ANNUAL REPORT 2013

Fiscal year 2012, ended March 31, 2013

ASAHI KASEI CORPORATION

Corporate Philosophy

Group Mission

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

Group Vision

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

Group Values

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

Group Slogan

Creating for Tomorrow

Contents

Disclaimer

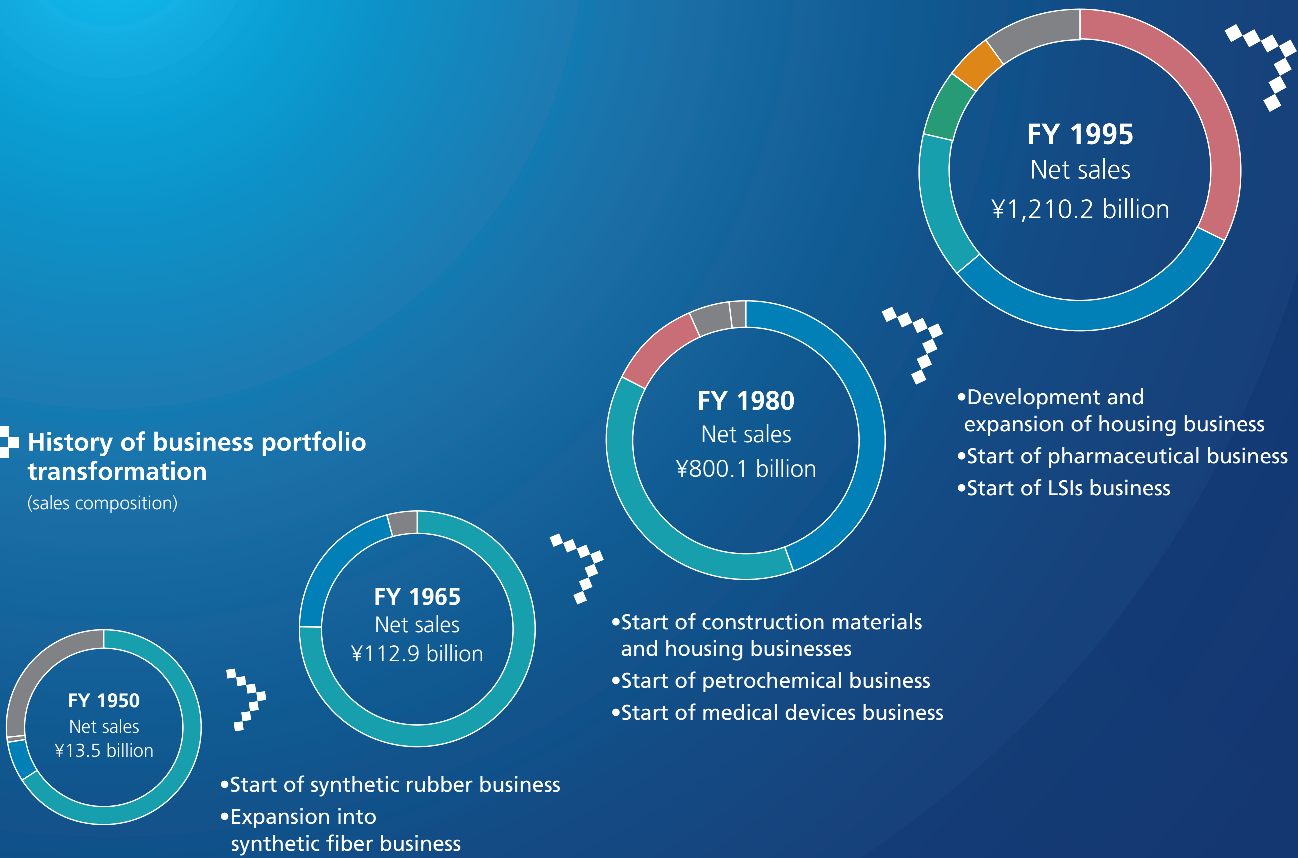
The forecasts and estimates shown in this annual report are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcome.

The history of the Asahi Kasei Group is rooted in Japan's first ammonia production by chemical synthesis, which formed the basis for our fibers business. We grew over the years while constantly transforming our business portfolio to meet the changing needs of the times. In the 1960s and 1970s, we began expanding operations in the fields of petrochemicals, construction materials, and homes. We then further diversified our business portfolio by advancing into the fields of health care and electronics, establishing our distinctive character as a highly diversified chemical manufacturer.

In 2011, we launched our five-year strategic management initiative "For Tomorrow 2015." While proactively expanding our world-leading businesses, we are creating new value for society in businesses related to the environment & energy, residential living, and health care. We are "Creating for Tomorrow" based on our Group Vision of enabling *living in health and comfort* and *harmony with the natural environment*.

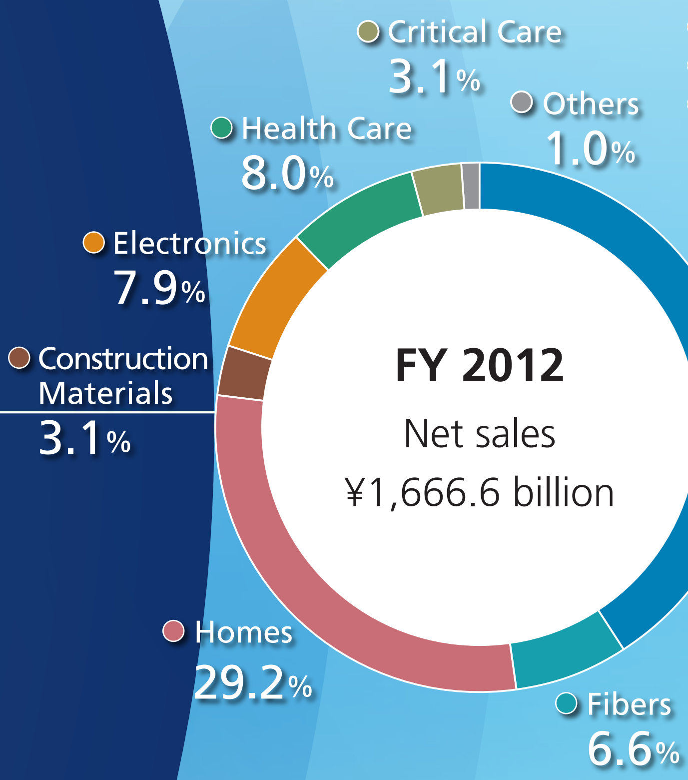
Creating for Tomorrow

History of business portfolio transformation
(sales composition)



Expansion of world-leading businesses

- Acrylonitrile (AN)
- Synthetic rubber for fuel-efficient tires (S-SBR)
- Bemberg™ cupro fiber
- Roica™ elastic polyurethane filament
- Hipore™ Li-ion battery separator
- LSIs
- Sunfort™ photosensitive dry film
- Planova™ virus removal filters
- Hemodialysis



•Expansion into critical care business

Creating new value for society

Business Configuration

Asahi Kasei Group (as of March 31, 2013)

Holding company

Asahi Kasei Corporation

Core operating companies

Asahi Kasei Chemicals	Asahi Kasei Fibers	Asahi Kasei Homes	Asahi Kasei Construction Materials	Asahi Kasei Microdevices	Asahi Kasei E-materials	Asahi Kasei Pharma	Asahi Kasei Medical	ZOLL Medical

Operating segments

Chemicals	Fibers	Homes	Construction Materials	Electronics	Health Care	Critical Care

Business sectors

Chemicals & Fibers	Homes & Construction Materials	Electronics	Health Care

Employees
(consolidated)
28,363 people

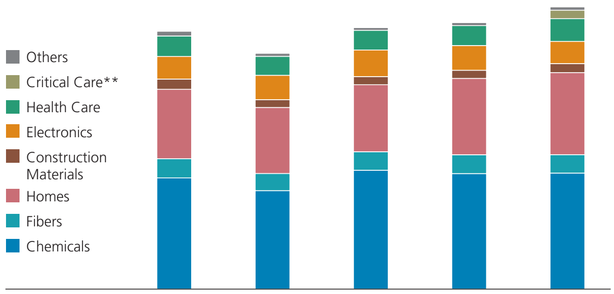
Consolidated subsidiaries
126 companies

Equity-method affiliates
43 companies

Overseas subsidiaries
95 companies in 19 countries

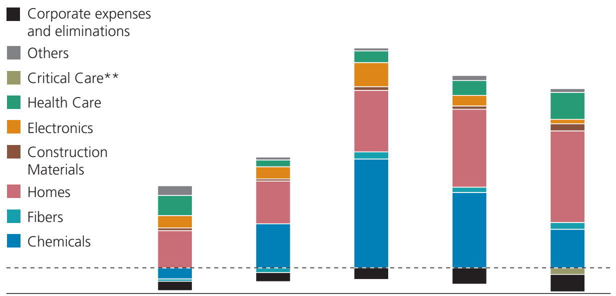
Manufacturing/R&D sites in Japan
25 sites

Consolidated net sales* ¥1,666.6 billion
(¥ billion)



FY	'08	'09	'10	'11	'12
Net sales	1,521.2	1,392.2	1,555.9	1,573.2	1,666.6

Consolidated operating income ¥92.0 billion
(¥ billion)



FY	'08	'09	'10	'11	'12
Operating income	35.0	57.6	122.9	104.3	92.0

* Beginning with fiscal year 2011, the accounting policy for naphtha resale in the Chemicals segment was changed. This change is applied retroactively to net sales for fiscal years 2008 through 2010.
** The "Critical Care" segment was added in fiscal 2012, in which results of ZOLL Medical Corporation are reported.

Consolidated Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

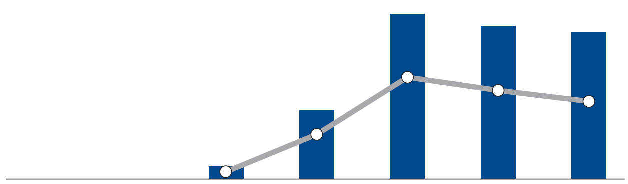
Overview of fiscal 2012 results

- Net sales increased by 5.9% from a year ago to ¥1,666.6 billion, with strong performance in the Homes segment and pharmaceutical products in the Health Care segment, as well as the addition of the Critical Care segment due to consolidation of ZOLL Medical Corporation in April 2012.
- Operating income decreased by 11.8% from a year ago to ¥92.0 billion with deteriorating market conditions in the Electronics segment and monomer products in the Chemicals segment.
- Total assets increased by ¥389.6 billion from a year ago to ¥1,800.2 billion with increased intangible assets due to the acquisition of ZOLL Medical Corporation and an increase in investment securities largely due to higher fair market value.
- Interest-bearing debt increased by ¥197.3 billion from a year ago to ¥381.4 billion due to borrowings, etc., to finance the acquisition of ZOLL Medical Corporation.

Net income

(¥ billion)

¥53.7 billion

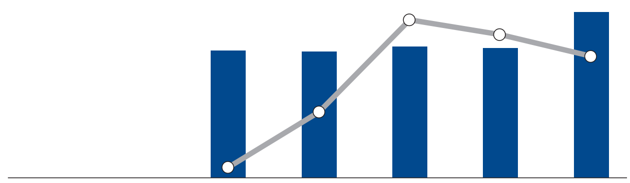


FY	'08	'09	'10	'11	'12
Net income	4.7	25.3	60.3	55.8	53.7
ROE	0.7%	4.1%	9.3%	8.1%	7.1%

Total assets

(¥ billion)

¥1,800.2 billion

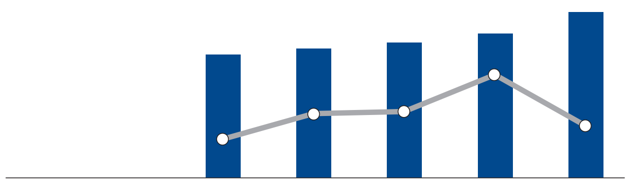


FY (end)	'08	'09	'10	'11	'12
Total assets	1,379.3	1,368.9	1,425.9	1,410.6	1,800.2
ROA	0.3%	1.8%	4.3%	3.9%	3.3%

Net worth***

(¥ billion)

¥812.1 billion

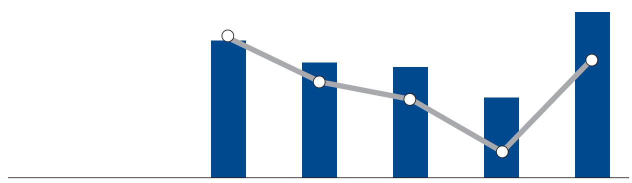


FY (end)	'08	'09	'10	'11	'12
Net worth***	603.8	633.3	663.6	706.8	812.1
Net worth/total assets	43.8%	46.3%	46.5%	50.1%	45.1%

Interest-bearing debt

(¥ billion)

¥381.4 billion

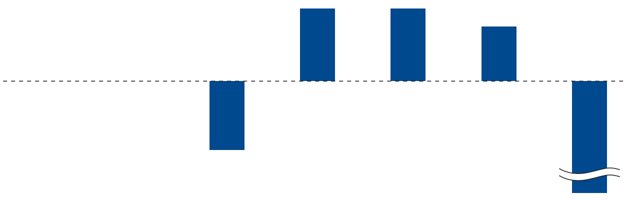


FY (end)	'08	'09	'10	'11	'12
Interest-bearing debt	315.6	264.6	253.9	184.1	381.4
D/E ratio	0.52	0.42	0.38	0.26	0.47

Free cash flows

(¥ billion)

¥(152.5) billion

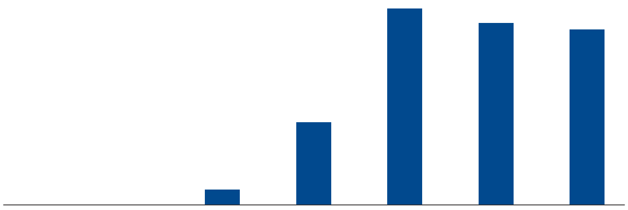


FY	'08	'09	'10	'11	'12
Free cash flows	(66.9)	69.1	69.3	51.8	(152.5)

Net income per share

(¥)

¥38.43



FY	'08	'09	'10	'11	'12
Net income per share	3.39	18.08	43.11	39.89	38.43

*** Net assets less minority interest.

To Our Shareholders

Taketsugu Fujiwara, President (left), Ichiro Itoh, Chairman (right)

In accordance with our Group Mission of *contributing to life and living for people around the world*, and our Group Vision of enabling *living in health and comfort* and *harmony with the natural environment*, we are working to create new value for society, taking the lead in achieving solutions to the world's problems, as we fulfill our corporate social responsibility through the pursuit of sustainable growth.

Although there remain risks of instability in the global economy due to the European sovereign debt crisis and slowing growth in emerging economies, the overall operating climate shows positive signs with the considerable weakening of the Japanese yen, the Nikkei stock average up, and firm consumer spending thanks to the Japanese government's pro-growth policies, as well as revival of the US economy due to the shale gas revolution.

Under our five-year strategic management initiative "For Tomorrow 2015," we are expanding world-leading businesses and promoting businesses that create new value for society. We are now focused on obtaining performance results from the strategic actions taken, while finding new businesses opportunities in emerging changes in the operating climate. To achieve our objectives we will continue to concentrate management resources on the fields of the environment & energy, residential living, and health care, "Creating for Tomorrow" by swiftly adapting to changes in society with measures that span across business units. We are also reinforcing our operational base through a group-wide effort to improve our earnings structure.

Although we can expect further changes in the business climate, we will continue to contribute to society by acting with sincerity, taking challenges, and creating new value with our Group Mission and Group Vision as our unchanging guide.

September 2013

Ichiro Itoh
Chairman

Taketsugu Fujiwara
President

Strategic 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.

Chemicals:
- Acrylonitrile (AN)
- Synthetic rubber for fuel-efficient tires (S-SBR)

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

Electronics:
- Hipore™ lithium-ion battery separator, LSIs,
- Sunfort™ photosensitive dry film

Health Care:
- Planova™ virus removal filters,
- Hemodialysis

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.

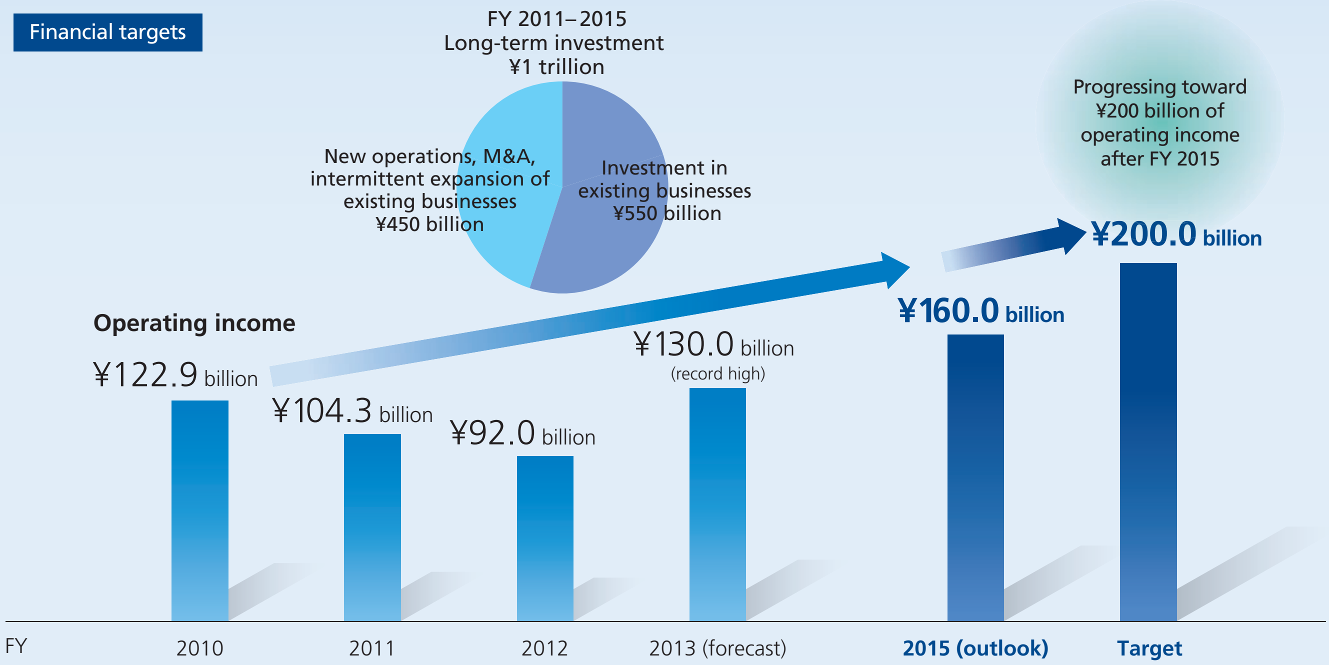
Environment & Energy: Leveraging diverse technology to create a future in harmony with the natural environment
(Hipore™ lithium-ion battery separator, LSIs, Microza™ hollow-fiber filtration membranes, Neoma™ and Jupii™ phenolic foam insulation panels, etc.)

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



Actions taken for growth are bearing fruit, we're aiming for record-high operating income in fiscal 2013

During the two years we've been implementing our "For Tomorrow 2015" strategic management initiative, the economic environment has changed dramatically. Rather than causing us to change course, these circumstances have only revalidated our basic strategy. We are returning to growth from fiscal 2013 onward, with the strategic actions taken thus far making solid contributions to operating income.

We will continue to accelerate actions for growth leveraging our diverse operating portfolio and unmatched ability to adapt to changes.

Taketsugu Fujiwara, President

Q1 **Your operating income target is ¥200 billion, but fiscal 2012 operating income was only ¥92.0 billion. What caused this?**

Q2 **Have you considered changing your plans?**

Q3 **One of your business strategies is "expansion of world-leading businesses." How is it progressing so far? What are you planning next?**

Q4 **How about your other business strategy, "creation of new value for society"?**

Q5 **What is the outlook for your overall health care sector, including synergy among critical care, pharmaceuticals, and medical devices?**

Q6 **How do you see the effects of the Japanese government's growth policies?**

Q7 **What is your outlook for fiscal 2013?**

Q8 **What is your dividend policy?**

Q1 Your operating income target is ¥200 billion, but fiscal 2012 operating income was only ¥92.0 billion. What caused this?

The economic environment changed dramatically after we formulated "For Tomorrow 2015," and our global businesses struggled. On the other hand, our domestic businesses such as homes have thrived, and we are growing in health care as an area of strategic growth. We have also launched a project to heighten earnings, and expect to return to growth from fiscal 2013 onward.

In fiscal 2012, our global businesses such as monomer products among **chemicals** and also **electronics** struggled due to the strong yen through the first three quarters, sluggish overall global demand, and a slowdown in China and other emerging economies. On the other hand, domestic businesses performed well, with **homes** achieving record-high sales, operating income, and orders for the second year in a row, and solid growth continuing for new **pharmaceuticals**. Meanwhile, **critical care**, which we entered with our April 2012 acquisition of ZOLL Medical Corporation, grew as expected.

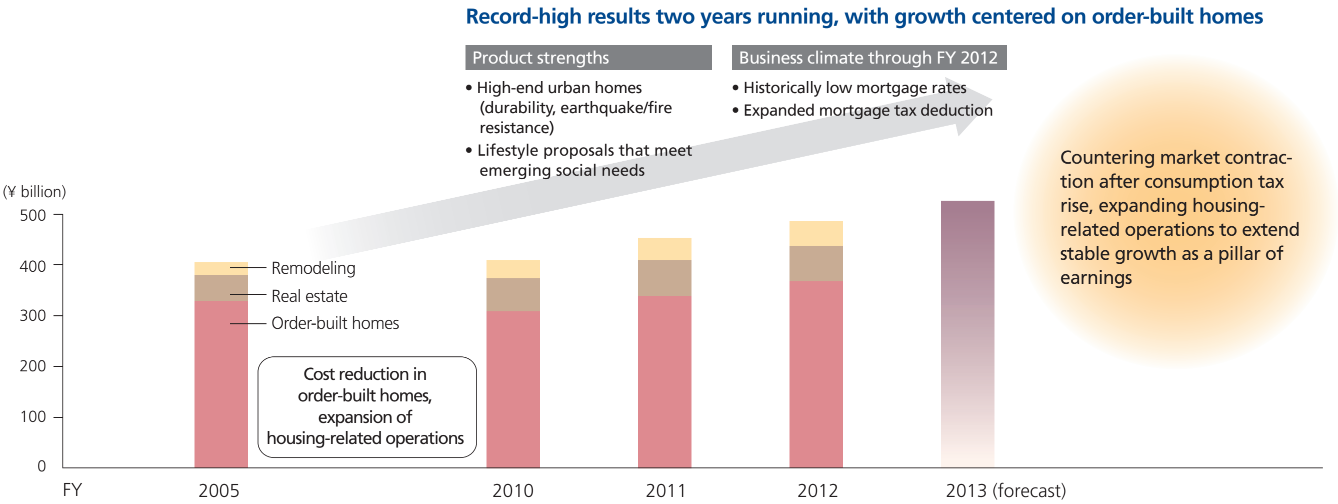
While the result was lower operating income on higher sales, we made steady progress in sowing the seeds of future growth in accordance with our basic strategy of "For Tomorrow 2015." We also launched a streamlining project to obtain an improved profit structure which will enhance our ability to weather economic downturns. By gaining greater efficiency and productivity throughout the Asahi Kasei Group, we are targeting cost reductions of at least ¥10 billion in fiscal 2013, increasing to at least ¥20 billion by fiscal 2015.

Q2 Have you considered changing your plans?

We are not changing course, but further advancing actions for growth that leverage our strengths.

