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(Securities Code: 3407)

June 5, 2017

**To Shareholders with Voting Rights:**

Hideki Kobori  
President & Representative Director  
Asahi Kasei Corporation  
1-105 Kanda Jinbocho, Chiyoda-ku,  
Tokyo, Japan

**NOTICE OF  
THE 126TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 126th Ordinary General Meeting of Shareholders of Asahi Kasei Corporation (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, please exercise your voting rights via either postal mail or the Internet in accordance with the guidance on the following page. In order to be effective, forms to exercise voting rights sent via either postal mail or the Internet must be received no later than 5:00 p.m. JST, Tuesday, June 27, 2017.

- 1. Date and Time:** Wednesday, June 28, 2017, 10:00 a.m. (JST)
- 2. Place:** The Prominence Ballroom (B-1 Level), ANA InterContinental Tokyo  
1-12-33 Akasaka, Minato-ku, Tokyo, Japan
- 3. Meeting Agenda:**
  - Matters to be reported:**
    1. Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements for the Company’s 126th Fiscal Period (April 1, 2016 - March 31, 2017)
    2. Results of Audits by the Independent Auditor and the Board of Corporate Auditors of the Consolidated Financial Statements
  - Proposals to be resolved:**
    - Proposal No. 1:** Election of Nine Directors
    - Proposal No. 2:** Election of Two Corporate Auditors
    - Proposal No. 3:** The Amount and Details of Stock-based Remuneration for Directors

**Disclosure on the Internet**

- Out of the documents to be provided at the time of the convocation of this notice, the “Basic policy concerning control of the Company” in the Business Report, “Consolidated Statements of Changes in Net Assets” and “Notes to Consolidated Financial Statements” in the Consolidated Financial Statements, and “Non-Consolidated Statements of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements” in the Non-Consolidated Financial Statements are described on our website below and are not stated in the attachment in relation to matters to be reported, according to the provisions of the law and regulations, and Article 15 of our Articles of Incorporation.

Please note that the above documents are subject to audit by the Independent Auditor or the Board of Corporate Auditors together with the attachment in relation to the matters to be reported.

- Please be informed that, if circumstances arise after dispatch of this notice which require revision of this notice by the day before the Shareholders’ General Meeting, the Company will notify the change on the website below.

The Company’s website: <http://www.asahi-kasei.co.jp/asahi/jp/shoushu/126.html> (Japanese Only)

## Guidance on how to exercise your voting rights

There are the following three ways:

### 1. Attend the General Meeting of Shareholders

**Date and Time of the Meeting:** Wednesday, June 28, 2017, 10:00 a.m. (JST)  
<Reception begins at 8:50 a.m. (JST)>

Bring your voting rights paper as attached and submit it to the reception desk.

In addition, please bring this booklet as meeting material.

Note: The exercise of voting rights by proxy is limited to exercise by delegating said rights to another shareholder with voting rights. In addition, please note that it is necessary to submit a document certifying the right of proxy.

### 2. Exercise by postal mail

**Deadline of Exercise:** Must arrive no later than Tuesday, June 27, 2017, 5:00 p.m. (JST)

Indicate your approval or disapproval on the attached voting rights paper and return it to us by the deadline.

### 3. Exercise by the Internet

**Deadline of Exercise:** Must be entered no later than Tuesday, June 27, 2017, 5:00 p.m. (JST)

Please access our voting rights website and enter your approval or disapproval by the deadline.

[Voting rights exercise website URL] <http://www.web54.net> (Japanese Only)

Note: May not work with some Internet browsers or on some mobile devices.

#### ● Handling of voting rights exercise

- If you have exercised your voting rights in duplicate, both by mail and via the Internet, we will handle your Internet vote as the effective exercise of your voting rights.
- If you have exercised your voting rights more than once via the Internet, only the final exercise of your voting rights shall be handled as effective.

#### To Institutional Investors

The Company utilizes an online platform for institutional investors to exercise their voting rights operated by ICJ.

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal 1: Election of Nine Directors

The term of office of the following nine Directors will expire at the close of this Ordinary General Meeting of Shareholders: Messrs. Ichiro Itoh, Hideki Kobori, Yuji Kobayashi, Masafumi Nakao, Shuichi Sakamoto, Nobuyuki Kakizawa, Norio Ichino, Tsuneyoshi Tatsuoka, and Ms. Masumi Shiraishi.

The Company therefore proposes that the following nine candidates be elected as Director.


Meanwhile, candidates Messrs. Norio Ichino and Tsuneyoshi Tatsuoka and Ms. Masumi Shiraishi are candidates for Outside Directors, and the Company judges that the said three candidates have sufficient independence with no conflict of interest with the general shareholders in light of the Company's criteria for independence. As the said three candidates meet the requirements for independent director stipulated by the Tokyo Stock Exchange, we have registered them with the Tokyo Stock Exchange as independent directors.


The candidates are as follows:


Candidate No.	Name	Date of birth	Position and responsibilities at the Company	Candidate attribute
1	Ichiro Itoh	July 6, 1942	<ul style="list-style-type: none"> <li>• Chairman &amp; Director</li> <li>• Board of Directors Meeting convener &amp; chairman</li> <li>• Nomination Advisory Committee member</li> <li>• Remuneration Advisory Committee member</li> </ul>	Re-appointed
2	Hideki Kobori	February 2, 1955	<ul style="list-style-type: none"> <li>• President &amp; Representative Director</li> <li>• Presidential Executive Officer</li> <li>• Shareholders Meeting &amp; Management Council convener &amp; chairman</li> <li>• Nomination Advisory Committee member</li> <li>• Remuneration Advisory Committee member</li> </ul>	Re-appointed
3	Masafumi Nakao	November 1, 1952	<ul style="list-style-type: none"> <li>• Representative Director</li> <li>• Vice-Presidential Executive Officer</li> <li>• Executive Officer for Corporate ESH &amp; QA, Regional Offices, Production Technology, Manufacturing, R&amp;D</li> </ul>	Re-appointed
4	Shuichi Sakamoto	October 13, 1957	<ul style="list-style-type: none"> <li>• Director</li> <li>• Senior Executive Officer</li> <li>• Executive Officer for Strategy, Accounting/Finance, IT</li> <li>• Oversight of Asahi Kasei America, Inc., Asahi Kasei (China) Co., Ltd.</li> </ul>	Re-appointed


Candidate No.	Name	Date of birth	Position and responsibilities at the Company	Candidate attribute
5	Nobuyuki Kakizawa	June 21, 1957	<ul style="list-style-type: none"> <li>• Director</li> <li>• Lead Executive Officer</li> <li>• Executive Officer for General Affairs, Legal, Risk Management &amp; Compliance</li> <li>• Senior General Manager, General Affairs</li> </ul>	Re-appointed
6	Soichiro Hashizume	February 23, 1959	<ul style="list-style-type: none"> <li>• Lead Executive Officer</li> <li>• Executive Officer for HR</li> </ul>	Newly-appointed
7	Norio Ichino	January 1, 1941	<ul style="list-style-type: none"> <li>• Outside Director</li> <li>• Nomination Advisory Committee member</li> <li>• Remuneration Advisory Committee member</li> </ul>	Re-appointed <b>Outside Director</b> Independent
8	Masumi Shiraishi	November 6, 1958	<ul style="list-style-type: none"> <li>• Outside Director</li> <li>• Nomination Advisory Committee member</li> <li>• Remuneration Advisory Committee member</li> </ul>	Re-appointed <b>Outside Director</b> Independent
9	Tsuneyoshi Tatsuoka	January 29, 1958	<ul style="list-style-type: none"> <li>• Outside Director</li> <li>• Nomination Advisory Committee member</li> <li>• Remuneration Advisory Committee member</li> </ul>	Re-appointed <b>Outside Director</b> Independent

Abbreviations: R = Re-appointed, N = Newly-appointed, O = Outside Director, I = Independent


Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
1	 <p data-bbox="459 568 481 600">R</p> <p data-bbox="320 602 451 660">Ichiro Itoh July 6, 1942</p>	<p data-bbox="549 454 638 483">128,000</p> <p data-bbox="560 517 627 546">15/15</p>	<p data-bbox="703 320 1417 562">           April 1966: Joined the Company            June 2001: Director            February 2003: Managing Director            June 2003: Director            June 2003: Primary Executive Officer            April 2006: Vice-Presidential Executive Officer            April 2010: Representative Director            April 2010: Chairman &amp; Director (Position held at present)         </p> <p data-bbox="703 595 1417 678">           ● Board of Directors Meeting convener &amp; chairman, Nomination Advisory Committee member, Remuneration Advisory Committee member         </p>
	<p data-bbox="290 730 882 759">[Reasons for us to propose him as a director candidate]</p> <p data-bbox="290 761 1422 969">           After many years of experience in the fibers &amp; textiles business, including as Fibers &amp; Textiles Planning &amp; Coordination General Manager, Cashmilon Division General Manager, and Corporate Planning &amp; Coordination General Manager, he assumed the role of Executive Officer for Strategy, Accounting &amp; Finance, and then Vice-Presidential Executive Officer of the Company. Since April 2010, he is Chairman &amp; Director. His rich experience and wide knowledge on the operations and management of the Group's businesses will allow him to fulfill the functions of deciding on key matters and supervising business execution for the Group as a Director.         </p>		


Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
2	 <p data-bbox="290 674 481 768">Hideki Kobori February 2, 1955</p>	<p data-bbox="555 562 632 591">36,000</p> <p data-bbox="555 622 632 651">14/15</p>	<p data-bbox="705 286 1414 922"> April 1978: Joined the Company  April 2008: Asahi Kasei Microdevices Director  April 2008: Asahi Kasei Microdevices Senior Executive Officer  April 2009: Asahi Kasei Microdevices Primary Executive Officer  April 2010: Asahi Kasei Microdevices President &amp; Representative Director  April 2010: Asahi Kasei Microdevices Presidential Executive Officer  April 2012: Senior Executive Officer  June 2012: Director (Position held at present)  April 2014: Representative Director (Position held at present)  April 2014: Primary Executive Officer  April 2016: President and Director (Position held at present)  April 2016: Presidential Executive Officer (Position held at present)  ● Shareholders Meeting &amp; Management Council convener &amp; chairman, Nomination Advisory Committee member, Remuneration Advisory Committee member </p>
<p data-bbox="290 976 1414 1218"> [Reasons for us to propose him as a director candidate]  After many years of experience in the electronics business, including as Marketing and Sales Center General Manager, Corporate Strategy and Planning General Manager, and President and Representative Director of Asahi Kasei Microdevices, he assumed a role of executive officer responsible for Strategy, Accounting &amp; Finance, and Internal Control for the entire Group in April 2012. Since April 2016, he is President and Representative Director of the Company. His rich experience and wide knowledge on the operations and management of the Group's businesses will allow him to fulfil the functions of deciding on key matters and supervising business execution for the Group. </p>			





Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
3	 <p data-bbox="290 654 481 698">R</p> <p data-bbox="290 698 481 788">Masafumi Nakao November 1, 1952</p>	<p data-bbox="555 564 632 595">31,000</p> <p data-bbox="555 622 632 654">11/11</p>	<p data-bbox="705 286 1394 837"> April 1978: Joined the Company  April 2009: Asahi Kasei Microdevices Director  April 2009: Asahi Kasei Microdevices Executive Officer  April 2011: Next-Generation Device Development Center General Manager  April 2012: Lead Executive Officer  April 2012: New Business Development General Manager  June 2012: Director  April 2014: Corporate Research &amp; Development General Manager  June 2014: Retired as Director  April 2015: Senior Executive Officer  April 2016: Primary Executive Officer  June 2016: Director (Position held at present)  April 2017: Representative Director (Position held at present)  April 2017: Vice-Presidential Executive Officer (Position held at present) </p> <p data-bbox="705 869 1347 927"> ● Responsible for Corporate ESH &amp; QA, Branch Office, Corporate Production Technology, Production and R&amp;D </p>
<p data-bbox="290 958 880 990">[Reasons for us to appoint him as a director candidate]</p> <p data-bbox="290 990 1410 1173">After many years of experience in R&amp;D and new business development in electronics business, he held several leadership roles including Asahi Kasei Electronics President and Representative Director, Asahi Kasei Microdevices R&amp;D Center General Manager, and Executive Officer for quality assurance. Since April 2012, he has overseen R&amp;D of the Group. His rich experience and wide knowledge in this field will allow him to fulfill his role as Director in deciding important matters and supervision of management execution of the Group.</p>			



Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable Concurrent Offices]
4	 <p data-bbox="290 586 481 712">Shuichi Sakamoto October 13, 1957</p> <p data-bbox="459 586 481 618">R</p>	<p data-bbox="555 488 635 519">22,948</p> <p data-bbox="555 551 635 582">11/11</p>	<p data-bbox="705 286 1423 685">           April 1981: Joined the Company            April 2010: Asahi Kasei Chemicals Performance Plastics Division General Manager            April 2011: Asahi Kasei Chemicals Executive Officer            October 2012: Asahi Kasei Chemicals AN Division General Manager            April 2014: Asahi Kasei Chemicals Director            April 2014: Asahi Kasei Chemicals Senior Executive Officer            November 2014: Lead Executive Officer            November 2014: Corporate Strategy General Manager            April 2016: Senior Executive Officer (Position held at present)            June 2016: Director (Position held at present)         </p> <p data-bbox="705 712 1423 770">           ● Responsible for Corporate Strategy, Finance/Accounting and IT, Asahi Kasei America, Inc., Asahi Kasei (China) Co., Ltd.         </p>
<p data-bbox="290 797 1423 1041">           [Reasons for us to propose him as a director candidate]            After many years of experience in the petrochemicals business including as Senior General Manager, Performance Plastics Div., and Senior General Manager, Acrylonitrile Div. of Asahi Kasei Chemicals, he became General Manager of Corporate Strategy in November 2014 with responsibility for formulating and executing the management strategy and business strategies of the Asahi Kasei Group. Since April 2016, he has overseen accounting, finance, and IT. His rich experience and wide knowledge on the operations and management of the Group's businesses will allow him to fulfil the functions of deciding on key matters and supervising business execution for the Group.         </p>			




Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
5	 <p data-bbox="309 555 462 645">Nobuyuki Kakizawa June 21, 1957</p>	<p data-bbox="555 427 632 456">13,000</p> <p data-bbox="560 488 627 517">11/11</p>	<p data-bbox="703 293 1414 562">           April 1980: Joined the Company            April 2009: Asahi Kasei Homes General Affairs General Manager            April 2013: General Affairs General Manager (Position held at present)            April 2015: Executive Officer            April 2016: Lead Executive Officer (Position held at present)            June 2016: Director (Position held at present)         </p> <p data-bbox="703 595 1289 651">           ● Responsible for General Affairs/Legal Affairs, Risk Management/Compliance         </p>
<p data-bbox="292 685 1414 927">           [Reasons for us to appoint him as a director candidate]            After many years of experience in the housing business, Nobuyuki Kakizawa held several leadership positions including General Manager of Accounting and Finance at Asahi Kasei Corp. and General Manager of General Affairs at Asahi Kasei Homes Corp. He became General Manager of General Affairs in April 2013 with responsibility for formulating and executing measures for risk management and compliance of the Asahi Kasei Group. His rich experience and wide knowledge on risk management and compliance will allow him to fulfill the function of deciding on key matters and supervising business execution for the Group as a Director.         </p>			

Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
6	 <p data-bbox="316 555 456 667">Soichiro Hashizume February 23, 1959</p>	10,000	<p data-bbox="705 286 1343 533">           April 1981: Joined the Company            October 2009: PTT Asahi Chemical Company Limited President            April 2013: Corporate HR &amp; Labor Relations General Manager            October 2015: Executive Officer            April 2016: Lead Executive Officer (Position held at present)         </p> <p data-bbox="705 564 1104 595">● Responsible for Human Resources</p>
<p data-bbox="290 721 1417 900">           [Reasons for us to propose him as a director candidate]            After many years of experience in human resource fields, he held several leadership positions including President of PTT Asahi Chemical Company Limited. Since 2013,, he is responsible for human resource development as well as planning and promotion of personnel and labor measures of the Group. His rich experience and wide knowledge on human resources will allow him to fulfill the function of deciding on key matters and supervising business execution for the Group as a Director         </p>			

Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
7	<p>[Outside Director Candidate]</p>  <p>  </p> <p>Norio Ichino January 1, 1941</p>	<p>18,000</p> <p>15/15</p>	<p>April 1964: Joined Tokyo Gas Co., Ltd.  June 1996: Director, Tokyo Gas Co., Ltd.  June 2003: President and Representative Director, Tokyo Gas Co., Ltd.  June 2003: Executive President, Tokyo Gas Co., Ltd.  April 2006: Director and Vice Chairman of the Board, Tokyo Gas Co., Ltd.  April 2007: Director and Chairman of the Board, Tokyo Gas Co., Ltd.  April 2010: Director and Executive Advisor, Tokyo Gas Co., Ltd.  June 2010: Executive Advisor, Tokyo Gas Co., Ltd.  June 2011: Director, the Company (Position held at present)  April 2014: Special Advisor, Tokyo Gas Co., Ltd. (Position held at present)</p> <p>● Nomination Advisory Committee member, Remuneration Advisory Committee member</p> <p>[Notable Concurrent Offices]  Special Advisor, Tokyo Gas Co., Ltd.</p>
<p>[Reasons for us to propose him as an outside director candidate]</p> <ul style="list-style-type: none"> <li>• The term of office of Norio Ichino will be six years as an Outside Director from the close of this Ordinary General Meeting of Shareholders.</li> <li>• The reasons for us to nominate him as an Outside Director are because we can expect him to play a full role as Outside Director in deciding important matters and the supervision of management execution of the Company Group making full use of his rich experience and wide knowledge regarding management.</li> <li>• The Group has transactions with Tokyo Gas Co., Ltd. for which he has worked in the past concerning gas supply, mainly to plants in the Kanto Area. Said transactions, however, are regular transactions with little room for discretion. The amount of said transactions is very small, not more than 0.1% of the consolidated sales of the Company Group, which does not have many main plants in the Kanto Area, and not more than 0.1% of the consolidated sales of Tokyo Gas Co., Ltd. In addition, he has not been involved in the business since 2010 and such situation does not have any influence on his independence. Under these circumstances, we have designated him as an independent director.</li> </ul>			

Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
8	[Outside Director Candidate]    Masumi Shiraishi November 6, 1958	   15,000  14/15	May 1989: Joined NLI Research Institute April 2001: Head Researcher, NLI Research Institute April 2002: Assistant Professor, Department of Economics, Toyo University April 2006: Professor, Department of Economics, Toyo University April 2007: Professor, Faculty of Policy Studies, Kansai University (Position held at present) June 2013: Director, the Company (Position held at present)  ● Nomination Advisory Committee member, Remuneration Advisory Committee member [Notable Concurrent Offices] Professor, Faculty of Policy Studies, Kansai University
	[Reasons for us to nominate her as an outside director candidate] <ul style="list-style-type: none"> <li>• The term of office of Masumi Shiraishi will be four years as an Outside Director from the close of this Ordinary General Meeting of Shareholders.</li> <li>• The reasons for us to propose her as an Outside Director candidate are because, although she has never been involved in corporate management other than through the positions of Outside Director or Outside Corporate Auditor in the past, we can expect her to play a full role as outside director in deciding important matters and the supervision of management execution of the Company Group making full use of her rich experience and wide knowledge regarding the economy and society as a university professor.</li> <li>• The Group has transactions with Kansai University for which she currently works, mainly concerning R&amp;D consignment. They are, however, transactions mainly concerning R&amp;D programs concerning scientific technology and the transaction amount is very small, not more than ¥5 million. Such situation does not have any influence on her independence as Professor, Faculty of Policy Studies. Under these circumstances, we have designated her as an independent director.</li> </ul>		

Candidate No.	Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings	Career summary and position/responsibility as Director of the Company [Notable concurrent offices]
9	<p>[Outside Director Candidate]</p>  <p>R O I Tsuneyoshi Tatsuoka January 29, 1958</p>	<p>2,000 11/11</p>	<p>April 1980: Joined Ministry of International Trade and Industry January 2010: Councilor, Cabinet Secretariat August 2011: Deputy Vice-Minister of Economy, Trade and Industry June 2013: Vice-Minister of Economy, Trade and Industry July 2015: Retired from Ministry of Economy, Trade and Industry June 2016: Director, the Company (Position held at present)</p> <p>● Nomination Advisory Committee member, Remuneration Advisory Committee member [Notable Concurrent Offices] Outside Director (Audit and Supervisory Committee Member), Nitori Holdings Co., Ltd.</p>
	<p>[Reasons for us to propose him as an Outside Director]</p> <ul style="list-style-type: none"> <li>The term of office of Tsuneyoshi Tatsuoka will be one year as an Outside Director from the close of this Ordinary General Meeting of Shareholders.</li> <li>The reasons for us to propose him as Outside Director are because, although he has never been involved in business other than through the positions of Outside Director or Outside Corporate Auditor in the past, we can expect him to play a full role as Outside Director in deciding important matters and the supervision of management execution of the Company Group making full use of his rich experience and wide knowledge regarding industry and economic policy.</li> <li>The Group has transactions with the Ministry of Economy, Trade and Industry for which he has worked in the past. They are, however, transactions mainly concerning research consignment and subsidies, etc. The transaction amount is very small, not more than 0.1% of the consolidated sales of the Company Group. He has already retired from said Ministry and such situation does not have any influence on his independence. Under these circumstances, we have designated him as an independent director.</li> </ul>		

- (Notes)
- There is no conflict of interest between any candidate and the Company.
  - In accordance with Article 427, Paragraph 1, of the Companies Act, the Company has concluded agreements with Ichiro Itoh, Norio Ichino, Masumi Shiraishi and Tsuneyoshi Tatsuoka which limits their liability as specified in Article 423, Paragraph 1, of the Companies Act, with the amount of their individual liability being either ¥10 million or the minimum amount stipulated by law or ordinance, whichever is higher.
  - In October 2015 during the term of office of Norio Ichino and Masumi Shiraishi as Outside Directors of the Company, the Company disclosed that Asahi Kasei Construction Materials Corporation, its subsidiary, diverted a part of the installation data over a number of years concerning the installation work of precast concrete piles. Also, in January 2016, Asahi Kasei Construction Materials Corporation received administrative dispositions in accordance with the Construction Business Act with respect to the installation work of precast concrete piles installed by the Company from 2005 to 2006. The above two persons made statements from the perspective of compliance, etc. at meetings of the Board of Directors, etc. before said facts had been identified. In addition, after the facts had been identified, they appropriately assumed their responsibilities including: investigation of the facts and the causes, formulation of measures to prevent recurrence, further strengthening awareness of compliance, etc.

## Proposal 2: Election of Two Corporate Auditors


The term of office of Corporate Auditors Hajime Nagahara and Koji Kobayashi will expire at the close of this Ordinary General Meeting of Shareholders. The Company therefore proposes that the following two candidates be elected as Corporate Auditors.


Prior agreement of the Board of Corporate Auditors has been obtained regarding the submission of this proposal.

Candidate Mr. Hikoe Konishi is a candidate for Outside Corporate Auditor, and the Company judges that the candidate has sufficient independence with no conflict of interest with the general shareholders in light of the Company's criteria for independence for Outside Corporate Auditors. As Mr. Konishi meets the requirements for independent corporate auditor stipulated by the Tokyo Stock Exchange, we registered him with the Tokyo Stock Exchange as independent corporate auditor.

The candidates are as follows:

Abbreviations: R = Re-appointed, N = Newly-appointed, O = Outside Director, I = Independent

Candidate No.	Name, Date of Birth	No. of Company's shares held	Career summary and position/responsibility as Corporate Auditor of the Company [Notable concurrent offices]
1	 Yuji Kobayashi July 17, 1952	58,000	April 1975: Joined the Company October 2007: Asahi Kasei Chemicals Executive Officer April 2008: Asahi Kasei Chemicals Director April 2008: Asahi Kasei Chemicals Senior Executive Officer April 2011: Asahi Kasei Chemicals Primary Executive Officer April 2012: Asahi Kasei Chemicals President & Representative Director April 2012: Asahi Kasei Chemicals Presidential Executive Officer April 2012: Executive Officer April 2012: Asahi Kasei Fibers Director April 2014: Primary Executive Officer June 2014: Director (Position held at present) Representative Director April 2016: Vice-Presidential Executive Officer
[Reasons for us to propose him as a corporate auditor candidate] After many years of experience in the petrochemicals business, he became President and Representative Director of Asahi Kasei Chemicals. From April 2014, he oversaw the Chemicals & Fibers business sector. His rich experience and wide knowledge on the operations and management of the material businesses will allow him to fulfill the functions of effective auditing of the Group as a Corporate Auditor.			

Candidate No.	Name, Date of Birth	No. of Company's shares held	Career summary and position/responsibility as Corporate Auditor of the Company [Notable concurrent offices]
2	 Hikoe Konishi August 10, 1946	0	March 1980: Registered as Certified Public Accountant August 1980: Joined Asahi & Co. (currently, KPMG AZSA LLC) August 1980: Registered as Certified Tax Accountant June 1997: Representative Partner, Asahi & Co. (currently, KPMG AZSA LLC) July 2009: Opened Hikoe Konishi CPA Office (Position held at present) June 2014: Full-Time Corporate Auditor, Smart Resource Co., Ltd. (Position held at present) [Notable concurrent offices] Certified Public Accountant, Certified Tax Accountant Full-Time Corporate Auditor, Smart Resource Co., Ltd.
	[Reasons for us to propose him as an Outside Corporate Auditor candidate] <ul style="list-style-type: none"> <li>• The reasons for us to propose him as an Outside Corporate Auditor candidate are because, although he has never been involved in corporate management other than through the positions of Outside Director or Outside Corporate Auditor in the past, we can expect him to play a full role as Outside Corporate Auditor making full use of his rich experience and wide knowledge he has gained as a certified public accountant.</li> <li>• Since the Group has no transactions with him or the organizations to which he belongs, we have designated him as an Independent Corporate Auditor.</li> </ul>		

- (Notes)
1. There is no special conflict of interest between any candidate and the Company.
  2. In accordance with Article 427, Paragraph 1, of the Companies Act, the Company plans to conclude an agreement with Yuji Kobayashi and Hikoe Konishi, if they assume the office of Corporate Auditor, which limits their liability for damages as specified in Article 423, Paragraph 1, of the Companies Act, with the amount of their individual liability being either ¥10 million or the minimum amount stipulated by law or ordinance, whichever is higher.

### **Proposal 3: The Amount and Details of Stock-based Remuneration for Directors**

#### 1. Reasons for proposal and reasons that the remuneration is deemed reasonable

Remuneration for the Company's Directors (excluding Outside Directors, the same applying hereinafter) currently comprises basic remuneration and performance-linked remuneration reflecting consolidated financial results and individual performance. This proposal asks for the approval to revise the system for remuneration of the Company's Directors by introducing a new stock-based incentive system ("the System").

By more clearly linking remuneration of Directors and the Company's shareholder value, the system would reinforce the common interest between Directors and shareholders, including both the benefits of share price increases and the risk associated with share price decreases. The System is designed to enhance the motivation of Directors to contribute to greater business performance and corporate value of the Company over the medium-to-long term. Therefore, we believe that the introduction of the System is reasonable.

Remuneration of Directors is currently limited to ¥650 million or less (of which, ¥50 million or less is for Outside Directors), excluding remuneration for duties performed in the capacity of employee in the case of persons serving as both Director and employee, as approved at the 123rd Ordinary General Meeting of Shareholders on June 27, 2014. The System for stock-based remuneration would operate separately from and in addition to the above for the Company's Directors. We would like to ask your approval for this proposal, with further details described in 2. below. For the details regarding the System, we wish to leave this to the discretion of the Board of Directors within in the framework of 2. below.

If Proposal 1 "Election of Nine Directors" is approved as proposed, the number of Directors subject to this plan would be the six persons excluding Outside Directors at the close of this Ordinary General Meeting of Shareholders.

If introduction of the System is approved at this Shareholders Meeting, a similar stock-based incentive system is planned for Executive Officers of the Company and for Executive Officers of core operating companies of the Asahi Kasei Group who hold a certain rank.

The proposal for adopting the System was resolved by the Board of Directors upon deliberation at the Company's Remuneration Advisory Committee consisting of a majority of Outside Directors, which is established to ensure objectivity and transparency in determining Directors' remuneration, etc.

#### 2. Overview of the amount and content of remuneration, etc. under the System

##### (1) Overview of the System

The System is a stock-based incentive system, in which a trust established and funded by the Company ("the Trust") acquires shares of the Company, and the Company grants the shares to eligible Directors in accordance with Share Grant Regulations adopted by the Board of Directors. Such shares are in principle granted to each Director at the time of his/her retirement from office of Director and, if applicable, any other position as officer of the Asahi Kasei Group.

##### (2) Maximum amount of money contributed to the Trust by the Company, etc.

The initial trust period is three years. The Company contributes an amount not exceeding ¥300 million during the 3-year trust period as funds necessary for the Trust to acquire shares of the Company to be granted to eligible Directors under the System who hold office during the 3-year period ("Applicable Period") from the fiscal year ending March 2018 to the fiscal year ending March 2020. The Trust acquires shares of the Company from the stock market (including in after-hours trading) using funds entrusted by the Company.

Note: The monetary amount to be actually entrusted to the Trust by the Company shall include the estimated necessary expenses such as trust fees and compensation for the trust administrator, etc., in addition to the funds required to acquire shares of the Company.

The trust period may be extended by a resolution of the Company's Board of Directors (including by effective extension of the trust period by transferring the trust assets of the Trust to another trust established by the Company for an identical purpose, the same applying hereinafter). If the trust period is thus extended, the Company contributes an additional amount not exceeding ¥100 million into the Trust as funds for acquiring shares of the Company necessary for granting to Directors under the System for each year of the extended



trust period. At the same time, the Applicable Period is extended in accordance with the extended trust period, and the conferring of points as described in (3) (i) below, as well as the grant of shares of the Company as described in (4) below, shall continue. However, if the conferring of points is not continued as described above but there are Directors who have not retired from office and who have accumulated points at the end of the trust period, the Company may extend the trust period until such Directors retire from office and the corresponding grant of shares of the Company from the Trust is completed.

