.	Moriyama, Shiga	¥3,761	¥—	\$45,793
Production facility for semiconductor	Buildings, etc.	Tateyama, Chiba	1,120	—	13,637
Production facility for microcrystalline cellulose	Machinery and equipment, etc.	Nobeoka, Miyazaki	137	—	1,668
Idle assets	Land	Iizuka, Fukuoka	127	—	1,546
Production facility for resin molding	Machinery and equipment, etc.	Kawasaki, Kanagawa	119	—	1,449
Production facility for fine-pattern devices	Machinery and equipment, etc.	Hyuga, Miyazaki	77	79	938
Production facility for ammonia	Machinery and equipment, etc.	Kurashiki, Okayama	—	3,154	—
Production facility for synthetic fibers	Machinery and equipment, etc.	USA	—	1,977	—
Production facility for resin molding	Machinery and equipment, etc.	Fuji, Shizuoka	—	708	—
Production facility for benzene	Machinery and equipment, etc.	Kurashiki, Okayama	—	651	—
Research facility for pharmaceuticals	Machinery and equipment, etc.	Fuji, Shizuoka	—	330	—
Rental facilities	Buildings, etc.	Nobeoka, Miyazaki	—	295	—
Production facility for synthetic resin	Machinery and equipment, etc.	Kurashiki, Okayama	—	52	—

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 production and research facilities as shown in the above table, the book value was reduced to the recoverable amount due to diminished profitability. The recoverable amount is stated as value for future usage, which is calculated based on discounted future cash flow with applicable discount rate of 6% as of March 31, 2012 and 2011.

For idle land of which the market value has significantly decreased, the book value is reduced to the recoverable amount. The recoverable amount is measured at the net selling price primarily based on the value appraised by real estate appraisers. The resulting extraordinary losses for production facility for glass fabric and semiconductor were recorded under business structure improvement expenses for the year ended March 31, 2012.

(f) Environmental expenses

Environmental expenses for the years ended March 31, 2012 and 2011, were mainly for decontamination of idle land, etc.

(g) Loss on disaster

Major components of loss on disaster were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Repair or maintenance expenses related to delivered homes in housing operations	¥423	¥—	\$5,150
Fixed costs incurred during suspension of operations	58	410	706
Others	546	411	6,648
	¥1,027	¥821	\$12,505

(h) Business structure improvement expenses

Major components of business structure improvement expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Impairment of fixed assets	¥4,881	¥4,842	\$59,430
Loss on restructuring group company	1,883	—	22,927
Loss on disposal and devaluation of inventory and others	1,691	5,174	20,589
	¥8,454	¥10,016	\$102,934

7. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income are as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized gain on other securities		
Changes during the fiscal year	¥12,194	\$148,472
Recycling adjustment	228	2,776
Pre-tax effect	12,421	151,236
Tax effect	(1,868)	(22,744)
Net increase or decrease in unrealized gain on other securities	10,553	128,491
Deferred gain or loss on hedges		
Changes during the fiscal year	(2,005)	(24,413)
Recycling adjustment	(180)	(2,192)
Pre-tax effect	(2,185)	(26,604)
Tax effect	591	7,196
Deferred gains or losses on hedges	(1,594)	(19,408)
Foreign currency translation adjustment		
Changes during the fiscal year	(1,029)	(12,529)
Pre-tax effect	(1,029)	(12,529)
Foreign currency translation adjustment	(1,029)	(12,529)
Share of other comprehensive income of affiliates accounted for using equity method		
Changes during the fiscal year	(2,251)	(27,408)
Recycling adjustment	(4)	(49)
Share of other comprehensive income of affiliates accounted for using equity method	(2,255)	(27,456)
Total other comprehensive income	¥5,676	\$69,110

8. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2012

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

	Thousands of shares			Number of shares as of March 31, 2012
	Number of shares as of March 31, 2011	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	
Issued and outstanding shares				
Common stock	1,402,616	—	—	1,402,616
Total	1,402,616	—	—	1,402,616
Treasury stock				
Common stock (Notes 1 & 2)	4,421	541	36	4,926
Total	4,421	541	36	4,926

Notes: 1. The increase of 541 thousand shares in common stock of treasury stock was due to purchase of shares in quantities of less than one share unit.
2. The decrease of 36 thousand shares in common stock of treasury stock was due to sale of shares in quantities of less than one share unit.

(b) Dividends

i) Cash dividends paid

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

Dividends for common stock

Total dividends	¥8,389 million (US\$102,143 thousand)
Dividend per share	¥6.00 (US\$0.07)
Date of record	March 31, 2011
Payment date	June 7, 2011

2) The following was resolved by the Board of Directors on November 2, 2011.

Dividends for common stock

Total dividends	¥9,784 million (US\$119,128 thousand)
Dividend per share	¥7.00 (US\$0.09)
Date of record	September 30, 2011
Payment date	December 1, 2011

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

The following was resolved by the Board of Directors on May 9, 2012.

Dividends for common stock

Total dividends	¥9,784 million (US\$119,128 thousand)
Source of dividends	Retained earnings
Dividend per share	¥7.00 (US\$ 0.09)
Date of record	March 31, 2012
Payment date	June 6, 2012

For the year ended March 31, 2011

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

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

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

(b) Dividends

i) Cash dividends paid

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

Dividends for common stock

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

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

Dividends for common stock

Total dividends	¥6,992 million
Dividend per share	¥5.00
Date of record	September 30, 2010
Payment date	December 1, 2010

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

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

Dividends for common stock

Total dividends	¥8,389 million
Source of dividends	Retained earnings
Dividend per share	¥6.00
Date of record	March 31, 2011
Payment date	June 7, 2011

9. Note to Consolidated Statements of Cash Flows**Cash and cash equivalents**

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2012 and 2011, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and deposits	¥ 102,875	¥140,319	\$1,252,587
Time deposits with deposit term of over 3 months	(6,884)	(6,240)	(83,818)
Money market funds and others included in short-term investment securities	360	371	4,383
Cash and cash equivalents	¥96,351	¥134,450	\$1,173,152

10. Leases**(a) Financing lease transactions**

Financing lease transactions without title transfer

i) Components of lease assets are as follows:

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

ii) Depreciation of lease assets:

As stated in 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 operating lease. Such lease transactions accounted for as operating lease be accounted for as financing lease, cost and related accumulated amortization, computed using the straight-line method over the term of the lease, at March 31, 2012 and 2011, would have been as follows:

	Millions of yen		
	2012		
	Cost	Accumulated depreciation/amortization	Net amount
Machinery, equipment and vehicles	¥143	¥89	¥53
Property, plant and equipment, other	300	253	47
Intangible fixed assets, other	182	163	19
	¥625	¥505	¥119

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

	Thousands of U.S. dollars		
	2012		
	Cost	Accumulated amortization	Net amount
Machinery, equipment and vehicles	\$1,741	\$1,084	\$645
Property, plant and equipment, other	3,653	3,080	572
Intangible fixed assets, other	2,216	1,985	231
	\$7,610	\$6,149	\$1,449

The future lease payments under the Company's financing leases at March 31, 2012 and 2011, including amounts representing interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥70	¥412	\$852
Due after one year	49	119	597
	¥119	¥532	\$1,449

Lease charges were ¥359 million (US\$4,371 thousand) and ¥1,213 million for the years ended March 31, 2012 and 2011, respectively. The amortization amounts of the leased assets, computed using the straight-line method over the term of the leases and no residual value, were ¥359 million (US\$4,371 thousand) and ¥1,213 million for the years ended March 31, 2012 and 2011, respectively. No impairment loss is allocated to the leased assets.