Nothing that happened gives us any reason to change our basic strategy, and we remain committed to achieving our target of ¥200 billion in operating income. Nevertheless, considering the situation in **electronics** where swift response to changes in the market structure is required, and in **chemicals** where recovery of demand in Asia is lagging, we recognize that this is a challenging target to achieve. Reaching this level of operating income will entail further leveraging of our diverse operating portfolio and unmatched ability to adapt to changes as we continue to accelerate actions under our growth strategy.

Performance of homes business



	2005	2010	2011	2012	2013 (forecast)
Net sales	404.5	409.2	452.0	486.2	526.0
Operating income	28.2	36.5	46.3	54.3	60.0

Q3 One of your business strategies is "expansion of world-leading businesses." How is it progressing so far? What are you planning next?

We have steadily advanced investments in line with our strategy. Several new plants have started up, and will contribute to earnings.

For acrylonitrile (AN), in which we have established the leading position in Asia, we started commercial operation of a new plant in Thailand in January 2013 and a new line in Korea in February 2013, enhancing the cost competitiveness of our production infrastructure. In Singapore, we started commercial operation of the first line of a new plant for synthetic rubber for fuel-efficient tires (S-SBR) in April 2013, and are constructing a second line for start-up in the first half of 2015. We are also studying the construction of an additional overseas plant for S-SBR as we proactively expand production capacity to meet rapidly growing demand.

In November 2012 we started commercial operation of a new plant in Thailand for spunbond nonwovens for disposable diapers and other hygienic products, and in Nobeoka, Miyazaki, Japan, we are expanding our plant for Bemberg™ cupro fiber. We are also reinforcing our overseas processing facilities for Hipore™ lithium-ion battery (LIB) separator, with market growth forecasted in automotive applications, and our second Chinese plant for Sunfort™ photosensitive dry film will soon begin operation, meeting growing demand in smartphone and tablet PC applications. These measures for expansion of globally competitive businesses in accordance with our strategy will begin contributing to earnings in fiscal 2013.

Q4 How about your other business strategy, "creation of new value for society"?

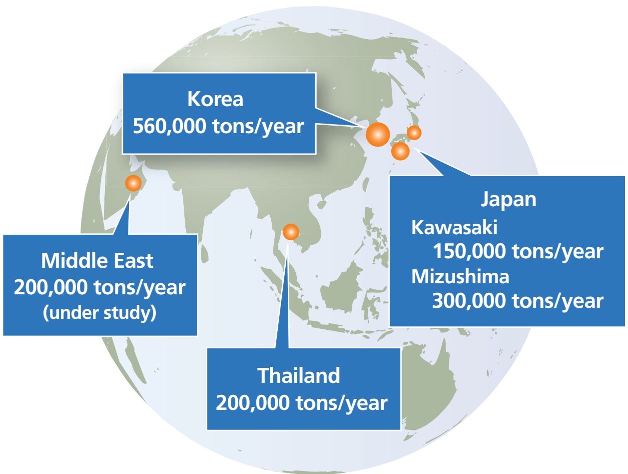
We made a full-fledged entry into the critical care business. We are making concerted investments in all three of our strategic fields, with an emphasis on health care.

Our strategic expansion in the health care sector took a major step forward in April 2012 as we entered the **critical care** business with our ¥183 billion acquisition of ZOLL Medical

Expansion of world-leading businesses

Acrylonitrile (AN)

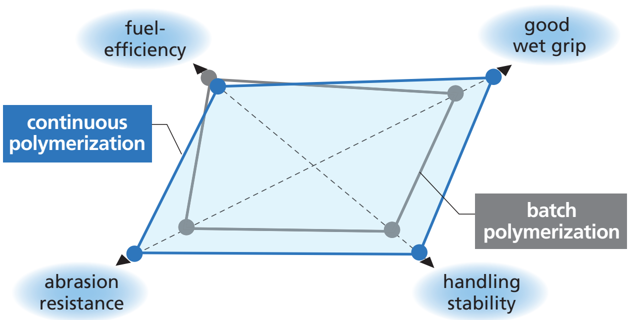
Production sites



- Material for ABS resin used in automotive and electronic applications, and acrylic fiber used for moisture absorbing/heat generating clothing and carbon fiber production
- Reinforcing cost-competitive production infrastructure through start-up of propane-process plant in Thailand
- Capturing growing demand especially in Asia

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

Four essential characteristics of fuel-efficient tires



Overseas expansion plan

Singapore:
1st line – 50,000 tons/year (started up in April 2013)
2nd line – 50,000 tons/year (start-up scheduled for first half 2015)
New plant at 2nd site overseas: under consideration

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

Corporation, a major US manufacturer of devices and systems for acute critical care. ZOLL's fastest-growing product, the LifeVest™ wearable defibrillator on the market in the US and Europe, is expanding at around 50% per year. In July 2013, ZOLL's Japanese subsidiary Asahi Kasei ZOLL Medical received regulatory approval to market the LifeVest™ in Japan. In pharmaceuticals, we are advancing a global Phase III clinical study for Recomodulin™ anticoagulant, and in medical devices we are reinforcing overseas operations for artificial kidneys.

In the field of residential living, we constructed a demonstration house called "HH2015" in Fuji, Shizuoka, Japan, incorporating home health care systems and various other products and technologies from both within the Asahi Kasei Group and outside, and we are utilizing this venue to evaluate their practicality and commercial prospects.

In the field of the environment & energy, we are constructing a second line for Neoma™ phenolic foam, which boasts the world's highest-level insulation performance for the housing market. The ultraviolet light emitting diodes (UV LEDs) under development by Crystal IS, Inc., which we acquired in 2011, have achieved the world's highest UV LED output, and we are constructing a pilot line in preparation for commercialization.

Creation of new value for society

FY 2011–2015
Long-term investment: ¥1 trillion

- Performing strategic investments while maintaining financial health
- Making effective use of ¥250 billion remaining for new operations, M&A, and intermittent expansion of existing businesses for further business growth

Decisions adopted during FY 2011–2012

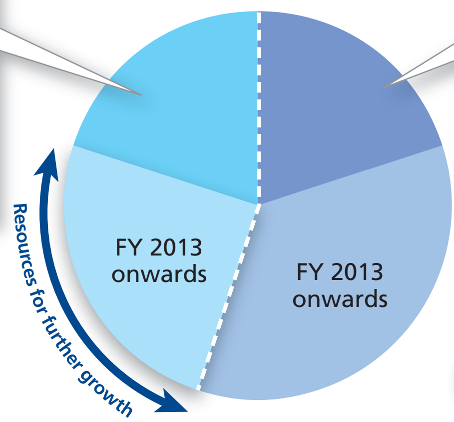
- Acquisition of ZOLL
- Acquisition of Crystal IS
- Construction of pilot line for UV LEDs
- Establishment of joint venture for lithium ion capacitors (LICs)

Total approx. ¥200 billion

Decisions adopted during FY 2011–2012

- Second line for S-SBR in Singapore
- Capacity increase for insulation panels
- Capacity increase for Bemberg™

Total approx. ¥200 billion



New operations, M&A, intermittent expansion of existing businesses
¥450 billion

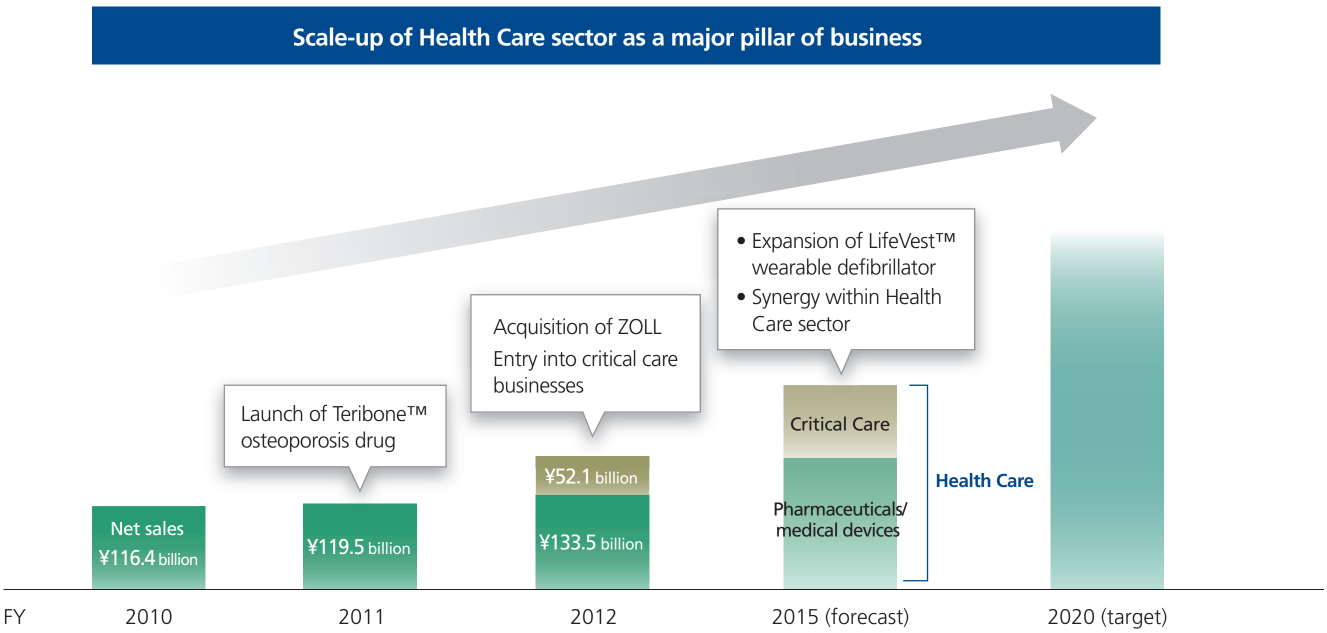
Investment in existing businesses
¥550 billion

Q5 What is the outlook for your overall health care sector, including synergy among **critical care, pharmaceuticals,** and **medical devices?**

Asahi Kasei has always flexibly transformed its business portfolio. We aim to develop health care as a major pillar of business, with synergy among our different health care operations.

In 2012 we established a Health Care Council to create synergies among **critical care**, **pharmaceuticals** and **medical devices**. The Council will serve as a forum for sharing know-how on obtaining regulatory approval and networks of contacts at medical institutions, as well as wide-ranging discussions on other potential synergies including combinations of technology accumulated in the Asahi Kasei Group with technology of ZOLL. We plan to build up the health care sector as the third major pillar of earnings together with **chemicals** and **homes**.

Scale-up of Health Care sector



Q6 How do you see the effects of the Japanese government's growth policies?

We will obtain further growth by taking advantage of the government's strategy for recovery and growth.

The Japanese economy is on the path of recovery thanks to correction of the overvalued yen and high expectations for the Abe government's aggressive monetary and fiscal policies. I hope increased corporate earnings, higher household income, and greater consumer spending will form a virtuous circle that drives further economic growth. The "For Tomorrow 2015" strategies we formulated in 2011 are in perfect alignment with the new government policies. For example, the government's growth strategy, known as the "third arrow" of economic policy, emphasizes health care and energy—fields we identified for the creation of new value for society. Additional government measures such as deregulation to foster greater competitiveness will provide further impetus as we advance our strategy for growth.

Q7 What is your outlook for fiscal 2013?

We will make a major advance toward our "For Tomorrow 2015" goals this year, with recovering demand, a weaker yen, new plants contributing to earnings, and the effect of reduced operating costs.

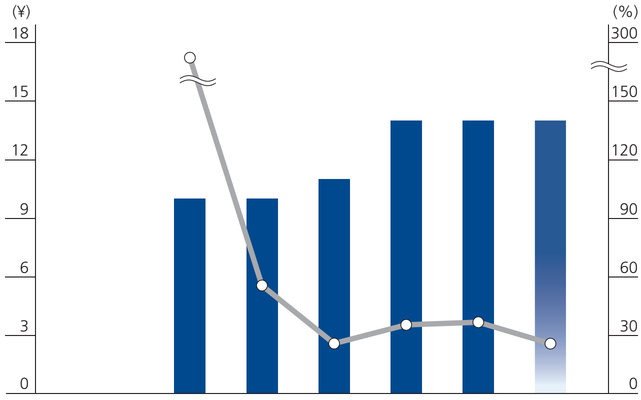
Chemicals will enjoy increased sales volumes due to full-fledged operation of new plants, and **electronics** enjoy a recovery of sales volumes and the effect of the weaker yen. **Homes** will record increased deliveries thanks to continuing growth in orders, and **pharmaceuticals** will continue to see increased sales of new drugs. We also expect cost reductions of ¥10 billion or more from our streamlining project in procurement, logistics, administration, etc. Taken together, we are forecasting increased sales with operating income reaching a record high of ¥130 billion.

Q8 What is your dividend policy?

We aim to further enhance corporate value through "For Tomorrow 2015," with a basic standard for payout ratio of 30%.

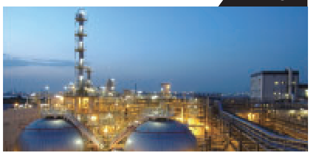
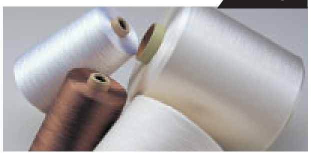
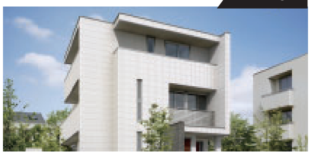
Our basic policy is to strive to continuously increase dividends through continuous earnings growth while maintaining an appropriate cash reserve based on consolidated financial results. Our cash reserve will be used as a source of funds required to achieve future earnings growth by expanding operations, both through investments in established businesses and through strategic investments, including M&A, and new business development expenditures in the environment & energy, residential living, and health care as fields of strategic focus under "For Tomorrow 2015." The annual dividend for fiscal 2012 was maintained from the previous year at ¥14 per share, and we aim to maintain this dividend for fiscal 2013 reflecting forecasted consolidated financial results. 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



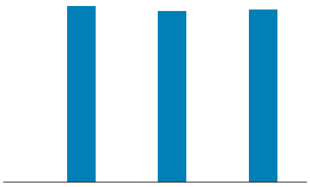
FY	'08	'09	'10	'11	'12	'13
Dividends per share, left scale	10	10	11	14	14	14 (plan)
Payout ratio, right scale	295.0%	55.3%	25.5%	35.1%	36.4%	25.4% (forecast)

At a Glance

	Chemicals	Fibers	Homes	Construction Materials
	P16	P18	P20	P22
				
Sales composition	41.1 %	6.6 %	29.2 %	3.1 %
Operating income composition*	22.4 %	3.9 %	53.0 %	3.9 %

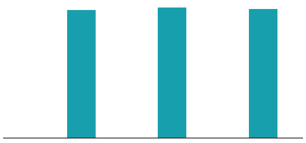
Net sales (¥ billion)

Chemicals ¥684.6 billion



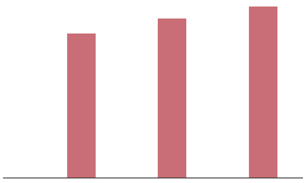
FY	'10	'11	'12
■	699.8	680.1	684.6

Fibers ¥109.6 billion



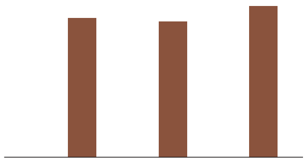
FY	'10	'11	'12
■	108.8	110.8	109.6

Homes ¥486.2 billion



FY	'10	'11	'12
■	409.2	452.0	486.2

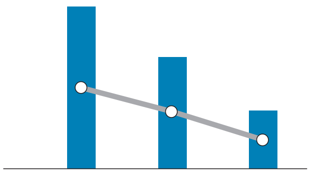
Construction Materials ¥51.5 billion



FY	'10	'11	'12
■	47.4	46.1	51.5

Operating income (loss) (¥ billion)

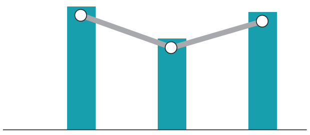
Chemicals ¥22.9 billion



FY	'10	'11	'12
■	64.4	44.5	22.9
○	9.2%	6.5%	3.3%

■ Operating income ○ Operating margin

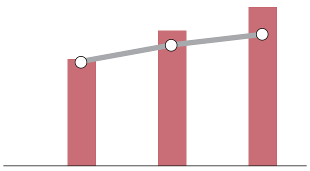
Fibers ¥4.0 billion



FY	'10	'11	'12
■	4.2	3.1	4.0
○	3.9%	2.8%	3.7%

■ Operating income ○ Operating margin

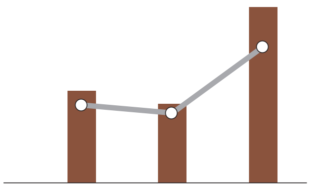
Homes ¥54.3 billion



FY	'10	'11	'12
■	36.5	46.3	54.3
○	8.9%	10.3%	11.2%

■ Operating income ○ Operating margin

Construction Materials ¥4.0 billion



FY	'10	'11	'12
■	2.1	1.8	4.0
○	4.4%	4.0%	7.7%

■ Operating income ○ Operating margin

Overview of FY 2012 results

Chemicals: Sales increased, but operating income decreased. Terms of trade for acrylonitrile and other monomer products deteriorated. Synthetic rubber for fuel-efficient tires performed well, as did coating materials.

Fibers: Sales decreased, but operating income increased. Sales volume of Bemberg™ cupro fiber increased, but Roica™ elastic polyurethane filament struggled in overseas markets.

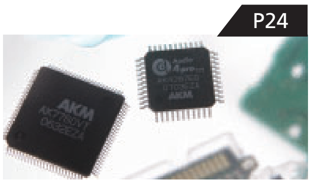
Homes: Both sales and operating income increased. Deliveries of Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. Real estate operations and remodeling operations performed well.

Construction Materials: Both sales and operating income increased. Sales of Hebel™ autoclaved aerated concrete (AAC) panels were firm. Foundation systems and insulation materials performed well.

* Not including corporate expenses and eliminations.
** The "Critical Care" segment was added in fiscal 2012, in which results of ZOLL Medical Corporation are reported; subject to consolidation from April 27, 2012 to March 31, 2013.
*** Operating income before amortization of goodwill and other intangible assets, etc., related to acquisition of ZOLL Medical Corporation.

Electronics

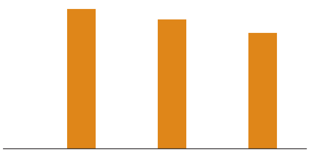
P24



7.9 %

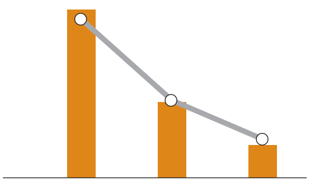
2.8 %

¥131.1 billion



FY	'10	'11	'12
■	158.3	146.1	131.1

¥2.8 billion



FY	'10	'11	'12
■	14.3	6.4	2.8
○	9.0%	4.4%	2.2%

■ Operating income ○ Operating margin

Both sales and operating income decreased with lower shipment volumes and lower sales price due to the generally sluggish market.

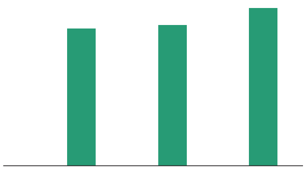
Health Care

P26

8.0 %

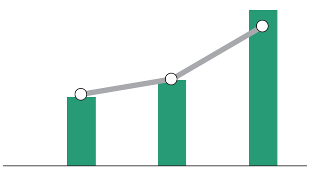
15.5 %

¥133.5 billion



FY	'10	'11	'12
■	116.4	119.5	133.5

¥15.9 billion



FY	'10	'11	'12
■	7.0	8.8	15.9
○	6.1%	7.4%	11.9%

■ Operating income ○ Operating margin

Both sales and operating income increased. Sales of Teribone™ osteoporosis drug grew smoothly. Sales of therapeutic apheresis devices were firm.

Critical Care**

P28

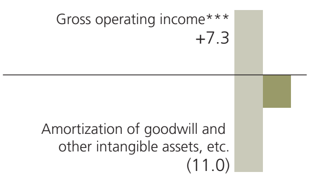
3.1 %

(3.6) %

¥52.1 billion

FY	'10	'11	'12
■	—	—	52.1

¥(3.7) billion



FY	'10	'11	'12
■	—	—	(3.7)
○	—	—	—

■ Operating loss ○ Operating margin

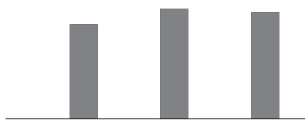
Operating income from LifeVest™ wearable defibrillators increased steadily. An operating loss resulted as an effect of amortization of goodwill and other intangible assets, etc., amounting to ¥11.0 billion.

Others

1.0 %

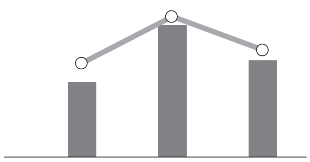
2.1 %

¥18.0 billion



FY	'10	'11	'12
■	16.0	18.6	18.0

¥2.2 billion



FY	'10	'11	'12
■	1.7	3.0	2.2
○	10.7%	16.0%	12.2%

■ Operating income ○ Operating margin

Chemicals

Major businesses/products

Chemicals and derivative products
Nitric acid, caustic soda, acrylonitrile (AN), styrene, adipic acid, methyl methacrylate (MMA), acrylic resin

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

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

1. Sustained growth in demand for AN is forecasted in the main applications of acrylonitrile-butadiene-styrene (ABS) resin and acrylic fiber. We are Asia's leading AN producer, with a capacity of 1.21 million tons per year at our four plants in Japan, Korea, and Thailand. By continuing to expand competitive production infrastructure utilizing our world-leading catalyst technology, we aim to become the largest AN producer in the world.

2. S-SBR is an essential material for fuel-efficient tires, a field of dramatic demand growth in recent years. Leveraging our technology which enables safety and lower fuel consumption, we will capture demand growth by proactively expanding production capacity in Singapore and other overseas locations.

3. Microza™ filtration modules containing unique hollow-fiber membranes are used to purify water and other liquids. Demand continues to grow as a solution to water shortage and contamination problems, and Microza™ microfiltration (MF) and ultrafiltration (UF) systems have been adopted at over 1,000 facilities throughout the world.

4. Our ion-exchange membranes and membrane-process electrolysis systems are used to produce caustic soda and chlorine by electrolyzing brine. With advantages over the conventional process including lower energy consumption and elimination of the need to use harmful mercury, our world-leading membrane-process technology has been adopted at over 100 plants in 19 countries around the world.

Yuji Kobayashi
President, Asahi Kasei Chemicals

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.

"For Tomorrow 2015" Strategies

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

1. Aiming for leading position in globally competitive businesses

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

2. Business expansion in growing markets, particularly in Asia

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

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

- Establishment and expansion of new businesses in promising markets

4. Optimization of petrochemical operations in Japan for stable profitability

Highlights

Start of commercial operation of new plants for AN and MMA

In January 2013, PTT Asahi Chemical Co., Ltd., an affiliate of Asahi Kasei Chemicals in Thailand (owned 48.5% by Asahi Kasei Chemicals, 48.5% by PTT Public Company Limited, and 3.0% by Marubeni), began commercial operation of plants for AN and methyl methacrylate (MMA). The new AN plant is the world's first propane-process plant, which uses propane directly as feedstock, and the new MMA plant is an acetone cyanohydrin (ACH) process plant, which uses byproduct hydrogen cyanide from the AN plant as feedstock.

The new operation in Thailand marks an important step in the strategic expansion of our AN business, together with an expansion of our plant in Korea in February 2013, and we are currently studying the construction of an AN plant in the Middle East. We will remain focused on maximizing earnings from AN as a world-leading business by extending production infrastructure in locations with superior feedstock availability and market access.