During the trust period, if the number of shares of the Company held in the Trust falls short of the number of shares that corresponds to the number of points to be conferred to Directors during the trust period, due to an increase in the number of Directors, etc., the Company may, without exceeding the maximum amount entrusted as approved at the Shareholders Meeting, entrust additional money to the Trust in order to enable the trust to acquire additional shares of the Company as required.

(3) Methods for calculating the number of shares of the Company to be provided to Directors and the upper limit

(i) Method for granting the points to Directors and the upper limit

The Company confers to each Director a certain number of points as specified in accordance with their individual rank, etc., on a given date during the trust period, in accordance with the Share Grant Regulations stipulated by the Board of Directors.

However, the total number of points to be conferred to all Directors by the Company during a single fiscal year shall not exceed 100,000.

(ii) Grant of shares of the Company in accordance with the points to be granted

Directors receive grants of shares of the Company in accordance with their accumulated number of points conferred as described in (i) above following the procedures in (4) below.

The number of shares of the Company granted to each Director is equal to the number of points accumulated by each Director (provided that reasonable adjustment may be made if there has been a share split, share consolidation, or other change of circumstances between the time the points are conferred and the time the shares are granted).

(4) Delivery of shares of the Company to Directors

Delivery of the Company's shares in (3) above to each Director shall be made from the trust by each Director performing the prescribed beneficiary determination procedure at their time of retirement from Director and officer of the Group. Nevertheless, a certain proportion of shares of the Company may be sold by the Trust and granted to Directors in the form of cash. Also in the event of the realization of shares of the Company in the Trust due to a settlement following circumstances such as subscription of a tender offer for shares of the Company held in the Trust, the Trust may effect the delivery in the form of cash in lieu of shares of the Company.

(5) Non-exercise of voting rights

Voting rights associated with the shares of the Company held in the Trust shall not be exercised at all, in order to ensure neutrality towards the management of the Company with respect to the shares of the Company held in the Trust.

(6) Handling of dividends

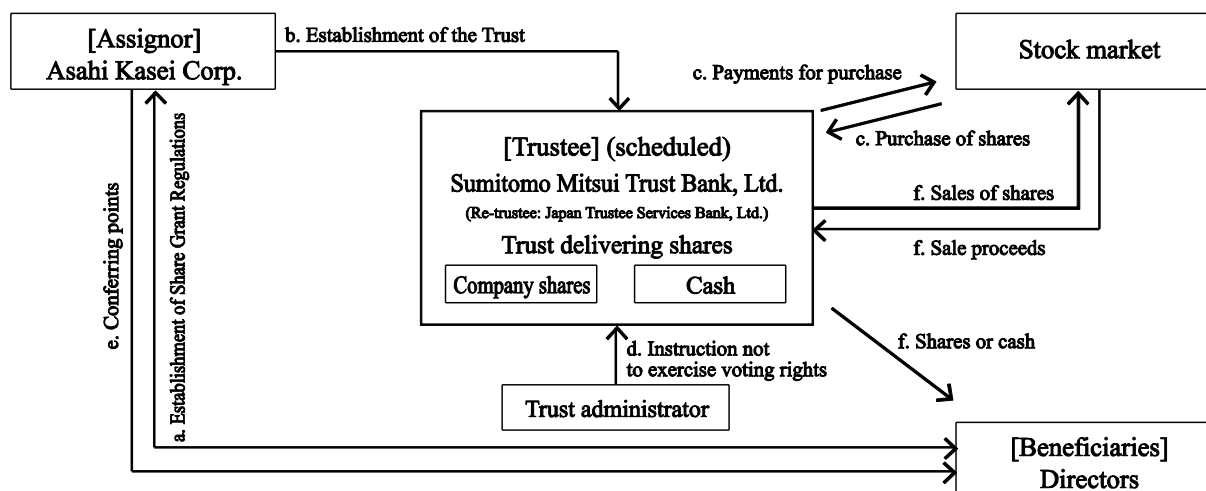
Dividends of the shares of the Company held in the Trust shall be received by the Trust to be used to acquire shares of the Company and for trust fees to be paid to the trustee with respect to the Trust.

(7) Handling of assets remaining at the end of the trust period

Of the assets remaining in the Trust at the end of the trust period, all shares of the Company are to be acquired by the Company without consideration and then cancelled by resolution of the Board of Directors, while a certain amount of cash is to be donated to public service entities having no conflict of interest with Directors of the Company, as arranged in advance in accordance with the Share Grant Regulations and the trust agreement.

## Structure of the System

### (For your reference) Outline of the Plan Scheme



- a. The Company establishes Share Grant Regulations for Directors.
- b. The Company establishes the Trust (a third-party-benefit trust) for granting shares with Directors as beneficiaries. In doing so, the Company entrusts an amount of money to the trustee equivalent to that for funds to acquire shares (limited to the amount approved at the Shareholders Meeting).
- c. The trustee acquires, in a single tranche, a number of shares of the Company sufficient for the expected future grant of shares (from the stock market, including in after-hours trading.)
- d. The Company appoints a trust administrator (must be a party independent of the Company or any officer of the Company) to be responsible for protecting the interests of the beneficiaries subject to the Share Grant Regulations and for supervising the trustee throughout the trust period. The trust administrator will issue instructions to the trustee not to exercise any voting rights associated with the shares of the Company held in the Trust throughout the trust period, and the trustee will comply with these instructions.
- e. The Company confers points to eligible Directors in accordance with the Share Grant Regulations.
- f. Directors meeting the requirements set forth in the Share Grant Regulations and the trust agreement receive, as beneficiaries of the Trust, a grant of shares of the Company corresponding to the accumulated number of points from the trustee. In certain specific cases set forth in advance in the Share Grant Regulations and the trust agreement, the trustee sells in the stock market a portion of the shares to be granted and grants cash instead.

(For your reference)

### **1. Policy and Procedures to Nominate Candidates for Directors and Corporate Auditors**

In selecting candidates for Directors, the Company chooses persons with deep insight and excellent skills suitable for the position of Director. For Inside Directors, the Company chooses those with expertise, experience and skills in the required field as candidates. Meanwhile, for Outside Directors, the Company chooses as candidate corporate executives, academic experts, and former civil servants with abundant experience, expecting objective oversight of management based on their deep insight.

In selecting candidates for Corporate Auditors, the Company chooses persons with insight and skills suitable for the position of Corporate Auditor, and an appointment requires the approval of the Board of Corporate Auditors. In addition, the Company makes sure that at least one Corporate Auditor is familiar with finance and accounting.

In order to further improve objectivity and transparency of the appointment of candidates for Directors and Corporate Auditors, the Company has established a Nomination Advisory Committee which mainly consists of Outside Directors to participate in discussions about the makeup and size of the Board of Directors, and about policies for nomination of Directors/Corporate Auditors, and to provide advice to the Board of Directors.

### **2. Independence Standards and Qualification for Outside Directors/Corporate Auditors**

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

- (1) A person who currently executes or has executed businesses of the Group (Executive Directors, Executive Officers, employees, etc.) over the last 10 years
- (2) A company or a person who executes the businesses thereof whose major business partner is the Group (a company with more than 2% of its annual consolidated net sales coming from the Group)
- (3) A major business partner of the Group (when payments by this partner to the Group account for more than 2% of the Company's annual consolidated net sales or when the Company borrows money from such partner amounting to more than 2% of the Company's consolidated total assets) or a person who executes the businesses thereof
- (4) A person who receives a large amount of money or other financial gain (¥10 million or more in one year) from the Group as an individual other than remuneration for being a Director/Corporate Auditor of the Company
- (5) A company which receives a large amount of donations or aid (¥10 million or more in one year) from the Group or a person who executes the businesses thereof
- (6) A main shareholder of the Group (a person/company who directly or indirectly owns 10% or more of all voting rights of the Company) or a person who executes the businesses thereof
- (7) A person who executes the businesses of a company which elects Directors/Corporate Auditors/employees of the Group as Directors/Corporate Auditors
- (8) An independent Auditor of the Group or any staff thereof
- (9) A person who has fallen into any of the categories 2 through 8 above over the last three years
- (10) A person who has a close relative (spouse, relative within the second degree of kinship, or those with whom they share living expenses) who falls under any of the categories 1 through 8 above, provided that "a person who executes businesses thereof" in 1, 2, 3, 5, 6, and 7 above shall be replaced with "an important person who executes the businesses thereof (Executive Directors and Executive Officer, etc.)"

The results of this resolution will be published on the following webpage.

<http://www.asahi-kasei.co.jp/asahi/jp/shoushu/126.html>

(For your reference)

Reportable segments have been changed from FY2016.

The Group has started the new mid-term management plan from FY2016 and has reclassified its business portfolio. In line with this reclassification, the reportable segments have been changed from the classification of the previous four reportable segments (“Chemicals & Fibers,” “Homes & Construction Materials,” “Electronics,” and “Health Care”) and “Other” to the classification of three reportable segments (“Material,” “Homes,” and “Health Care”) and “Other.” For the year-on-year comparisons, therefore, comparisons have been made after replacing the figures of the previous year with figures for the segment classification reflecting the said changes.

(Appendix)

## **Business Report**

(From April 1, 2016 to March 31, 2017)

### **I. Business Summary**

#### **1. Group's business progress and results**

- (1) During fiscal 2016, the outlook for the global economy remained obscure with increased political uncertainty related to the withdrawal of the UK from the EU and increased concern regarding the economic policy of the new US administration, as well as concern of economic slowdown in emerging economies. Meanwhile, the Japanese economy continued a path of gradual recovery with strong corporate performance while consumer spending became firm as the employment situation and income environment improved.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity- method affiliates (the Asahi Kasei Group) decreased by ¥57.9 billion from a year ago to ¥1,883.0 billion, operating income decreased by ¥6.0 billion to ¥159.2 billion, and ordinary income decreased by ¥0.7 billion to ¥160.6 billion with negative impacts from the stronger yen, reduced reimbursement prices in pharmaceutical operations, and a full-year effect of amortization of goodwill, etc., related to the acquisition of Polypore International, LP and its consolidated subsidiaries in electronics operations.

On the other hand, net income attributable to owners of the parent increased by ¥23.2 billion to ¥115.0 billion, posting record highs, with significant gain on sales of investment securities and lower total income taxes.

Regarding non-consolidated performance, net sales were ¥572.6 billion, operating income was ¥30.1 billion, and ordinary income was ¥79.2 billion. Net income was ¥198.7 billion, mainly attributable to the recording of gain on extinguishment of tie-in shares posted under extraordinary income due to absorption-type merger of three of its consolidated subsidiaries, Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp. in April 2016.

The following table shows the group-wide results.

#### 1) Group's consolidated results

(In 100 millions of yen)

Category	FY2015 (a)	FY2016 (b)	Change (b) – (a)
Net sales	19,409	18,830	(579)
Operating income	1,652	1,592	(60)
Ordinary income	1,614	1,606	(7)
Net income attributable to owners of the parent	918	1,150	232

2) Consolidated sales by segment

(In 100 millions of yen)

Segment	FY2015 (a)	FY2016 (b)	Change (b) – (a)
Material	10,044	9,732	(313)
Homes	6,324	6,190	(135)
Health Care	2,854	2,701	(153)
Other	187	207	21
Total	19,409	18,830	(579)

3) Consolidated operating income or loss by segment

(In 100 millions of yen)

Segment	FY2015 (a)	FY2016 (b)	Change (b) – (a)
Material	792	845	53
Homes	710	641	(69)
Health Care	362	319	(43)
Other	38	60	23
Corporate expenses and eliminations	(250)	(273)	(23)
Total	1,652	1,592	(60)

- (2) Next, we will describe the Group's business situation on a segment basis as well as the situation of new businesses and R&D.

**Material**

Sales: ¥973.2 billion (3.1% decrease from a year ago)  
 Operating income: ¥84.5 billion (6.6% increase from a year ago)

[Main businesses]

● Fibers operations

Polyurethane filament, cupro fibers, nonwoven fabric, and nylon 66 filament

● Chemicals operations

Petrochemicals: Acrylonitrile, styrene, polyethylene, polystyrene, etc.

Performance Polymers: Engineering plastics, synthetic rubber, etc.

Performance Materials/Consumables: Coating materials, pharmaceutical and food additives, explosives, metal processed products, hollow fiber filtration membranes, ion exchange membranes, electronic materials, wrapping film for foods, and various films and sheets, etc.

● Electronics operations

Lithium-ion battery separators, lead-acid battery separators, mixed-signal LSIs, Hall elements, etc.

Sales decreased by ¥31.3 billion from a year ago to ¥973.2 billion, and operating income increased by ¥5.3 billion from a year ago to ¥84.5 billion.

In fibers & textiles, shipments of Bemberg™ cupro fiber, Lamous™ artificial suede, and Leona™ nylon 66 filament increased, but selling prices declined due to competition, and each product in fibers & textiles operations was impacted by the stronger yen.

Among chemical operations, in petrochemicals, shipments of styrene decreased following the strengthening of petrochemical operations in Japan, while terms of trade improved for acrylonitrile. Shipments of synthetic rubber for fuel-efficient tires and engineering plastics increased, but each product in performance polymers was impacted by the stronger yen. In performance materials and consumables, ion-exchange membranes were impacted by the stronger yen, but sales of electronic materials and Saran Wrap™ cling film were firm.

Among electronics operations, shipments of each battery separator product increased. While results of Polypore, consolidated from the second quarter of fiscal 2015, were included, amortization of goodwill, etc., was recorded for the full year, and the stronger yen had an impact. In electronic devices, shipments of audio devices for smartphones increased but the stronger yen had an impact.

Further, Asahi Kasei Europe GmbH started operations in Dusseldorf, Germany in April 2016 for the further expansion of business in Europe. In the fibers business, we began commercial operation of the expanded production facility for Bemliese™ Cupro continuous-filament nonwoven fabric in Nobeoka, Miyazaki, Japan in February 2017. In the electronics business, we announced the expansions of the production capacity for Hipore™ lithium-ion battery separator at its plant in Moriyama, Shiga, Japan, in May 2016 and March 2017.

TOPICS: Completion of Concept Car “AKXY™”

Via a joint development with GLM Co., Ltd., an electric vehicle manufacturer spun out from Kyoto University, Asahi Kasei has completed a concept car called AKXY™ showcasing a wide array of automotive-related materials and technologies from various Asahi Kasei businesses, focused on contribution to safety, comfort, and the environment.

AKXY™ is equipped with a wide variety of Asahi Kasei materials, components, and systems, numbering 27 products in all, most of them available for adoption in mass-produced vehicles, including engineering plastics to replace metal and enable vehicle weight reduction, artificial suede for seats with superior comfort, and an in-car communication system utilizing various speech-processing technology.

The car is additionally equipped with cutting-edge technology that has potential for commercialization in line with automotive industry trends for safe driving and accident prevention, including a contactless vital sign sensing system that is able to detect the pulse of drivers without their being aware of it, and CO<sub>2</sub> sensors to monitor the in-car environment.

Moving forward, the Asahi Kasei will continue to deepen connections with automotive-related customers, and make comprehensive proposals of various key items in accordance with needs to heighten vehicle safety and comfort and contribute to the environment.

## Homes

Sales: ¥619.0 billion (2.1% decrease from a year ago)  
Operating income: ¥64.1 billion (9.7% decrease from a year ago)

[Main businesses]

- Homes operations

Order-built homes (unit homes and apartment buildings), real estate-related operations, peripheral businesses related to homes, etc.