(b) Operating lease transactions

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥4,975	¥4,456	\$60,575
Due after one year	5,147	7,856	62,669
	¥10,121	¥12,312	\$123,231

11. 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 each group company monitors and manages the credit condition for each customer.

Investment securities are exposed to the risk of fluctuations in market price, but they are mainly equity securities of companies with which the Company has business relationships. These securities are held for the purpose of maintaining the business relationships. Fair value is periodically evaluated, and the financial condition of the issuing company is monitored.

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

Variable interest-rate borrowings are exposed to the risk of interest rate fluctuations, but derivatives (interest 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 housing business is exposed to the risk of interest rate fluctuations between the time of origination of housing loans and the time of execution of their securitization, but derivative transactions (interest rate swaps) are entered into to reduce such risk.

iii) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. In the case where no quoted market price is available, a reasonably estimated fair value is used. As variable factors are incorporated in its estimation, fair value may change due to the adoption of different assumptions, conditions, etc. Amount of contract regarding derivative transactions in the Note 13 "Derivative financial instruments" is not itself an indication of the market risk of the derivative transactions.

(b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2012 and 2011, are as shown below.

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

	Millions of yen		
	2012		
	Carrying amount	Fair value	Difference
Cash and deposits	¥102,875	¥102,875	¥—
Notes and accounts receivable—trade	266,056		
Allowance for doubtful accounts (*1)	(938)		
	265,118	265,118	—
Investment securities			
Other securities	105,130	105,130	—
Long-term loans receivables	6,539	7,097	558
Total assets	479,662	480,220	558
Notes and accounts payable—trade	143,194	143,194	—
Short-term loans payable	44,751	44,751	—
Commercial paper	15,000	15,000	—
Income taxes payable	8,380	8,380	—
Bonds payable	25,000	25,953	(953)
Long-term loans payable	91,942	93,901	(1,959)
Lease obligations	6,914	6,915	(1)
Long-term guarantee deposited	6,109	6,006	102
Total liabilities	341,289	344,100	(2,811)
Derivative financial instruments (*2)	¥(2,822)	¥(2,822)	¥—
	Millions of yen		
	2011		
	Carrying amount	Fair value	Difference
Cash and deposits	¥140,319	¥140,319	¥—
Notes and accounts receivable—trade	273,414		
Allowance for doubtful accounts (*1)	(1,028)		
	272,386	272,386	—
Short-term investment securities			
Other securities	116	116	—
Investment securities			
Other securities	93,921	93,921	—
Long-term receivables	5,860		
Allowance for doubtful accounts (*1)	(11)		
	5,849	6,249	400
Total assets	512,590	512,991	400
Notes and accounts payable—trade	136,407	136,407	—
Short-term loans payable	76,611	76,611	—
Commercial paper	23,000	23,000	—
Income taxes payable	24,085	24,085	—
Bonds payable	25,000	25,311	(311)
Long-term loans payable	123,493	125,156	(1,663)
Lease obligations	5,324	5,343	(19)
Long-term guarantee deposited	5,845	5,731	114
Total liabilities	419,766	421,644	(1,879)
Derivative financial instruments (*2)	¥(419)	¥(419)	¥—

Thousands of U.S. dollars

	2012		
	Carrying amount	Fair value	Difference
Cash and deposits	\$1,252,587	\$1,252,587	\$—
Notes and accounts receivable—trade	3,239,450		
Allowance for doubtful accounts (*1)	(11,421)		
	3,228,029	3,228,029	—
Investment securities			
Other securities	1,280,044	1,280,044	—
Long-term loans receivables	79,618	86,412	6,794
Total assets	5,840,278	5,847,072	6,794
Notes and accounts payable—trade	1,743,504	1,743,504	—
Short-term loans payable	544,880	544,880	—
Commercial paper	182,637	182,637	—
Income taxes payable	102,033	102,033	—
Bonds payable	304,395	315,999	(11,604)
Long-term loans payable	1,119,469	1,143,322	(23,852)
Lease obligations	84,184	84,196	(12)
Long-term guarantee deposited	74,382	73,128	1,242
Total liabilities	4,155,473	4,189,699	(34,226)
Derivative financial instruments (*2)	\$(34,360)	\$(34,360)	\$—

(*1) This reduction represents specific allowance for doubtful accounts related to notes and accounts receivable—trade, and long-term loans receivable.

(*2) The amounts represent net amount of assets and liabilities resulted 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 these traded stocks. Refer to the Note 12 "Marketable securities and investment securities" for information on securities classified holding purpose.
- 3) Long-term loans receivables
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 determined by the market price. For those without quoted market price that are subject to special treatment for interest rate swaps, fair value is based on the present value by totaling the amount of principal and interest, together with related interest rate swaps, discounted by the interest rate that would apply if equivalent bonds were newly issued.
- 3) Long-term loans payable
The carrying amounts shown include long-term loans payable that are scheduled for repayment within one year of March 31, 2012 and 2011, amounting to ¥29,739 million (US\$362,097 thousand) and ¥32,278 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. Of 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 is calculated by discounting the total amount of principal and interest using the presumed interest rate that would apply if lease transactions were newly made, is used as the fair value.

5) Long-term guarantee deposited

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

iii) Derivative transactions

Refer to the Note 13 "Derivative financial instruments."

- Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2012 and 2011, amounting to ¥72,743 million (US\$885,706 thousand) and ¥72,652 million, respectively, fair value is not included in short-term investment securities or in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.
- Note 3) A portion of the carrying amount of long-term loans payable, as of March 31, 2012 and 2011, amounting to ¥507 million (US\$6,173 thousand) and ¥507 million, respectively, is for loans from the Japan Science and Technology Agency, and the timing of repayment is yet to be determined as it begins after development success is certified. Fair value is not included as it is deemed extremely difficult to determine due to the impossibility of estimating future cash flows.
- Note 4) For long-term guarantee deposited, the fair value of a portion having a carrying amount as of March 31, 2012 and 2011, amounting to ¥12,178 million (US\$148,277 thousand) and ¥12,495 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, amount scheduled for redemption subsequent to the closing date.

Millions of yen

	2012			
	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	¥102,875	¥—	¥—	¥—
Notes and accounts receivable—trade	266,056	—	—	—
Short-term investment securities, investment securities				
Government and municipal bonds	2	—	—	—
Long-term receivables	979	5,344	215	—
	¥369,913	¥5,344	¥215	¥—

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

	Thousands of U.S. dollars			
	2012			
	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	\$1,252,587	\$—	\$—	\$—
Notes and accounts receivable—trade	3,239,450	—	—	—
Short-term investment securities, investment securities				
Government and municipal bonds	24	—	—	—
Long-term receivables	11,920	65,068	2,618	—
	\$4,503,994	\$65,068	\$2,618	\$—

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

12. Marketable securities and investment securities

(a) Other securities with available fair value

The aggregate cost, carrying amount which were identical to fair value, and gross unrealized gains and losses of debt and equity securities classified as other securities for which fair values are available at March 31, 2012 and 2011, are as follows:

	Millions of yen		
	2012		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥97,644	¥32,027	¥65,617
Securities with unrealized losses:			
Equity securities	7,486	10,840	(3,354)
	¥105,130	¥42,867	¥62,263

Note) For equity investment in nonpublic companies, with a carrying amount of ¥72,743 million, fair value is not included in short-term investment securities or in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value.