AN plant in Thailand

Completion of new plant for Saran Wrap™

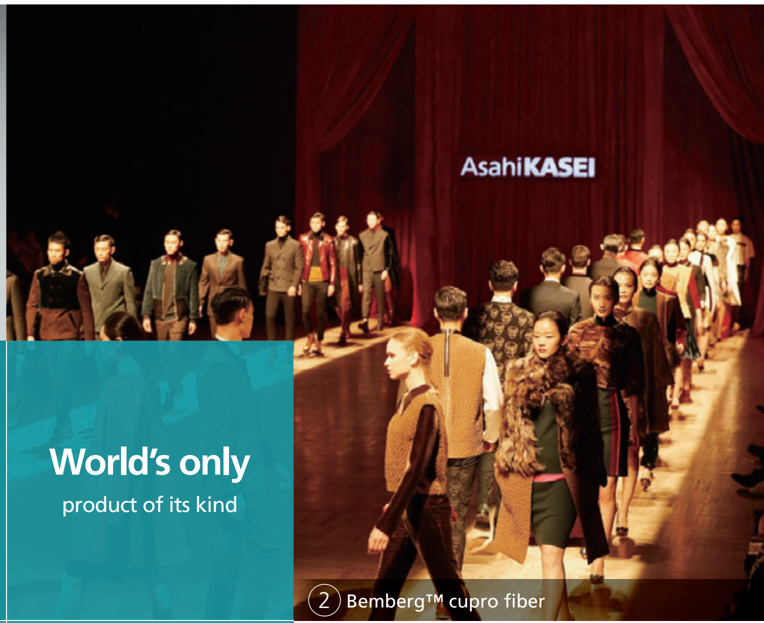
A new plant for Saran Wrap™ in Suzuka, Mie, Japan, was completed in May 2012. With firm consumer recognition of its superior cling and barrier performance, Saran Wrap™ has maintained the leading market share in Japan ever since its debut in 1960. Transition to the new plant from the previous plant with a history of over 50 years facilitates greater productivity and more stringent quality control.

New plant for Saran Wrap™ in Suzuka

Major Projects under Construction

- New S-SBR plant in Singapore
- New acetonitrile plant in Korea

1 Roica™ spandex



2 Bemberg™ cupro fiber

Five plants
around the world

World's only
product of its kind

A wide range of
innovative functional
products

No. 1
domestic market share
in tire cord
Expanding use in air bags

3 Nonwovens

4 Leona™ nylon 66 filament

Fibers

1. With excellent stretch and recovery properties, Roica™ elastic polyurethane filament (spandex/elastane) provides the advanced functionality to meet a wide variety of customer needs. It is used for women's stockings, sportswear, diapers, and medical supporters. The global Roica™ supply network includes manufacturing plants in Japan, Taiwan, China, Thailand and Germany.

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

3. A new plant for Eltas™ spunbond started up in Thailand in 2012 to meet rising demand in diapers and other hygienic product applications, most notably in Asia. In addition, we have wide range of other highly functional nonwoven products made with advanced and innovative production technology. Precisé™ is a multifunctional nonwoven fabric with high barrier efficiency used in electronic applications. Bemliese™ is the world's only 100% cellulose continuous-filament nonwoven. Lamous™ artificial suede is used for upholstery and automotive interiors.

4. Leona™ nylon 66 filament featuring exceptional strength, light weight, and heat resistance, is used as an industrial material, especially in automotive applications. In recent years, its use has been expanding in automotive airbags and as reinforcement in aircraft tires. Demand for Leona™ filament continues to grow in recognition of the high quality enabled by the ideal manufacturing process of continuous polymerization and direct spinning.

Major businesses/products

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

Toshio Takanashi
President, Asahi Kasei Fibers

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

"For Tomorrow 2015" Strategies

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

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

1. Roica™ elastic polyurethane filament

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

2. Nonwovens

- Spunbond: Earnings growth in Asia with polypropylene spunbond for hygienic products produced at a 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™ cupro fiber

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

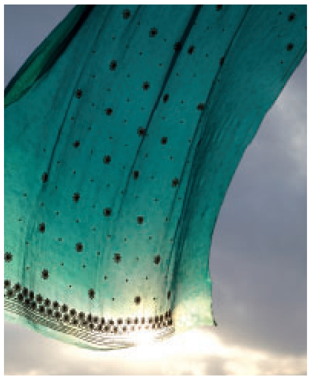
4. Leona™ nylon 66 filament

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

Highlights

Expansion of production capacity for Bemberg™

In April 2013 we began construction work to expand production facilities for Bemberg™ cupro fiber in Nobeoka, Miyazaki, Japan. Featuring a smooth feel and moisture absorption/release, Bemberg™ is increasingly used for traditional garments and functional innerwear, especially in emerging countries. In order to ensure the stable supply of high quality Bemberg™ products in line with further growth in the global market, we will continue to expand production capacity while enhancing production infrastructure.



Bemberg™ cupro fiber

Start-up of a new spunbond plant in Thailand

Our new spunbond plant in Thailand started operation in November 2012 to meet growing demand in the field of hygienic products such as disposable diapers in Asian countries. With production located in close proximity to market demand, it enables swift response to customer needs and stable supply to manufacturers of hygienic products from Japan and other countries that are expanding output in Asia.

Spunbond plant in Thailand

Homes

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

2. Since pioneering the two-generation home, we have created a variety of new homes tailored to different needs that change over time, such as homes with features for living with pets, and homes for a family living with their parents and an unmarried sibling. We continue to advance innovative proposals that meet urban lifestyle needs.

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

4. Our remodeling services are focused on sustaining long-term satisfaction for residents. In addition to maintenance-related work, we provide innovative value-adding proposals for timely renovation to adapt to lifestyle changes such as enlargement, remodeling, and installation of solar panels.

Major businesses/products

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

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

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

Financial and other services
Mortgage financing, etc.

Masahito Hirai
President, Asahi Kasei Homes

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.

"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

Highlights

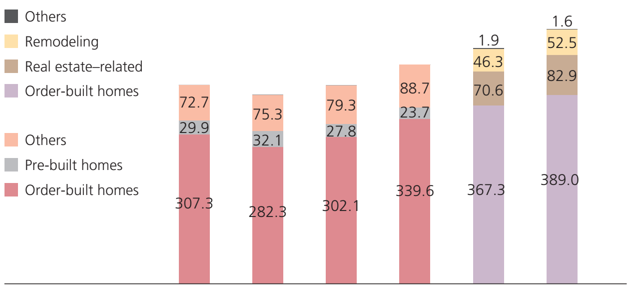
Launch of innovative new Hebel Haus™

In August 2012 we launched a new Hebel Haus™ product with features specifically designed for a family living with their parents and an unmarried sibling. The new home builds on our established know-how as a pioneer in homes for two-generation families, and we will continue to leverage this know-how to advance additional new proposals for homes with comfort which will be passed down for generations, including features that provide new value by encouraging communication between family members, and homes that provide a comfortable living environment for unmarried family members.

New Hebel Haus™

Net Sales (Asahi Kasei Homes consolidated)

(¥ billion)

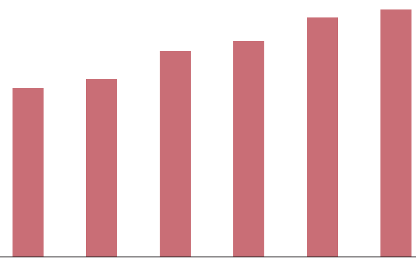


FY	'08	'09	'10	'11	'12*	'13 (forecast)
Net sales	409.9	389.7	409.2	452.0	486.2	526.0

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

Orders Received

(¥ billion)



FY	'08	'09	'10	'11	'12	'13 (forecast)
Orders received	291.1	306.9	354.5	371.9	412.4	426.0

1 Hebel™ autoclaved aerated concrete (AAC) panels

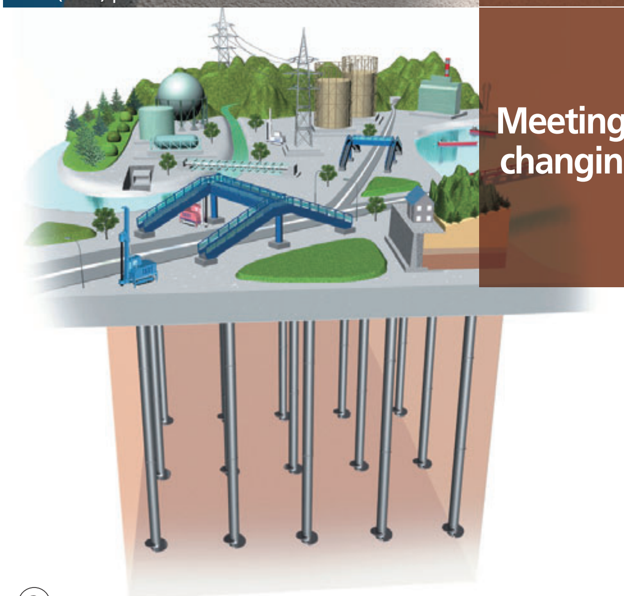
2 Neoma™ phenolic foam insulation panels

No. 1
share in Japan

World's top-class
insulation performance
Thermal conductivity of 0.020 WmK

Meeting various changing needs

Undamaged
by major earthquakes



3 Eazet™ screw-tip piles

4 BasePack™ column base attachment system

Construction Materials

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

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

3 The Eazet™ piling system for small-scale construction enables installation in confined spaces while generating little noise or vibration and no soil for disposal. These advantages make Eazet™ suitable not only for home construction, but also increasingly for the foundations of mobile phone masts, elevators, and escalators, as well as for seismic retrofitting of existing structures.

4 The BasePack™ column base attachment system enhances the strength of steel-frame buildings by firmly attaching steel columns to the concrete foundation. Its exceptional earthquake resistance was demonstrated during the Great Hanshin Earthquake of 1995 and Great East Japan Earthquake of 2011, when no BasePack™ attachments suffered any damage.

Major businesses/products

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

Tomihiro Maeda
President,
Asahi Kasei Construction Materials

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

"For Tomorrow 2015" Strategies

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

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

1. AAC-related

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

2. Foundation systems

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

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.

Highlights

Expansion of capacity for phenolic foam insulation panels

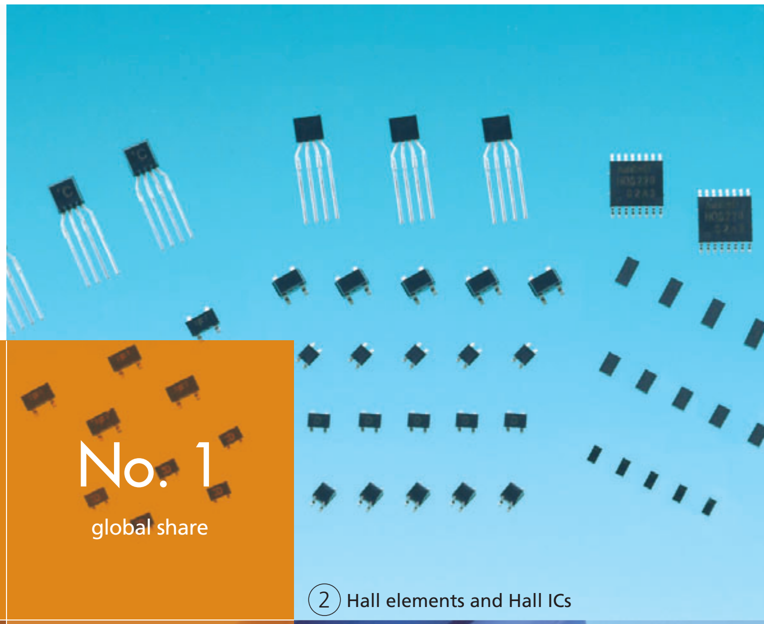
In April 2012, Asahi Kasei Construction Materials finalized a decision to increase production capacity of Neoma™ high-performance phenolic foam insulation panels and Jupii™ floor insulation panels developed based on Neoma™ technology. The market for high-performance insulation panels is anticipated to 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 Japanese government's roadmap toward mandatory energy conservation standards for homes in 2020. To meet growing demand, Asahi Kasei Construction Materials will add a new production line at its plant in Ibaraki, Japan. As 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.

Jupii™

Major Projects under Construction

- Capacity expansion for phenolic foam insulation panels in Ibaraki, Japan

① Electronic compass



② Hall elements and Hall ICs

③ Hipore™ Li-ion battery separator

④ Sunfort™ photosensitive dry film

Electronics

① The electronic compass is a sensor which determines direction by detecting the Earth's magnetism. We started mass production of the world's first 3-axis electronic compasses for mobile devices in 2003, and our products are the *de facto* global standard in smartphones and tablet PCs. As the world's leading electronic compass manufacturer, we continue to advance R&D for further product enhancement while ensuring stable supply as the market grows.

② Hall elements are high-precision magnetic sensors which provide an output signal that is proportional to the intensity of the detected magnetic field. Hall ICs, comprising a combination of Hall elements and signal processing circuits, are used in various applications including air conditioner fans and mobile phone open/close detection switches. We have a variety of products with added features to meet various needs.

③ Hipore™ is the world's leading Li-ion battery (LIB) separator, a microporous membrane that insulates the electrodes electrically while allowing lithium ions to pass through. Notable demand growth for Hipore™ is forecasted in automotive applications, and we aim to achieve the global-leading share in the automotive market with continuous technological developments while enhancing our supply infrastructure both domestically and globally.

④ Sunfort™ is one of the global leaders in the photosensitive dry film market, and widely used for the formation of circuit patterns on printed wiring boards. We will continue to expand our overseas production facilities to meet growing demand in the global electronics market, while developing new grades that meet emerging needs for greater performance and higher added value.

Major businesses/products

Electronic devices
Mixed-signal LSIs, Hall elements

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

Makoto Konosu
President, Asahi Kasei Microdevices

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

Shigeki Takayama
President, Asahi Kasei E-materials

We 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."

"For Tomorrow 2015" Strategies

Electronic devices

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

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

Electronic materials

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

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

Highlights

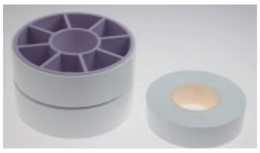
Receipt of the Imperial Invention Prize for technology to automatically adjust electronic compasses

In June 2012, a patent for technology to automatically adjust electronic compasses was recognized with the 2012 Imperial Invention Prize, the highest award to be presented at the 2012 National Commendation of Invention by the Japan Institute of Invention and Innovation. Electronic compasses measure geomagnetism to determine direction. This is used for electronic map applications such as pedestrian navigation systems to rotate the map to match the direction the users are facing. The award-winning technology has been applied to a wide range of portable devices, especially smartphones. The Imperial Invention Prize recognized the achievement which enables continuous and accurate adjustment while the device is in use, contributing to the expansion of the smartphone market.

The award ceremony

Start-up of a Hipore™ slitting facility in China

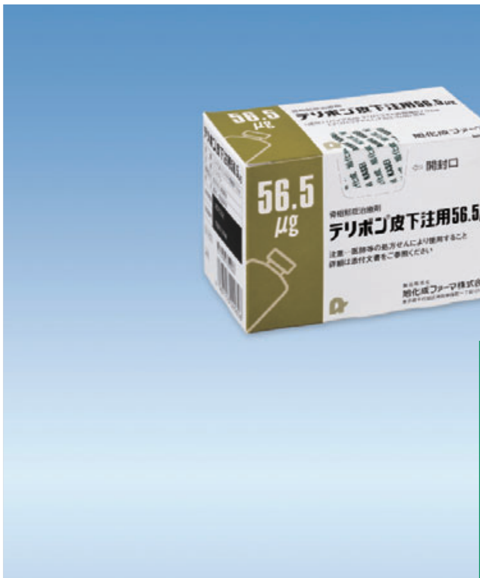
In August 2012, we started commercial operation of a new slitting facility in Suzhou, Jiangsu, China, for Hipore™ LIB separator. While market growth continues in mainstream LIB applications for portable devices such as smartphones and tablet PCs, significant additional growth is forecasted in electric vehicle applications. As the world's leading supplier of LIB separator, we will continue to expand capacity proactively in line with demand growth. At the same time, we will continue to enhance our infrastructure for overseas processing of master rolls from Japan, ensuring stable and timely supply to overseas LIB manufacturers.



Hipore™

Major Projects under Construction

- New plant in China for Sunfort™ photosensitive dry film
- Capacity expansion for Hipore™ LIB separator in Miyazaki, Japan



① Teribone™ osteoporosis drug

② Recomodulin™ anticoagulant

Gaining leadership
in the field of locomotive syndrome

Going global

No. 1
share in Japan

No. 1
global share

③ APS™ polysulfone-membrane artificial kidneys

④ Planova™ virus removal filters

Health Care

① Subcutaneous injection formulation of Teribone™ for the indication of osteoporosis with high risk of fracture facilitates bone formation with weekly administration. Since osteoporosis carries an increased risk of a bone fracture that could result in confinement to bed, the effective treatment of osteoporosis is an important social issue. By decreasing the risk of fracture, Teribone™ is making a significant contribution to osteoporosis therapy. A transdermal patch formulation is now under development.

② Recomodulin™ anticoagulant for treatment of disseminated intravascular coagulation is the world's first thrombomodulin agent produced through genetic engineering. We are advancing a global Phase III clinical trial to examine the safety and efficacy of this agent in patients with severe sepsis and coagulopathy.

③ APS™ polysulfone-membrane artificial kidneys, sold in over 70 countries, are used for the clinical purification of blood as a substitute for normal kidney function. We are advancing further product development to meet the different needs of various patients, while expanding local production in cooperation with other companies.

④ The world's first virus removal filter, Planova™ contributes to enhanced safety in the production of plasma derivatives and biopharmaceuticals throughout the world. As demand for Planova™ continues to grow with tighter regulations and the spread of biosimilar drugs, we are extending marketing efforts in Asia, complementing our main markets of the US and Europe.

Major businesses/products

Pharmaceutical-related
Teribone™, Recomodulin™, Elcitonin™, Flivas™, Toledomin™, Bredinin™, and other pharmaceuticals, Lucica™ GA-L glycated 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

Toshio Asano
President, Asahi Kasei Pharma

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.

Yutaka Shibata
President, Asahi Kasei Medical

Advanced medical technology provides expanded possibilities for preserving life and improving health. We contribute to health care throughout the world by supplying both therapeutic devices and products which enhance safety in the production of pharmaceuticals.

"For Tomorrow 2015" Strategies

Pharmaceutical-related

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

1. Japanese operations

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

2. Overseas operations

We are entering a new phase as a specialized global pharmaceutical company through the advancement of the clinical development of Recomodulin™ 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.

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 supply capability.

3. Bioprocess products

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

Highlights

Conclusion of Joint Sales Agreement on overactive bladder therapeutic drug

In June 2013, Hisamitsu Pharmaceutical Co., Inc. and Asahi Kasei Pharma Corp. began joint sales of NEOXY™ Tape, a transdermal overactive bladder treatment medication (generic name: oxybutynin hydrochloride transdermal therapeutic formulation) for which Hisamitsu received approval for manufacturing and marketing in Japan, based on a Joint Sales Agreement concluded between the two companies.

NEOXY™ Tape

Strengthening of strategic alliance with NxStage Medical

In May 2012, Asahi Kasei Medical and NxStage Medical, Inc. of the US concluded an agreement to further strengthen their strategic alliance in the field of hemodialysis. As part of the reinforcement of the strategic alliance, Asahi Kasei Medical has taken an ownership stake in NxStage Medical. The two companies have been advancing a project to expand capacity for assembly of dialyzers in Germany utilizing Asahi Kasei Medical's polysulfone hollow-fiber membranes and NxStage Medical's assembly technology. Asahi Kasei Medical and NxStage Medical will continue to examine additional opportunities to expand their strategic alliance and build on their established partnership.

Major Projects under Construction

- New research complex in Pharmaceutical Research Center in Fuji, Shizuoka, Japan

(1) LifeVest™ wearable defibrillator

World's only
product of its kind
Immense potential demand

No. 2
worldwide market share
Global market of US$1.5 billion

(2) Defibrillators

Market leading
intravascular temperature management system

No. 1
software provider to emergency medical marketplace in US

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

(4) RescueNet™ data solutions for emergency services

Critical Care

(1) It is worn by patients at risk of sudden cardiac arrest, which is responsible for more than 350,000 deaths every year in the US alone. Over 100,000 patients have used LifeVest™ in the US and Europe to date, and revenue is growing briskly, at some 50% per year.

(2) These products have the leading share in the US, which accounts for two-thirds of the global defibrillator market, and the No. 2 share worldwide. ZOLL continues to advance technological innovation and heightened functionality in defibrillators as its core business, with a broad product lineup including automated external defibrillators (AEDs) for lay rescuers and defibrillators for medical professionals.

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

(4) Software and data management systems for fire and emergency medical services, enabling efficient and integrated dispatch of emergency vehicles, billing, management of patient information, and many other functions. Used at over 1,500 organizations.

Major businesses/products

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

Wearable defibrillators
LifeVest™

Automated CPR
AutoPulse™

Temperature management system
Intravascular Temperature Management (IVTM™)—Thermogard XP™

Data solutions
RescueNet™ Software

Richard A. Packer
CEO, ZOLL Medical Corporation

Our first year as part of the Asahi Kasei family was exciting. We exceeded our targets on two important fronts, revenue and profit. We also continued to invest aggressively in our future business growth, with strong support from the Asahi Kasei group. Our joint vision of ZOLL becoming the world's undisputed leader in the field of acute critical care is in the early stages of realization. We are well on our way to "Creating for Tomorrow" thanks to our shared value of improving the lives of the global population.

"For Tomorrow 2015" Strategies

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

1. Rapidly expand today's businesses

- Dramatically increase the LifeVest™ salesforce to bring this one-of-a-kind product to more patients globally
- Accelerate the clinical trial program for Intravascular Temperature Management (IVTM™) in an effort to expand the approved indications for use worldwide, including in Japan where this type of technology was the first to receive regulatory approval in 2012
- Extend the reach of our core defibrillator and data segments to include significantly more international customers
- Support each product approval in Japan to ensure timely market share gain

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

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

Highlights

Establishment of Asahi Kasei ZOLL Medical in Japan

Asahi Kasei ZOLL Medical Corp. began operation in November 2012 as ZOLL's subsidiary in Japan. While the bulk of ZOLL's business is currently in the US and Europe, it is expanding in Japan and other parts of Asia. With its new subsidiary in Japan, ZOLL will accelerate the growth of its business in the Japanese market with products such as the ZOLL AED Plus™ automated external defibrillator, Thermogard™ intravascular temperature management system, and LifeVest™ wearable defibrillator.

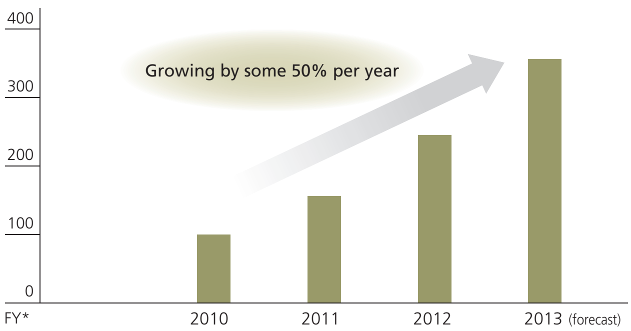
AED Plus™

Indications of growth

- Launch of our X Series™ professional defibrillator in March 2012
- Launching a new, first-of-its-kind pediatric electrode with a built-in sensor that displays depth and rate of chest compressions during cardiopulmonary resuscitation (CPR) on young children up to 8 years of age, in May 2013
- The American Heart Association (AHA) issued an internationally influential Consensus Statement in June 2013 emphasizing the importance of improving CPR quality, including appropriate depth and rate of compressions and other aspects that ZOLL's technologies have been providing for more than a decade.