- Construction materials operations

Autoclaved aerated concrete (AAC), thermal insulation, foundation systems, structural systems and components, etc.

Sales decreased by ¥13.5 billion from a year ago to ¥619.0 billion, and operating income decreased by ¥6.9 billion from a year ago to ¥64.1 billion.

Among homes operations, in order-built homes, deliveries of Hebel Haus™ unit homes and Hebel Maison™ apartment buildings decreased as an effect of orders received during the previous period, while selling, general and administrative (SG&A) expenses such as advertising expenses increased. In remodeling, SG&A expenses such as labor costs increased, but in real estate, management of rental units was firm.

In construction materials operations, sales of Neoma™ phenolic foam insulation panels were firm, while shipments of autoclaved aerated concrete (AAC) and foundation systems decreased.

In the homes business, in November 2016 we launched newly-developed “Hebel Building System,” a medium-rise building system, in anticipation of diverse range of commercial applications for stores and offices. In the construction materials business, we opened “Comfortable Space Laboratory” an experience/testing building using Neoma™ phenolic foam insulation panels in Sashima, Ibaraki, Japan, in January 2017.

## Health Care

Sales: ¥270.1 billion (5.4% decrease from a year ago)  
Operating income: ¥31.9 billion (11.9% decrease from a year ago)

[Main businesses]

- Pharmaceuticals operations  
Prescription drugs, diagnostic reagents, etc.
- Medical Devices operations  
Hemodialysis, therapeutic apheresis, virus removal filters, etc.
- Critical Care operations  
Defibrillators, temperature management system, etc.

Sales decreased by ¥15.3 billion from a year ago to ¥270.1 billion, and operating income decreased by ¥4.3 billion from a year ago to ¥31.9 billion.

Shipments of Teribone™ osteoporosis drug and Reomodulin™ recombinant thrombomodulin increased, but pharmaceuticals operations were impacted by reduced reimbursement prices, while Flivas™ agent for treatment of benign prostatic hyperplasia was impacted by competition from generics.

Shipments of Planova™ virus removal filters increased, but medical devices operations were impacted by the stronger yen and, in Japan, reduced reimbursement prices for dialysis-related products.

In critical care operations, on a local-currency basis, the LifeVest™ wearable defibrillator business continued to expand well, and sales of other products such as defibrillators and related accessories increased, but SG&A expenses grew with reinforced sales activity. The higher exchange value of the yen had an impact on the translation of results into consolidated accounts.

In the pharmaceuticals business, Asahi Kasei Pharma obtained approval for domestic sale of Reclast® for intravenous (i.v.) infusion 5 mg for the treatment of osteoporosis, and launched the sale in November 2016. In the medical devices business, the construction of a new spinning plant for Planova™ BioEX virus removal filters was completed in Oita, Oita, Japan, in September 2016.

## Others

[Main businesses]

- Engineering business, various research and information provision businesses, employment agency business, etc.

Sales increased by ¥2.1 billion from a year ago to ¥20.7 billion, and operating income increased by ¥2.3 billion from a year ago to ¥6.0 billion.

## New business and R&D

In FY2016, the Group's R&D cost decreased by ¥1.6 billion from a year ago to ¥79.6 billion. In line with the shift to an operating holding company in April 2016, the Group created a system of generating internal fusion by reorganizing the R&D organization. In addition, the Group has started the new mid-term management plan “Cs for Tomorrow 2018,” whereby we will combine the Group's strengths in its various technologies and diverse business operations and promote R&D based on the three aspects of “Cultivating and Acquiring Core Technology,” “Pursuing High Added Value,” and “Using Market Channels,” while deepening coordination with outside organizations including CVC (Corporate Venture Capital) and joint research, in an aim to create new businesses.



In FY2016, we continued to position the three fields of “Environment & Energy,” “Automobiles,” and “Health Care” as growth fields in order to proactively commit management resources for the development of new businesses.

In the “Environment & Energy” field, a validation plant started operations in Kurashiki, Okayama, Japan, to produce diphenyl carbonate (DPC), a monomer used in polycarbonate (PC) production, via dialkyl carbonate (DRC) as a new non-phosgene process for PC using CO<sub>2</sub> as feedstock. The new process differs from the traditional non-phosgene PC process the Company used in that it does not use ethylene oxide as feedstock. Therefore, the new process provides greater freedom in the selection of a plant location as there is no need to rely on the location of an ethylene center, and is expected to be a new technology for CO<sub>2</sub> chemistry. Also, in the validation test of our alkaline water electrolysis process for producing hydrogen from renewable energy at low cost, we ensured stable operation over 8,000 hours with a large-scale commercial specification electrolysis device installed under the entrustment of NEDO (New Energy and Industrial Technology Development Organization) in Kawasaki, Kanagawa, Japan, in November 2015.

In the “Automobiles” field, we combined polyamide (PA) 66 fiber and glass fiber into a base material for hybrid molding. By doing so, we are promoting the development of high-performance composite materials such as composite textiles and cellulose nanofiber nonwoven sheets with greater design freedom and an excellent strength-to-weight ratio. We are aiming for commercialization of these materials as alternative metal materials for the lighter weight of automobile materials.

In the Health Care field, we newly established a CVC base also in Massachusetts, US, to actively leverage external innovative technologies and advanced business models and engaged in investment activities for venture businesses by raising the amount of investment. We also started sales of Klaran™ UVC LEDs for the disinfection of water, air, and surfaces in May 2016. We are also eyeing developments into medical applications in the future.

(3) In FY2016, the Group made a total capital investment of ¥90.6 billion, and the following shows the key facilities which were completed or under construction during the year.

1) Facilities completed in FY2016

- New additional production facility for Bemliese™ cupro continuous-filament nonwoven fabric in Miyazaki, Japan (Fibers business)
- Additional production line for Hipore™ lithium-ion battery separator in Miyazaki, Japan (Electronic business)
- New spinning plant for Planova™ BioEX virus removal filter in Oita, Japan (Medical Care business)
- New manufacturing facility for Recomodulin™ anticoagulant in Shizuoka, Japan (Pharmaceuticals business)

2) Facilities under construction during FY2016

- Additional production line for Hipore™ lithium-ion battery separator in Shiga, Japan (Electronics business)

(4) In FY2016, the Group raised funds by issuing commercial paper. Meanwhile, we repaid our loans and lease obligations, and redeemed commercial paper. As a result, the interest-bearing outstanding debts at the year end decreased by ¥46.8 billion from a year ago to ¥402.8 billion.

Note: The amounts above are rounded to the nearest ¥100 million.

## **2. Issues to be addressed by the Group**

### **(1) Strengthening of the compliance system**

In response to the issue of manipulation of precast concrete pile installation data, which was disclosed in October 2015, Asahi Kasei Construction Materials Corporation has been implementing measures to prevent recurrence, including reviewing the construction management system, educating construction workers and providing employees with compliance education. Also, the Company established Risk Management & Compliance last January as the central hub to aggregate Group-wide risk management and compliance-related information. In addition, the Company established the Risk Management and Compliance Committee last September chaired by the Asahi Kasei President integrating the Corporate Ethics Committee and Risk Management Committee and monitors the compliance status and the progress of the risk countermeasures across the entire Group. Through these activities, the Company will further strengthen the compliance system and consistently encourage all personnel of the entire Group to perform the “three actuals” of the actual place, the actual thing, and the actual fact, in its aim to be a company that society can continue to trust.

### **(2) Progress of the mid-term management plan**

When moving to the operating holding company system in FY2016, the Group reorganized its businesses into three sectors of Material, Homes, and Health Care, and implemented the new three-year management plan “Cs for Tomorrow 2018.” The plan defines what the structure of the Group should be in 10 years as an aggregate of highly profitable and high value-added businesses, and aims to build a base for the next phase within three years by connecting diversified businesses and various human resources.

In FY2016, the first year of the plan, the Group laid a system to facilitate new business creation by reorganizing the research and development organizations and leveraging diverse human resources. The Company also started measures to pursue more dynamic business synergies within the Group, notable example includes efforts in the Material sector to allow more comprehensive approach to customers in automotive-related industries.

In FY2017, the second year of the plan, we assume that the future of the world economy will remain uncertain, taking into account economic measures of the new US administration and the impact on the economy of political trends in Europe. Under these circumstances, the Group recognizes the importance of implementing measures in line with the mid-term management plan while appropriately responding to changes in the business environment. We consider it essential to promote the optimum allocation of management resources and the further synergies among different businesses in order to generate results from the past measures for investment and business expansion.

The Group will contribute to the realization of two kinds of society: one is a “society of clean environmental energy” and the other is a “society of healthy/comfortable longevity with peace of mind,” by acting with integrity for all stakeholders, boldly taking on challenges and creating new values.

### 3. Trends in Group-wide results and assets

(In millions of yen\*)

Category	FY2012 (122nd)	FY2013 (123rd)	FY2014 (124th)	FY2015 (125th)	FY2016 (126th) Current
Net sales	1,666,600	1,897,800	1,986,400	1,940,900	1,883,000
Operating income	92,000	143,300	157,900	165,200	159,200
Ordinary income	95,100	142,900	166,500	161,400	160,600
Net income attributable to owners of the parent	53,700	101,300	105,700	91,800	115,000
Net income per share	¥38.43	¥72.48	¥75.62	¥65.69	¥82.34
Total assets	1,800,200	1,915,100	2,014,500	2,211,700	2,254,500
Net assets	824,500	925,800	1,097,700	1,057,400	1,168,100
Net assets per share	¥581.05	¥653.15	¥775.05	¥745.94	¥824.36

\* Except per-share amounts.

Notes:

1. Net sales, operating income, ordinary income, net income attributable to owners of the parent, total assets, and net assets are rounded to the nearest ¥100 million.
2. Net income per share and net assets per share are derived from the average number of shares issued throughout the period and the number of shares issued at the period end, respectively. The number of treasury shares is subtracted from both figures.
3. In the 122nd period, net sales increased from a year ago thanks to the contribution of the critical care business which was newly added in the period, but operating income, ordinary income, net income attributable to owners of parent, and net income per share suffered from a year-on-year decrease because the struggling market environment had an impact on the chemical and electronics business. Total assets increased year-on-year because of the acquisition of ZOLL Medical Corporation.
4. In the 123rd period, the progress of the weak yen improved the profitability of export businesses in general. Moreover, net sales, operating income, ordinary income, net income attributable to owners of the parent, and net income per share reached all-time highs, because the number of homes delivered to customers increased, the sales volume of the chemicals and pharmaceuticals businesses rose, and the pharmaceuticals business received compensatory damages as a result of winning a lawsuit in the US, although business structure improvement expenses were necessary for the integration of naphtha crackers in Mizushima, Okayama, Japan, and the reinforcement of the domestic petrochemical business infrastructure.
5. In the 124th period, the progress of the weak yen improved the profitability of export businesses in general. In addition, net sales, operating income, ordinary income, net income attributable to owners of the parent, and net income per share were at all-time highs because of a reduction in raw materials prices in the chemicals business and sales expansion in the critical care business.
6. In the 125th period, net sales decreased from a year earlier because the chemicals business suffered from decreased market prices for petrochemical products, but operating income was at an all-time high thanks to the good progress of the homes and critical care businesses. Meanwhile, ordinary income, net income attributable to owners of the parent, and net income per share suffered from a year-on-year decrease because equity in earnings of affiliates transitioned to equity in losses of affiliates and foreign exchange gains transitioned to foreign exchange losses.
7. In the 126th period, net sales, operating income, and ordinary income decreased from a year ago because of the impact of NHI drug price revisions on the pharmaceutical business, and the recording of depreciation of goodwill for the full fiscal year in line with the acquisition of Polypore in the electronics business, in addition to the impact of the strong yen. Meanwhile, net income attributable to owners of the parent and net income per share reached all-time highs because of the recording of a gain on sales of investment securities and a decrease in income tax payments.

## II. Corporate Summary

(As of March 31, 2017)

### 1. Group's key offices, plants, and laboratories

Segment	Locations	
Administrative and Other	Offices	Tokyo, Shizuoka, Miyazaki, China, India, Germany, US
	Laboratories	Tokyo, Kanagawa, Shizuoka, Mie, Shiga, Okayama, Oita, Miyazaki
Material	Offices	Tokyo, Osaka
	Plants	Fibers: Shiga, Miyazaki, China, Taiwan, Thailand, Germany Chemicals: Kanagawa, Chiba, Shizuoka, Mie, Wakayama, Okayama, Fukuoka, Oita, Miyazaki, China, South Korea, Taiwan, Singapore, Thailand, US Electronics: Miyagi, Shizuoka, Shiga, Miyazaki, South Korea, US
	Laboratories	Fibers: Shiga, Miyazaki Chemicals: Tokyo, Kanagawa, Chiba, Mie, Okayama, Miyazaki Electronics: Tokyo, Kanagawa, Shizuoka, Shiga, US
Homes	Offices	Tokyo
	Plants	Construction Materials: Ibaraki, Gifu, Yamaguchi
	Laboratories	Homes: Tokyo, Shizuoka Construction Materials: Ibaraki
Health Care	Offices	Tokyo, US
	Plants	Pharmaceuticals/Medical Care: Shizuoka, Aichi, Oita, Miyazaki, China Critical Care: US
	Laboratories	Pharmaceuticals/Medical Care: Tokyo, Shizuoka, Oita, Miyazaki Critical Care: US

### 2. Group employees

Segment	Employees	Year-on-year change
Administrative and Other	2,577	1,399
Material	14,215	-997
Homes	7,030	286
Health Care	8,697	43
Other	1,201	168
<b>Total</b>	<b>33,720</b>	<b>899</b>

(Note) The significant increase and decrease in “Administrative and Other” and “Material” respectively are partly due to the transfer of employees at the time of the transition to the operating holding company in April 2016.

### 3. Main lenders and loans

(In millions of yen)

Lender	Loan
Sumitomo Mitsui Banking Corporation	88,960 *
Mizuho Bank, Ltd.	79,460 *
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	50,059 *
The Norinchukin Bank	24,968
Development Bank of Japan Inc.	20,039
Sumitomo Mitsui Trust Bank, Limited	17,237
Nippon Life Insurance Company	6,000
Japan Bank for International Cooperation	3,039
Meiji Yasuda Life Insurance Company	3,000
Asahi Mutual Life Insurance Company	3,000

(Note) The amounts above are rounded to the nearest million.

\* The loan amounts of the lender indicated with an asterisk include loans from lenders' overseas affiliates.