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

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

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	\$1,188,896	\$389,955	\$798,941
Securities with unrealized losses:			
Equity securities	91,148	131,986	(40,838)
	\$1,280,044	\$521,941	\$758,103

Note) For equity investment in nonpublic companies, with a carrying amount of US\$885,706 thousand, fair value is not included in short-term investment securities or in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value.

(b) The realized gains and losses on the sale of other securities during the year ended March 31, 2012 and 2011, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Selling amount	¥ 541	¥1,292	\$6,587
Gain on sales of securities	191	416	2,326
Loss on sales of securities	—	380	—

(c) Loss on other devaluation of investment securities whose fair values are readily determinable for the years ended March 31, 2012 and 2011, was ¥1,898 million (US\$23,110 thousand) and ¥651 million, respectively.

13. Derivative financial instruments

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

i) Foreign exchange forward contracts

Classification	Items	Millions of yen			
		2012			
		Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	¥12,155	¥ —	¥ (376)	¥ (376)
Off-market transactions	Euro	4,070	—	(227)	(227)
	Thai baht	594	—	(32)	(32)
	Singapore dollar	21	—	(0)	(0)
	Buying				
	U.S. dollar	2,138	—	6	6
		¥18,978	¥ —	¥ (630)	¥ (630)

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

Classification	Items	Thousands of U.S. dollars			
		2012			
		Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	\$147,997	\$ —	\$ (4,578)	\$ (4,578)
Off-market transactions	Euro	49,556	—	(2,764)	(2,764)
	Thai baht	7,232	—	(390)	(390)
	Singapore dollar	256	—	(0)	(0)
	Buying				
	U.S. dollar	26,032	—	73	73
		\$231,073	\$ —	\$ (7,671)	\$ (7,671)

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

i) Foreign exchange forward contracts

			Millions of yen		
			2012		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Foreign exchange forward contracts					
Selling					
Principle-based accounting	U.S. dollar	Accounts receivable—trade	¥8,001	¥410	¥(390)
	Euro	Accounts receivable—trade	146	—	(1)
	U.S. dollar	Investment securities	144,500	—	(1,804)
Buying					
	U.S. dollar	Accounts payable—trade	264	—	2
			¥152,911	¥410	¥(2,192)

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

			Thousands of U.S. dollars		
			2012		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Foreign exchange forward contracts					
Selling					
Principle-based accounting	U.S. dollar	Accounts receivable—trade	\$97,419	\$4,992	\$(4,749)
	Euro	Accounts receivable—trade	1,778	—	(12)
	U.S. dollar	Investment securities	1,759,406	—	(21,965)
Buying					
	U.S. dollar	Accounts payable—trade	3,214	—	24
			\$1,861,817	\$4,992	\$(26,689)

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

			Millions of yen		
			2012		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest rate swaps	Interest rate swaps				
	Pay fixed/receive floating	Long-term loans payable	¥27,044	¥16,304	(*)
Special treatment for interest rate and currency swaps	Interest rate and currency swaps				
	U.S. dollar receive fixed/ Japanese yen pay floating	Bonds payable	5,000	5,000	(*)
	U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	747	498	(*)
			¥32,791	¥21,802	—

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

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars		
			Amount of contract	Amount of contract over 1 year	Fair value
			2012		
Special treatment for interest rate swaps	Interest rate swaps				
	Pay fixed/receive floating	Long-term loans payable	\$329,283	\$198,515	(*)
Special treatment for interest rate and currency swaps	Interest rate and currency swaps				
	U.S. dollar receive fixed/Japanese yen pay floating	Bonds payable	60,879	60,879	(*)
	U.S. dollar receive floating/Thai baht pay fixed	Long-term loans payable	9,095	6,064	(*)
			\$399,257	\$265,457	—

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

14. Provision for retirement benefits

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

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

Information on provision for retirement benefits at March 31, 2012 and 2011, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
(a) Projected benefit obligations	¥(311,561)	¥(310,990)	\$(3,793,510)
(b) Fair value of plan assets	161,838	164,396	1,970,510
(c) Unfunded benefit obligations [(a)+(b)]	(149,723)	(146,593)	(1,823,000)
(d) Unrecognized actuarial gains/losses	49,107	46,746	597,918
(e) Unrecognized prior service costs	(1,309)	(2,692)	(15,938)
(f) Amount shown on balance sheet [(c)+(d)+(e)]	(101,925)	(102,539)	(1,241,020)
(g) Prepaid pension cost	4,353	4,769	53,001
(h) Provision for retirement benefits [(f)-(g)]	¥(106,277)	¥(107,309)	\$(1,294,009)

Note: The figures in the above table do not include additional benefit payables amounting to ¥93 million (US\$1,132 thousand) and ¥111 million at March 31, 2012 and 2011, respectively. The amounts were recorded as part of current liabilities on the consolidated balance sheets at March 31, 2012 and 2011.

Periodic retirement benefit expenses for employees for the years ended March 31, 2012 and 2011, include the following components:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost*	¥9,744	¥9,031	\$118,641
Interest cost	6,312	7,237	76,854
Expected return on plan assets	(4,060)	(4,219)	(49,434)
Amortization of unrecognized actuarial gains/losses	4,760	2,317	57,957
Amortization of unrecognized prior service costs	(1,380)	(1,378)	(16,803)
Retirement benefit expenses	¥15,376	¥12,987	\$187,215

Note: In addition to the above costs, additional benefits amounting to ¥340 million (US\$4,140 thousand) and ¥878 million were charged to income for the years ended March 31, 2012 and 2011, respectively.

* Not including contributions made by employees.

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

	2012	2011
Discount rate	Mainly 2.0%	Mainly 2.0%
Expected rate of return on plan assets	Mainly 2.5%	Mainly 2.5%
Method of attributing the projected benefits to periods of employee service	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service costs	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial gains/losses	Mainly 10 years	Mainly 10 years

15. Taxes

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

Significant components of the deferred tax assets and liabilities at March 31, 2012 and 2011, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Provision for retirement benefits	¥37,608	¥43,436	\$457,908
Tax loss carry forwards	16,377	12,741	199,403
Accrued bonuses	8,272	8,904	100,718
Unrealized gain on noncurrent assets and others	4,233	4,302	51,540
Impairment loss	4,104	4,605	49,970
Unrealized loss on investment securities	3,411	3,287	41,532
Loss on disposal of noncurrent assets	3,434	5,533	41,812
Provision for repairs	2,989	2,316	36,394
Depreciation	1,964	2,146	23,913
Asset retirement obligations	1,415	1,456	17,229
Accrued enterprise tax	1,368	2,322	16,657
Devaluation of inventories	1,022	1,459	12,444
Provision for product warranties	889	1,171	10,824
Deferred gains or losses on hedges	834	78	10,155
Environmental expenses	662	953	8,060
Allowance for doubtful accounts	341	412	4,152
Other	7,897	7,368	96,152
Subtotal deferred tax assets	96,821	102,488	1,178,875
Less: Valuation allowance	(24,557)	(21,904)	(299,002)
Total deferred tax assets	72,263	80,585	879,861
Deferred tax liabilities:			
Unrealized gain on other securities	(24,168)	(22,454)	(294,265)
Deferred gain on property, plant and equipment	(11,862)	(13,402)	(144,430)
Identified intangible assets during business combination	(3,698)	—	(45,026)
Reserve for accelerated depreciation	(249)	(247)	(3,032)
Other	(5,269)	(5,720)	(64,154)
Total deferred tax liabilities	(45,247)	(41,822)	(550,919)
Net deferred tax assets	¥27,017	¥38,762	\$328,954