Revenue from LifeVest™

(index based on FY 2010 as 100)



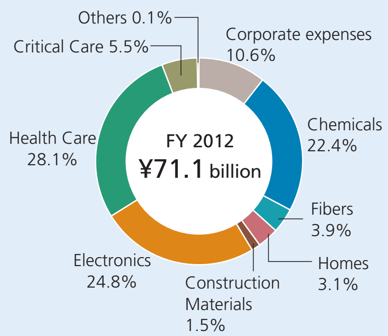
* Recalculated to fiscal years from April to March.

Research & Development

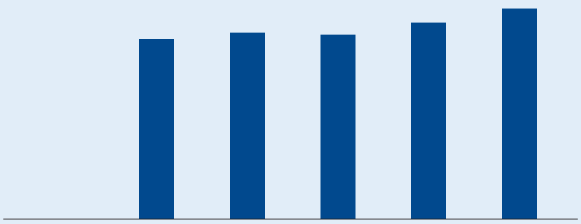
The holding company and core operating companies of the Asahi Kasei Group each have their own R&D organization, with the configuration for key projects extending across different business units. R&D at the holding company is focused on the creation of new businesses that will drive the future growth of the Asahi Kasei Group, whereas R&D at the core operating companies is focused on heightening existing operations and expanding in peripheral areas.

Under our three strategic "For Tomorrow" projects to create new businesses in the fields of the environment & energy, residential living, and health care, we are concentrating resources on R&D in a configuration that extends across different business units.

Breakdown of R&D expenses



R&D expenses (¥ billion)



FY	'08	'09	'10	'11	'12
R&D expenses	60.8	62.9	62.3	66.3	71.1

R&D strategies

Holding Company

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

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

Chemicals

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

In chemicals and derivative products, we are advancing the verification of two new process technologies to enable feedstock diversification: the "E-flex" process for highly efficient production of propylene using C_2 fractions or bioethanol as feedstock, and the "BB-flex" process to produce butadiene from butene. Studies on their commercialization are in progress.

In polymer products, we are advancing the development of a number of innovative products including polyamide with ultra-high heat resistance, high rigidity, and excellent moldability using novel molecular design; S-SBR for next-generation fuel-efficient tires; 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.

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

Fibers

In cooperation with other companies within the Asahi Kasei Group as well as with outside companies, we are enriching and enhancing our R&D functions to achieve results more quickly. Development of high-value added grades based on our unique technologies and manufacturing process innovation are advancing for Roica™ polyurethane filament, Bemberg™ cupro fiber, Leona™ nylon 66 filament, and various nonwovens. In addition, the creation of new cellulose-related business and the development of new nonwovens and functional textiles are advancing in accordance with the concepts of "living in health and comfort" and "harmony with the natural environment."

Homes

R&D is focused on enhancing core technologies. Shelter technology brings greater safety and security through earthquake resistance, seismic damping, base isolation, and fire resistance; greater long-term usability through physical durability/evaluation, systematic maintenance, and ease of remodeling; enhanced livability through thermal insulation, air circulation, and sound barrier; and enhanced ecology through energy conservation and reduced CO_2 emissions.

Lifestyle technology brings greater comfort, convenience, and

Pharmaceutical Product Pipeline (as of May 2013)

	Code name, form, generic name	Classifications	Indication	Remarks	Origin
Approved	AK-120, oral, famciclovir	Antiviral	Herpes simplex	Additional indication	Licensed
Phase III	AK-156, injection, zoledronic acid	Bisphosphonate	Osteoporosis	New efficacy, new dose; once-yearly administration	Licensed
	AK-160, injection	Collagenase clostridium histolyticum	Dupuytren's contracture	New biologic	Licensed
Phase II	AT-877, oral, fasudil hydrochloride hydrate	Rho-kinase inhibitor	Pulmonary arterial hypertension	Additional indication, new dosage form	In-house
	HC-58, injection, elcatonin	Calcitonin	Shoulder-hand syndrome	Additional indication	In-house
Phase III (overseas)	ART-123, injection, recombinant thrombomodulin alpha	Recombinant human thrombomodulin	Sepsis with coagulopathy	New biologic	In-house
Phase II (overseas)	AK106	Anti-inflammatory	Rheumatoid arthritis	New chemical entity	In-house

satisfaction. Evaluation/simulation technology is being enhanced to enable customers to more intuitively appreciate the real-world effects of variations and modifications, ensuring that the design of each home is optimized to match each customer's preferences.

Additional research is focused on the physiological and psychological aspects of comfort, and how these can be utilized through technological development to achieve greater energy efficiency and environmental compatibility in homes optimized for health and comfort.

Construction Materials

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

Electronics

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

Development of new electronic materials which contribute to energy and resource conservation, reduced environmental burdens, and living in health and comfort is advancing based on our core technologies for polymer design and synthesis, membrane formation, and precision surface processing. Environment and energy–related materials such as high-performance lithium-ion battery materials for both portable electronics and automotive applications, and materials for solar cells are currently under development, as are new materials which correspond to leading technological trends for finer patterning in both semiconductors and printed wiring boards.

Health Care

In pharmaceuticals, we are focused on contributing to "living in health and comfort" by addressing unmet medical needs which are increasing together with maturing markets and the aging population, particularly in the fields of orthopedics and urology. We are not only searching for new subjects for R&D, but also pursuing continuous proprietary technological innovation and enhanced collaboration with world-leading technologies.

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

Critical Care

Research and development in the Critical Care segment is continuing to help save lives around the globe thanks to a multidisciplinary approach to product design that includes substantial electrical, mechanical, biomedical, and software engineering efforts. In addition to developing next-generation product platforms, current research efforts include advancing both therapeutic temperature management capabilities and wearable defibrillator technology for treatment of critically ill patients, as well as enhancing data management capabilities for customers. Staying ahead of trends in resuscitation, patient care, and data has enabled this business to transform ideas into products with features and benefits that set them apart from the competition.

Highlight

Dr. Akira Yoshino awarded the Global Energy Prize

In April 2013, Asahi Kasei Fellow Dr. Akira Yoshino was chosen for the 2013 Global Energy Prize in recognition of his invention of the lithium-ion battery. The award ceremony was held in St. Petersburg, Russia, in June 2013.

The lithium-ion battery

In 1985, Dr. Yoshino invented the world's first lithium-ion battery (LIB) using carbon as the negative electrode and lithium cobalt oxide as the positive electrode. He also developed other technologies that were essential for the successful commercialization of the LIB as a small, lightweight rechargeable battery. Not only has the LIB facilitated widespread adoption of many portable electronic devices such as mobile phones and notebook computers, but it is also increasingly used in electric vehicles as an environmentally friendly means of transportation.

Corporate Governance

Basic Concept for Corporate Governance

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

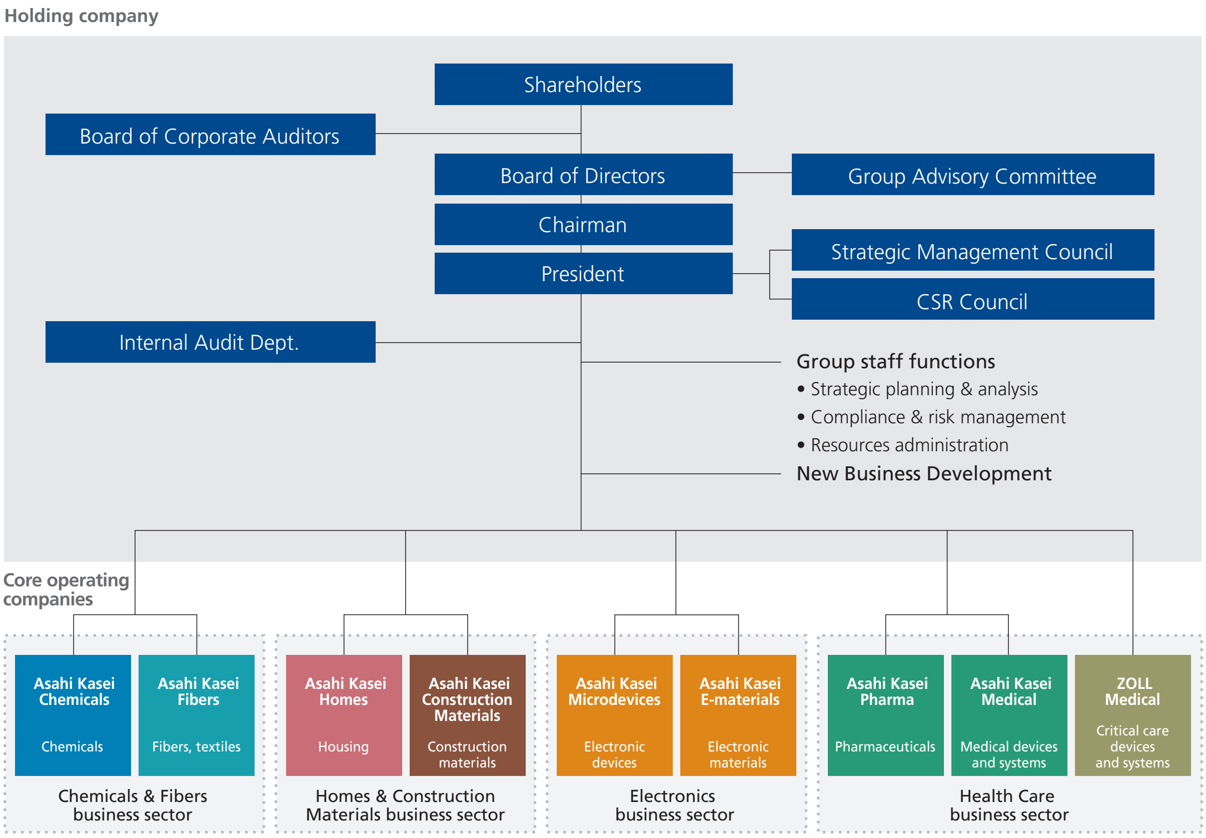
1) Based on the structure of a holding company and core operating companies, the core operating companies are responsible for business execution and the holding company is responsible for oversight.

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

In this context, corporate governance is further enhanced by implementing various measures, including the election of multiple Outside Directors and the institutionalization of an Internal Audit Dept. We will continue to advance measures to heighten corporate governance for the further enhancement of corporate value.

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

Management Configuration (as of June 27, 2013)



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 fifteen 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 27, 2013)

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) The Internal Audit Dept. serves as the corporate organ for internal audits of the execution of duties in the Asahi Kasei Group in accordance with basic corporate regulations for internal audits. Results of the internal audits conducted by each group staff function are also reported to the Internal Audit Dept., so that all information regarding results of internal audits in the Asahi Kasei Group are centralized at the Internal Audit Dept.
5) In accordance with the audit policy adopted by the Board of Corporate Auditors, each Corporate Auditor audits Directors in the discharge of their duties by attending Board of Directors' meetings and examining business performance. Corporate Auditors of the Company and Corporate Auditors of the core operating companies exchange information on a regular basis. Our Corporate Auditors Office has multiple dedicated personnel who, independently from Directors, support the Corporate Auditors in their duties.
6) PricewaterhouseCoopers Aarata performs financial audits of the Company and the core operating companies in accordance with the Corporation Law and the Financial Instruments and Exchange Act.
7) Company standards stipulate that as a general rule a Director is not to concurrently serve as Director at four or more other companies whose shares are stock-market listed.
8) The Company has a performance-linked remuneration system, and remuneration of Directors is determined by the Board of Directors within the range stipulated therein.

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

Outside Directors and Corporate Auditors

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

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

Audits

The Internal Audit Dept. (15 personnel as of March 31, 2013) is a corporate organ under the direct authority of the President of the holding company. Each year, the Internal Audit Dept. prepares plans for an internal audit in accordance with basic corporate regulations for internal audits, obtains the President's approval for these plans, and then performs the internal audit.

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

PricewaterhouseCoopers Aarata is contracted as the Independent Auditors to perform financial audits in accordance with the Companies Act and Financial Instruments and Exchange Act. Partners of the Independent Auditors designated to perform the audit for fiscal 2012 were Mr. Keiichi Ohtsuka, Mr. Takahiro Nakazawa, and Mr. Taisuke Shiino. The Independent Auditors form a team of assistants for performance of the audit in accordance with its audit plan. The team mainly comprises certified public accountants and junior accountants, and also includes certified information systems accountants and other specialist accountants.

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

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 renewed 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 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.

In fiscal 2012, in the effort for preparedness for the possibility of a major earthquake in the Greater Tokyo Metropolitan area, we practiced setting up an emergency response headquarters. We also decided where to transfer the emergency response headquarters if it becomes impossible to use the head office in Tokyo, and reconsidered the role of the emergency response headquarters to handle head office functions for continuation of operations in such a case.

At the outbreak of avian flu (H7N9) in China, we increased stocks of surgical masks and disinfectant for use by personnel in China in the case of a pandemic, while informing personnel stationed elsewhere overseas of proper precautions to take. When riots in China and terrorism in Algeria occurred, we directly contacted personnel stationed in relevant areas and posted notices on the corporate intranet regarding business travel to raise awareness of possible risks and proper precautions to take.

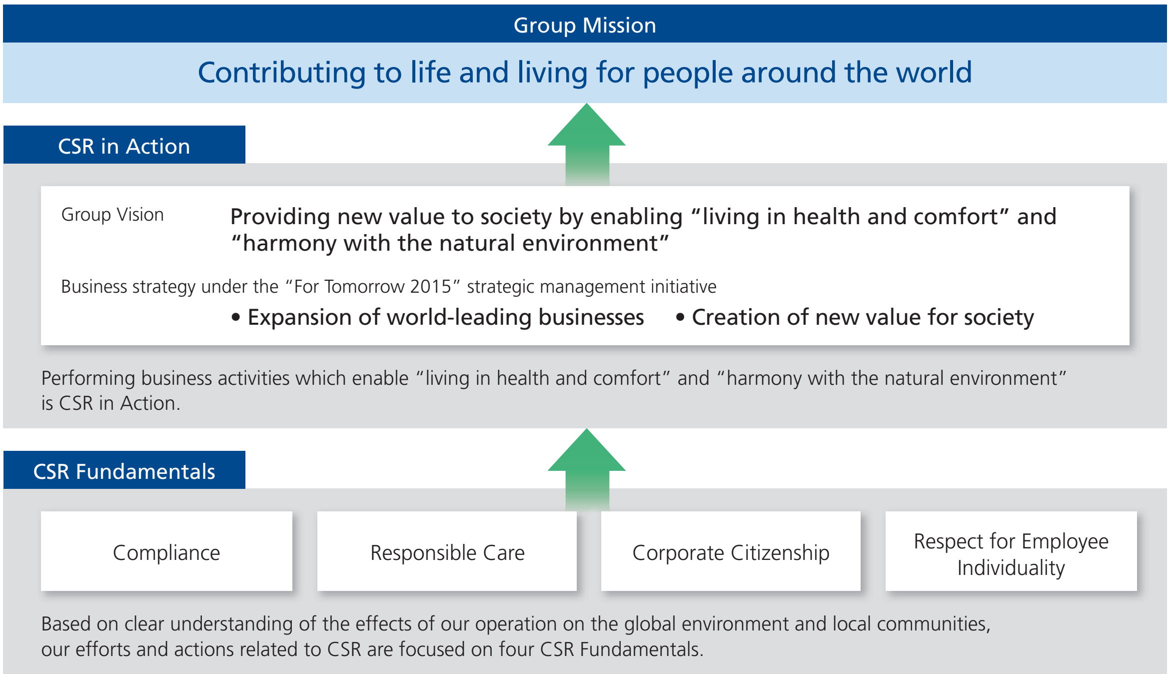
Corporate Social Responsibility

As the world faces various environmental challenges such as global warming and the depletion of natural resources, corporate enterprises are expected to not only achieve economic performance but also advance business activities that meet society's needs in a well-balanced manner.

We believe that corporate social responsibility (CSR) is achieved by heightening 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*. Our efforts and actions related to CSR are focused on four CSR Fundamentals: Compliance, Responsible Care*, Corporate Citizenship, and Respect for Employee Individuality.

* 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.

CSR at the Asahi Kasei Group



Framework for Advancement

Responsible Care

Responsible Care at the Asahi Kasei Group is not limited to chemicals-related operations but encompasses operations in all fields, comprising the six pillars of environmental protection, product safety, operational safety, workplace safety & hygiene, health maintenance, and community outreach. One notable example of a measure implemented related to global warming is the construction of our first power plant designed to use mainly biomass as fuel. The new plant started operation in Nobeoka, Miyazaki, Japan, in August 2012, and is expected to reduce CO_2 emissions by 170 thousand tons per year by using scrap wood from construction sites in the region as biomass fuel.

Opening Ceremony of the new biomass power plant

Corporate Citizenship

We are committed to advancing in harmony with society from a global perspective through fair information disclosure and proactive employment of management resources for corporate responsibility and citizenship. For example, we conduct school visits to promote understanding and heighten interest in science and technology among elementary, junior high, and high school students. Our personnel visit schools to give explanations and demonstrations of science and technology and on environmental issues. In addition, we participated in an afforestation program in the Horqin Desert of Inner Mongolia, China, planting 8,300 trees in 2012 as part of an effort to heighten people's awareness for the preservation of natural forest and water environments.

The site of afforestation in Inner Mongolia

Respect for Employee Individuality

The Asahi Kasei Group considers fulfilling and satisfying working conditions and workplace culture, in which personnel feel motivated to achieve and take pride in their career, to be a key to business performance. The Human Resources Principles established in 2006 are a distillation of the values and beliefs held in common by all employees, a key aspect of a corporate culture where personal growth and corporate development are mutually reinforcing. We encourage personnel to reevaluate their working habits from the perspective of balancing work and family life. For example, we adopted a system for paid holidays to be used in two-hour units, allowing personnel to utilize paid leave more flexibly. Furthermore, to increase the utilization of parental leave by male personnel, we simplified the necessary procedures and arranged for their supervisors encourage such utilization.

Human Resources Principles

Corporate Commitment	The basic commitment to human resources is to provide the venue for a dynamic and fulfilling career as a part of a lively and growing corporate group
Basic Expectations	• Enterprise and growth through challenge and change • Integrity and responsibility in action • Respect for diversity
Expectations of Leaders	• Building the team, heightening performance and achievement • Going beyond conventional boundaries, in thought and action • Contributing to mutual development and growth

Directors, Corporate Auditors, Executive Officers

(As of June 27, 2013)

Ichiro Itoh

Chairman &
Representative Director

Taketsugu Fujiwara

President & Representative Director
Presidential Executive Officer

Hideki Kobori

Director
Senior Executive Officer

Hiroshi Kobayashi

Director
Senior Executive Officer

Masafumi Nakao

Director
Lead Executive Officer

Hiroshi Sawayama

Director
Lead Executive Officer

Yoshihiro Wada

Director
Lead Executive Officer

Yukiharu Kodama

Outside Director

Norio Ichino

Outside Director

Masumi Shiraishi

Outside Director

Toshiyuki Kawasaki
Corporate Auditor

Hajime Nagahara
Corporate Auditor

Kazuo Tezuka
Outside Corporate Auditor

Koji Kobayashi
Outside Corporate Auditor

Ryo Matsui
Senior Executive Officer

Yuji Mizuno
Senior Executive Officer

Shinichiro Nei
Lead Executive Officer

Makoto Konosu
Executive Officer

Masahito Hirai
Executive Officer

Yuji Kobayashi
Executive Officer

Toshio Asano
Executive Officer

Naoki Okada
Executive Officer

Shoichiro Tonomura
Executive Officer

Financial Section

Contents

Consolidated Eleven-Year Summary

Asahi Kasei Corporation and Consolidated Subsidiaries

For the years ended March 31	2013[b]	2012	2011[c,d]	2010[c,e]	2009[c,e]
Net sales	**¥1,666,640**	¥1,573,230	¥1,555,945	¥1,392,212	¥1,521,178
Chemicals	**684,582**	680,112	699,801	580,709	657,393
Life & Living	—	—	—	—	—
Chemical and Chemical-related	—	—	—	—	—
Homes	**486,182**	451,965	409,224	389,728	409,882
Housing and Construction Materials	—	—	—	—	—
Health Care	**133,450**	119,483	116,387	113,207	119,619
Fibers	**109,613**	110,849	108,761	101,201	116,405
Electronics	**131,148**	146,113	158,337	142,700	129,655
Construction Materials	**51,504**	46,146	47,418	47,024	60,927
Critical Care	**52,131**	—	—	—	—
Others	**18,031**	18,562	16,017	17,642	27,297
Domestic sales	**1,181,429**	1,151,705	1,106,656	1,021,803	1,127,213
Overseas sales	**485,211**	421,525	449,289	370,409	393,965
Operating income	**91,960**	104,258	122,927	57,622	34,959
Ordinary income	**95,125**	107,567	118,219	56,367	32,500
Income (loss) before income taxes	**82,302**	94,866	98,342	46,056	19,031
Net income (loss)	**53,712**	55,766	60,288	25,286	4,745
Comprehensive income	**117,515**	62,561	45,088	—	—
Net income (loss) per share, yen	**38.43**	39.89	43.11	18.08	3.39
Capital expenditure	**113,785**	85,124	66,014	83,990	126,725
Depreciation and amortization	**80,050**	78,440	84,092	86,166	79,436
R&D expenditures	**71,120**	66,269	62,320	62,924	60,849
Cash dividends per share, yen	**14.00**	14.00	11.00	10.00	10.00

As of March 31	2013	2012	2011	2010	2009
Total assets	**¥1,800,170**	¥1,410,568	¥1,425,879	¥1,368,892	¥1,379,337
Inventories	**309,677**	279,206	256,248	251,084	273,539
Property, plant and equipment	**461,581**	416,119	418,354	447,497	441,271
Investments and other assets	**263,704**	227,489	220,773	226,331	218,477
Net worth[a]	**812,080**	706,846	663,566	633,343	603,846
Net worth per share, yen	**581.05**	505.72	474.59	452.91	431.77
Net worth/total assets, %	**45.1**	50.1	46.5	46.3	43.8
Number of employees	**28,363**	25,409	25,016	25,085	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, 2013, Critical Care was added as a new segment in which results of ZOLL Medical Corporation of the US and its subsidiaries are reported.
c. 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.
d. 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.
e. 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.

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

Millions of yen, except where noted

2009[c]	2008[c,f]	2007	2006[g]	2005	2004[h]	2003[h]	2003
¥1,521,178	¥1,663,778	¥1,623,791	¥1,498,620	¥1,377,697	¥1,253,534	¥1,193,614	¥1,193,614
709,556	846,224	752,632	660,402	557,439	453,707	424,673	—
—	—	52,558	51,942	59,149	59,813	52,908	—
—	—	—	—	—	—	—	477,581
409,882	386,227	405,695	404,539	375,755	361,273	320,553	—
—	—	—	—	—	—	—	383,654
119,619	111,232	104,474	105,842	103,933	105,965	105,463	105,463
102,176	114,072	106,639	89,704	104,261	101,514	110,551	110,551
91,721	113,267	112,094	102,859	93,025	82,484	71,579	71,579
60,927	55,732	60,818	56,512	59,908	60,622	63,101	—
—	—	—	—	—	—	—	—
27,297	37,024	28,881	26,821	24,228	28,156	44,786	44,786
1,127,213	1,176,441	1,195,751	1,125,454	1,067,893	1,011,366	981,064	981,064
393,965	487,337	428,040	373,166	309,804	242,168	212,550	212,550
34,959	127,656	127,801	108,726	115,809	60,932	61,555	61,555
32,500	120,456	126,507	104,166	112,876	53,643	50,389	50,389
19,031	105,599	114,883	94,481	91,141	54,820	(100,869)	(100,869)
4,745	69,945	68,575	59,668	56,454	27,672	(66,791)	(66,791)
—	—	—	—	—	—	—	—
3.39	50.01	49.00	42.46	40.16	19.62	(47.63)	(47.63)
126,725	82,911	84,413	66,310	68,479	86,387	93,985	93,985
79,436	73,983	71,646	69,399	71,531	64,408	60,808	60,808
60,849	56,170	52,426	51,467	50,715	48,420	49,311	49,311
10.00	13.00	12.00	10.00	8.00	6.00	6.00	6.00

2009	2008	2007	2006	2005	2004	2003	2003
¥1,379,337	¥1,425,367	¥1,459,922	¥1,376,044	¥1,270,057	¥1,249,206	¥1,212,374	¥1,212,374
273,539	272,372	240,006	214,062	202,521	181,609	176,788	176,788
441,271	424,193	426,959	414,368	419,969	428,302	427,188	427,188
218,477	234,873	281,502	284,390	223,958	226,825	198,697	198,697
603,846	666,244	645,655	594,211	511,726	450,451	407,639	407,639
431.77	476.39	461.50	424.34	365.43	321.41	290.92	290.92
43.8	46.7	44.2	43.2	40.3	36.1	33.6	33.6
24,244	23,854	23,715	23,030	23,820	25,011	25,730	25,730

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

h. 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.