### 4. Matters regarding Shares of a Stock Company

- (1) Total number of authorized shares: 4,000,000,000 shares
- (2) Total number of outstanding shares: 1,402,616,332 shares (including treasury stock of 5,958,904 shares)
- (3) Number of shareholders: 76,784 persons (decreased by 13,338 persons compared to the end of previous fiscal year)
- (4) Largest shareholders (top 10)

Name of shareholder	Number of shares owned (Thousand shares)	Percentage of equity* (%)
JP MORGAN CHASE BANK 380055	88,085	6.28
The Master Trust Bank of Japan, Ltd. (trust account)	72,740	5.19
Nippon Life Insurance Company	65,700	4.68
Japan Trustee Services Bank, Ltd. (trust account)	51,618	3.68
Sumitomo Mitsui Banking Corp.	35,404	2.52
Asahi Kasei Group Employee Stockholding Assn.	34,282	2.44
Japan Trustee Services Bank, Ltd. (trust account 9)	28,535	2.03
Japan Trustee Services Bank, Ltd. (trust account 5)	24,002	1.71
Mizuho Bank, Ltd.	20,269	1.45
Tokio Marine & Nichido Fire Insurance Co., Ltd.	20,013	1.43

\* Percentage of equity ownership after exclusion of treasury stock

## 5. Status of Parent Company and Material Subsidiaries

### (1) Status of material subsidiaries, etc.

Company name	Capital	The Company's ratio of voting rights (%)	Principal business
Asahi Kasei Advance Corp.	¥500 million	100.0	Production, processing, sale, etc. of fibers, chemicals, resin products, and construction materials products
Asahi Kasei Spandex Europe GmbH	€28 Million* <sup>1</sup>	100.0	Production and sale of spandex fiber
Hangzhou Asahikasei Spandex Co., Ltd. * <sup>2</sup>	CNY 154 million	100.0	Production and sale of spandex fiber
Hangzhou Asahikasei Textiles Co., Ltd. * <sup>3</sup>	CNY 78 million	92.5	Production and sale of warp-knit spandex textiles
Asahi Kasei Spunbond (Thailand) Co., Ltd.	THB 1,835 billion	84.3	Production and sale of spunbond nonwovens
Thai Asahi Kasei Spandex Co., Ltd.	THB 1,350 million	60.0	Production and sale of spandex fiber
Asahi Kasei Pax Corp.	¥490 million	100.0	Production and sale of synthetic resin products
Japan Elastomer Co., Ltd.	¥1,000 million	75.0	Production and sale of synthetic rubber
PS Japan Corp.	¥5,000 million	62.1	Production and sale of polystyrene
Tongsuh Petrochemical Corp., Ltd.	KRW 237,642 million	100.0	Production and sale of acrylonitrile, sodium cyanide, etc.
Asahi Kasei Synthetic Rubber Singapore Pte. Ltd.	US\$160 million	100.0	Production and sale of synthetic rubber
Asahi Kasei Plastics Singapore Pte. Ltd.	US\$ 46 million	100.0	Production and sale of performance resin
Asahi Kasei Electronics Materials (Changshu) Co., Ltd * <sup>2</sup>	CNY 306 million	100.0	Production and sale of electronic materials
Asahi Kasei Performance Chemicals Corp. * <sup>2</sup>	CNY 285 million	100.0	Production and sale of high-performance HDI-based polyisocyanate
Asahi-DuPont POM (Zhangjiagang) Co., Ltd. * <sup>2</sup>	CNY 265 million	100.0	Production and sale of polyacetal
Asahi Kasei Electronics Materials (Suzhou) Co., Ltd. * <sup>2</sup>	CNY 181 million	100.0	Production and sale of electronic materials
Asahi Kasei Plastics (America) Inc.	US\$32 million * <sup>1</sup>	100.0	Holding company of a company producing and selling compounded performance resin
Asahi Kasei Europe GmbH	€14 Million * <sup>1</sup>	100.0	Sale and marketing of chemicals, resin products, fibers, electronic devices
Asahi Kasei Microza (Hangzhou) Co., Ltd * <sup>2</sup>	CNY 69 million	100.0	Production and sale of hollow fiber industrial filtration membranes and systems
Asahi-Schwebel (Taiwan) Co., Ltd.	TWD 326 million	51.0	Production and sale of long glass fiber fabric
Asahi Kasei Mitsubishi Chemical Ethylene Corp.	¥2,000 million	50.0	Production of petrochemicals and sales to both parent companies
PTT Asahi Chemical Co., Ltd.	THB 13,819 million	50.0	Production and sale of acrylonitrile, methyl methacrylate, etc.

Company name	Capital	The Company's ratio of voting rights (%)	Principal business
Polypore International, LP *4	US\$2,233 million *1	100.0	Production and sale of battery separators
Asahi Kasei E-materials Korea Inc.	KRW 18,900 million	100.0	Production and sale of electronic materials
Asahi Kasei Microdevices Corp.	¥3,000 million	100.0	Production and sale of electronic devices
Asahi Kasei Homes Corp.	¥3,250 million	100.0	Housing design, construction, and sale
Asahi Kasei Realty & Residence Corp. *5	¥3,200 million	100.0	Real estate development, brokerage, and related business
Asahi Kasei Jyuko Co., Ltd. *5	¥2,820 million	100.0	Production and sale of steel frames for homes
Asahi Kasei Mortgage Corp. *5	¥1,000 million	100.0	Financial services
Asahi Kasei Reform Co., Ltd. *5	¥250 million	100.0	Waterproofing, exterior remodeling, and renovation of homes
Asahi Kasei Jyuko Vietnam Corp. *5	US\$15 million	78.0	Production of steel-frame members
Chuo Build Industry Co., Ltd. *5	¥508 million	33.0	Temporary construction equipment, metal processing
Mori-Gumi Co., Ltd. *5	¥1,640 million	30.3	Civil engineering and construction, real estate, stone crushing, etc.
Asahi Kasei Construction Materials Corp.	¥3,000 million	100.0	Production and sale of construction and civil engineering materials
Asahi Kasei Pharma Corp.	¥3,000 million	100.0	Production and sale of pharmaceuticals
Asahi Kasei Pharma America Corp. *6	US\$122 million *1	100.0	Clinical trials for new drugs
Asahi Kasei Medical Co., Ltd	¥3,000 million	100.0	Production and sale of medical devices, bioprocess products, etc.
Asahi Kasei Bioprocess America, Inc. *7	US\$30 million	100.0	Production and sale of bioprocess equipment and systems
Asahi Kasei Medical (Hangzhou) Co., Ltd *7	CNY 165 million	100.0	Production of hemodialyzers and sale of medical devices
Asahi Kasei Medical Europe GmbH *7	€18 million	100.0	Sale of medical devices and systems
ZOLL Medical Corporation *8	US\$1,723 million *1	100.0	Production and sale of acute critical care devices and systems
Asahi Research Center Co., Ltd.	¥1,000 million	100.0	Information gathering, research, publication, and consulting services
Asahi Kasei Engineering Corp.	¥400 million	100.0	Design, installation, sale, and repairs related to equipment, devices, civil engineering, and construction
Asahi Kasei Amidas Co., Ltd.	¥80 million	100.0	Personnel placement and employment agency services
Asahi Kasei (China) Co., Ltd.	CNY 2,214 million	100.0	Investment and business support services, etc. in China
Crystal IS, Inc.	US\$40 million *1	100.0	Development of aluminum nitride substrates, UVC LEDs, etc.

Company name	Capital	The Company's ratio of voting rights (%)	Principal business
Asahi Yukizai Corp.	¥5,000 million	30.6	Production, processing, and sale of synthetic resin and fabricated plastic products
Asahi Kasei Energy Storage Materials, Inc.	US\$2,256 million <sup>*1</sup>	100.0	Equity-holding company of Polypore International, LP
Asahi Kasei Holdings US, Inc.	US\$1,732 million <sup>*1</sup>	100.0	Holding company of ZOLL Medical Corporation

(Notes) Figures shown above are indicated in millions, rounded to the nearest million.

\*1 The capital includes capital reserve.

\*2 owned indirectly through Asahi Kasei (China) Co., Ltd.

\*3 owned indirectly through Asahi Kasei Advance Corp. and Asahi Kasei (China) Co., Ltd.

\*4 owned indirectly through Asahi Kasei Energy Storage Materials, Inc.

\*5 owned indirectly through Asahi Kasei Homes Corp.

\*6 owned indirectly through Asahi Kasei Pharma Corp.

\*7 owned indirectly through Asahi Kasei Medical Co., Ltd.

\*8 owned indirectly through Asahi Kasei Holdings US, Inc.

Consolidated subsidiaries and equity-method affiliates at the end of FY2016 are respectively 171 companies and 32 companies, including material subsidiaries, etc. stated in (1) above.

(2) Integration and reorganization of material subsidiaries, etc.

1) As of April 1, 2016, as Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp. were absorbed in the absorption-type merger with the Company, they were excluded from the scope of consolidation.

As a result, the Company's current subsidiaries and affiliates are: Asahi Kasei Spandex Europe GmbH, Hangzhou Asahikasei Spandex Co., Ltd., Hangzhou Asahikasei Textiles Co., Ltd., Asahi Kasei Spunbond (Thailand) Co., Ltd., Thai Asahi Kasei Spandex Co., Ltd., Asahi Kasei Pax Corp., Japan Elastomer Co., Ltd., PS Japan Corp., Asahi Kasei Synthetic Rubber Singapore Pte. Ltd., Asahi Kasei Plastics Singapore Pte. Ltd., Asahi Kasei Performance Chemicals Corp., Asahi Kasei POM (Zhangjiagang) Co., Ltd., Asahi Kasei Plastics (America) Inc., Asahi Kasei Microza (Hangzhou) Co., Ltd. Asahi-Schwebel (Taiwan) Co., Ltd., PTT Asahi Chemical Co., Ltd., and Asahi Kasei E-materials Korea Inc.

2) On April 1, 2016, the Company made Asahi Kasei Europe GmbH its consolidated subsidiary due to its increased materiality accompanying the commencement of operations.

3) On April 1, 2016, the Company made Asahi Kasei Mitsubishi Chemical Ethylene Corp. its equity method affiliate.

4) On April 1, 2016, the name of Asahi Organic Chemicals Industry Co., Ltd. was changed to Asahi Yukizai Corp.

5) On May 20, 2016, as Asahi Kasei Homes Corp. completed the acquisition of stock of Mori-Gumi Co., Ltd., the Company made Mori-Gumi its equity method affiliate.

6) On March 3, 2017, as Asahi Kasei Homes Corp. completed the acquisition of stock of Chuo Build Industry Co., Ltd., the Company made Chuo Build Industry its equity method affiliate.



### III Matters regarding Company Officers

#### 1. Situation of Directors and Corporate Auditors

(As of March 31, 2017)

Position	Name	Responsibilities	Situation of concurrent holding of important posts
Chairman and Director	Ichiro Itoh	<ul style="list-style-type: none"> <li>• Convener and chair of meetings of the Board of Directors</li> <li>• Member of the Nomination Advisory Committee</li> <li>• Member of the Remuneration Advisory Committee</li> </ul>	
President and Representative Director	Hideki Kobori	<ul style="list-style-type: none"> <li>• Presidential Executive Officer</li> <li>• Convener and chair General Meetings of Shareholders and meetings of the Management Council</li> <li>• Member of the Nomination Advisory Committee</li> <li>• Member of the Remuneration Advisory Committee</li> </ul>	
Representative Director	Yuji Kobayashi	<ul style="list-style-type: none"> <li>• Vice-Presidential Executive Officer</li> <li>• Material business sector</li> </ul>	
Director	Masafumi Nakao	<ul style="list-style-type: none"> <li>• Primary Executive Officer</li> <li>• Corporate ESH &amp; QA, offices, corporate production technology, production, research and development</li> </ul>	
Director	Shuichi Sakamoto	<ul style="list-style-type: none"> <li>• Senior Executive Officer</li> <li>• Corporate strategy, corporate finance, IT</li> <li>• Asahi Kasei America, Inc.</li> <li>• Asahi Kasei (China) Co., Ltd.</li> </ul>	
Director	Nobuyuki Kakizawa	<ul style="list-style-type: none"> <li>• Lead Executive Officer</li> <li>• General affairs/legal affairs, risk management/compliance</li> </ul>	
Outside Director	Norio Ichino	<ul style="list-style-type: none"> <li>• Member of the Nomination Advisory Committee</li> <li>• Member of the Remuneration Advisory Committee</li> </ul>	Special Advisor of Tokyo Gas Co., Ltd.
Outside Director	Masumi Shiraishi	<ul style="list-style-type: none"> <li>• Member of the Nomination Advisory Committee</li> <li>• Member of the Remuneration Advisory Committee</li> </ul>	Professor of Faculty of Policy Studies, Kansai University
Outside Director	Tsuneyoshi Tatsuoaka	<ul style="list-style-type: none"> <li>• Member of the Nomination Advisory Committee</li> <li>• Member of the Remuneration Advisory Committee</li> </ul>	Outside Director of Nitori Holdings Co., Ltd. (member of audit committee)
Corporate Auditor	Hajime Nagahara		
Corporate Auditor	Shinsuke Kido		
Outside Corporate Auditor	Koji Kobayashi		Certified Public Accountant Outside Corporate Auditor, Felissimo Corp. (member of audit committee)
Outside Corporate Auditor	Akio Makabe		Professor, Faculty of Economics, Shinshu University
Outside Corporate Auditor	Tetsuo Ito		<ul style="list-style-type: none"> <li>• Attorney-at-Law, (of Counsel, Nishimura &amp; Asahi)</li> <li>• Outside Corporate Auditor of Takasago Thermal Engineering Co., Ltd.</li> <li>• Outside Corporate Auditor of UNIZO Holdings Co., Ltd.</li> <li>• Outside Director of Japan Petroleum Exploration Co., Ltd.</li> </ul>

(Notes) 1. Directors Masafumi Nakao, Shuichi Sakamoto, Nobuyuki Kakizawa and Tsuneyoshi Tatsuoaka were newly

elected as Directors at the 125th Ordinary General Meeting of Shareholders held on June 28, 2016, and assumed office as of the same date.

2. Directors Norio Ichino, Masumi Shiraishi, and Tsuneyoshi Tatsuoka are Outside Directors as stipulated in Article 2, Item 15 of the Companies Act and are registered as Independent Directors as specified by the Tokyo Stock Exchange.
3. Corporate Auditors Koji Kobayashi, Akio Makabe, and Tetsuo Ito are Outside Corporate Auditors as stipulated in Article 2, Item 16 of the Companies Act and are registered as Independent Officers as specified by the Tokyo Stock Exchange.
4. Corporate Auditor Koji Kobayashi is licensed as a certified public accountant and has vast experience of corporate auditing, while Corporate Auditor Akio Makabe has instructed and conducted research on economics and finance at universities, etc. over the years. Both persons have considerable insight into finance and accounting.
5. The Company has executed contracts with four Directors: Ichiro Itoh, Norio Ichino, Masumi Shiraishi, and Tsuneyoshi Tatsuoka as well as five Corporate Auditors: Hajime Nagahara, Shinsuke Kido, Koji Kobayashi, Akio Makabe, and Tetsuo Ito to limit liability for damages as stipulated in Article 423, Paragraph 1 of the Companies Act, to the higher of either ¥10 million or the minimum liability limit amount for damages stipulated in laws and regulations.

## 2. Matters pertaining to Remuneration, etc. of Directors and Corporate Auditors

### (1) The amount of remuneration, etc. of Directors and Corporate Auditors in FY2016

Classification	Directors		Corporate Auditors		Total	
	Number of Directors Paid	Amount Paid (In millions of yen)	Number of Corporate Auditors Paid	Amount Paid (In millions of yen)	Number of Directors and Corporate Auditors Paid	Amount Paid (In millions of yen)
Remuneration paid based on the Articles of Incorporation or a resolution of General Meeting of Shareholders	13	403	5	113	18	515
(of which Outside Officers)	4	39	3	39		
Total	13	403	5	113	18	515

- (Notes) 1. The remuneration limit to be paid to Directors is set at ¥650 million per year, of which annual remuneration for Outside Directors is ¥50 million or less (the resolution was made on the 123rd Ordinary General Meeting of Shareholders held on June 27, 2014).
2. The remuneration limit to be paid to Corporate Auditors is set at ¥150 million per year (the resolution was made on the 115th Ordinary General Meeting of Shareholders held on June 29, 2006).
3. The number of Officers as of March 31, 2017 is nine Directors (of which three are Outside Directors) and five Corporate Auditors (of which three are Outside Corporate Auditors).
4. Figures shown above are indicated in millions, rounded to the nearest million.