Net deferred tax assets (liabilities) at March 31, 2012 and 2011, were included in the following line items on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current assets—deferred tax assets	¥19,454	¥23,131	\$236,868
Non-current assets—deferred tax assets	18,965	22,005	230,914
Current liabilities—deferred tax liabilities	—	—	—
Non-current liabilities—deferred tax liabilities	(11,402)	(6,374)	(138,829)

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31,

	2012
Statutory tax rate	40.7%
Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	1.5
Equalization of inhabitants taxes	0.5
Equity in earnings of unconsolidated subsidiaries and affiliates	(0.3)
Undistributed earnings of foreign subsidiaries	(0.5)
Difference of tax rates for foreign subsidiaries	(3.2)
Valuation allowance	1.4
R&D expenses deductible from income taxes	(6.3)
Decrease in deferred tax asset due to the change in statutory tax rate	5.7
Other	0.6
Effective income tax rate	40.0%

2012 and 2011, was as follows:

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

Change in deferred tax assets and deferred tax liabilities due to changes in the corporate income tax rate

The “Act for Partial Amendment of the Income Tax Act, etc., for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No.114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake” (Act No.117 of 2011) were issued on December 2, 2011 and the income tax rate is to be changed accordingly with the effect on business terms beginning on April 1, 2012 onward.

In accordance with the change, statutory effective tax rates

used to calculate the amounts of deferred tax assets and liabilities have been applied as follows depending on the timing of reversal for each temporary item.

Timing of reversal	Tax rate
April 1, 2012 through March 31, 2015	38.0%
April 1, 2015 onward	35.6%

As a result of this change, net deferred tax assets (after netting deferred tax liabilities) decreased by ¥2,296 million, net unrealized gain on other securities increased by ¥3,133 million and deferred gains or losses on hedges decreased by ¥46 million, respectively, and income taxes—deferred increased by ¥5,383 million.

16. Business combinations

Business combinations accounted for by purchase method were as follows:

1. Artisan Pharma, Inc.

(a) Outline of business combination

1) Name of acquiree

Artisan Pharma, Inc.

2) Nature of the businesses

Clinical trials for new drugs, sale of pharmaceuticals

3) Main reasons for the acquisition

In 2006, Asahi Kasei Pharma Corp. established Artisan Pharma, Inc. together with several venture capital firms, and licensed its ART-123 (recombinant thrombomodulin alpha, marketed as Reconomulin™ in Japan) to the new company for the advancement of overseas development. Artisan Pharma conducted a global Phase IIb clinical trial for ART-123 for the treatment of DIC in sepsis, which was completed in 2010. Artisan Pharma's shareholders subsequently advanced discussions on the best approach for implementation of a Phase III clinical trial, reaching the conclusion that it would be optimal for Asahi Kasei Pharma to acquire full ownership and perform the clinical trial on its own in order to facilitate the processes and procedures for the trial and receive approval for ART-123 as swiftly as possible.

4) The acquisition date

November 4, 2011

5) Statutory form of business combination

Stock purchase for cash as consideration

6) Name of company after transaction

Artisan Pharma, Inc. (currently, Asahi Kasei Pharma America Corp.)

7) Acquired voting right

Voting right before the acquisition

37.65%

Additional voting right acquired as of the acquisition date

62.35%

Voting right after the acquisition
100.00%

8) Major reasons for identifying the acquirer

Stock purchase for cash as consideration by Asahi Kasei Pharma Corp. which is a wholly owned subsidiary of Asahi Kasei Corp.

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

From January 1, 2012, to March 31, 2012

(c) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥5,661	\$68,927
Acquisition related direct cost	34	414
Purchase price	¥5,695	\$69,341

All stocks held as of the acquisition date are remeasured to their fair value at acquisition date.

(d) The difference between the purchase price and the sum of carrying amounts of each investment

¥2,143 million (US\$26,093 thousand)

The difference is recognized as gain on step acquisitions on the consolidated statements of income.

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

1) Amount of goodwill

¥2,323 million (US\$28,284 thousand)

2) Measurement principle

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

3) Amortization method and useful life

Straight-line method over 10 years

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

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Current assets	¥198	\$2,411
Noncurrent assets	5,774	70,303
Total assets	5,973	72,726
Current liabilities	46	560
Noncurrent liabilities	2,323	28,284
Total liabilities	¥2,369	\$28,845

(g) Outline of contingent consideration stated on the share purchase agreement and its accounting treatment in the subsequent period**1) Nature of contingent consideration**

The contingent consideration depends on the degree of achievement of a specified milestone and others after the acquisition date.

2) Accounting treatment in the subsequent period

In case additional consideration is paid, purchase price is adjusted as if it was paid as of the acquisition date then the amount of goodwill and its amortization expense are changed accordingly.

(h) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life**1) Purchase price allocated to intangible assets and its major item**

In process Research & Development ¥5,768 million (US\$70,230 thousand)

2) Major weighted average useful life

Intangible assets are amortized over their economic useful lives.

(i) Pro forma effects on the consolidated statements of income assumed the business combination occurs at the beginning of fiscal year and its measurement.

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

2. Crystal IS, Inc.**(a) Outline of business combination****1) Name of acquiree**

Crystal IS, Inc.

2) Nature of the businesses

Development of high-quality aluminum nitride (AlN) substrates, ultraviolet light emitting diodes (UV LEDs) and its application

3) Main reasons for the acquisition

This acquisition makes the way for the Company's entry into the highly promising UV LED market and further development in the field of energy-conserving devices by evolving synergies between acquired outstanding technology for single-crystal AlN substrates and its options for commercialization of the UV LEDs and the Company's existing technologies in electronic component.

4) The acquisition date

December 28, 2011

5) Statutory form of business combination

Stock purchase for cash as consideration

6) Name of company after transaction

Crystal IS, Inc.

7) Acquired voting right

Voting right before the acquisition
6.73%

Additional voting right acquired as of the acquisition date
93.27%

Voting right after the acquisition

100.00%

8) Reason for identifying the acquirer

Stock purchase for cash as consideration by Asahi Kasei Corporation.

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

From January 1, 2012 to March 31, 2012

(c) Cost of acquisition and its detail

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	¥3,737	\$45,501
Acquisition related direct cost	105	1,278
Purchase price	¥3,842	\$46,779

All stocks held as of the acquisition date are remeasured to their fair value at acquisition date.

(d) The difference between the purchase price and the sum of carrying amounts of each investment

¥134 million (US\$1,632 thousand)

The difference is recognized as gain on step acquisitions on the consolidated statements of income.

(e) The amount of goodwill, measurement principle, amortization method and useful life**1) Amount of goodwill**

¥1,882 million (US\$22,915 thousand)

2) Measurement principle

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

3) Amortization method and useful life

Straight-line method over 10 years

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

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Current assets	¥135	\$1,644
Noncurrent assets	3,065	37,319
Total assets	3,200	38,963
Current liabilities	47	572
Noncurrent liabilities	1,194	14,538
Total liabilities	¥1,240	\$15,098

(g) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life**1) Purchase price allocated to intangible assets and its major item**

Technology related asset and others
¥2,981 million (US\$36,296 thousand)

2) Major weighted average useful life

20 years

(h) Pro forma effects on the consolidated statements of income assumed the business combination occurs at the beginning of fiscal year and its measurement.