Management's Discussion and Analysis

Fiscal year 2012 (April 1, 2012 – March 31, 2013)

Operating Environment

Although there were signs of economic recovery in the US and other countries, the overall operating climate remained challenging during the fiscal year as the global economy was impacted by the European sovereign debt crisis and slowing growth in China and other emerging economies. For the Japanese economy, expectations of recovery rose with domestic demand underpinned by firm consumer spending and with conditions for exports improving due to the depreciation of the exchange value of the yen since the end of 2012.

Overview of Consolidated Results

Net sales, operating income

Consolidated net sales for the fiscal year increased by ¥93.4 billion (5.9%) to ¥1,666.6 billion. Overseas sales increased, largely due to the addition of the Critical Care segment, by ¥63.7 billion (15.1%) to ¥485.2 billion, and increased by 2.3 percentage points as a portion of consolidated net sales from 26.8% to 29.1%. Domestic sales increased by ¥29.7 billion (2.6%) to ¥1,181.4 billion with strong performance in the Homes segment.

Operating income decreased by ¥12.3 billion (11.8%) to ¥92.0 billion. As a percentage of net sales, cost of sales decreased by 0.6 percentage points to 74.4%. SG&A increased by ¥45.2 billion, increasing as a percentage of net sales by 1.7 percentage points to 20.1% despite the increase in sales. Operating margin decreased by 1.1 percentage points to 5.5%.

Non-operating income and expenses, ordinary income

Net non-operating income was ¥3.2 billion, a ¥0.1 billion decline from the ¥3.3 billion net non-operating income of a year earlier. While the previous year's foreign exchange loss transitioned to foreign exchange gains and insurance income increased, equity in earnings of affiliates transitioned to equity in losses of affiliates and costs associated with idle portion of facilities increased. As a result, ordinary income decreased by ¥12.4 billion (11.6%) to ¥95.1 billion.

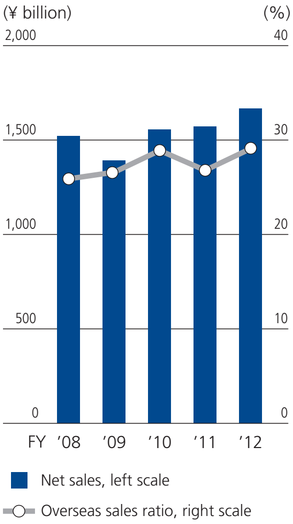
Extraordinary income and loss

Extraordinary loss of ¥13.2 billion included ¥6.4 billion in business structure improvement expenses, a ¥4.0 billion loss on disposal of noncurrent assets, and ¥2.1 billion in impairment loss. The net extraordinary loss of ¥12.8 billion was ¥0.1 billion higher than a year ago.

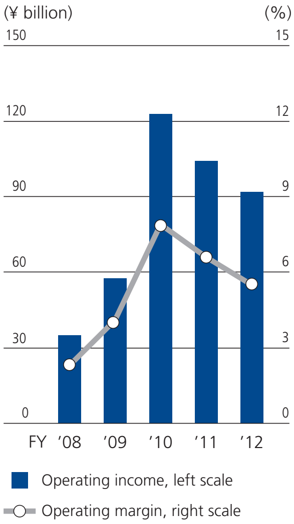
Net income

With ordinary income of ¥95.1 billion and the net extraordinary loss of ¥12.8 billion, income before income taxes and minority interests was ¥82.3 billion. Income tax expense was ¥28.4 billion (current income taxes of ¥27.9 billion combined with a deferred income tax obligation of ¥0.5 billion). Minority interests in income of consolidated subsidiaries were ¥0.2 billion. As a result, net income decreased by ¥2.1 billion (3.7%) to ¥53.7 billion, and net income per share decreased by ¥1.46 to ¥38.43 from the ¥39.89 of a year earlier.

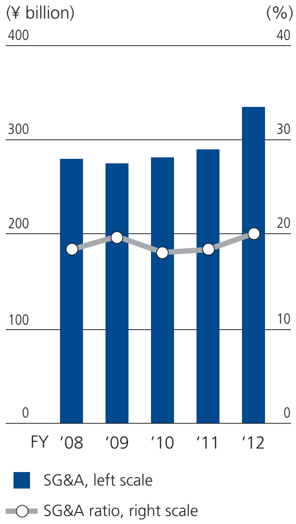
Net Sales, Overseas Sales Ratio



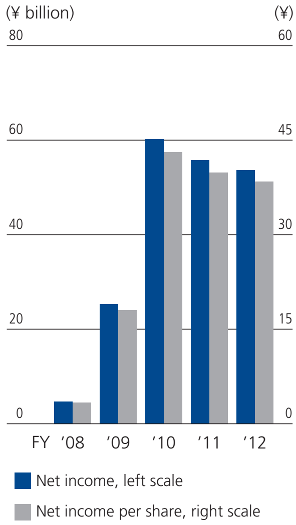
Operating Income, Operating Margin



SG&A, SG&A Ratio



Net Income, Net Income per Share



Results by Operating Segment

The Asahi Kasei Group's operations are described by major business classification: seven reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, Construction Materials, and Critical Care, together with an "Others" category. Critical Care is a new segment added beginning with the first quarter of fiscal 2012, in which results of ZOLL Medical Corporation of the US and its subsidiaries (hereinafter "ZOLL"), acquired on April 26, 2012, US Eastern time, are reported.

Chemicals

Sales increased by ¥4.5 billion (0.7%) from a year ago to ¥684.6 billion, and operating income decreased by ¥21.6 billion (48.5%) to ¥22.9 billion.

Operating income from chemicals and derivative products decreased as terms of trade for monomer products such as acrylonitrile deteriorated with higher feedstock prices and low sales prices due to continuing weak demand in China and other Asian countries. Although synthetic rubber for fuel-efficient tires performed well, operating income from polymer products decreased with high feedstock prices impacting products such as polyethylene. Operating income from specialty products increased as coating materials and functional chemicals for pharmaceutical manufacture performed well.

Homes

Sales increased by ¥34.2 billion (7.6%) from a year ago to ¥486.2 billion, and operating income increased by ¥7.9 billion (17.1%) to ¥54.3 billion. Orders for order-built homes increased by ¥40.5 billion to ¥412.4 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 real estate–related operations rose as deliveries of condominiums increased and rental management performed well. Operating income from remodeling operations rose with increased orders for solar panel installation and other renovation work.

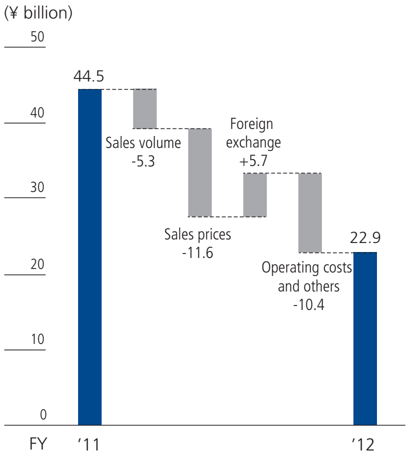
Health Care

Sales increased by ¥14.0 billion (11.7%) from a year ago to ¥133.5 billion, and operating income increased by ¥7.1 billion (81.0%) to ¥15.9 billion.

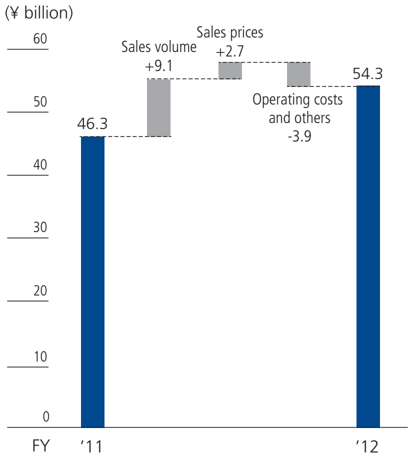
Although pharmaceuticals operations were impacted by reduced reimbursement prices and higher R&D expenses, operating income increased with solid sales growth of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin.

Although sales of therapeutic apheresis devices remained firm, operating income from devices-related operations decreased as APS™ polysulfone-membrane artificial kidneys were impacted by intensified competition and reduced reimbursement prices.

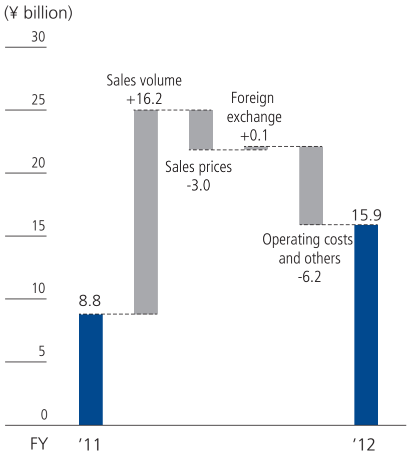
Chemicals segment operating income increases/decreases



Homes segment operating income increases/decreases



Health Care segment operating income increases/decreases



Fibers

Sales decreased by ¥1.2 billion (1.1%) from a year ago to ¥109.6 billion, but operating income increased by ¥0.9 billion (28.4%) to ¥4.0 billion.

Although Roica™ elastic polyurethane filament struggled in overseas markets, operating income in fibers increased as Bemberg™ regenerated cellulose performed well in markets for outerwear and ethnic garments, and nonwovens remained firm.

Electronics

Sales decreased by ¥15.0 billion (10.2%) from a year ago to ¥131.1 billion, and operating income decreased by ¥3.6 billion (56.0%) to ¥2.8 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. In electronic materials, although sales of high-end products expanded in each product category, operating income decreased due to generally sluggish growth in shipment volumes and decreased sales prices for Hipore™ Li-ion battery separator and other products.

Construction Materials

Sales increased by ¥5.4 billion (11.6%) from a year ago to ¥51.5 billion, and operating income increased by ¥2.1 billion (117.2%) to ¥4.0 billion.

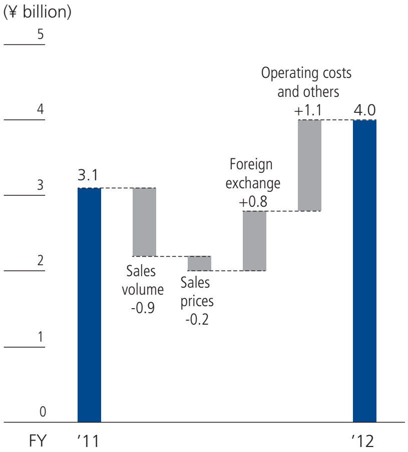
Sales of Hebel™ autoclaved aerated concrete panels remained firm. Shipments of Neoma™ high-performance phenolic foam insulation panels and other insulation materials increased. In foundation systems, new applications expanded smoothly for Eazet™ and ATT Column™ piling systems for small-scale construction. Sales of structural materials increased. Operating income increased throughout the segment.

Critical Care

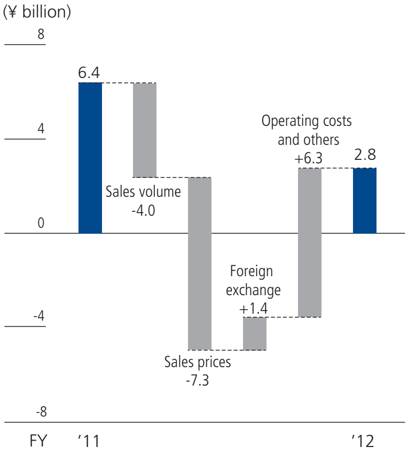
Sales were ¥52.1 billion, and an operating loss of ¥3.7 billion was recorded.

Operating income from LifeVest™ wearable defibrillators increased steadily, while defibrillators for professional use and other products performed well. An operating loss resulted as an effect of amortization of goodwill and other intangible assets, etc., amounting to ¥11.0 billion.

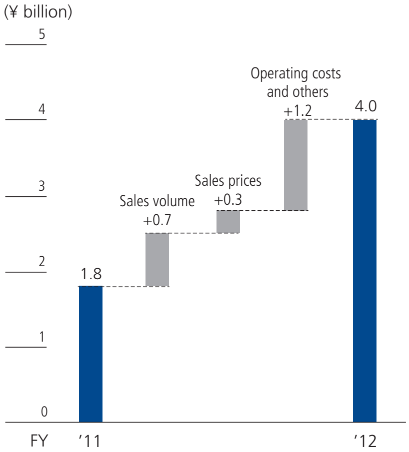
Fibers segment operating income increases/decreases



Electronics segment operating income increases/decreases



Construction Materials segment operating income increases/decreases



Others

Sales decreased by ¥0.5 billion (2.9%) from a year ago to ¥18.0 billion, and operating income decreased by ¥0.8 billion (26.1%) to ¥2.2 billion.

Liquidity and Capital Resources

Financial position

Total assets at fiscal year end were ¥1,800.2 billion, ¥389.6 billion (27.6%) higher than a year earlier.

Current assets increased by ¥97.7 billion (13.5%) to ¥819.5 billion, mainly as notes and accounts receivable–trade increased by ¥40.2 billion, inventories increased by ¥30.5 billion, and cash and deposits increased by ¥6.6 billion.

Noncurrent assets increased by ¥291.9 billion (42.4%) to ¥980.7 billion, notably with a ¥210.2 billion increase in intangible assets and a ¥47.4 billion increase in investment securities largely due to higher fair market value.

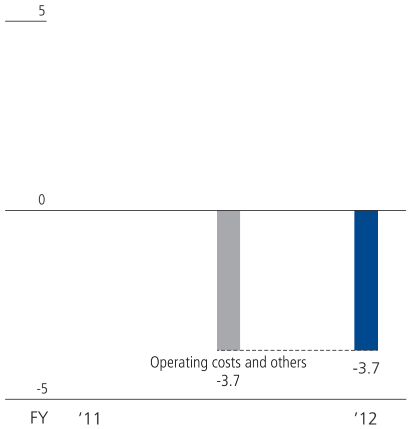
Current liabilities increased by ¥153.3 billion (34.1%) to ¥602.9 billion, mainly as a result of a ¥55.0 billion increase in commercial paper and a ¥38.6 billion increase in short-term loans payable.

Noncurrent liabilities increased by ¥131.2 billion (54.3%) to ¥372.9 billion, mainly as a result of a ¥84.2 billion increase in long-term loans payable.

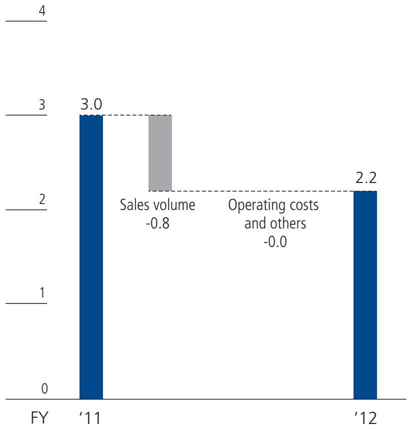
Interest-bearing debt increased by ¥197.3 billion to ¥381.4 billion.

Net assets increased by ¥105.2 billion (14.6%) from ¥719.3 billion to ¥824.5 billion. Net income was ¥53.7 billion, foreign currency translation adjustments increased by ¥44.8 billion, and net unrealized gain on other securities increased by ¥22.5 billion, while dividend payments were ¥19.6 billion. As a result, net worth per share increased by ¥75.33 to ¥581.05, net worth/total assets decreased from 50.1% to 45.1%, and debt-to equity ratio increased by 0.21 to 0.47.

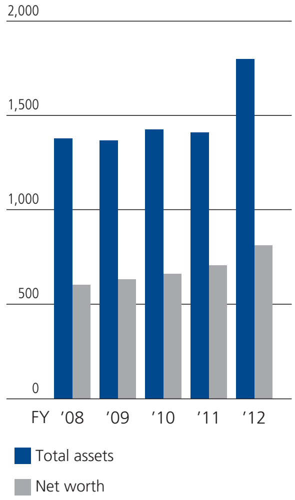
Critical Care segment operating income increases/decreases



Others operating income increases/decreases



Total Assets, Net Worth



Capital expenditure

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

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

A total of ¥113.8 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	47,290	121.0
Homes	9,527	151.9
Health Care	14,275	133.7
Fibers	6,833	119.9
Electronics	17,011	126.7
Construction Materials	2,186	134.0
Critical Care	5,416	—
Others	1,140	145.0
Combined	103,677	133.7
Corporate assets and eliminations	10,108	133.9
Consolidated	113,785	133.7

Notable capex by operating segment was as follows.

Chemicals
Capacity expansion for Saran Wrap™, capacity expansion for acrylonitrile, construction of facilities for biomass power generation, rationalization of facilities in Mizushima, other rationalization, labor-saving, and maintenance.

Homes
Leases, rationalization, labor-saving, and maintenance.

Health Care
Acquisition of rights to distribute overactive bladder therapeutic drug, rationalization, labor-saving, and maintenance.

Fibers
Construction of facilities for spunbond, 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.

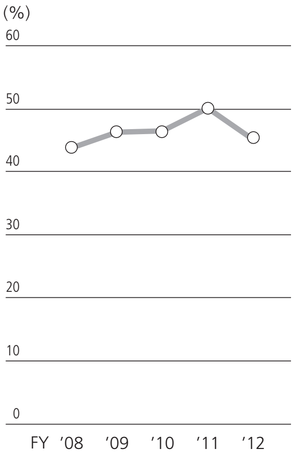
Construction Materials
Rationalization, labor-saving, and maintenance.

Critical Care
Rationalization, labor-saving, and maintenance.

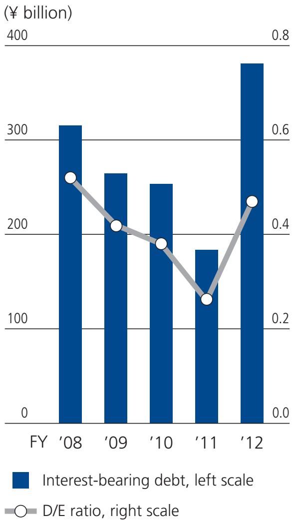
Others
Rationalization, labor-saving, and maintenance.

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

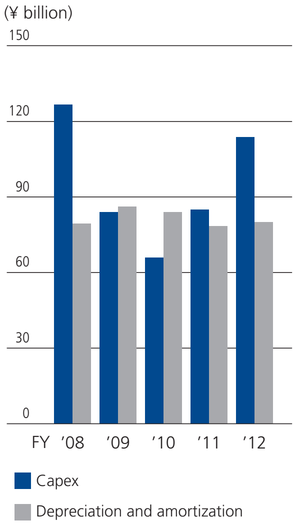
Net Worth to Total Assets



Interest-Bearing Debt, D/E Ratio



Capex, Depreciation and Amortization



Cash flows

Free cash flows* were a negative ¥152.5 billion, as cash used, principally for acquisition of ZOLL, exceeded cash generated, principally from income before income taxes and minority interests and from depreciation and amortization. Cash flows from financing activities were a net ¥166.2 billion generated, principally due to increased borrowings associated with the acquisition of ZOLL. As a result, cash and cash equivalents at fiscal year end were ¥104.0 billion, ¥7.7 billion more than a year earlier.

Cash flows from operating activities

Cash used included ¥21.8 billion for increase in inventories and ¥22.2 billion for income taxes paid. Income before income taxes and minority interests generated ¥82.3 billion and depreciation and amortization generated ¥80.0 billion. Net cash provided by operating activities was ¥126.0 billion, ¥15.3 billion less than a year earlier.

Cash flows from investing activities

Cash used included ¥88.2 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness, ¥15.8 billion for purchase of intangible assets, and ¥174.5 billion for purchase of shares in subsidiaries resulting in change in scope of consolidation related to the acquisition of ZOLL. Net cash used in investing activities was ¥278.5 billion, ¥189.0 billion more than a year earlier.

Cash flows from financing activities

Cash used included ¥19.6 billion for dividend payments. A ¥189.2 billion increase in loans payable, bonds payable, and commercial paper was associated with the acquisition of ZOLL. Net cash provided by financing activities was ¥166.2 billion, ¥257.3 billion more than a year earlier.

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

Financial Policy

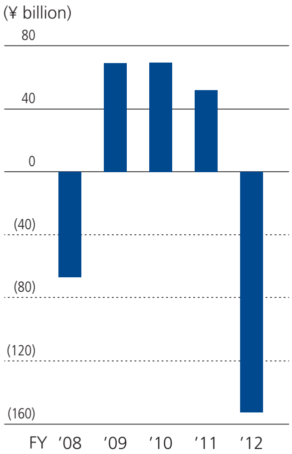
We aim to increase free cash flows with increased earnings through enhanced cost efficiency, greater product competitiveness, and business structure improvements, and with greater capital efficiency through utilization of group finance and maintenance of optimum inventory levels.

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

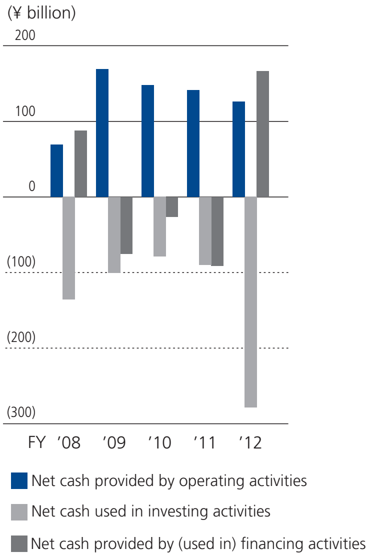
These resources will be used to fund strategic investments under the “For Tomorrow 2015” strategic management initiative focused on the expansion of world-leading businesses and the creation of new value for society by expanding operations in the fields of the environment & energy, residential living,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

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

Free Cash Flows



Cash Flows



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.

Pharmaceutical, medical device, and critical device businesses

Pharmaceutical, medical device, and critical care device businesses may be significantly affected by government measures regarding health care or other changes in government policy in various countries. Unforeseeable side effects or complications may emerge, significantly affecting these businesses. Product approval may be withdrawn as a result of reexamination, and that competition may intensify as a result of the market entry of generics. For products under development, regulatory approval may be prolonged or fail to be obtained, market demand may be lower than expected, and reimbursement prices may be lower than expected. Such scenarios may affect our consolidated performance and financial condition.