### (2) Policy regarding the determination of remuneration amount for Officers and the procedures

#### 1) Remuneration for Directors

Directors' remuneration, within the remuneration limit approved at a shareholders meeting, is determined based on the remuneration system approved in advance by the Board of Directors, and consists of a fixed base remuneration determined by the rank of each Director, and performance-linked remuneration determined based on consolidated and non-consolidated financial results of the Group. Performance is comprehensively evaluated in consideration of the degree of achievement of individually-established objectives, achievements, contributions to financial performance, and the degree of contributions, in addition to management benchmarks including, but not limited to, net sales, operating income, and ROA. The Company determines the level of remuneration based on research data provided by external specialized agencies, etc.

Remuneration for Outside Directors, however, is comprised solely of fixed basic remuneration.

In order to further improve objectivity and transparency of Directors' remuneration, the Company has established a Remuneration Advisory Committee, which mainly consists of Outside Directors, to participate in discussions about the Directors' remuneration system and operation thereof, and to provide advice to the Board of Directors.

Based on the discussions at the said Committee, the Company intends to incorporate a stock-based remuneration as a component of the remuneration system for Directors excluding Outside Directors to enhance the motivation of Directors to contribute to greater business performance and

corporate value of the Company over the medium-to-long term. It will be proposed to the 126th Ordinary General Meeting of Shareholders.

## 2) Remuneration for Corporate Auditors

The performance-linked remuneration system is not applied in the remuneration for Corporate Auditors, in consideration of their role of auditing the execution of duties of Directors in a position independent from Directors, and their remuneration consists of fixed remuneration. Individual remuneration amounts are determined through discussions with Corporate Auditors.

## 3. Matters regarding Outside Officers

### Situation of major activities of Outside Officers

Classification	Name	Situation of attendance to the Board of Directors (attendance rate)	Situation of attendance to the Board of Corporate Auditors (attendance rate)	Remarks
Directors	Norio Ichino	15 out of 15 meetings (100%)	–	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his high personal insight as a business manager.
	Masumi Shiraishi	14 out of 15 meetings (93%)	–	She appropriately made statements that were necessary to the Board's deliberation of agenda based on her high personal insight as a university professor.
	Kenyu Adachi	3 out of 4 meetings (75%)	–	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his broad knowledge for industries.
	Tsuneyoshi Tatsuoka	11 out of 11 meetings (100%)	–	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his broad knowledge for industries.
Corporate Auditors	Koji Kobayashi	15 out of 15 meetings (100%)	15 out of 15 meetings (100%)	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his high personal insight as a certified public accountant.
	Akio Makabe	15 out of 15 meetings (100%)	15 out of 15 meetings (100%)	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his high personal insight as a university professor.
	Tetsuo Ito	14 out of 15 meetings (93%)	15 out of 15 meetings (100%)	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his high personal insight as a prosecutor and attorney-at-law.

(Notes) 1. No special relation exists between important posts held concurrently as stated in the "Situation of Directors and Corporate Auditors," and the Company.

2. In October 2015 during the term of office of Norio Ichino, Masumi Shiraishi, as Outside Directors of the Company and during the term of office of Messrs. Koji Kobayashi, Akio Makabe, and Tetsuo Ito as Outside Corporate Auditors of the Company, the Company disclosed that Asahi Kasei Construction Materials Corporation, its subsidiary, diverted a part of the installation data over a number of years concerning the installation work of precast concrete piles. Also, in January 2016, Asahi Kasei Construction Materials Corporation received administrative dispositions in accordance with the Construction Business Act with respect to the installation work of precast concrete piles installed by the Company from 2005 to 2006. The above five persons made statements from the perspective of compliance, etc. at meetings of the Board of Directors, etc. before said facts had been identified. In addition, after the facts had been identified, they appropriately assumed their responsibilities including: investigation of the facts and the causes, formulation of measures to prevent recurrence, further strengthening awareness of compliance, etc.

3. Mr. Kenyu Adachi retired upon his expiration of his term of office at the close of the 125th Ordinary General Meeting of Shareholders.

#### **IV. Status of Independent Auditors**

- (1) Name of Independent Auditors  
PricewaterhouseCoopers Aarata LLC  
(Note) PricewaterhouseCoopers Aarata changed its name to PricewaterhouseCoopers Aarata LLC on July 1, 2016.

- (2) The rationale for the Board of Corporate Auditors having agreed on the amount of remuneration, etc. to be paid to Independent Auditors pertaining to FY2016

1) Remuneration for audit services as stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act  
PricewaterhouseCoopers Aarata: ¥162 million

2) Total amount of remuneration to be paid by the Company and its subsidiaries and other financial profit

PricewaterhouseCoopers Aarata: ¥262 million

- (Notes) 1. In the audit contract between the Company and Independent Auditor, it is not practically possible to distinguish between the remuneration for the audit based on the Companies Act as Independent Auditors and that for the audit based on the Financial Instrument and Exchange Act. Therefore, the above amounts include both of these.
2. In addition to audit services as stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, the Company pays Independent Auditors the expenses for preparation of confirmations regarding applications for approval of the Tax Incentive to Promote Capital Investment to Improve Productivity.
3. The Company's significant overseas subsidiaries are audited by parties other than the Company's Independent Auditors (such as a chartered accountant or an entity that has the equivalent qualification to a chartered accountant overseas) - (only to the extent the provisions of overseas statutory laws and regulations equivalent to the Companies Act and the Financial Instruments and Exchange Act are applicable).
4. Figures shown above are indicated in millions, rounded to the nearest million.

- 3) The rationale for the Board of Corporate Auditors having agreed on the remuneration, etc. of Independent Auditors

The Board of Corporate Auditors agreed on the amount of the remuneration, etc. of the Independent Auditor after conducting necessary verification to ascertain the appropriateness of descriptions in the audit plan prepared by the Independent Auditor, the status of execution of accounting audit duties, the basis for the calculation of the estimated amount of remuneration estimation, etc.

- (3) Policies of dismissal or denial of reappointment of Independent Auditors

The Board of Corporate Auditors shall dismiss Independent Auditors subject to the agreement of all Corporate Auditors when it concludes that any item of Article 340, Paragraph 1 of the Companies Act is applicable to Independent Auditors.

In addition to the above case, if it is deemed difficult for Independent Auditors to perform their duties adequately, the Board of Corporate Auditors shall decide a proposal concerning dismissal or denial of reappointment of Independent Auditors, and the Board of Directors shall submit the relevant proposal to the General Meeting of Shareholders based on the relevant decision.

## V. The System and Policy of the Company

### 1. Corporate governance system

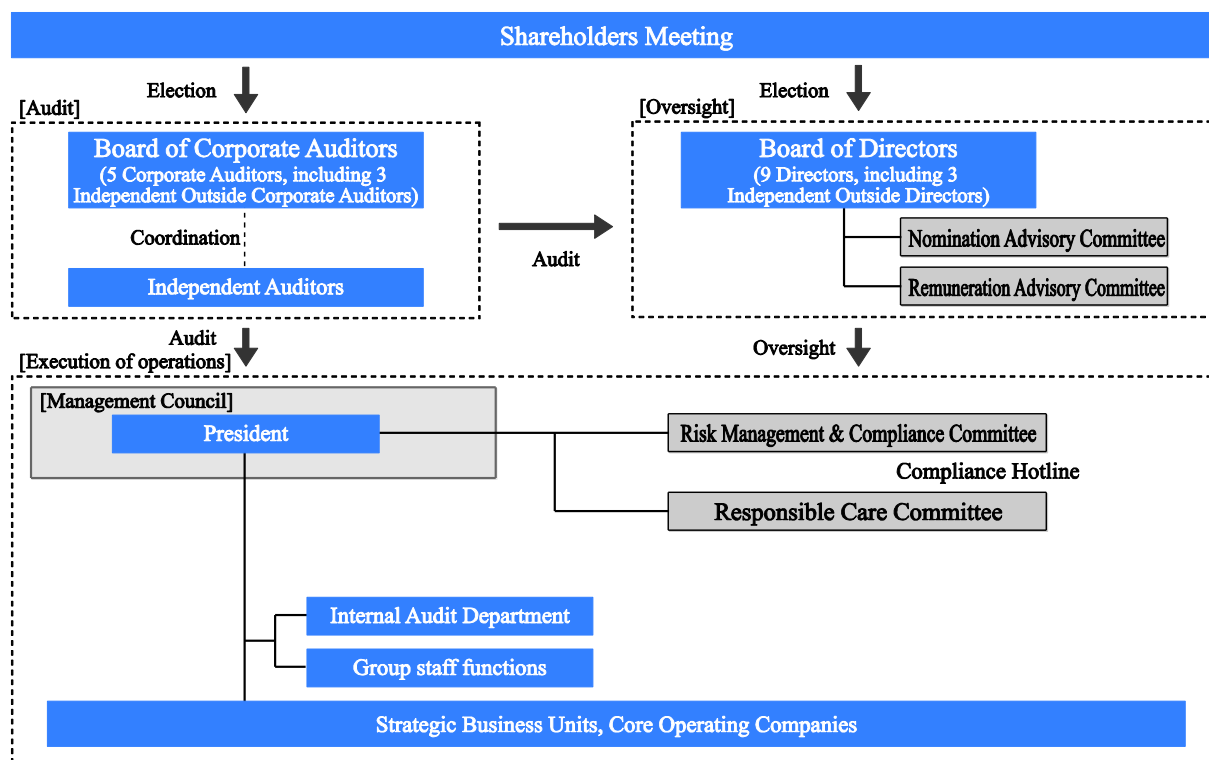
#### (1) Basic views for corporate governance

The Group Vision of the Company is to provide new value to society and solve social issues by enabling “Living in health and comfort” and “Harmony with the natural environment” under the Group Mission of “Contributing to life and living for people around the world.” With this as a base, the Company aims to contribute to society, achieve sustainable growth, and enhance corporate value over the medium to long term by promoting innovation and creating synergy through the integration of various businesses.

The Company continues to pursue optimal corporate governance as a framework to achieve transparent, fair, timely, and decisive decision-making in accordance with changes in the business environment.

#### (2) Diagram of corporate governance system of the Group

(As of March 31, 2017)



#### (3) Overviews of the Company’s corporate governance system

##### 1) Oversight and audit

The Board of Directors, which consists of nine Directors including three Independent Outside Directors (one-third), makes decisions on matters that are stipulated by laws/regulations and the Articles of Incorporation as requiring a Board of Directors resolution, as well as on important matters for the Company and the Group, and oversees execution of operations by Directors and Executive Officers.

Under the Board of Directors, the Company has established a Nomination Advisory Committee and a Remuneration Advisory Committee, which mainly consist of Outside Directors, so that Outside Directors actively participate in consideration of the optimal makeup and size of the Board of Directors of the Company, policies to nominate candidates for Directors/Corporate Auditors, independence standards and qualification for Outside Directors/Corporate Auditors, Directors’ remuneration policy/system, and evaluations of Directors for performance-based remuneration, and to provide relevant advice to the Board of Directors.

The Board of Corporate Auditors consists of five Corporate Auditors including three (majority) Independent Outside Corporate Auditors, and each Corporate Auditor, based on the audit policy stipulated by the Board of Corporate Auditors, oversees execution of duties by Directors by attending meetings of the Board of Directors and examining the status of execution of operations. In order to

enhance the function of the Board of Corporate Auditors and to facilitate smooth cooperation and support with Outside Corporate Auditors, the Company has established a Corporate Auditors Office staffed with dedicated employees.

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

The Company has established Internal Audit Department which conducts internal audits based on an audit plan. Results of internal audits performed by each staff function are aggregated in the Internal Audit Department and reported to the Board of Directors.

## 2) Execution of operation

The Company has adopted an Executive Officer system in order to expedite the execution of operations, as well as to clarify responsibilities and specify the roles of Directors in charge of decision-making and oversight, and of Executive Officers in charge of execution of operations.

The Company has established detailed standards for decision-making in its Decision-making and Approval Authority Regulations of the Group with regard to matters concerning the management plan, investment and loans, financing and fund management, the organization and management system, research and development, and production technology, and delegates authority to the Management Council and the core operating companies from the Board of Directors.

## 3) Risk management and compliance

The Company has established the Risk Management & Compliance Committee which adopts policies and deliberates on matters in regard to risk management and compliance. Also, The Company has established the Responsible Care (RC) Committee which discusses preventive measures and recurrence prevention measures for accidents related to environmental protection, product safety, operational safety, and workplace safety/health.

## **(4) Evaluation of the effectiveness of the Board of Directors**

The Company's Board of Directors will review its effectiveness at the end of each fiscal year, and disclose its evaluation.

### 1. Measures implemented in FY2016

The Board of Directors implemented the following measures based on the evaluation of the previous fiscal year.

#### 1) Change of the agendas for the Board of Directors meetings

In order to enhance the supervisory functions of the Board of Directors, the agendas to be discussed at the Board of Directors meeting were reviewed in order to focus more on discussions of corporate governance, risk management, and compliance. After several discussions at the meetings, the new Asahi Kasei Group Code of Conduct was established and became available on the Asahi Kasei website in April 2017.

#### 2) Proposal for the adoption of a stock-based remuneration system

By more clearly linking remuneration of Directors and the Company's shareholder value, the new system would reinforce the common interest between Directors and shareholders, including both the benefits of share price increases and the risk associated with share price decreases. The System is designed to enhance the motivation of Directors to contribute to greater business performance and corporate value of the Company over the medium-to-long term. For the purposes above, the Company proposes the introduction of a stock-based remuneration system to the 126th Ordinary General Meeting of Shareholders. The proposal for adopting the system was deliberated at the Company's Remuneration Advisory Committee consisting of a majority of Outside Directors, to ensure objectivity and transparency.

#### 3) Enhanced provision of information to Outside Directors and Corporate Auditors

As a part of our effort to expand the provision of information to Outside Directors and Outside Corporate Auditors, Outside Directors and Outside Corporate Auditors visited the Company's manufacturing sites to gain deeper understanding of the Group. In addition to the site visits by Outside Directors and Outside Corporate Auditors held on an annual basis, the Company will

promote provision of information through regular briefings by people responsible for each business unit to keep Outside Directors and Outside Corporate Auditors informed of current business situation and issues.

## 2. Moving forward

We believe that we have further enhanced the supervisory functions of the Board of Directors through the measures described in 1. above. Furthermore, based on deliberations of the effectiveness of the Board of Directors during FY2016, the Company will continue and expand these efforts in the future. At the same time, the Company intends to further develop discussions on the direction of long-term and mid-term management strategies, the progress of the mid-term management plan, and IR activities as well as the opinions and trends of investors and capital markets.

The Group needs to conduct management from a global perspective through large-scale M&As and overseas business development while the business environment is rapidly changing. In line with these environmental changes, it was recognized that the Group needs to be able to flexibly change the membership and the structure of the Board of Directors in the future.