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

17. 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 sheet.

In accordance with building lease agreements such as for the head offices, commitments pertaining to restoration to original state before vacating are recognized as asset retirement obligations. However, instead of recording them as the relevant asset retirement obligations under liabilities, the amount of lease deposit that cannot

ultimately be expected to be collected was estimated in a reasonable manner, and of that, the amount corresponding to the fiscal year ended March 31, 2012, 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 0.3% to 6.0%.

(c) Increase (decrease) in the total amount of asset retirement obligations in the fiscal year ended March 31, 2012

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year	¥ 3,828	¥ 4,038	\$ 46,609
Increase due to asset retirement obligations accrued	148	346	1,802
Adjustment due to passage of time	151	173	1,839
Decrease due to fulfillment of asset retirement obligations	(317)	(420)	(3,860)
Decrease due to foreign exchange fluctuation	(108)	(310)	(1,315)
Balance at end of year	¥ 3,701	¥ 3,828	\$ 45,063

For the amount of lease deposit, which will be written off for a certain percentage at the end of the lease period, was charged to expense rather than recording the Asset Retirement Obligation.

Increase (decrease) in those expensed amounts for the fiscal year ended March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of year	¥1,619	¥1,553	\$19,713
Increase due to new lease agreements	37	66	451
Decrease due to the cancellation of existing lease agreements	(13)	—	(158)
Balance at end of year	¥1,643	¥1,619	\$20,005

18. Business segment information

(a) Overview of reportable segments

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

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

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

Main products of the six reportable segments are as follows:

Chemicals

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

Homes

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

Health Care

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

Fibers

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

Electronics

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

Construction Materials

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

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

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

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

Millions of yen

	2012								
	Chemicals	Homes	Health Care	Fibers	Electronics	Construction Materials	Subtotal	Others (Note 1)	Total
Sales:									
External customers	¥680,112	¥451,965	¥119,483	¥110,849	¥146,113	¥46,146	¥1,554,668	¥18,562	¥1,573,230
Intersegment	20,506	63	23	1,743	608	15,268	38,211	23,665	61,876
Total	700,617	452,028	119,506	112,593	146,721	61,414	1,592,879	42,227	1,635,106
Operating income	44,486	46,340	8,804	3,140	6,423	1,824	111,015	2,969	113,984
Assets	580,351	293,452	180,241	106,000	162,951	42,620	1,365,615	57,462	1,423,077
Other items									
Depreciation (Note 2)	29,215	4,794	10,892	6,445	20,911	2,419	74,676	852	75,528
Amortization of goodwill	435	—	657	—	39	—	1,131	47	1,179
Investments in affiliates accounted for using equity method	34,413	—	260	3,825	2,020	—	40,518	17,519	58,037
Increase in property, plant and equipment, and intangible assets	39,080	6,272	10,678	5,697	13,429	1,631	76,787	786	77,572

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

Millions of yen

	2011								
	Chemicals	Homes	Health Care	Fibers	Electronics	Construction Materials	Subtotal	Others (Note 2)	Total
Sales:									
External customers	¥699,801	¥409,224	¥116,387	¥108,761	¥158,337	¥47,418	¥1,539,928	¥16,017	¥1,555,945
Intersegment	18,657	160	81	1,732	729	14,152	35,510	23,950	59,461
Total	718,457	409,384	116,468	110,493	159,066	61,570	1,575,439	39,968	1,615,406
Operating income	64,379	36,476	7,045	4,197	14,258	2,091	128,444	1,706	130,151
Assets	563,034	265,342	165,277	102,163	178,739	39,570	1,314,126	49,268	1,363,394
Other items									
Depreciation (Note 3)	31,460	4,266	10,833	6,945	23,882	2,795	80,181	862	81,043
Amortization of goodwill	443	—	610	5	14	—	1,073	—	1,073
Investments in affiliates accounted for using equity method	36,295	—	272	4,124	2,759	—	43,450	15,975	59,425
Increase in property, plant and equipment, and intangible assets	23,174	6,304	7,427	3,668	20,267	1,684	62,524	981	63,505

Notes: 1. As stated in change in accounting policy for naphtha resale transactions, a new accounting method was adopted from the fiscal year ended March 31, 2012. Due to the change, sales to external customers in the Chemicals segment was restated retroactively.
2. The "Others" category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.
3. Amortization of goodwill is not included.

Thousands of U.S. dollars

	2012								
	Chemicals	Homes	Health Care	Fibers	Electronics	Construction Materials	Subtotal	Others (Note 1)	Total
Sales:									
External customers	\$8,280,920	\$5,503,044	\$1,454,803	\$1,349,677	\$1,779,045	\$561,865	\$18,929,356	\$226,008	\$19,155,363
Intersegment	249,677	767	280	21,222	7,403	185,900	465,250	288,141	753,391
Total	8,530,586	5,503,811	1,455,083	1,370,912	1,786,448	747,766	19,394,606	514,148	19,908,754
Operating income	541,653	564,227	107,196	38,232	78,205	22,209	1,351,699	36,150	1,387,849
Assets	7,066,249	3,573,018	2,194,582	1,290,637	1,984,062	518,933	16,627,481	699,647	17,327,128
Other items									
Depreciation (Note 2)	355,717	58,371	132,619	78,473	254,609	29,453	909,241	10,374	919,615
Amortization of goodwill	5,296	—	8,000	—	475	—	13,771	572	14,355
Investments in affiliates accounted for using equity method	419,006	—	3,166	46,573	24,595	—	493,340	213,308	706,648
Increase in property, plant and equipment, and intangible assets	475,831	76,367	130,013	69,366	163,509	19,859	934,945	9,570	944,503

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

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

Sales	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total of reporting segments	¥1,592,879	¥1,575,439	\$19,394,606
Net sales in "Others" category	42,227	39,968	514,148
Elimination of intersegment transactions	(61,876)	(59,461)	(753,391)
Net sales on consolidated statements of income	¥1,573,230	¥1,555,945	\$19,155,363

Operating income	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total of reporting segments	¥111,015	¥128,444	\$1,351,699
Operating income in "Others" category	2,969	1,706	36,150
Elimination of intersegment transactions	690	708	8,401
Corporate expenses, etc.*	(10,416)	(7,932)	(126,823)
Operating income on consolidated statements of income	¥104,258	¥122,927	\$1,269,427

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

Assets	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total of reporting segments	¥1,365,615	¥1,314,126	\$16,627,481
Assets in "Others" category	57,462	49,268	699,647
Elimination of intersegment transactions	(206,324)	(167,618)	(2,512,164)
Corporate assets*	193,814	230,103	2,359,844
Total assets on consolidated balance sheets	¥1,410,568	¥1,425,879	\$17,174,820

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

Other items	Total of reportable segments		Others		Adjustments (Note 1)		Amounts from consolidated financial statements					
	Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars		Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Depreciation (Note 2)	¥74,676	¥80,181	\$909,241	¥852	¥862	\$10,374	¥2,912	¥3,049	\$35,456	¥78,440	¥84,092	\$955,071
Amortization of goodwill	1,131	1,073	13,771	47	—	572	—	—	—	1,179	1,073	14,355
Investments in associates accounted for using equity method	40,518	43,450	493,340	17,519	15,975	213,308	—	—	—	58,037	59,425	706,648
Increase in property, plant and equipment, and intangible assets	¥76,787	¥62,524	\$934,945	¥786	¥981	\$9,570	¥7,551	¥2,509	\$91,940	¥85,124	¥66,014	\$1,036,454

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			
2012				2011				2012			
Japan	China	Other regions	Total	Japan	China	Other regions	Total	Japan	China	Other regions	Total
¥1,151,705	¥151,286	¥270,238	¥1,573,230	¥1,106,656	¥169,637	¥279,652	¥1,555,945	\$14,022,951	\$1,842,031	\$3,290,369	\$19,155,363

Note: As stated in change in accounting policy for naphtha resale transactions, a new accounting method was adopted from the fiscal year ended March 31, 2012. Due to the change, net sales generated from Japan in the fiscal year ended March 31, 2011, was restated retroactively.