Industrial accidents and natural disasters

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

Intellectual property, product liability, and legal regulation

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

Irrecoverable credits

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

Business and capital alliances

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

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2013	2012	2013
Current assets:			
Cash and deposits (Notes 8 and 10)	¥109,513	¥102,875	$1,164,908
Notes and accounts receivable–trade (Note 4(e))	306,222	266,056	3,257,334
Short-term investment securities (Notes 8, 10 and 11)	124	360	1,319
Merchandise and finished goods	145,470	138,133	1,547,389
Work in progress	100,513	87,450	1,069,173
Raw materials and supplies	63,695	53,623	677,534
Deferred tax assets (Note 14)	21,945	19,454	233,433
Other	73,619	54,835	783,098
Allowance for doubtful accounts	(1,631)	(1,017)	(17,349)
Total current assets	819,469	721,770	8,716,828
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 4(b), (d))	428,616	410,057	4,559,260
Accumulated depreciation	(241,191)	(235,060)	(2,565,589)
Buildings and structures, net	187,425	174,997	1,993,671
Machinery, equipment and vehicles (Note 4(b), (d))	1,236,111	1,203,905	13,148,718
Accumulated depreciation	(1,082,480)	(1,075,668)	(11,514,520)
Machinery, equipment and vehicles, net	153,631	128,237	1,634,198
Land (Note 4(d))	58,176	55,667	618,828
Lease assets (Note 9)	13,980	11,694	148,708
Accumulated depreciation	(7,173)	(4,804)	(76,300)
Lease assets, net	6,806	6,890	72,397
Construction in progress	41,482	37,787	441,251
Other (Note 4(b), (d))	129,716	122,426	1,379,811
Accumulated depreciation	(115,656)	(109,884)	(1,230,252)
Other, net	14,060	12,542	149,559
Subtotal	461,581	416,119	4,909,914
Intangible assets			
Goodwill (Note 15(d))	134,303	8,502	1,428,603
Other	121,114	36,687	1,288,310
Subtotal	255,417	45,189	2,716,913
Investments and other assets			
Investment securities (Notes 4(a), 10 and 11)	224,903	177,513	2,392,331
Long-term loans receivable (Note 10)	5,248	5,559	55,824
Deferred tax assets (Note 14)	8,487	18,965	90,278
Other	25,311	25,692	269,237
Allowance for doubtful accounts	(245)	(240)	(2,606)
Subtotal	263,704	227,489	2,805,063
Total noncurrent assets	980,702	688,798	10,431,890
Total assets	¥1,800,170	¥1,410,568	$19,148,708

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2013	2012	Thousands of U.S. dollars (Note 1) 2013
Liabilities:			
Current liabilities:			
Notes and accounts payable–trade (Notes 4(e) and 10)	¥172,630	¥143,194	$1,836,294
Short-term loans payable (Notes 4(b), 10 and 20)	113,043	74,490	1,202,457
Commercial paper (Notes 10 and 20)	70,000	15,000	744,602
Current portion of bonds payable (Notes 10 and 20)	5,000	—	53,186
Lease obligations (Notes 9, 10 and 20)	2,415	2,207	25,689
Accrued expenses	91,646	92,663	974,854
Income taxes payable (Note 10)	13,978	8,380	148,686
Advances received	61,953	49,950	659,004
Provision for periodic repairs	2,359	6,045	25,093
Provision for product warranties	2,143	2,151	22,795
Provision for removal cost of property, plant and equipment	1,910	1,818	20,317
Asset retirement obligations (Note 16)	722	460	7,680
Other (Note 4(e))	65,064	53,242	692,097
Total current liabilities	602,864	449,600	6,412,765
Noncurrent liabilities:			
Bonds payable (Notes 10 and 20)	40,000	25,000	425,487
Long-term loans payable (Notes 4(b), 10 and 20)	146,929	62,710	1,562,908
Lease obligations (Notes 9, 10 and 20)	4,051	4,707	43,091
Deferred tax liabilities (Note 14)	39,985	11,402	425,327
Provision for retirement benefits (Note 13)	107,776	106,277	1,146,431
Provision for directors' retirement benefits	767	806	8,159
Provision for periodic repairs	4,255	1,977	45,261
Provision for removal cost of property, plant and equipment	2,960	4,204	31,486
Asset retirement obligations (Note 16)	2,834	3,242	30,146
Long-term guarantee deposits (Note 10)	18,396	18,286	195,681
Other	4,902	3,072	52,143
Total noncurrent liabilities	372,855	241,683	3,966,121
Total liabilities	975,719	691,283	10,378,885
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,402,616,332 shares	103,389	103,389	1,099,766
Capital surplus	79,403	79,404	844,623
Retained earnings (Note 7(b)(ii))	553,557	516,401	5,888,278
Treasury stock			
(2013—5,016,645 shares, 2012—4,925,730 shares)	(2,431)	(2,388)	(25,859)
Total shareholders' equity	733,918	696,805	7,806,808
Accumulated other comprehensive income			
Net unrealized gain on other securities	62,622	40,148	666,121
Deferred gains or losses on hedges	(900)	(1,734)	(9,573)
Foreign currency translation adjustments	16,440	(28,374)	174,875
Total accumulated other comprehensive income	78,162	10,040	831,422
Minority interests	12,371	12,439	131,592
Total net assets	824,451	719,285	8,769,822
Commitments and contingent liabilities (Notes 4(c) and 9)			
Total liabilities and net assets	¥1,800,170	¥1,410,568	$19,148,708

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Net sales (Note 17)	**¥1,666,640**	¥1,573,230	**$17,728,327**
Cost of sales (Note 5(b))	**1,239,452**	1,178,968	**13,184,257**
Gross profit	**427,188**	394,261	**4,544,070**
Selling, general and administrative expenses (Note 5(a))	**335,228**	290,003	**3,565,876**
Operating income (Note 17)	**91,960**	104,258	**978,194**
Non-operating income:			
Interest income	**1,301**	1,434	**13,839**
Dividends income	**2,949**	2,744	**31,369**
Equity in earnings of affiliates	**—**	669	**—**
Foreign exchange gains	**4,285**	—	**45,580**
Insurance income	**1,661**	648	**17,668**
Other	**3,623**	5,323	**38,538**
Total non-operating income	**13,821**	10,817	**147,016**
Non-operating expenses:			
Interest expense	**3,339**	2,685	**35,517**
Equity in losses of affiliates	**166**	—	**1,766**
Foreign exchange loss	**—**	162	**—**
Costs associated with idle portion of facilities	**2,190**	306	**23,295**
Other	**4,961**	4,354	**52,771**
Total non-operating expenses	**10,656**	7,507	**113,350**
Ordinary income	**95,125**	107,567	**1,011,860**
Extraordinary income:			
Gain on sales of investment securities	**81**	191	**862**
Gain on sales of noncurrent assets (Note 5(c))	**247**	494	**2,627**
Gain on step acquisitions	**—**	2,277	**—**
Total extraordinary income	**328**	2,961	**3,489**
Extraordinary loss:			
Loss on valuation of investment securities	**511**	1,898	**5,436**
Loss on disposal of noncurrent assets (Note 5(d))	**4,011**	3,546	**42,666**
Impairment loss (Note 5(e))	**2,069**	460	**22,008**
Environmental expenses (Note 5(f))	**206**	277	**2,191**
Loss on disaster (Note 5(g))	**—**	1,027	**—**
Business structure improvement expenses (Note 5(h))	**6,355**	8,454	**67,599**
Total extraordinary loss	**13,151**	15,662	**139,889**
Income before income taxes and minority interests	**82,302**	94,866	**875,460**
Income taxes (Note 14) — current	**27,873**	31,152	**296,490**
— deferred	**526**	6,829	**5,595**
Total income taxes	**28,399**	37,981	**302,085**
Income before minority interests	**53,903**	56,885	**573,375**
Minority interests in income	**191**	1,119	**2,032**
Net income	**¥53,712**	¥55,766	**$571,343**

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	**2013**
Income before minority interests	**¥53,903**	¥56,885	**$573,375**
Other comprehensive income			
Net increase in unrealized gain on other securities	**22,383**	10,553	**238,092**
Deferred gains or losses on hedges	**786**	(1,594)	**8,361**
Foreign currency translation adjustment	**34,595**	(1,029)	**367,993**
Share of other comprehensive income of affiliates accounted for using equity method	**5,848**	(2,255)	**62,206**
Total other comprehensive income (Note 6)	**63,612**	5,676	**676,651**
Comprehensive income (Note 6)	**117,515**	62,561	**1,250,027**
Comprehensive income attributable to:			
Owners of the Parent	**116,505**	61,597	**1,239,283**
Minority interests	**¥1,010**	¥963	**$10,744**

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, 2013 and 2012

Millions of yen

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

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	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

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income					
	Capital stock	Capital surplus	Retained earnings (Note 7(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2012	$1,099,766	$844,634	$5,493,043	$(25,402)	$7,412,031	$427,061	$(18,445)	$(301,819)	$106,797	$132,316	$7,651,154
Changes during the fiscal year											
Dividends from surplus			**(208,137)**		**(208,137)**						**(208,137)**
Net income			**571,343**		**571,343**						**571,343**
Purchase of treasury stock				**(521)**	**(521)**						**(521)**
Disposal of treasury stock		**(4)**		**64**	**60**						**60**
Change of scope of consolidation			**(85)**		**(85)**						**(85)**
Effect of change in the reporting period of consolidated subsidiaries and affiliates			**32,124**		**32,124**						**32,124**
Net changes of items other than shareholders' equity						**239,060**	**8,871**	**476,694**	**724,625**	**(723)**	**723,902**
Total changes of items during the period	**—**	**(4)**	**395,235**	**(457)**	**394,777**	**239,060**	**8,871**	**476,694**	**724,625**	**(723)**	**1,118,679**
Balance at March 31, 2013	**$1,099,766**	**$844,623**	**$5,888,278**	**$(25,859)**	**$7,806,808**	**$666,121**	**$(9,573)**	**$174,875**	**$831,422**	**$131,592**	**$8,769,822**

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, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥82,302	¥94,866	$875,460
Depreciation and amortization	80,050	78,440	851,505
Impairment loss	2,069	460	22,008
Amortization of goodwill	6,989	1,179	74,343
Amortization of negative goodwill	(231)	(231)	(2,457)
(Decrease) increase in provision for periodic repairs	(1,408)	2,652	(14,977)
Decrease in provision for product warranties	(171)	(317)	(1,819)
Decrease in provision for removal cost of property, plant and equipment	(1,152)	(2,973)	(12,254)
Increase (decrease) in provision for retirement benefits	1,469	(999)	15,626
Interest and dividend income	(4,251)	(4,178)	(45,219)
Interest expense	3,339	2,685	35,517
Equity in losses (earnings) of affiliates	166	(669)	1,766
Gain on sales of investment securities	(81)	(191)	(862)
Loss on valuation of investment securities	511	1,898	5,436
Gain on sale of property, plant and equipment	(247)	(494)	(2,627)
Loss on disposal of noncurrent assets	4,011	3,546	42,666
Gain on step acquisition	—	(2,277)	—
(Increase) decrease in notes and accounts receivable–trade	(21,385)	4,918	(227,476)
Increase in inventories	(21,758)	(22,532)	(231,443)
Increase in notes and accounts payable–trade	21,423	6,859	227,880
(Decrease) increase in accrued expenses	(6,783)	3,905	(72,152)
Increase (decrease) in advances received	10,090	(2,488)	107,329
Other, net	(8,893)	21,331	(94,596)
Subtotal	146,059	185,391	1,553,654
Interest and dividend income, received	5,744	5,555	61,100
Interest expense paid	(3,556)	(2,787)	(37,826)
Income taxes paid	(22,240)	(46,899)	(236,571)
Net cash provided by operating activities	126,008	141,260	1,340,368
Cash flows from investing activities:			
Payments into time deposits	(5,977)	(11,930)	(63,578)
Proceeds from withdrawal of time deposits	13,820	10,917	147,006
Purchase of property, plant and equipment	(88,194)	(67,435)	(938,134)
Proceeds from sales of property, plant and equipment	548	1,205	5,829
Purchase of intangible assets	(15,789)	(9,224)	(167,950)
Purchase of investment securities	(3,161)	(5,251)	(33,624)
Proceeds from sales of investment securities	650	543	6,914
Purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 8(b))	(174,472)	(7,080)	(1,855,888)
Additional purchase of investments in consolidated subsidiaries	(1,333)	—	(14,179)
Payments for transfer of business	(282)	—	(3,000)
Payments of loans receivable	(11,476)	(5,144)	(122,072)
Collection of loans receivable	9,417	5,224	100,170
Other, net	(2,267)	(1,328)	(24,114)
Net cash used in investing activities	(278,518)	(89,503)	(2,962,642)
Cash flows from financing activities:			
Increase in short-term loans payable	282,368	45,588	3,003,595
Decrease in short-term loans payable	(248,073)	(76,627)	(2,638,794)
Proceeds from issuance of commercial paper	203,000	15,000	2,159,345
Redemptions of commercial paper	(148,000)	(23,000)	(1,574,301)
Proceeds from long-term loans payable	114,083	2,384	1,213,520
Repayment of long-term loans payable	(34,185)	(32,911)	(363,632)
Proceeds from issuance of bonds payable	20,000	—	212,743
Repayments of lease obligations	(2,539)	(2,063)	(27,008)
Purchase of treasury stock	(50)	(299)	(532)
Proceeds from disposal of treasury stock	6	19	64
Cash dividends paid	(19,567)	(18,173)	(208,137)
Cash dividends paid to minority shareholders	(667)	(805)	(7,095)
Other, net	(131)	(143)	(1,393)
Net cash provided by (used in) financing activities	166,244	(91,030)	1,768,365
Effect of exchange rate change on cash and cash equivalents	(853)	(823)	(9,074)
Net increase (decrease) in cash and cash equivalents	12,881	(40,096)	137,017
Cash and cash equivalents at beginning of year	96,351	134,450	1,024,902
Increase in cash and cash equivalents resulting from changes in scope of consolidation	102	1,528	1,085
Effect of change in the reporting period of consolidated subsidiaries and affiliates	(5,327)	469	(56,664)
Cash and cash equivalents at end of year (Note 8(a))	¥104,008	¥96,351	$1,106,350

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries

1. Major policies for preparing the consolidated financial statements

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

The U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of readers. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥94=US$1 prevailing on March 31, 2013, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 126 subsidiaries (105 subsidiaries at March 31, 2012, 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 Medical Co., Ltd., Asahi Kasei Fibers Corp., Asahi Kasei Microdevices Corp., Asahi Kasei E-materials Corp., Asahi Kasei Construction Materials Corp. and ZOLL Medical Corporation), and Tong Suh Petrochemical Corp. Ltd. (Korea). Material inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and 20% to 50% owned companies in which the Company exercises significant influence are accounted for, with minor exceptions due to immateriality, using the equity method of accounting. There were 43 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2013 (46 at March 31, 2012), 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, 2012, accounting treatment for 20 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, 2013, those 20 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 using the straight-line method over a reasonable period during which their effects would last, with the exception of minor amounts which are charged to income as incurred.

2. Significant accounting policies

(a) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash, and therefore present an insignificant risk of changes in value due to changes in interest rates.

(b) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. Residential lots and dwellings for sale are stated at specifically identified costs.

(c) Noncurrent assets and depreciation/amortization

Property, plant and equipment (except for lease assets) are stated at cost. Significant renewals and improvements are capitalized at cost, while maintenance and repairs are charged to income as incurred. Depreciation is provided for under the declining-balance method for property, plant and equipment, except for buildings which are depreciated using the straight-line method, at rates based on estimated useful lives of the assets, principally ranging from 5 to 60 years for buildings and from 4 to 22 years for machinery and equipment and vehicles.

Intangible fixed assets (except for lease assets), including software for internal use, are mainly amortized using the straight-line method over the estimated useful lives of the assets. The estimated useful life of software for internal use is mainly 5 years.

Lease assets (financing lease transactions without title transfer) are depreciated/amortized on a straight-line basis over the period of the lease with no residual value. For financing lease transactions without title transfer whose transaction date is before March 31, 2008, the previous method of accounting for lease transactions continues to be applied, with periodic lease charges for financing leases being charged to income as incurred.

(d) Significant allowances

i) Allowance for doubtful accounts

Estimates of the unrecoverable portion of receivables, generally based on historical rates and for specific receivables of particular concern based on individual estimates of recoverability, are recognized as allowance for doubtful accounts.

ii) Provision for periodic repairs

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

iii) Provision for product warranties

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

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

Provision for removal cost of property, plant and equipment is recorded based on estimated future removal cost of property, plant and equipment at 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) is applied.

ii) Other construction activities

The completed-contract method is used.

(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, 2013 and 2012, 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.

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

(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) Accounting standards issued but not yet applied

Accounting standard for retirement benefits

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," replacing the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 and other related guidance. Under these revised accounting standards, the accounting treatment of unrecognized actuarial gain or loss and prior service cost, calculation method of retirement benefit obligations and service cost and method of disclosures were mainly revised. These revisions were made considering the viewpoint of enhancing financial reporting and the international convergence of accounting standards. The Company will apply the revised accounting standard from the end of the fiscal year ending March 31, 2014, with the exception of the amendment of the calculation method for present value of retirement benefit obligations and current service costs which will be applied from the beginning of the fiscal year ending March 31, 2015. The effect of the adoption of this revised accounting standard is now under assessment at the time of preparation of the accompanying consolidated financial statements.

(b) Change in presentation

Consolidated statements of income

In the fiscal year ended March 31, 2013, "insurance income," which had previously been included in "others" under non-operating income, and "costs associated with idle portion of facilities," which had previously been included in "others" under non-operating expenses, exceeded 10% of total of non-operating income and total non-operating expenses, respectively, and are reported separately. The consolidated statements of income for the fiscal year ended March 31, 2012, have been reclassified accordingly, resulting in "others" under non-operating income being ¥648 million lower than previously reported, reflecting the separation of ¥648 million as "insurance income," and "others" under non-operating expenses being ¥306 million lower than previously reported, reflecting the separation of ¥306 million as "costs associated with idle portion of facilities."

"Gain on reversal of provision for noncurrent assets removal cost" under non-operating income and "donation" under non-operating expenses, which were reported separately in the fiscal year ended March 31, 2012, are now less than 10% of total of non-operating income and total non-operating expenses, respectively, and are therefore included in "others" in the fiscal year ended March 31, 2013. The consolidated statements of income for the fiscal year ended March 31, 2012, have been reclassified accordingly, resulting in ¥2,236 million which had been reported as "gain on reversal of provision for noncurrent assets removal cost" now being included in "others" under non-operating income, and ¥979 million which had been reported as "donation" now being included in "others" under non-operating expenses.

(c) Change in accounting policy which is difficult to distinguish between a change in an accounting policy and a change in an accounting estimate

In accordance with an amendment to the Corporation Tax Act, the parent company and its consolidated subsidiaries located in Japan changed the method of depreciation of property, plant and equipment acquired on or after April 1, 2012. This change took effect beginning with the fiscal year ended March 31, 2013. Consequently, operating income, ordinary income, and income before income taxes in the fiscal year ended March 31, 2013, are each ¥1,743 million higher than they would have been using the previous method of depreciation.

4. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2013 and 2012, amounted to ¥73,807 million (US$785,097 thousand) and ¥64,099 million, respectively. Included in those amounts are investments in joint ventures of ¥37,669 million (US$400,691 thousand) and ¥31,415 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2013 and 2012, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Pledged assets			
Buildings and structures	¥183	¥251	$1,947
Machinery, equipment and vehicles	4	7	43
Other	—	0	—
	¥187	¥258	$1,989
Secured debt			
Short-term loans payable	¥6	¥107	$64
Long-term loans payable	309	315	3,287
	¥315	¥423	$3,351

Besides the above, investment securities pledged to suppliers as transaction guarantees at March 31, 2013 and 2012, were ¥44 million (US$468 thousand) and ¥40 million, respectively.

(c) Contingent liabilities

Contingent liabilities at March 31, 2013 and 2012, arising in the ordinary course of business are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans guaranteed	¥37,542	¥33,464	$399,340
Commitment for guarantees	486	491	5,170
Letters of awareness	236	114	2,510
Completion guarantees	17,341	17,163	184,459
Notes discounted	11	17	117
	¥55,616	¥51,249	$591,597

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, 2013 and 2012, were ¥9,349 million (US$99,447 thousand) and ¥7,631 million, respectively. The breakdown of reduced-value entries as of March 31, 2013 and 2012, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Buildings and structures	¥3,298	¥3,134	$35,081
Machinery, equipment and vehicles	5,664	4,103	60,249
Land	230	230	2,447
Other	157	164	1,670
	¥9,349	¥7,631	$99,447

(e) Notes maturing on March 31, 2013

Although financial institutions in Japan were closed on March 31, 2013 and 2012, and notes maturing on those dates were actually settled on the following business days, April 1, 2013, and April 2, 2012, those were accounted for as if settled on March 31, 2013 and 2012.

The breakdown of those notes at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Notes and accounts receivable–trade	¥3,117	¥3,443	$33,156
Notes and accounts payable–trade	1,793	1,807	19,072
Current liabilities–other	¥529	¥372	$5,627

5. 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 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Freight and storage	¥32,832	¥33,435	$349,239
Salaries and benefits	119,917	101,863	1,275,577
Research and development*	¥53,364	¥48,537	$567,642

* The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2013 and 2012, were ¥71,120 million (US$756,515 thousand) and ¥66,269 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. Losses on devaluation of inventories for the years ended March 31, 2013 and 2012, were as follows:

Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
¥173	¥983	$1,840

(c) Gain on sales of noncurrent assets

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

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Land	¥107	¥261	$1,138
Machinery	45	101	479
Other	¥94	¥132	$1,000

(d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2013 and 2012, 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 loss

Impairment losses for the years ended March 31, 2013 and 2012, were as follows:

Use	Asset class	Location	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Idle assets	Land	Izunokuni, Shizuoka, etc.	¥512	¥127	$5,446
Patents for light shaping diffuser, etc.	Patents	Fuji, Shizuoka	486	—	5,170
Production facility for textiles	Machinery and equipment, etc.	Amakusa, Kumamoto	413	—	4,393
Production facility for semiconductors	Buildings, machinery and equipment, etc.	Tateyama, Chiba	270	1,120	2,872
Production facility for polystyrene	Machinery and equipment, etc.	Ichihara, Chiba	242	—	2,574
Production facility for fine-pattern devices	Machinery and equipment, etc.	Hyuga, Miyazaki	166	77	1,766
Production facility for electrolytic cell frame	Buildings, etc.	Nobeoka, Miyazaki	159	—	1,691
Others	Structures, etc.	Izunokuni, Shizuoka, etc.	453	—	4,819
Production facility for glass fabric	Machinery and equipment, etc.	Moriyama, Shiga	—	3,761	—
Production facility for microcrystalline cellulose	Machinery and equipment, etc.	Nobeoka, Miyazaki	—	137	—
Production facility for resin molding	Machinery and equipment, etc.	Kawasaki, Kanagawa	¥—	¥119	$—

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 patents for light shaping diffuser, etc., and part of others, the book value was reduced to the recoverable amount due to disappearance of prospects for future use, and with respect to production facilities as shown in the above table, 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, 2013 and 2012.

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 facilities for semiconductors and polystyrene, and part of others, were recorded under business structure improvement expenses for the year ended March 31, 2013. The resulting extraordinary losses for production facilities for glass fabric and semiconductors 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, 2013 and 2012, 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
	2013	2012	**2013**
Repair or maintenance expenses related to delivered homes in housing operations	**¥—**	¥423	**$—**
Fixed costs incurred during suspension of operations	**—**	58	**—**
Others	**—**	546	**—**
	¥—	¥1,027	**$—**

(h) Business structure improvement expenses

Major components of business structure improvement expenses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Impairment of fixed assets	**¥634**	¥4,881	**$6,744**
Additional payment of retirement benefits due to application of early retirement, etc. (*1)	**2,812**	258	**29,912**
Loss on disposal and devaluation of inventory and others (*1,2)	**2,910**	3,315	**30,954**
	¥6,355	¥8,454	**$67,599**

(*1) "Additional payment of retirement benefits due to application of early retirement, etc." which was included in "loss on disposal and devaluation of inventory and others" in the fiscal year ended March 31, 2012, is reported separately in the fiscal year ended March 31, 2013, due to increased significance. Figures for the fiscal year ended March 31, 2012, have been reclassified accordingly, resulting in ¥258 million which had been included as "loss on disposal and devaluation of inventory and others" now being reported as "additional payment of retirement benefits due to application of early retirement, etc."