## 2. System to ensure internal control and the status thereof

The Company, at the Board of Directors level, has made decisions on policy concerning the system to ensure the appropriateness of operations, based on Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act, and operates the policy as follows.

Policy	Overview: Status of operation
<p><b>System of Compliance for Execution of Duties by Directors</b></p> <ol style="list-style-type: none"> <li>Directors oversee the execution of operations by other Directors through the Board of Directors.</li> <li>For the purpose of the foregoing paragraph, the Company holds a meeting of the Board of Directors once or more per month in principle.</li> <li>For the purpose of Paragraph 1, the Company, in the Regulations of the Board of Directors, specifically stipulates matters to be discussed by the Board of Directors concerning the execution of important operations.</li> <li>The Company has a Board of Corporate Auditors, and Corporate Auditors, based on the audit policy stipulated by the Board of Corporate Auditors, oversee the execution of duties by Directors by attending meetings of the Board of Directors and examining the status of the execution of operations from the viewpoints of legality and validity.</li> </ol>	<ul style="list-style-type: none"> <li>◆ In FY2016, the Company held 15 meetings of the Board of Directors in total, more than once per month.</li> <li>◆ In the Regulations of the Board of Directors, specific matters to be discussed by the Board of Directors are stipulated. At any meeting of the Board of Directors, Directors and Corporate Auditors, including Outside Officers, with a high attendance rate, made sufficient deliberations actively on matters to be discussed. The average duration of a meeting of the Board of Directors is about two and half hours each.</li> <li>◆ In FY2016, Corporate Auditors implemented hearings for multiple persons who execute operations as well as site visits in addition to attending meetings of the Board of Directors. Outside Corporate Auditors also participated in these events as necessary.</li> </ul>
<p><b>System of Communication of Information and Storage/Management Thereof</b></p> <ol style="list-style-type: none"> <li>The Company, in the Articles of Incorporation, the Regulations of the Board of Directors, and the Decision-Making and Approval Authority Regulations of the Group, clearly specify decision makers concerning the decision of matters important to the management of the Group including the Board of Directors and the Management Council, and properly makes decision based thereon.</li> <li>The Company, in the Articles of Incorporation, the</li> </ol>	<ul style="list-style-type: none"> <li>◆ Matters important to the management of the Group in FY2016 were submitted for discussion at meetings of the Board of Directors and reported properly as shown on the left, and their minutes are stored and managed properly. The Company also communicates important management decisions and matters to be reported to the executives of group companies.</li> <li>◆ In FY2016, the President of the Company received reports from Presidents of the strategic business</li> </ul>

Policy	Overview: Status of operation
<p>Regulations for the Board of Directors, and the Decision-Making and Approval Authority Regulations of the Group, also clearly specifies to whom reports are to be made and what is to be reported concerning the communication of information important to the management of the Group including the Board of Directors and the Management Council, and properly communicates information based thereon.</p> <p>3. The President of the Company requests reports from Presidents of the strategic business units and Presidents of the core operating companies on the status of the execution of operations and important management issues as well as results of audits conducted by Corporate Auditors of core operating companies, and exerts efforts to fully understand information which is important to the management of the Group.</p> <p>4. Concerning decision making and communication of information conducted in accordance with the above, the Company specifies rules on the creation and storage of minutes thereof as necessary to store and manage such information properly based thereon.</p>	<p>units and Presidents of the core operating companies on the status of the execution of operations and important management issues, and checked how to handle them and the progress of the handling. The President of the Company also received regular reports on the results of audits conducted by Corporate Auditors of core operating companies.</p> <p>◆ Responsible divisions/departments properly store/manage important information related to management and execution of operations of the Group, management decisions, internal notices, etc.</p>
<p><b>System to Ensure Efficiency</b></p> <p>1. The Group establishes business sectors in order to conduct diversified businesses and ensures a system which enables swift and flexible decision-making based on the nature of each business.</p> <p>2. The Company adopts an Executive Officer system in order to expedite the execution of operations and clarify responsibilities, and also to specify the roles of Directors in charge of decision-making and supervision, and those of Executive Officers in charge of the execution of operations.</p> <p>3. To expedite management decisions, the Company promotes proper delegation of authority pertaining to the execution of operations.</p> <p>4. Financial data which are used in performance management are provided in a timely and appropriate manner to Directors, Executive Officers, etc.</p>	<p>◆ The Group, in order to achieve further growth, adopted an operating holding company configuration as of April 1, 2016, and reorganized its business into the three sectors of Material, Homes, and Health Care with the start of a new medium-term management plan.</p> <p>◆ As of April 1, 2016, the Company reexamined the rules for submitting proposals to the Board of Directors concerning investment and loans, in order to expedite management decisions by promoting proper delegation of authority pertaining to the execution of operations.</p> <p>◆ Other systems are operated as shown on the left.</p>
<p><b>Risk Management System</b></p> <p>1. The Company establishes its basic policy in order to centrally control and operate risk management and to promote compliance across the entire Group, and also establishes an organization in charge of these duties. The Company also builds a system so that proper and prompt action can be taken when a risk becomes clear.</p> <p>2. To deal with risks related to the environment, products, workplace safety/health, disasters, etc.,</p>	<p>◆ In order to centrally control and operate risk management and to promote compliance of the entire Group, the Company has newly stipulated the Asahi Kasei Group Basic Regulation for Risk Management &amp; Compliance clearly stating basic matters such as organizational structure.</p> <p>The Company also has assigned a Risk Management and Compliance Supervisor at each strategic business unit, core operating company,</p>



Policy	Overview: Status of operation
<p>each responsible division/department establishes necessary rules, provides education, raises awareness, and implements monitoring as necessary as well as confirms the status of measures taken through audits and in other ways and make improvements as necessary.</p> <p>3. The Company clarifies the system and procedures concerning the internal controls for financial reporting and ensures their effectiveness by establishing an organization to manage such a system and procedures.</p>	<p>and affiliate to identify risks in the respective businesses.</p> <p>The important risks identified by each strategic business unit, core operating company and others are surveyed on a Group-wide basis. The Company keeps track of the progress of countermeasures for each risk. For the risks that are common to the entire Group, the Company will take necessary measures by clarifying the responsibility structure.</p> <ul style="list-style-type: none"> <li>◆ As for response to risks faced by the Group related to the environment, products, workplace safety/health, disaster, etc., each responsible division/department establishes necessary rules, provides education, raises awareness, and implements monitoring as necessary. The status of these activities continues to be monitored and improved through audits and in other ways. To strengthen the system for risk management, the Company revised “Asahi Kasei Group Responsible Care Principles” and established “Asahi Kasei Group Quality Policy” on April 1, 2016.</li> <li>◆ The Company has specified the Regulations for Internal Control Management to clarify the system and procedures concerning the internal controls for financial reporting, and established an organization to manage such a system and procedures within the Internal Audit Department from which internal control of the entire Group, improvement of business operation processes, and the evaluation of operation status are supervised.</li> </ul>
<p><b>Compliance System of the Group</b></p> <ol style="list-style-type: none"> <li>1. For the Group to fulfill and promote corporate social responsibilities, the Company has committees established under the direct supervision of the Asahi Kasei President.</li> <li>2. The Company establishes Asahi Kasei Group Code of Conduct as a standard for corporate conduct for compliance and applies this Code to the entire Group. Furthermore, the Company proactively makes efforts to disseminate it to the officers and employees of the Group.</li> <li>3. In order to enhance risk management and the compliance system in the entire Group, the Company appoints an Executive Officer in charge of risk management and compliance and adopts a system which monitors the progress of risk management measures and the status of compliance of the entire Group.</li> <li>4. The Company introduces a Compliance Hotline (whistle blowing system) which all employees of the Group can utilize.</li> <li>5. The Internal Audit Department, which also</li> </ol>	<ul style="list-style-type: none"> <li>◆ The Company decided to newly establish “Asahi Kasei Group Code of Conduct” as a standard of corporate conduct for compliance, applying it to the entire Group. <ul style="list-style-type: none"> <li>The Company will distribute a Code of Conduct booklet to all Directors and employees, and implement continual dissemination and education through e-learning and training sessions.</li> </ul> </li> <li>◆ In order to strengthen risk management and the compliance system of the entire Group, the Company has newly established the Risk Management &amp; Compliance Committee by integrating the former Corporate Ethics Committee and Risk Management Committee. <ul style="list-style-type: none"> <li>The Company will keep monitoring the compliance as well as the progress of risk management measures of the entire Group.</li> </ul> </li> </ul>

Policy	Overview: Status of operation
<p>satisfies an internal audit function, conducts an audit of whether the execution of operations by all divisions/departments of the Group complies with laws and regulations as well as the Articles of Incorporation.</p>	
<p><b>System to Support Corporate Auditors</b></p> <ol style="list-style-type: none"> <li>1. The Company has a Corporate Auditors Office as a department which supports the duties of Corporate Auditors.</li> <li>2. Corporate Auditors, not Directors, have the right to supervise and give instructions to employees who are affiliated with the Corporate Auditors Office.</li> <li>3. Transfer and performance review of employees who are affiliated with the Corporate Auditors Office require the prior approval of Corporate Auditors.</li> <li>4. Employees who are assigned to the Corporate Auditors Office work as dedicated staff.</li> <li>5. In order to effectively conduct an audit, the Company assigns a sufficient number of staff members with the required specialist skills and abundant work experience as employees who are assigned to the Corporate Auditors Office.</li> </ol>	<ul style="list-style-type: none"> <li>◆ The Company has a Corporate Auditors Office as a department that supports the duties of Corporate Auditors where multiple dedicated staff members who have abundant work experience are assigned.</li> </ul>
<p><b>System of Reporting to Corporate Auditors</b></p> <ol style="list-style-type: none"> <li>1. Corporate Auditors may require Directors, Executive Officers, and employees of the Company as well as Directors, Executive Officers, employees, and Corporate Auditors of each Group company to submit reports whenever considered necessary to execute their duties.</li> <li>2. Directors, Executive Officers, and employees of the Company as well as Directors, Executive Officers, employees, Corporate Auditors of each Group company promptly report to Corporate Auditors of the Company information important to the management of the Group, including matters related to compliance not limited to the matters Corporate Auditors are required to report.</li> <li>3. No unfair treatment shall be given to any person who makes a report to Corporate Auditors (including whistle-blowers) on the grounds of making such report.</li> </ol>	<ul style="list-style-type: none"> <li>◆ The Company provides Corporate Auditors opportunities to attend meetings important to the management of the Group, including meetings of the Board of Directors and the Management Council, and also provides an environment which contributes to an understanding of the compliance and management status of the Group through visits of each site and regular meetings with the main persons who execute the operations of the Group and the Chairman.</li> <li>◆ The Company provides Corporate Auditors information regarding matters related to compliance and matters reported through the Compliance Hotline (whistle blowing system) through attending etc. meetings of the Risk Management &amp; Compliance Committee.</li> </ul>
<p><b>Policy for Burden of Audit Cost</b></p> <ol style="list-style-type: none"> <li>1. The Company bears the audit cost except when considered unnecessary for the execution of duties by Corporate Auditors.</li> <li>2. The Company sets a budget for cost which arises from the execution of duties by Corporate Auditors.</li> </ol>	<ul style="list-style-type: none"> <li>◆ Operations are executed as shown on the left.</li> </ul>
<p><b>Other System to Ensure Effectiveness of Audit by</b></p>	

Policy	Overview: Status of operation
<p><b>Corporate Auditors</b></p> <ol style="list-style-type: none"> <li>1. The Company provides opportunities to have meetings between Corporate Auditors and Outside Directors and between Corporate Auditors and Independent Auditors as well as between Corporate Auditors and the Internal Audit Department on a regular basis so that Corporate Auditors can understand the situation of compliance and management of the Group, and share information.</li> <li>2. In order to improve the effectiveness of the Group audit system, Corporate Auditors of the Company regularly exchange ideas with Corporate Auditors of the core operating companies.</li> </ol>	<ul style="list-style-type: none"> <li>◆ In addition to regular meetings between Corporate Auditors and Independent Auditors and between Corporate Auditors and the Internal Audit Department, the Company holds regular meetings between Corporate Auditors and Outside Directors on a continuous basis.</li> <li>◆ Regular meetings between Corporate Auditors of the Company and those of the core operating companies are held continuously.</li> </ul>
<p><b>Policy for Eliminating Anti-Social Forces</b></p> <ol style="list-style-type: none"> <li>1. The Company shall resolutely reject anti-social forces, and shall not provide any benefit or have any other trading relationship with them. In addition, General Affairs, which is in charge of the overall management of responses to anti-social forces, leads activities including cooperation with external specialized agencies such as the police, and collection of information on anti-social forces to disseminate information and raise awareness within the Group.</li> </ol>	<ul style="list-style-type: none"> <li>◆ Operations are executed as shown on the left.</li> </ul>

**3. Policy regarding the decision on the distribution of surplus, etc.**

The Group aims to consistently expand operating cash flow in two basic ways. One is by enhancing profitability through business expansion, greater cost competitiveness, enhanced product performance, and business structure improvement, and the other is by improving capital efficiency through intragroup financing and appropriate control of inventory levels. To obtain stable and low-cost financing, the Group also employs various fund-raising methods such as borrowing from banks, issuing bonds, and issuing commercial paper flexibly and dynamically in accordance with the financial circumstances of the Group.

In addition to these funds, the Group makes investment for growth for further business expansion and shareholder returns as dividends based on cash flow generated. The basic financial strategy of the Company is to maintain an appropriate balance between the two. Specifically, under the “Cs for Tomorrow 2018” medium-term management plan, the Group maintains this financial strategy. As measures for growth, the Company allocates funds toward the expansion of production facilities, R&D, and business alliances including M&A. Thereby, the Company strives to continuously increase dividends for shareholder returns.

**Consolidated Balance Sheet**  
(As of March 31, 2017)

(In millions of yen)

Accounts	Current Consolidated Fiscal Year (As of March 31, 2017)	Previous Consolidated Fiscal Year (As of March 31, 2016)
<b>(Assets)</b>		
<b>Current assets</b>	<b>894,545</b>	<b>856,018</b>
Cash and deposits	145,289	146,054
Notes and accounts receivable–trade	302,751	280,095
Short-term investment securities	-	1,534
Merchandise and finished goods	159,395	159,441
Work in process	116,481	108,684
Raw materials and supplies	70,806	68,618
Deferred tax assets	20,279	18,133
Other	81,816	75,324
Allowance for doubtful accounts	(2,272)	(1,865)
<b>Noncurrent assets</b>	<b>1,359,955</b>	<b>1,355,711</b>
<b>Property, plant and equipment</b>	<b>556,881</b>	<b>555,989</b>
Buildings and structures	230,590	227,183
Machinery, equipment and vehicles	199,343	198,559
Land	62,391	61,046
Lease assets	986	1,745
Construction in progress	45,958	49,240
Other	17,613	18,215
<b>Intangible assets</b>	<b>462,772</b>	<b>494,582</b>
Goodwill	285,622	305,112
Other	177,149	189,470
<b>Investments and other assets</b>	<b>340,302</b>	<b>305,140</b>
Investment securities	284,137	244,598
Long-term loans receivable	18,918	16,353
Deferred tax assets	9,309	20,098
Other	28,154	24,280
Allowance for doubtful accounts	(215)	(189)
<b>Total assets</b>	<b>2,254,500</b>	<b>2,211,729</b>

Note: Amounts are rounded to the nearest million yen.