2) Property, plant and equipment

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

3) Information by major customer

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

19. Information on related parties

Related party transactions

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

Type of related party	An affiliated company
Name of company	PTT Asahi Chemical Co., Ltd.
Location	Rayong, Thailand
Paid-in capital	14,246 million Thai baht
Business line	Chemicals
Holding ratio of voting rights (of which, indirect holding ratio)	48.5% (48.5%)
Relationship with the related party	Debt guarantee
Nature of transaction	Completion guarantee
Transaction amount	¥17,163 million in 2012, ¥15,002 million in 2011
Item	—
Balance at end of year	—

20. Per share information

Reconciliation of the differences between basic and diluted net assets per share and net income per share for the years ended March 31, 2012 and 2011, was as follows:

	Yen		U.S. dollars
	2012	2011	2012
Basic net assets per share	¥505.72	¥474.59	\$6.16
Basic net income per share	¥39.89	¥43.11	\$0.49

(a) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total net assets	¥719,285	¥675,602	\$8,757,884
Amount deducted from total net assets	12,439	12,036	151,455
<i>of which, minority interests</i>	(12,439)	(12,036)	(151,455)
Net assets allocated to capital stock	¥706,846	¥663,566	\$8,606,429
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,397,691	1,398,196	1,397,691

(b) Net income per share

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income	¥55,766	¥60,288	\$678,997
Amount not allocated to capital stock	—	—	—
Net income allocated to capital stock	¥55,766	¥60,288	\$678,997
Weighted-average number of shares of capital stock (thousand)	1,397,872	1,398,311	1,397,872

As the Company had no dilutive securities at March 31, 2012 and 2011, the Company does not disclose diluted net income per share for the years ended March 31, 2012 and 2011.

21. Borrowings

(a) Bonds payable at March 31, 2012 and 2011, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unsecured 1.90% Euro yen bonds due in 2013	¥5,000	¥5,000	\$60,879
Unsecured 1.46% yen bonds due in 2019	20,000	20,000	243,516
	¥25,000	¥25,000	\$304,395

Note 1) The current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.
 2) In the case of floating interest rates, the rate at the end of March is shown.
 3) The aggregate annual maturities of long-term debt after March 31, 2012, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2013	¥—	\$—
2014	5,000	60,879
2015	—	—
2016	—	—
2017 and thereafter	20,000	243,516
	¥25,000	\$304,395

(b) Loans payable at March 31, 2012 and 2011 are comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Short-term loans payable with interest rate 0.70%	¥44,751	¥76,611	\$544,880
Current portion of long-term loans payable with interest rate 0.91%	29,739	32,278	362,097
Current portion of lease obligations with interest rate 2.10%	2,207	1,522	26,872
Long-term loans payable (except portion due within one year) with interest rate 1.13%	62,710	91,722	763,546
Lease obligations (except portion due within one year) with interest rate 1.81%	4,707	3,802	57,312
Commercial paper with interest rate 0.11% (due within one year)	15,000	23,000	182,637
	¥159,114	¥228,935	\$1,937,343

Note 1) Interest rates shown are weighted average interest rates for the balance outstanding at the end of March.
 2) The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2013, are as follows:

Year ending March 31	Long-term loans payable		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2014	¥23,071	\$280,908	¥2,039	\$24,826
2015	6,862	83,550	1,365	16,620
2016	2,197	26,750	923	11,238
2017	4,212	51,285	370	4,505
2018 and thereafter	¥25,860	\$314,867	¥10	\$122

3) The timing of repayments for the loan payables from Japan Science and Technology Agency have yet to be determined as they begin after the development success is certified. Thus, the related aggregate annual maturities for these long-term loans payable after March 31, 2012, are not included in the above.

22. Subsequent events

1. Acquisition of ZOLL Medical Corporation

On March 12, 2012, the parent company made an agreement with a major US critical care medical device maker, ZOLL Medical Corporation (headquarters: Massachusetts, US; CEO: Richard A. Packer; listed in the US on NASDAQ: ZOLL; hereinafter "ZOLL") regarding its acquisition of ZOLL by a tender offer through a subsidiary in the US and a subsequent merger with cash as consideration. All procedures related to this acquisition were completed on April 26, US Eastern time and ZOLL became a wholly owned subsidiary.

(a) Purpose of this acquisition

- I) By utilizing the know-how and the resources built up through the Company's established pharmaceutical and medical device businesses, it will be possible to accelerate the expansion of ZOLL's business in Japan and Asia, and also contribute to the reinforcement of the competitiveness of ZOLL's products.
- II) Having ZOLL's globally strong platform in critical care will enable the Company to obtain additional investment opportunities for further growth.
- III) Through sharing information on customer needs with the Company's established medical device business and through joint marketing, etc., the Company will be able to obtain opportunities for global business expansion and to deal with new therapeutic fields.

(b) Profile of ZOLL

- I) Company name: ZOLL Medical Corporation
- II) Year of incorporation: 1980
- III) Headquarters: Massachusetts, US
- IV) CEO: Richard A. Packer
- V) Sales (US GAAP): US\$523.7 million (fiscal 2011)
- VI) Operating income (US GAAP): US\$48.2 million (fiscal 2011)
- VII) Number of employees: 1,908 (as of October 2, 2011)
- VIII) Main business locations: US, Germany

(c) Outline of this acquisition

- I) Implementer of the tender offer
A special purpose company (SPC) established under a US subsidiary of the parent company.
- II) Object of this acquisition
ZOLL Medical Corporation
- III) Type of shares purchased
Common shares
- IV) Purchase price
US\$93 per share
- V) Purchase period
Initial period: From March 26 to April 20, 2012, US Eastern time
Subsequent offering period: From April 23 to April 25, 2012, US Eastern time
- VI) Change in ownership ratio of ZOLL's shares as a result of this acquisition
Ownership ratio prior to this acquisition: 0%
Ownership ratio after this tender offer and this acquisition: 100%
- VII) Funds required for this acquisition
US\$2.21 billion
The amount shown is that required to purchase the total number of ZOLL's outstanding shares and to make payments related to stock options and restricted shares.

(d) Other

From the fiscal year ending March 31, 2013, the result of the acquired business is disclosed in a new segment by the name of "Critical Care".