(*2) "Loss on restructuring of group companies," which was reported separately in the fiscal year ended March 31, 2012, is included in "loss on disposal and devaluation of inventory and others" in the fiscal year ended March 31, 2013, due to decreased significance. Figures for the fiscal year ended March 31, 2012, have been reclassified accordingly, resulting in ¥1,883 million which had been reported as "loss on restructuring of group companies" now being included in "loss on disposal and devaluation of inventory and others."

6. 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
	2013	2012	**2013**
Net unrealized gain on other securities			
Changes during the fiscal year	**¥34,229**	¥12,194	**$364,100**
Recycling adjustment	**486**	228	**5,170**
Pre-tax effect	**34,715**	12,421	**369,269**
Tax effect	**(12,332)**	(1,868)	**(131,178)**
Net increase in unrealized gain on other securities	**22,383**	10,553	**238,092**
Deferred gains or losses on hedges			
Changes during the fiscal year	**(2,449)**	(2,005)	**(26,050)**
Recycling adjustment	**125**	(180)	**1,330**
Adjustment of assets acquisition costs	**3,321**	—	**35,326**
Pre-tax effect	**997**	(2,185)	**10,605**
Tax effect	**(211)**	591	**(2,244)**
Deferred gains or losses on hedges	**786**	(1,594)	**8,361**
Foreign currency translation adjustment			
Changes during the fiscal year	**34,495**	(1,029)	**366,929**
Pre-tax effect	**34,495**	(1,029)	**366,929**
Tax effect	**100**	—	**1,064**
Foreign currency translation adjustment	**34,595**	(1,029)	**367,993**
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	**5,847**	(2,251)	**62,196**
Recycling adjustment	**2**	(4)	**21**
Share of other comprehensive income of affiliates accounted for using equity method	**5,848**	(2,255)	**62,206**
Total other comprehensive income	**¥63,612**	¥5,676	**$676,651**

7. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2013

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

	Thousands of shares			
	Number of shares as of March 31, 2012	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2013
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)	4,926	103	12	5,017
Total	4,926	103	12	5,017

Notes: 1. The increase of 103 thousand shares in common stock of treasury stock was due to purchase of shares in quantities of less than one share unit.
2. The decrease of 12 thousand shares in common stock of treasury stock was due to sale of shares in quantities of less than one share unit.

(b) Dividends

i) Cash dividends paid

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

Dividends for common stock

Total dividends	¥9,784 million (US$104,074 thousand)
Dividend per share	¥7.00 (US$0.07)
Date of record	March 31, 2012
Payment date	June 6, 2012

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

Dividends for common stock

Total dividends	¥9,784 million (US$104,074 thousand)
Dividend per share	¥7.00 (US$0.07)
Date of record	September 30, 2012
Payment date	December 3, 2012

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

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

Dividends for common stock

Total dividends	¥9,783 million (US$104,063 thousand)
Source of dividends	Retained earnings
Dividend per share	¥7.00 (US$0.07)
Date of record	March 31, 2013
Payment date	June 5, 2013

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, 2011	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2012
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
Dividend per share	¥6.00
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
Dividend per share	¥7.00
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
Source of dividends	Retained earnings
Dividend per share	¥7.00
Date of record	March 31, 2012
Payment date	June 6, 2012

8. Note to Consolidated Statements of Cash Flows

(a) Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2013 and 2012, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Cash and deposits	**¥109,513**	¥102,875	**$1,164,908**
Time deposits with deposit term of over 3 months	**(5,629)**	(6,884)	**(59,877)**
Money market funds and others included in short-term investment securities	**124**	360	**1,319**
Cash and cash equivalents	**¥104,008**	¥96,351	**$1,106,350**

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

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

	Millions of yen	Thousands of U.S. dollars
	2013	**2013**
Current assets	**¥26,833**	**$285,427**
Noncurrent assets	**75,336**	**801,362**
Goodwill	**113,439**	**1,206,670**
Current liabilities	**(7,998)**	**(85,076)**
Noncurrent liabilities	**(26,910)**	**(286,246)**
Acquisition cost of shares	**180,700**	**1,922,136**
Cash and cash equivalents	**(6,351)**	**(67,557)**
Net cash used for acquisition	**¥174,349**	**$1,854,579**

9. Leases

(a) Financing lease transactions

Financing lease transactions without title transfer

i) Components of lease assets are as follows:

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

ii) Depreciation of lease assets:

As stated in Note 2. Significant accounting policies (c) Noncurrent assets and depreciation/amortization. The financing lease transactions without title transfer which occurred prior to March 31, 2008, are accounted for on a basis similar to an operating lease. If such lease transactions accounted for as an operating lease had been accounted for as a financing lease, the cost and related accumulated amortization, computed using the straight-line method over the term of the lease, at March 31, 2013 and 2012, would have been as follows:

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

	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

	Thousands of U.S. dollars		
	2013		
	Cost	Accumulated depreciation/ amortization	Net amount
Machinery, equipment and vehicles	**$1,266**	**$872**	**$394**
Property, plant and equipment, other	**1,000**	**915**	**74**
Intangible fixed assets, other	**404**	**351**	**53**
	$2,659	**$2,138**	**$521**

The future lease payments under the Company's financing leases at March 31, 2013 and 2012, including amounts representing interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥23**	¥70	**$245**
Due after one year	**26**	49	**277**
	¥49	¥119	**$521**

Lease charges were ¥64 million (US$681 thousand) and ¥359 million for the years ended March 31, 2013 and 2012, 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 ¥64 million (US$681 thousand) and ¥359 million for the years ended March 31, 2013 and 2012, 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, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥5,036**	¥4,975	**$53,569**
Due after one year	**3,426**	5,147	**36,443**
	¥8,462	¥10,121	**$90,012**

10. Financial instruments

(a) Overview of financial instruments

i) Policy related to financial instruments

The Company raises long-term funds as required mainly for its planned capital expenditures by borrowing from banks, borrowing from life insurance companies, issuing bonds, etc. A portion of the surplus funds is invested only in highly stable financial assets. Short-term working funds are raised by bank borrowings, issuance of commercial paper, etc. Derivative transactions are mainly entered into for the purpose of reducing risks related to assets and liabilities which are exposed to risks of fluctuations of exchange rate and interest rate. Derivatives are not traded for speculative purposes.

ii) Components of financial instruments, their risks and risk management structure

As operating receivables, notes and accounts receivable–trade, are exposed to credit risk of customers. As the business of the Company spans a wide range of fields, operating receivables are not excessively concentrated on specific customers, but 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-rate and currency swaps, interest-rate swaps) are used as hedges to fix interest expenses for a portion of long-term variable interest-rate borrowings.

Operating receivables and operating liabilities include those denominated in currencies other than Japanese yen, and are thus exposed to the risk of exchange-rate fluctuations. In order to minimize the effects of short-term exchange-rate fluctuations, the Company hedges with derivative transactions (forward exchange contracts), in principle, within the range of the underlying receivables and liabilities amount.

Derivative transactions are exposed to the credit risk of transacting financial institutions, but the credit condition of those financial institutions is reviewed through periodical monitoring. Such transactions are performed and managed in accordance with the Company's internal regulations which stipulate the related authority, procedures, limits, etc.

Borrowings are exposed to liquidity risk, but the parent company specifies standards for required on-hand funds based on the Company's funding plans, prepares and revises plans for cash receipts and disbursements as appropriate, and enters into commitment-line agreements with transacting financial institutions to manage such risk.

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

iii) Supplementary explanation of fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. In the case where no quoted market price is available, a reasonably estimated fair value is used. As variable factors are incorporated in its estimation, fair value may change due to the adoption of different assumptions, conditions, etc. Amount of contract regarding derivative transactions in Note 12 "Derivative financial instruments" is not itself an indication of the market risk of the derivative transactions.

(b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2013 and 2012, 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		
	2013		
	Carrying amount	Fair value	Difference
Cash and deposits	**¥109,513**	**¥109,513**	**¥—**
Notes and accounts receivable–trade	**306,222**		
Allowance for doubtful accounts (*1)	**(1,538)**		
	304,684	**304,684**	**—**
Investment securities			
Other securities	**144,149**	**144,149**	**—**
Long-term loans receivable	**6,103**	**6,124**	**21**
Total assets	**564,449**	**564,470**	**21**
Notes and accounts payable–trade	**172,630**	**172,630**	**—**
Short-term loans payable	**78,725**	**78,725**	**—**
Commercial paper	**70,000**	**70,000**	**—**
Income taxes payable	**13,978**	**13,978**	**—**
Bonds payable	**45,000**	**46,458**	**(1,458)**
Long-term loans payable	**181,248**	**184,293**	**(3,045)**
Lease obligations	**6,466**	**6,489**	**(23)**
Long-term guarantee deposits	**6,335**	**6,323**	**13**
Total liabilities	**574,382**	**578,896**	**(4,514)**
Derivative financial instruments (*2)	**¥(1,787)**	**¥(1,787)**	**¥—**

	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 receivable	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 deposits	6,109	6,006	102
Total liabilities	341,289	344,100	(2,811)
Derivative financial instruments (*2)	¥(2,822)	¥(2,822)	¥—

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Fair value	Difference
Cash and deposits	$1,164,908	$1,164,908	$—
Notes and accounts receivable–trade	3,257,334		
Allowance for doubtful accounts (*1)	(16,360)		
	3,240,974	3,240,974	—
Investment securities			
Other securities	1,533,337	1,533,337	—
Long-term loans receivable	64,919	65,142	223
Total assets	6,004,138	6,004,361	223
Notes and accounts payable–trade	1,836,294	1,836,294	—
Short-term loans payable	837,411	837,411	—
Commercial paper	744,602	744,602	—
Income taxes payable	148,686	148,686	—
Bonds payable	478,672	494,181	(15,509)
Long-term loans payable	1,927,965	1,960,355	(32,390)
Lease obligations	68,780	69,025	(245)
Long-term guarantee deposits	67,386	67,259	138
Total liabilities	6,109,797	6,157,813	(48,016)
Derivative financial instruments (*2)	$(19,009)	$(19,009)	$—

(*1) This reduction represents specific allowance for doubtful accounts related to notes and accounts receivable–trade.
(*2) The amounts represent net amount of assets and liabilities resulting from derivative transactions. In the case of a net liability, the amount is shown in parentheses.

Note 1) Method to determine the estimated fair value of financial instruments; securities and derivative financial instruments

i) Assets

1) Cash and deposits, notes and accounts receivable–trade
As their fair value approximates book value due to their short maturity, the corresponding book value amount is used as fair value.

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

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

ii) Liabilities

1) Notes and accounts payable–trade; short-term loans payable; commercial paper; income taxes payable
As their fair values approximate book value due to their short maturity, the corresponding book value amounts are used as fair value.

2) Bonds payable
Fair value of the bonds payable issued by the parent company is based on the quoted market price 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, 2013 and 2012, amounted to ¥34,319 million (US$365,057 thousand) and ¥29,739 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 deposits
In case where the deposit period can be estimated, the fair value of long-term guarantee deposits is determined using a discounted cashflow over that period.

iii) Derivative transactions
Refer to the Note 12 "Derivative financial instruments."

Note 2) For equity investments in nonpublic companies, with a carrying amount as of March 31, 2013 and 2012, amounting to ¥80,878 million (US$860,313 thousand) and ¥72,743 million, respectively, fair value is not included in investment securities, as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 3) For long-term loans payable, the fair value having a carrying amount as of March 31, 2012, amounting to ¥507 million, is not included as no quoted market price is available and it is deemed extremely difficult to determine fair value due to the impossibility of estimating future cash flows.

Note 4) For long-term guarantee deposits, the fair value of a portion having a carrying amount as of March 31, 2013 and 2012, amounting to ¥12,060 million (US$128,284 thousand) and ¥12,178 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			
	2013			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥109,513	¥—	¥—	¥—
Notes and accounts receivable–trade	306,222	—	—	—
Short-term investment securities and investment securities available-for-sale securities with contractual maturity (Japanese government and municipal bonds)	—	—	—	—
Long-term loans receivable	854	5,181	67	—
	¥416,589	¥5,181	¥67	¥—

	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 and investment securities available-for-sale securities with contractual maturity (Japanese government and municipal bonds)	2	—	—	—
Long-term loans receivable	979	5,344	215	—
	¥369,913	¥5,344	¥215	¥—

	Thousands of U.S. dollars			
	2013			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	**$1,164,908**	**$—**	**$—**	**$—**
Notes and accounts receivable–trade	**3,257,334**	**—**	**—**	**—**
Short-term investment securities and investment securities available-for-sale securities with contractual maturity (Japanese government and municipal bonds)	**—**	**—**	**—**	**—**
Long-term loans receivable	**9,084**	**55,111**	**713**	**—**
	$4,431,326	**$55,111**	**$713**	**$—**

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.

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

	Millions of yen				
	2012				
Year ending March 31	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations
2013	¥44,751	¥15,000	¥—	¥29,739	¥2,207
2014	—	—	5,000	23,071	2,039
2015	—	—	—	6,862	1,365
2016	—	—	—	2,197	923
2017	—	—	—	4,212	370
2018 and thereafter	¥—	¥—	¥20,000	¥25,860	¥10

	Thousands of U.S. dollars				
	2013				
Year ending March 31	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations
2014	**$837,411**	**$744,602**	**$53,186**	**$365,057**	**$25,689**
2015	**—**	**—**	**—**	**199,415**	**18,913**
2016	**—**	**—**	**—**	**321,423**	**14,275**
2017	**—**	**—**	**—**	**292,203**	**8,510**
2018	**—**	**—**	**212,743**	**173,258**	**1,266**
2019 and thereafter	**$—**	**$—**	**$212,743**	**$576,620**	**$138**

11. 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, 2013 and 2012, are as follows:

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

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

	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.

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$1,417,232	$368,642	$1,048,591
Securities with unrealized losses:			
Equity securities	116,105	132,848	(16,732)
	$1,533,337	$501,489	$1,031,858

Note) For equity investment in nonpublic companies, with a carrying amount of US$860,313 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 years ended March 31, 2013 and 2012, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Selling amount	¥617	¥541	$6,563
Gain on sales of securities	81	191	862
Loss on sales of securities	¥—	¥—	$—

(c) Loss on other devaluation of investment securities whose fair values are readily determinable for the years ended March 31, 2013 and 2012, was ¥511 million (US$5,436 thousand) and ¥1,898 million, respectively.

12. Derivative financial instruments

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

i) Foreign exchange forward contracts

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

		Millions of yen			
		2012			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	¥12,155	¥—	¥(376)	¥(376)
	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)

		Thousands of U.S. dollars			
		2013			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	**$179,438**	**$—**	**$(5,297)**	**$(5,297)**
	Euro	**59,855**	**—**	**(383)**	**(383)**
	Thai baht	**7,914**	**—**	**(755)**	**(755)**
	Singapore dollar	**—**	**—**	**—**	**—**
	Buying				
	U.S. dollar	**19,445**	**—**	**(106)**	**(106)**
		$266,652	**$—**	**$(6,542)**	**$(6,542)**

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

i) Foreign exchange forward contracts

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

Classification	Items	Hedged assets/liabilities	Millions of yen 2012 Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥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)

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2013 Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Foreign exchange forward contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	**$94,352**	**$4,063**	**$(12,765)**
	Euro	Accounts receivable–trade	**1,542**	**—**	**(11)**
	U.S. dollar	Investment securities	**—**	**—**	**—**
	Buying				
	U.S. dollar	Accounts payable–trade	**8,797**	**—**	**308**
			$104,680	**$4,063**	**$(12,467)**

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

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

Classification	Items	Hedged assets/liabilities	Millions of yen 2012 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	Thousands of U.S. dollars 2013 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	**$1,024,423**	**$901,564**	**(*)**
Special treatment for interest-rate and currency swaps	Interest-rate and currency swaps U.S. dollar receive fixed/ Japanese yen pay floating	Bonds payable	**53,186**	**—**	**(*)**
	U.S. dollar receive floating/ Thai baht pay fixed	Long-term loans payable	**6,914**	**3,457**	**(*)**
			$1,084,523	**$905,021**	**—**

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

13. Provision for retirement benefits

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

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

Information on provision for retirement benefits at March 31, 2013 and 2012, was as follows:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
(a) Projected benefit obligations	**¥(331,038)**	¥(311,561)	**$(3,521,306)**
(b) Fair value of plan assets	**177,112**	161,838	**1,883,970**
(c) Unfunded benefit obligations [(a)+(b)]	**(153,927)**	(149,723)	**(1,637,347)**
(d) Unrecognized actuarial gains/losses	**50,634**	49,107	**538,602**
(e) Unrecognized prior service costs	**94**	(1,309)	**1,000**
(f) Amount shown on balance sheet [(c)+(d)+(e)]	**(103,199)**	(101,925)	**(1,097,745)**
(g) Prepaid pension cost	**4,577**	4,353	**48,686**
(h) Provision for retirement benefits [(f)-(g)]	**¥(107,776)**	¥(106,277)	**$(1,146,431)**

Note: The figures in the above table do not include additional benefit payables amounting to ¥2,747 million (US$29,220 thousand) and ¥93 million at March 31, 2013 and 2012, respectively. The amounts were recorded as part of current liabilities on the consolidated balance sheets at March 31, 2013 and 2012.

Periodic retirement benefit expenses for employees for the years ended March 31, 2013 and 2012, include the following components:

	Millions of yen 2013	2012	Thousands of U.S. dollars 2013
Service cost*	**¥9,858**	¥9,744	**$104,861**
Interest cost	**6,116**	6,312	**65,057**
Expected return on plan assets	**(3,993)**	(4,060)	**(42,474)**
Amortization of unrecognized actuarial gains/losses	**5,297**	4,760	**56,345**
Amortization of unrecognized prior service costs	**(1,403)**	(1,380)	**(14,924)**
Retirement benefit expenses	**¥15,875**	¥15,376	**$168,865**

Note: In addition to the above costs, additional benefits amounting to ¥3,180 million (US$33,826 thousand) and ¥340 million for the years ended March 31, 2013 and 2012, respectively, and contributions to the defined contribution plans amounting to ¥414 million (US$4,404 thousand) for the year ended March 31, 2013, were charged to income.

* Not including contributions made by employees.

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

	2013	2012
Discount rate	**Mainly 1.4%**	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

14. Taxes

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax, and (3) inhabitants tax. Significant components of the deferred tax assets and liabilities at March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Provision for retirement benefits	¥38,003	¥37,608	$404,244
Tax loss carry forwards	21,444	16,377	228,103
Accrued bonuses	8,027	8,272	85,385
Impairment loss	3,873	4,104	41,198
Unrealized gain on noncurrent assets and others	3,825	4,233	40,687
Depreciation	3,543	1,964	37,687
Loss on disposal of noncurrent assets	2,859	3,434	30,412
Experiment and research expenses	2,825	919	30,050
Provision for periodic repairs	2,710	2,989	28,827
Unrealized loss on investment securities	2,308	3,411	24,551
Accrued enterprise tax	1,455	1,368	15,477
Asset retirement obligations	1,315	1,415	13,988
Provision for product warranties	1,298	889	13,807
Devaluation of inventories	1,220	1,022	12,977
Allowance for doubtful accounts	990	341	10,531
Environmental expenses	538	662	5,723
Deferred gains or losses on hedges	456	834	4,851
Other	9,736	6,979	103,563
Subtotal deferred tax assets	106,426	96,821	1,132,071
Less: Valuation allowance	(29,072)	(24,557)	(309,244)
Total deferred tax assets	77,354	72,263	822,827
Deferred tax liabilities:			
Unrealized gain on other securities	(36,645)	(24,168)	(389,799)
Identified intangible assets during business combination	(29,763)	(3,698)	(316,594)
Deferred gain on property, plant and equipment	(10,952)	(11,862)	(116,498)
Depreciation—overseas subsidiaries	(3,606)	(775)	(38,358)
Accelerated depreciation	(240)	(249)	(2,553)
Other	(5,749)	(4,495)	(61,153)
Total deferred tax liabilities	(86,956)	(45,247)	(924,965)
Net deferred tax assets (liabilities)	¥(9,602)	¥27,017	$(102,138)

Net deferred tax assets (liabilities) at March 31, 2013 and 2012, were included in the following line items on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Current assets—deferred tax assets	¥21,945	¥19,454	$233,433
Non-current assets—deferred tax assets	8,487	18,965	90,278
Current liabilities—other	(49)	—	(521)
Non-current liabilities—deferred tax liabilities	¥(39,985)	¥(11,402)	$(425,327)

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2013 and 2012, was as follows:

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

	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
R&D expenses deductible from income taxes	(6.3)
Amortization of goodwill and negative goodwill	0.2
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
Decrease in deferred tax asset due to the change in statutory tax rate	5.7
Other	0.4
Effective income tax rate	40.0%

15. Business combinations

Business combination accounted for by the purchase method was as follows:

ZOLL Medical Corporation

(a) Outline of business combination

1) Name of acquiree
ZOLL Medical Corporation

2) Nature of the businesses
Manufacture and sale of critical care medical devices

3) Main reasons for the acquisition
I) By utilizing the know-how and the resources built up through the Company's established pharmaceutical and medical device businesses, it is 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 enables 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 is able to obtain opportunities for global business expansion and to deal with new therapeutic fields.

4) The acquisition date
April 26, 2012

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

6) Name of company after transaction
ZOLL Medical Corporation

7) Acquired voting right
Voting right before the acquisition 0%
Voting right after the acquisition 100%

8) Basic means of materializing the acquisition
Stock purchase for cash as consideration by a special purpose subsidiary of the Company

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

From April 27, 2012 to March 31, 2013

(c) Cost of acquisition and details

	Millions of yen	Thousands of U.S. dollars
Stock purchase price	**¥179,573**	**$1,910,148**
Acquisition related direct cost	**1,128**	**11,999**
Purchase price	**¥180,700**	**$1,922,136**

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

1) Amount of goodwill
¥113,439 million (US$1,206,670 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 20 years

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

	Millions of yen	Thousands of U.S. dollars
Current assets	**¥26,833**	**$285,427**
Noncurrent assets	**75,336**	**801,362**
Total assets	**102,169**	**1,086,789**
Current liabilities	**7,998**	**85,076**
Noncurrent liabilities	**26,910**	**286,246**
Total liabilities	**¥34,908**	**$371,322**

(f) 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 items

	Millions of yen	Thousands of U.S. dollars
Technology-related assets	¥40,189	$427,497
Trademarks	14,614	155,452
Customer-related assets	¥10,100	$107,435

2) Major weighted average useful life

Technology-related assets	17 years
Trademarks	20 years
Customer-related assets	19 years
Total	18 years

(g) 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 subject to audit.

16. Asset retirement obligations

(a) Outline of asset retirement obligations

Due to commitments pertaining to restoration to original state before vacating in accordance with land lease agreements such as for offices, and due to commitments to dismantle leased buildings upon termination of lease period, etc., in accordance with lease agreements for model home parks, relevant asset retirement obligations are recorded in the consolidated balance sheets.

In accordance with building lease agreements such as for the head offices, commitments pertaining to restoration to original state before vacating are recognized as asset retirement obligations. However, instead of recording them as the relevant asset retirement obligations under liabilities, the amount of lease deposit that cannot ultimately be expected to be collected was estimated in a reasonable manner, and of that, the amount corresponding to the fiscal year ended March 31, 2013, was recorded under operating expenses.

(b) Method of calculating the amount of relevant asset retirement obligations

The calculation of asset retirement obligations is based on the following: expected term of use of 4 to 55 years, inflation rate of 0.0% to 4.1%, and discount rate of 0.2% to 5.1%.

(c) Increase (decrease) in the total amount of asset retirement obligations in the fiscal year ended March 31, 2013

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of year	¥3,701	¥3,828	$39,368
Increase due to asset retirement obligations accrued	126	148	1,340
Adjustment due to passage of time	124	151	1,319
Decrease due to accounting estimates*	(349)	—	(3,712)
Decrease due to fulfillment of asset retirement obligations	(379)	(317)	(4,031)
Increase (decrease) due to foreign exchange fluctuation	334	(108)	3,553
Balance at end of year	¥3,556	¥3,701	$37,826

* A ¥349 million (US$3,712 thousand) decrease in asset retirement obligations was made in the fiscal year ended March 31, 2013, as it became clear that the cost of asset retirement will be less than originally estimated at the time of asset acquisition.

The amount of lease deposit which will be written off for a certain percentage at the end of the lease period is charged to expense rather than recording the asset retirement obligation. Increase (decrease) in those expensed amounts for the fiscal year ended March 31, 2013 and 2012, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Balance at beginning of year	¥1,643	¥1,619	$17,477
Increase due to new lease agreements	56	37	596
Decrease due to the cancelation of existing lease agreements	(70)	(13)	(745)
Balance at end of year	¥1,629	¥1,643	$17,328

17. Business segment information

(a) Overview of reportable segments

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

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

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

The "Critical Care" segment is newly added during the first quarter of fiscal 2012, as the result of completion of the acquisition of ZOLL Medical Corporation and its subsidiaries on April 26, 2012 (US Eastern standard time).

Main products of the seven reportable segments are as follows:

Chemicals

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

Homes

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

Health Care

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

Fibers

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

Electronics

The Company manufactures and sells Hipore™ Li-ion battery separators, photomask pellicles, APR™ photosensitive resin and printing plate making systems, 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™ and Hebel Powerboard™ autoclaved aerated concrete (AAC) panels, Neoma™ and Jupii™ phenolic foam insulation panels, Eazet™, ATT Column™, and other piling systems, and BasePack™ column base attachment systems.

Critical Care

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

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

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

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

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

Notes: 1. The "Critical Care" segment is newly added during the first quarter of fiscal 2012, as the result of completion of the acquisition of ZOLL Medical Corporation and its subsidiaries on April 26, 2012 (US Eastern standard time).
2. The "Others" category is equivalent to the former 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.

	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.

	Thousands of U.S. dollars									
	2013									
	Chemicals	Homes	Health Care	Fibers	Electronics	Construction Materials	Critical Care (Note 1)	Subtotal	Others (Note 2)	Total
Sales:										
External customers	**$7,282,013**	**$5,171,599**	**$1,419,530**	**$1,165,972**	**$1,395,043**	**$547,857**	**$554,526**	**$17,536,539**	**$191,799**	**$17,728,327**
Intersegment	**219,955**	**2,287**	**702**	**19,083**	**4,468**	**169,642**	**—**	**416,126**	**254,941**	**671,078**
Total	**7,501,968**	**5,173,886**	**1,420,232**	**1,185,044**	**1,399,521**	**717,488**	**554,526**	**17,952,665**	**446,740**	**18,399,404**
Operating income (loss)	**243,857**	**577,236**	**169,471**	**42,868**	**30,039**	**42,144**	**(39,006)**	**1,066,610**	**23,349**	**1,089,959**
Assets	**6,919,679**	**3,240,879**	**1,955,494**	**1,229,486**	**1,784,097**	**497,862**	**2,556,303**	**18,183,810**	**630,146**	**18,813,956**
Other items										
Depreciation (Note 3)	**319,041**	**56,015**	**111,616**	**64,876**	**159,589**	**24,157**	**73,747**	**809,042**	**9,935**	**818,977**
Amortization of goodwill	**4,638**	**—**	**10,690**	**—**	**128**	**—**	**56,771**	**72,226**	**2,117**	**74,343**
Investments in affiliates accounted for using equity method	**439,453**	**—**	**447**	**49,644**	**26,476**	**—**	**—**	**516,030**	**177,034**	**693,054**
Increase in property, plant and equipment, and intangible assets	**$503,032**	**$101,340**	**$151,846**	**$72,684**	**$180,949**	**$23,253**	**$57,611**	**$1,090,714**	**$12,126**	**$1,102,829**

Notes: 1. The "Critical Care" segment is newly added during the first quarter of fiscal 2012, as the result of completion of the acquisition of ZOLL Medical Corporation and its subsidiaries on April 26, 2012 (US Eastern standard time).
2. The "Others" category is equivalent to the former 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.

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

	Millions of yen		Thousands of U.S. dollars
Sales	**2013**	2012	**2013**
Total of reporting segments	**¥1,687,730**	¥1,592,879	**$17,952,665**
Net sales in "Others" category	**41,998**	42,227	**446,740**
Elimination of intersegment transactions	**(63,088)**	(61,876)	**(671,078)**
Net sales on consolidated statements of income	**¥1,666,640**	¥1,573,230	**$17,728,327**

	Millions of yen		Thousands of U.S. dollars
Operating income	**2013**	2012	**2013**
Total of reporting segments	**¥100,272**	¥111,015	**$1,066,610**
Operating income in "Others" category	**2,195**	2,969	**23,349**
Elimination of intersegment transactions	**1,469**	690	**15,626**
Corporate expenses, etc.*	**(11,975)**	(10,416)	**(127,380)**
Operating income on consolidated statements of income	**¥91,960**	¥104,258	**$978,194**

* 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 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Total of reporting segments	**¥1,709,460**	¥1,365,615	**$18,183,810**
Assets in "Others" category	**59,240**	57,462	**630,146**
Elimination of intersegment transactions	**(200,347)**	(206,324)	**(2,131,124)**
Corporate assets*	**231,817**	193,814	**2,465,876**
Total assets on consolidated balance sheets	**¥1,800,170**	¥1,410,568	**$19,148,708**

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

	Total of reportable segments			Others			Adjustments (Note 1)			Amounts from consolidated financial statements		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
Other items	2013	2012	2013	2013	2012	2013	2013	2012	2013	2013	2012	2013
Depreciation (Note 2)	**¥76,058**	¥74,676	**$809,042**	**¥934**	¥852	**$9,935**	**¥3,058**	¥2,912	**$32,528**	**¥80,050**	¥78,440	**$851,505**
Amortization of goodwill	**6,790**	1,131	**72,226**	**199**	47	**2,117**	**—**	—	**—**	**6,989**	1,179	**74,343**
Investments in affiliates accounted for using equity method	**48,512**	40,518	**516,030**	**16,643**	17,519	**177,034**	**—**	—	**—**	**65,154**	58,037	**693,054**
Increase in property, plant and equipment, and intangible assets	**¥102,538**	¥76,787	**$1,090,714**	**¥1,140**	¥786	**$12,126**	**¥10,108**	¥7,551	**$107,520**	**¥113,785**	¥85,124	**$1,210,350**

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 2013 Japan	China	Other regions	Total	Millions of yen 2012 Japan	China	Other regions	Total	Thousands of U.S. dollars 2013 Japan	China	Other regions	Total
¥1,181,429	**¥155,570**	**¥329,641**	**¥1,666,640**	¥1,151,705	¥151,286	¥270,238	¥1,573,230	**$12,567,057**	**$1,654,824**	**$3,506,446**	**$17,728,327**

2) Property, plant and equipment

Millions of yen 2013 Japan	Other regions	Total	Thousands of U.S. dollars 2013 Japan	Other regions	Total
¥369,481	**¥92,100**	**¥461,581**	**$3,930,231**	**$979,683**	**$4,909,914**

Geographic information for the year ended March 31, 2012, is not shown because over 90% of the amount of property, plant and equipment on the consolidated balance sheets was 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 consolidated statements of income.

18. Information on related parties

Related party transactions

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

Subsidiaries, affiliates, etc. of the company submitting the consolidated financial statements

Type of related party	An affiliated company
Name of company	PTT Asahi Chemical Co., Ltd.
Location	Rayong, Thailand
Paid-in capital	14,246 million Thai baht
Business line	Chemicals
Holding ratio of voting rights (of which, indirect holding ratio)	48.5% (48.5%)
Relationship with the related party	Debt guarantee
Nature of transaction	Guarantee for completion of manufacturing facilities
Transaction amount	¥17,341 million in the year ended March 31, 2013, ¥17,163 million in the year ended March 31, 2012
Amount name	—
Balance at end of year	—

19. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2013 and 2012, were as follows:

	Yen		U.S. dollars
	2013	2012	**2013**
Basic net assets per share	**¥581.05**	¥505.72	**$6.18**
Basic net income per share	**¥38.43**	¥39.89	**$0.41**

(a) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Total net assets	**¥824,451**	¥719,285	**$8,769,822**
Amount deducted from total net assets	**12,371**	12,439	**131,592**
of which, minority interests	***(12,371)***	*(12,439)*	***(131,592)***
Net assets allocated to capital stock	**¥812,080**	¥706,846	**$8,638,230**
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	**1,397,600**	1,397,691	**1,397,600**

(b) Net income per share

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net income	**¥53,712**	¥55,766	**$571,343**
Amount not allocated to capital stock	**—**	—	**—**
Net income allocated to capital stock	**¥53,712**	¥55,766	**$571,343**
Weighted-average number of shares of capital stock (thousand)	**1,397,651**	1,397,872	**1,397,651**

As the Company had no dilutive securities at March 31, 2013 and 2012, the Company does not disclose diluted net income per share for the years ended March 31, 2013 and 2012.

20. Borrowings

(a) Bonds payable at March 31, 2013 and 2012, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unsecured 1.90% Euro yen bonds due in 2013	**¥5,000**	¥5,000	**$53,186**
(of which, current portion of bonds)	***(¥5,000)***	*(¥—)*	***($53,186)***
Unsecured 1.46% yen bonds due in 2019	**20,000**	20,000	**212,743**
Unsecured 0.30% yen bonds due in 2017	**20,000**	—	**212,743**
Total	**¥45,000**	¥25,000	**$478,672**
(of which, current portion of bonds)	***(¥5,000)***	*(¥—)*	***($53,186)***

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, 2013, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2014	¥5,000	$53,186
2015	—	—
2016	—	—
2017	—	—
2018	20,000	212,743
2019 and thereafter	20,000	212,743
	¥45,000	$478,672

(b) Loans payable at March 31, 2013 and 2012, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Short-term loans payable with interest rate 0.52%	**¥78,725**	¥44,751	**$837,411**
Current portion of long-term loans payable with interest rate 1.71%	**34,319**	29,739	**365,057**
Current portion of lease obligations with interest rate 1.94%	**2,415**	2,207	**25,689**
Long-term loans payable (except portion due within one year) with interest rate 0.77%	**146,929**	62,710	**1,562,908**
Lease obligations (except portion due within one year) with interest rate 1.50%	**4,051**	4,707	**43,091**
Commercial paper with interest rate 0.10% (due within one year)	**70,000**	15,000	**744,602**
	¥336,439	¥159,114	**$3,578,758**

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, 2014, are as follows:

	Long-term loans payable		Lease obligations	
Year ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2015	¥18,747	$199,415	¥1,778	$18,913
2016	30,217	321,423	1,342	14,275
2017	27,470	292,203	800	8,510
2018	16,288	173,258	119	1,266
2019 and thereafter	¥54,208	$576,620	¥13	$138

Report of Independent Auditors

pwc

Independent Auditor's Report

To the Board of Directors of
Asahi Kasei Corporation

We have audited the accompanying consolidated financial statements of Asahi Kasei Corporation ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31,2013, 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, 2013, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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.

July 26, 2013

Major Subsidiaries and Affiliates

As of April 1, 2013

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.*	Processed plastic products	¥	160	99.4
Japan Elastomer Co., Ltd.*	Synthetic rubber	¥	1,000	75.0
PS Japan Corp.*	Polystyrene	¥	5,000	62.1
Sundic Inc.	Biaxially oriented polystyrene sheet	¥	1,500	50.0
Wacker Asahikasei Silicone Co., Ltd.	Silicone	¥	1,050	50.0
Kayaku Japan Co., Ltd.	Industrial explosives	¥	60	50.0
Asahi Kasei Plastics North America, Inc.*	Coloring and compounding of performance resin	US$	21.7**	100.0
Asahikasei Plastics (America) Inc.*	Compounded performance resin operations	US$	17.8**	100.0
Sun Plastech Inc.*	Sale of purging compound	US$	1	100.0
Tong Suh Petrochemical Corp., Ltd.*	Acrylonitrile, sodium cyanide	KRW	237,642	100.0
Asahi Kasei Chemicals Korea Co., Ltd.	Sale of adipic acid	KRW	1,500	100.0
Asahi Kasei Performance Chemicals Corp.*	High-performance HDI-based polyisocyanate	CNY	149	100.0
Asahi Kasei POM (Zhangjiagang) Co., Ltd.***	Polyacetal	CNY	125	100.0
Asahi Kasei Microza (Hangzhou) Co., Ltd.*	Industrial filtration membranes and systems	CNY	69	100.0
Asahikasei Plastics (Shanghai) Co., Ltd.	Sale of performance resin	CNY	18	100.0
Asahi Kasei Plastics (Guangzhou) Co., Ltd.	Sale of performance resin	US$	10	100.0
Asahi Kasei Plastics (Hong Kong) Co., Ltd.	Sale of performance resin	US$	2.6	100.0
Asahikasei (Suzhou) Plastics Compound Co., Ltd.	Coloring and compounding of performance resin	CNY	50	51.0
Asahi Kasei Synthetic Rubber Singapore Pte. Ltd.*	Synthetic rubber	US$	125	100.0
Asahi Kasei Plastics Singapore Pte. Ltd.*	Performance resin	US$	46	100.0
Polyxylenol Singapore Pte. Ltd.*	PPE powder	US$	35	70.0
Asahikasei Plastics (Thailand) Co., Ltd.	Coloring and compounding of performance resin	THB	140	100.0
PTT Asahi Chemical Co., Ltd.	Acrylonitrile, methyl methacrylate	THB	14,246	48.5
Asahi Kasei Plastics Europe SA/NV*	Sale of compounded performance resin	€	5	100.0
Fibers Segment				
Asahi Kasei Fibers Corp.*	Fibers, textiles	¥	3,000	100.0
Asahi Kasei Intertextiles Corp.*, ****	Processing of fibers and textiles	¥	80	100.0
DuPont-Asahi Flash Spun Products Co., Ltd.	Flash spun products	¥	450	50.0
Hangzhou Asahikasei Spandex Co., Ltd.*	Spandex	CNY	154	100.0
Hangzhou Asahikasei Textiles Co., Ltd.*	Warp-knit spandex textiles	CNY	78	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	100.0
Asahi Kasei Fibers Deutschland GmbH	Sale of artificial suede	€	0.3	100.0
Homes Segment				
Asahi Kasei Homes Corp.*	Housing	¥	3,250	100.0
Asahi Kasei Fudousan Residence Corp.*	Real eatate development, brokerage, and related business	¥	3,200	100.0
Asahi Kasei Jyuko Co., Ltd.*	Steel frames	¥	2,820	100.0
Asahi Kasei Mortgage Corp.*	Financial services	¥	1,000	100.0
Asahi Kasei Reform Co., Ltd.*	Home maintenance and remodeling	¥	250	100.0
Asahi Kasei Home Construction Corp.*	Construction of homes	¥	100	100.0
Asahi Kasei Chintai Support Corp.*	Apartment rental insurance	¥	50	100.0

* Consolidated subsidiary
** Including capital reserve
*** As of August 2013
**** As of October 2013

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
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
Electronics Segment				
Asahi Kasei Microdevices Corp.*	Electronic devices	¥	3,000	100.0
Asahi Kasei E-materials Corp.*	Electronic materials	¥	3,000	100.0
Asahi Kasei Epoxy Co., Ltd.*	Epoxy resin	¥	300	100.0
Asahi Kasei Microsystems Co., Ltd.*	LSIs	¥	50	100.0
Asahi-Schwebel Co., Ltd.*	Glass fabric	¥	50	100.0
Asahi Kasei Electronics Co., Ltd.*	Hall elements	¥	50	100.0
Asahi Kasei E-materials Korea Inc.*	Energy and electronic materials	KRW	7,962	100.0
AKM Semiconductor, Inc.*	Sale of LSIs	US$	2.9	100.0
Asahi Kasei Microdevices Korea Corp.	Electronic devices marketing and technical support	KRW	820	100.0
Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.*	Photosensitive dry film	CNY	181	100.0
Asahi Kasei Electronics Materials (Changshu) Co., Ltd.	Photosensitive dry film	CNY	143	100.0
Asahi Kasei Microdevices (Shanghai) Co., Ltd.	Electronic devices marketing and technical support	CNY	14	100.0
Asahi Kasei Microdevices Taiwan Corp.	Electronic devices marketing and technical support	NT$	10	100.0
Asahi Kasei EMD Taiwan Corp.	Sale of pellicles	NT$	1	100.0
Asahi Kasei Wah Lee Hi-Tech Corp.*	Photosensitive dry film	NT$	49	80.6
Asahi-Schwebel (Taiwan) Co., Ltd.*	Glass fabric	NT$	326	51.0
Nittobo Asco Glass Fiber Co., Ltd.	Glass fabric	NT$	387	50.0
Asahi Kasei Microdevices Europe SAS	Electronic devices marketing and technical support	€	3.0	100.0
Asahi Photoproducts (Europe) SA/NV*	Sale of photopolymer, printing-plate making systems	€	3.4	100.0
Asahi Photoproducts (UK) Ltd.*	Sale of photopolymer, printing-plate making systems	£	0.3	100.0
Health Care Segment				
Asahi Kasei Pharma Corp.*	Pharmaceuticals	¥	3,000	100.0
Asahi Kasei Medical Co., Ltd.*	Medical devices, medical 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$	49**	100.0
Asahi Kasei Bioprocess, Inc.*	Bioprocess equipment and systems	US$	30	100.0
Asahi Kasei Medical America Inc.*	Sale of medical devices, medical systems	US$	0.5	100.0
Asahi Kasei Medical Trading (Korea) Co., Ltd.*	Sale of medical devices, medical systems	KRW	1,000	100.0
Asahi Kasei Medical (Hangzhou) Co., Ltd.*	Hemodialyzers; sale of medical devices	CNY	165	100.0
Asahi Kasei Medical Trading (Taiwan) Co., Ltd.*	Sale of medical devices, medical systems	NT$	5	100.0
Asahi Kasei Medical Europe GmbH*	Sale of medical devices, medical systems	€	17.8	100.0
Asahi Kasei Bioprocess Europe SA/NV*	Sale of virus removal filters	€	0.5	100.0
Asahi 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
Critical Care Segment				
ZOLL Medical Corporation*	Critical care devices and systems	US$	1,723**	100.0
Asahi Kasei ZOLL Medical Corp.*	Sale of critical care devices in Japan	¥	10	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
Asahi Kasei Holdings US, Inc.*	Holding company of ZOLL	US$	1,723**	100.0
Crystal IS, Inc.*	Development of aluminum nitride substrates and UV LEDs	US$	31.9**	100.0
Asahi Kasei (China) Co., Ltd.*	Investment and business support services	CNY	275	100.0
Asahi Kasei India Pvt. Ltd.	Business support services	INR	45	100.0

* Consolidated subsidiary
** Including capital reserve

Company Information

Corporate Profile (as of March 31, 2013)

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,389 million
Employees	28,363 (consolidated)
	1,138 (non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

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1-105 Kanda Jinbocho, Chiyoda-ku
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Investors Information

(As of March 31, 2013)

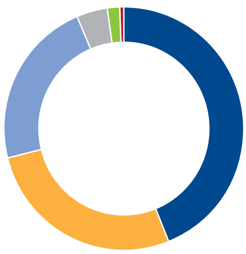
Stock Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Stock Code	3407
Authorized Shares	4,000,000,000
Outstanding Shares	1,402,616,332
Transfer Agent	Sumitomo Mitsui Trust Bank, Ltd.
Independent Auditors	PricewaterhouseCoopers Aarata
Number of Shareholders	109,298

Largest Shareholders	% of equity*
Master Trust Bank of Japan, Ltd. (trust account)	5.71
Nippon Life Insurance Co.	5.22
Japan Trustee Services Bank, Ltd. (trust account)	4.27
Asahi Kasei Group Employee Stockholding Assn.	3.63
Sumitomo Mitsui Banking Corp.	2.53
SSBT OD05 Omnibus Account Treaty Clients	1.98
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account	1.47
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.

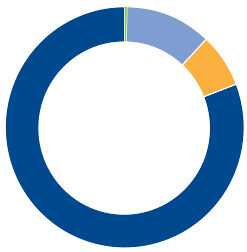
Distribution by Type of Shareholder

Japanese financial institutions	43.89%
Foreign investors	27.43%
Japanese individuals and groups	22.52%
Other Japanese companies	4.19%
Japanese securities companies	1.61%
Treasury stock	0.36%

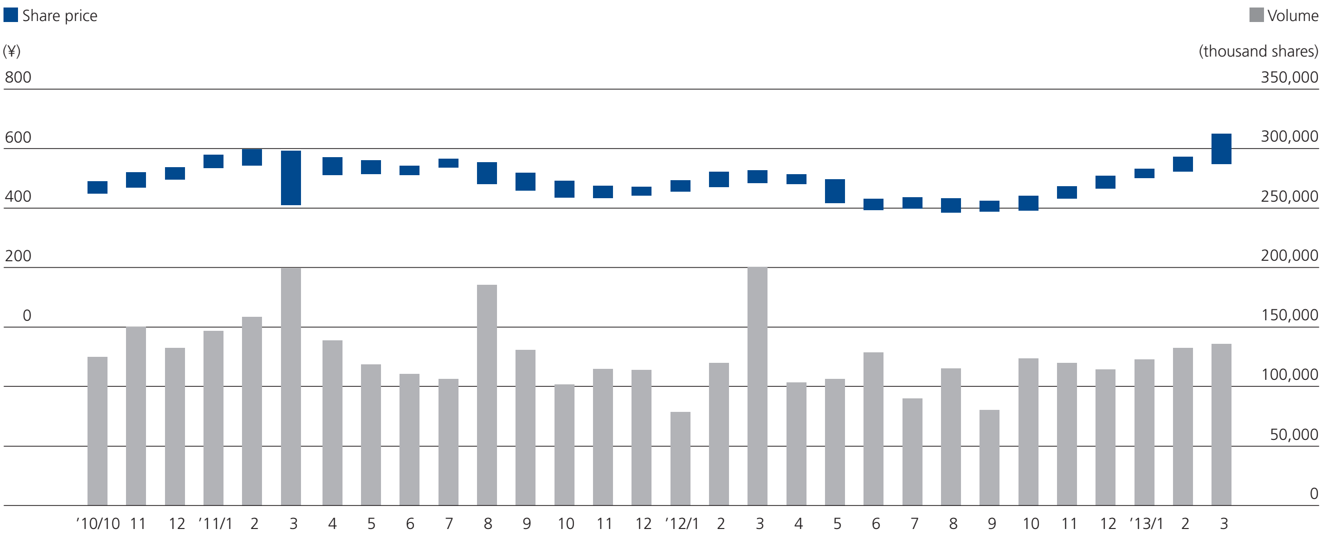


Distribution by Number of Shares Held

Less than 1,000	0.28%
1,000–9,999	11.85%
10,000–99,999	7.09%
100,000 or more	80.78%



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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