2. Borrowing for the acquisition of ZOLL

The parent company entered into the following loan agreement on April 9, 2012 per the resolution of the board of the meeting on February 23, 2012 and executed the borrowing on April 25, 2012 as follows:

- I) Borrower: Asahi Kasei Corporation
- II) Lenders : Sumitomo Mitsui Banking Corporation, Mizuho Corporate Bank, Ltd., The Bank of Tokyo-Mitsubishi UFJ, Ltd., The Norinchukin Bank, Sumitomo Mitsui Trust Bank, Limited, UBS AG, Tokyo Branch
- III) Nature of loan: Loan facility agreement (syndicate loan) in US\$ and yen
- IV) Amount: US\$500 million and ¥144,500 million
- V) Purpose of the loan
 - (1) Financing the consideration payable for shares in ZOLL
 - (2) Financing the purchase of the authorized and unissued shares of ZOLL pursuant to the option granted to its management and employees and others under the Merger Agreement
 - (3) Financing the consideration payable to minority shareholders of ZOLL in the process of the merger
 - (4) Financing agreed fees, costs and other expenses associated with the transaction
- VI) Interest rate: Base rate plus spread
- VII) Drawdown date: April 25, 2012
- VIII) Term: October 25, 2012
- IX) Pledge: Not applicable
- X) Guarantee: Not applicable
- XI) Financial covenant: Applicable

Report of Independent Auditors



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 sheets as at March 31, 2012, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements 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, 2012, 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 22 "Subsequent events", the Company completed to acquire ZOLL Medical Corporation on April 26, 2012, and ZOLL Medical Corporation became a wholly owned subsidiary of the company.
2. As described in Note 22 "Subsequent events", the Company executed the borrowing regarding the acquisition of ZOLL Medical Corporation on April 25, 2012.

Our opinion is not qualified in respect of these matters.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata
July 26, 2012

PricewaterhouseCoopers Aarata
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As of April 1, 2012

Company	Main products/business line	Paid-in capital (million)	Equity interest (%)
Chemicals Segment			
Asahi Kasei Chemicals Corp.*	Chemicals	¥ 3,000	100.0
Asahi Kasei Pax Corp.*	Packaging products and solutions	¥ 490	100.0
Asahi Kasei 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.*	Processing of plastic and fiber	¥ 160	99.4
Japan Elastomer Co., Ltd.*	Synthetic rubber	¥ 1,000	75.0
Sundic Inc.	Biaxially oriented polystyrene sheet	¥ 1,500	50.0
Wacker Asahikasei Silicone Co., Ltd.	Silicone	¥ 1,050	50.0
Kayaku Japan Co., Ltd.	Industrial explosives	¥ 60	50.0
PS Japan Corp.*	Polystyrene	¥ 5,000	62.1
Asahikasei Plastics (America) Inc.*	Compounded performance resin operations	US\$ 32.0**	100.0
Asahi Kasei Plastics North America, Inc.*	Coloring and compounding of performance resin	US\$ 21.7**	100.0
Sun Plastech Inc.*	Sale of purging compound	US\$ 1.0	100.0
Tong Suh Petrochemical Corp., Ltd.*	Acrylonitrile, sodium cyanide	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 149	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 (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-DuPont POM (Zhangjiagang) Co., Ltd.	Polyacetal	US\$ 32.0	50.0
Asahi Kasei Synthetic Rubber Singapore Pte. Ltd.	Synthetic rubber	US\$ 85	100.0
Asahi Kasei Plastics Singapore Pte. Ltd.*	Performance resin	US\$ 46.0	100.0
Polyxylenol Singapore Pte. Ltd.*	PPE powder	US\$ 35.0	70.0
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
PT Nippisun Indonesia	Coloring and compounding of styrenic resin	US\$ 6.3	25.7
Asahi Kasei Plastics Europe SA/NV*	Sale of compounded performance resin	€ 5.0	100.0
Homes Segment			
Asahi Kasei Homes Corp.*	Housing	¥ 3,250	100.0
Asahi Kasei Fudousan Residence Corp.*	Real estate development, brokerage, and related business	¥ 3,200	100.0
Asahi Kasei Jyuko Co., Ltd.*	Steel frames	¥ 2,820	100.0
Asahi Kasei Mortgage Corp.*	Financial services	¥ 1,000	100.0
Asahi Kasei Reform Co., Ltd.*	Home maintenance and remodeling	¥ 250	100.0
Asahi Kasei Home Construction Corp.*	Construction of homes	¥ 100	100.0
Health Care Segment			
Asahi Kasei Pharma Corp.*	Pharmaceuticals	¥ 3,000	100.0
Asahi Kasei Medical Co., Ltd.*	Hemodialyzers, therapeutic apheresis devices, other medical devices and related systems	¥ 3,000	100.0
Med-Tech Inc.*	Medical devices	¥ 140	100.0
Asahi Kasei Pharma America Corp.	Clinical trials for new drugs, sale of pharmaceuticals	US\$ 89.9	100.0
Asahi Kasei Bioprocess, Inc.*	Bioprocess equipment and systems	US\$ 30.0	100.0
Asahi Kasei Medical America Inc.*	Sale of medical devices, medical systems	US\$ 0.5	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	€ 12	100.0

* Consolidated subsidiary

** Including capital reserve

Company	Main products/business line	Paid-in capital (million)	Equity interest (%)
Asahi Kasei Bioprocess Europe SA/NV*	Sale of virus removal filters	€ 0.5	100.0
Asahi Pharma Spain, SL	Pharmaceuticals	€ 0.1	100.0
Asahi Kasei Medical Trading Ltd. Sti.	Sale of medical devices, medical systems	YTL 0.1	100.0
Fibers Segment			
Asahi Kasei Fibers Corp.*	Fibers, textiles	¥ 3,000	100.0
Kyokuyo Sangyo Co., Ltd.*	Processing of fibers and textiles	¥ 80	100.0
DuPont-Asahi Flash Spun Products Co., Ltd.	Flash spun products	¥ 450	50.0
Asahi Kasei Spandex America, Inc.*	Spandex	US\$ 55.3**	100.0
Hangzhou Asahikasei Spandex Co., Ltd.*	Spandex	CNY 154	100.0
Hangzhou Asahikasei Textiles Co., Ltd.*	Warp-knit spandex textiles	CNY 78	82.5
Formosa Asahi Spandex Co., Ltd.	Spandex	NT\$ 1,003	50.0
Asahi Chemical (HK) Ltd.*	Promotion and marketing of fibers and textiles	HK\$ 65	100.0
Asahi Kasei Spunbond (Thailand) Co., Ltd.	Spunbond nonwovens	THB 900**	90.0
Thai Asahi Kasei Spandex Co., Ltd.*	Spandex	THB 1,350	60.0
Asahi Kasei Spandex Europe GmbH*	Spandex	€ 19.6**	100.0
Asahi Kasei Fibers Italy SRL*	Sale of cupro cellulosic fiber	€ 3.0	100.0
Asahi Kasei Fibers Deutschland GmbH	Sale of artificial suede	€ 0.3	100.0
Electronics Segment			
Asahi Kasei Microdevices Corp.*	Electronic devices	¥ 3,000	100.0
Asahi Kasei E-materials Corp.*	Electronic materials	¥ 3,000	100.0
Asahi Kasei Epoxy Co., Ltd.*	Epoxy resin	¥ 300	100.0
Asahi Kasei Power Devices Corp.*	Power management semiconductors	¥ 100	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
AKM Semiconductor, Inc.*	Sale of LSIs	US\$ 2.9	100.0
Asahi Kasei E-materials Korea Inc.	Energy and electronic materials	KRW 5,500	100.0
Asahi Kasei Microdevices Korea Corp.	Electronic devices marketing and technical support	KRW 820	100.0
Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.*	Dry film photoresist	CNY 181	100.0
Asahi Kasei Microdevices (Shanghai) Co., Ltd.	Electronic devices marketing and technical support	CNY 14	100.0
Asahi Kasei Microdevices Taiwan Corp.	Electronic devices marketing and technical support	NT\$ 10	100.0
Asahi Kasei EMD Taiwan Corp.	Sale of pellicles	NT\$ 1.0	100.0
Asahi Kasei Wah Lee Hi-Tech Corp.*	Dry film photoresist	NT\$ 49	80.6
Asahi-Schwebel (Taiwan) Co., Ltd.*	Glass fabric	NT\$ 326	51.0
Asahi Kasei Microdevices Europe SAS	Electronic devices marketing and technical support	€ 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
Construction Materials Segment			
Asahi Kasei Construction Materials Corp.*	Construction materials	¥ 3,000	100.0
Asahi Kasei Foundation Systems Corp.*	Installation of piles	¥ 200	100.0
Asahi Kasei Extech Corp.*	Exterior wall panel installation	¥ 50	100.0
Others			
Asahi Research Center Co., Ltd.*	Information and analysis	¥ 1,000	100.0
Asahi Kasei Engineering Corp.*	Plant, equipment, process engineering	¥ 400	100.0
Asahi Kasei Trading Co., Ltd.*	Sale of Asahi Kasei products	¥ 98	100.0
Asahi Kasei Commerce Co., Ltd.*	Sale of Asahi Kasei products	¥ 94	100.0
Asahi Kasei Amidas Co., Ltd.*	Employment agency, consulting	¥ 80	100.0
AJS Inc.	Computer software, IT systems	¥ 800	49.0
Asahi Organic Chemicals Industry Co., Ltd.	Synthetic resin, fabricated plastic products	¥ 5,000	30.1
Asahi Kasei America, Inc.*	Business support services	US\$ 0.1	100.0
Crystal IS, Inc.	Development of aluminum nitride substrates and UV LEDs	US\$ 28.4**	100.0
Asahi Kasei Business Management (Shanghai) Co., Ltd.	Business support services	US\$ 3	100.0

* Consolidated subsidiary

** Including capital reserve

Corporate Profile (as of March 31, 2012)

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,388,521,767
Employees	25,409 (consolidated)
	1,102 (non-consolidated)

Asahi Kasei Group Offices**Asahi Kasei Corporation****Tokyo Head Office**

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Beijing Office

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Fax: +86-10-6569-3938

Asahi Kasei (China) Co., Ltd.

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Asahi Kasei America, Inc.

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Core Operating Companies**Asahi Kasei Chemicals**

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Asahi Kasei Pharma

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Asahi Kasei Medical

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Asahi Kasei Fibers

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Asahi Kasei Microdevices

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Asahi Kasei E-materials

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Asahi Kasei Construction Materials

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ZOLL Medical Corporation

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

(As of March 31, 2012)

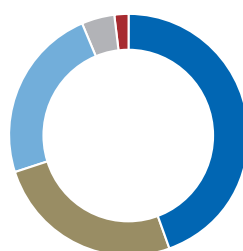
Stock Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Stock Code	3407
Authorized Shares	4,000,000,000
Outstanding Shares	1,402,616,332
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd. 4-5-33 Kitahama, Chuo-ku Osaka 541-8639 Japan (As of April 1, 2012)
Independent Auditors	PricewaterhouseCoopers Aarata
Number of Shareholders	114,772

Largest Shareholders	% of equity*
Master Trust Bank of Japan, Ltd. (trust account)	5.48
Nippon Life Insurance Co.	5.22
Japan Trustee Services Bank, Ltd. (trust account)	4.55
Asahi Kasei Group Employee Stockholding Assn.	3.44
Sumitomo Mitsui Banking Corp.	2.53
SSBT OD05 Omnibus Account Treaty Clients	2.04
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1.91
Mizuho Corporate Bank, Ltd.	1.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1.45
Sumitomo Life Insurance Co.	1.40

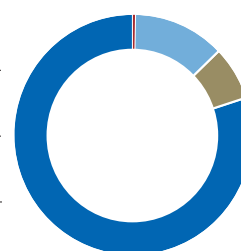
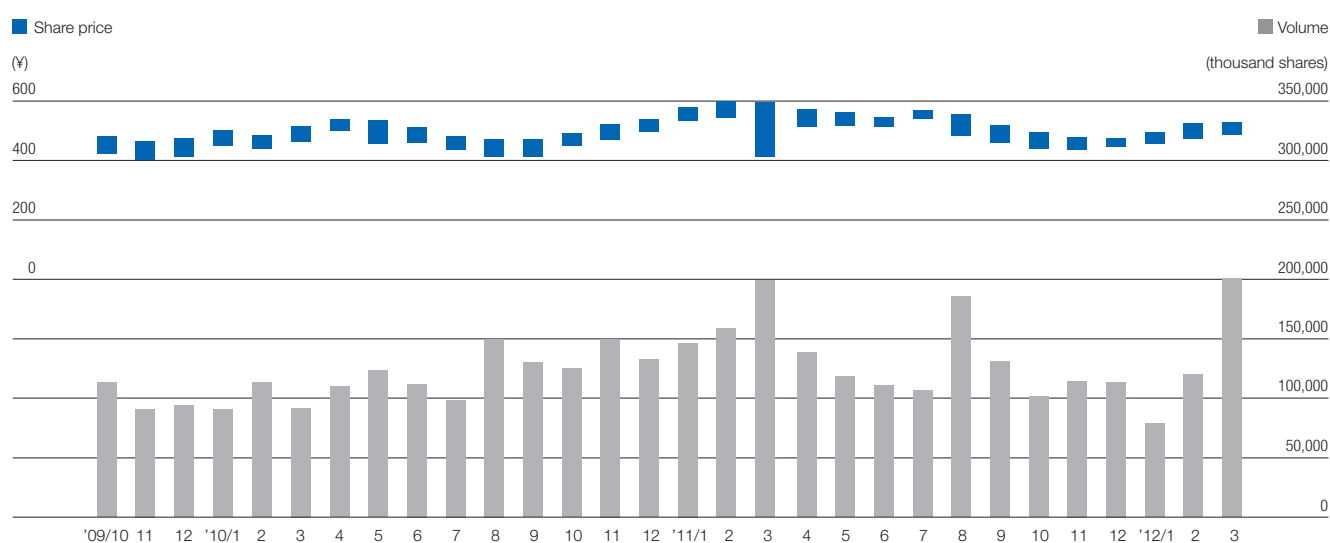
* Percentage of equity ownership after exclusion of treasury stock.

Distribution by Type of Shareholder

Japanese financial institutions	44.69%
Foreign investors	25.52%
Japanese individuals and groups	23.49%
Other Japanese companies	4.37%
Japanese securities companies	1.93%

**Distribution by Number of Shares Held**

Less than 1,000	0.29%
1,000–9,999	12.51%
10,000–99,999	7.36%
100,000 or more	79.84%

**Stock Chart**

In this annual 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.

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