(In millions of yen)

Accounts	Current Consolidated Fiscal Year (As of March 31, 2017)	Previous Consolidated Fiscal Year (As of March 31, 2016)
<b>(Liabilities)</b>	<b>1,086,385</b>	<b>1,154,330</b>
<b>Current liabilities</b>	<b>594,880</b>	<b>725,662</b>
Notes and accounts payable–trade	147,543	126,653
Short-term loans payable	113,475	313,587
Commercial paper	56,000	-
Current portion of bonds payable	20,000	-
Lease obligations	305	919
Accrued expenses	100,419	98,717
Income taxes payable	16,202	32,735
Advances received	72,882	74,667
Provision for periodic repairs	5,003	3,908
Provision for product warranties	2,461	2,355
Provision for removal cost of property, plant and equipment	1,800	2,130
Asset retirement obligations	572	568
Other	58,217	69,423
<b>Noncurrent liabilities</b>	<b>491,506</b>	<b>428,669</b>
Bonds payable	20,000	40,000
Long-term loans payable	192,584	94,632
Lease obligations	467	537
Deferred tax liabilities	59,759	64,930
Provision for periodic repairs	165	558
Provision for removal cost of property, plant and equipment	4,390	7,228
Provision for loss on litigation	2,162	2,171
Net defined benefit liability	178,368	186,300
Asset retirement obligations	3,436	3,480
Long-term guarantee deposits	20,479	20,131
Other	9,695	8,702
<b>Net assets</b>	<b>1,168,115</b>	<b>1,057,399</b>
<b>Shareholders' equity</b>	<b>1,030,122</b>	<b>942,724</b>
Capital stock	103,389	103,389
Capital surplus	79,443	79,410
Retained earnings	850,532	763,076
Treasury stock	(3,242)	(3,150)
<b>Accumulated other comprehensive income</b>	<b>121,222</b>	<b>99,177</b>
Net unrealized gain on other securities	113,475	92,280
Deferred gains or losses on hedges	55	(179)
Foreign currency translation adjustment	40,831	48,429
Remeasurements of defined benefit plans	(33,140)	(41,353)
<b>Non-controlling interests</b>	<b>16,771</b>	<b>15,498</b>
<b>Total liabilities and net assets</b>	<b>2,254,500</b>	<b>2,211,729</b>

Note: Amounts are rounded to the nearest million yen.

**Consolidated Statement of Income**  
(April 1, 2016 - March 31, 2017)

(In millions of yen)

Accounts	Current Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)	Previous Consolidated Fiscal Year (April 1, 2015 - March 31, 2016)
Net sales	1,882,991	1,940,914
Cost of sales	1,296,255	1,354,698
<b>Gross profit</b>	<b>586,736</b>	<b>586,216</b>
Selling, general and administrative expenses	427,506	421,013
<b>Operating income</b>	<b>159,229</b>	<b>165,203</b>
Non-operating income	15,347	11,322
Interest income	1,425	1,417
Dividends income	5,170	4,757
Equity in earnings of affiliates	4,899	-
Other	3,854	5,148
Non-operating expenses	13,944	15,154
Interest expense	4,435	3,611
Equity in losses of affiliates	-	854
Foreign exchange loss	1,228	3,679
Donations	3,930	851
Other	4,351	6,159
<b>Ordinary income</b>	<b>160,633</b>	<b>161,370</b>
Extraordinary income	10,083	9,192
Gain on sales of investment securities	9,918	8,275
Gain on sales of noncurrent assets	165	917
Extraordinary loss	13,328	24,173
Loss on valuation of investment securities	101	363
Loss on disposal of noncurrent assets	4,863	5,214
Impairment loss	1,484	3,493
Business structure improvement expenses	6,189	3,606
Litigation settlement	-	1,201
Loss on piling business	-	1,456
Business integration expense	690	1,547
Special retirement expenses and other	-	2,027
Loss on discontinuation of joint sales agreement	-	5,266
<b>Income before income taxes</b>	<b>157,388</b>	<b>146,389</b>
Income taxes—current	49,017	55,419
Income taxes—deferred	(8,293)	(2,441)
<b>Net income</b>	<b>116,663</b>	<b>93,412</b>
Net income attributable to non-controlling interests	1,663	1,658
<b>Net income attributable to owners of the parent</b>	<b>115,000</b>	<b>91,754</b>

Note: Amounts are rounded to the nearest million yen.

**(Reference)**  
**Summary of Consolidated Statements of Cash Flows**  
(April 1, 2016 - March 31, 2017)

(In 100 millions of yen)

Description	Amount
<b>Cash flows from operating activities</b>	<b>1,690</b>
Income before income taxes	1,574
Depreciation and amortization	914
Amortization of goodwill	178
Increase in notes and accounts receivable–trade	(208)
Increase in inventories	(98)
Increase in notes and accounts payable–trade	186
Increase in accrued expenses	25
Decrease in advances received	(19)
Income taxes paid	(614)
Other	(248)
<b>Cash flows from investing activities</b>	<b>(899)</b>
Purchase of property, plant and equipment	(830)
Proceeds from sales of property, plant and equipment	32
Purchase of intangible assets	(88)
Purchase of investment securities	(98)
Proceeds from sales of investment securities	120
Other	(35)
<b>Cash flows from financing activities</b>	<b>(740)</b>
Net decrease in loans payable and commercial papers	(445)
Cash dividends paid	(279)
Other	(16)
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>(68)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(17)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,453</b>
<b>Increase in cash and cash equivalents resulting from changes in scope of consolidation</b>	<b>4</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,441</b>

Note: Amounts are rounded to the nearest 100 million yen.

**Non-Consolidated Balance Sheet**

(As of March 31, 2017)

(In millions of yen)

Accounts	Current Non-Consolidated Fiscal Year (As of March 31, 2017)
<b>(Assets)</b>	
<b>Current assets</b>	<b>414,231</b>
Cash and deposits	45,777
Notes receivable—trade	2,167
Electronically recorded monetary claims—operating	2,153
Accounts receivable—trade	130,134
Finished goods	72,777
Work in process	23,083
Raw materials and supplies	34,077
Prepaid expenses	3,737
Deferred tax assets	8,342
Accounts receivable—other	24,838
Short-term loans	2
Short-term loans receivable from subsidiaries and affiliates	37,597
Advances paid	26,265
Other	4,358
Allowance for doubtful accounts	(1,074)
<b>Noncurrent assets</b>	<b>1,216,705</b>
<b>Property, plant and equipment</b>	<b>241,751</b>
Buildings	84,755
Structures	24,122
Machinery and equipment	70,134
Vehicles	111
Tools, furniture and fixtures	5,514
Land	46,817
Lease assets	60
Construction in progress	10,238
<b>Intangible assets</b>	<b>12,733</b>
Software	11,392
Other	1,341
<b>Investments and other assets</b>	<b>962,221</b>
Investment securities	202,007
Stocks of subsidiaries and affiliates	619,818
Investments in capital	11
Long-term loans receivable	12
Long-term loans receivable from subsidiaries and affiliates	131,355
Long-term prepaid expenses	2,168
Other	6,849
<b>Total assets</b>	<b>1,630,936</b>



(In millions of yen)

Accounts	Current Non-Consolidated Fiscal Year (As of March 31, 2017)
<b>(Liabilities)</b>	<b>924,629</b>
<b>Current liabilities</b>	<b>639,345</b>
Notes payable—trade	1,067
Accounts payable—trade	56,406
Short-term loans payable	72,388
Commercial paper	56,000
Current portion of bonds payable	20,000
Current portion of long-term loans payable	23,100
Short-term loans payable to subsidiaries and affiliates	304,520
Lease obligations	22
Accounts payable—other	33,755
Accrued expenses	30,290
Income taxes payable	7,733
Provision for periodic repairs	4,999
Provision for removal costs of property, plant and equipment	1,656
Provision for loss on guarantees	264
Provision for warranties	211
Advances received	2,847
Deposits received	3,734
Notes payable—alternative payment	2,526
Other	17,826
<b>Noncurrent liabilities</b>	<b>285,284</b>
Bonds payable	20,000
Long-term loans payable	167,670
Lease obligations	39
Asset retirement obligations	135
Deferred tax liabilities	30,591
Provision for retirement benefits	56,872
Provision for periodic repairs	165
Provision for removal costs of property, plant and equipment	4,055
Provision for warranties	644
Long-term guarantee deposits	3,441
Other	1,673
<b>(Net assets)</b>	<b>706,307</b>
<b>Shareholders' equity</b>	<b>599,131</b>
<b>Capital stock</b>	<b>103,389</b>
<b>Capital surplus</b>	<b>79,410</b>
Legal capital surplus	79,396
Other retained earnings	14
<b>Retained earnings</b>	<b>419,575</b>
Legal retained earnings	25,847
Other retained earnings	393,728
Reserve for special depreciation	154
Reserve for advanced depreciation of noncurrent assets	11,717
Reserve for dividend equalization	7,000
General reserve	82,000
Retained earnings brought forward	292,857
<b>Treasury stock</b>	<b>(3,242)</b>
<b>Valuation and translation adjustments</b>	<b>107,176</b>
<b>Net unrealized gain on other securities</b>	<b>107,166</b>
<b>Deferred gains or losses on hedges</b>	<b>10</b>
<b>Total liabilities and net assets</b>	<b>1,630,936</b>

Note: Amounts are rounded to the nearest million yen.

Note: The Company transitioned from a holding company to an operating holding company as of April 1, 2016, by absorbing its consolidated subsidiaries, Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp.

As a result, the business results for the current fiscal year under review significantly changed from those in the previous year. Thus, only the information for the current fiscal year is provided.

**Non-Consolidated Statement of Income**  
(April 1, 2016 - March 31, 2017)

(In millions of yen)

Accounts	Current Non-Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Net Sales	572,645
Cost of sales	452,820
<b>Gross profit</b>	<b>119,825</b>
Selling, general and administrative expenses	89,774
<b>Operating income</b>	<b>30,051</b>
Non-operating income	59,027
Interest and dividends income	56,176
Other income	2,852
Non-operating expenses	9,896
Interest expenses	3,522
Foreign exchange loss	235
Donations	3,447
Other	2,692
<b>Ordinary income</b>	<b>79,182</b>
Extraordinary income	131,882
Gain on sales of investment securities	9,918
Gain on sales of noncurrent assets	131
Gain on extinguishment of tie-in shares	121,833
Extraordinary loss	10,386
Loss on valuation of investment securities	347
Loss on disposal of noncurrent assets	3,784
Impairment loss	1,041
Business structure improvement expense	4,523
Business integration expense	690
<b>Income before income taxes</b>	<b>200,678</b>
Income taxes—current	7,400
Income taxes—deferred	(5,381)
<b>Net income</b>	<b>198,660</b>

Note: Amounts are rounded to the nearest million yen.

Note: The Company transitioned from a holding company to an operating holding company as of April 1, 2016, by absorbing its consolidated subsidiaries, Asahi Kasei Chemicals Corp., Asahi Kasei Fibers Corp., and Asahi Kasei E-materials Corp.

As a result, the business results for the current fiscal year under review significantly changed from those in the previous year. Thus, only the information for the current fiscal year is provided.

## Independent Auditors' Report

May 9, 2017

The Board of Directors  
Asahi Kasei Corporation

### **PricewaterhouseCoopers Aarata LLC**

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Koichiro Kimura
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takahiro Nakazawa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Taisuke Shiino
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yuichiro Amano

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in shareholders' equity and the related notes of Asahi Kasei Corporation as at March 31, 2017, and for the fiscal year from April 1, 2016, to March 31, 2017, in accordance with Article 444, Paragraph 4, of the Companies Act.

#### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit and from an independent perspective. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we develop an audit plan and perform the audit under the plan 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. Audit procedures are selected and applied based on our 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, we consider 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 objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies adopted by management and methods of application thereof 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 referred to above fairly present, in all material respects, the financial position and the results of operations of Asahi Kasei Corporation and its consolidated subsidiaries for the period for which the consolidated financial statements were prepared, in accordance with accounting standards generally accepted in Japan.

#### Conflicts of Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## Independent Auditors' Report

May 9, 2017

The Board of Directors  
Asahi Kasei Corporation

### **PricewaterhouseCoopers Aarata LLC**

Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Koichiro Kimura
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Takahiro Nakazawa
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Taisuke Shiino
Designated Limited Liability Partner Engagement Partner	Certified Public Accountant	Yuichiro Amano

We have audited the financial statements, comprising the balance sheet, the statement of income, the statement of changes in shareholders' equity and the related notes, and the supplementary schedules of Asahi Kasei Corporation as at March 31, 2017 and for the 126th financial period from April 1, 2016, to March 31, 2017, in accordance with Article 436, Paragraph 2, Item 1, of the Companies Act.

#### Management's Responsibility for the Financial Statements and Others

Management is responsible for the preparation and fair presentation of the financial statements and the supplementary schedules in accordance with accounting standards generally accepted in Japan, and for designing and operating such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements and the supplementary schedules that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements and the supplementary schedules based on our audit and from an independent perspective. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we develop an audit plan and perform the audit under the plan to obtain reasonable assurance about whether the financial statements and the supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the supplementary schedules. Audit procedures are selected and applied based on our judgment, including the assessment of the risks of material misstatement of the financial statements and the supplementary schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the supplementary schedules in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies adopted by management and methods of application thereof and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements and the supplementary schedules.

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 financial statements and the supplementary schedules referred to above fairly present, in all material respects, the financial position and the results of operations of Asahi Kasei Corporation for the period for which the financial statements and the supplementary schedules were prepared, in accordance with accounting standards generally accepted in Japan.

#### Conflicts of Interest

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Act.

## Audit Report

With respect to the directors' performance of their duties during the 126th financial period from April 1, 2016, to March 31, 2017, the Board of Corporate Auditors has prepared this audit report upon deliberations based on the audit reports prepared by each of the Corporate Auditors, and hereby reports as follows:

### 1. Method and Content of Audit Conducted by Corporate Auditors and the Board of Corporate Auditors

- (1) The Board of Corporate Auditors formulated audit policy, audit plans, etc. and set as priority audit items the status of corporate governance corresponding to management reorganization and globalization, the development and operation status of internal control systems, the status of CSR promotion, the development and operation status of risk control systems, the implementation status of the new mid-term management plan, the status of initiatives taken by Asahi Kasei Construction Materials Corporation, a subsidiary of Asahi Kasei Corporation, to prevent recurrence of its piling work-related problem that was revealed in the previous business year, etc. Furthermore, in addition to receiving reports from each of the Corporate Auditors regarding the status of implementation of their audits and results thereof, the Board of Corporate Auditors received reports from the Directors, etc. and the Independent Auditors regarding the status of performance of their duties and requested explanations when deemed necessary.
- (2) In conformity with standards of audit by Corporate Auditors set down by the Board of Corporate Auditors and in accordance with the audit policy and audit plans, we, Corporate Auditors, sought to facilitate mutual understanding with Directors, the internal audit division and other employees, endeavored to collect information and maintain and improve the audit environment, and conducted audits as follows:
  - 1) We attended Board of Directors meetings and other important meetings, received reports from Directors and other employees concerning performance of their duties, requested explanations as necessary, examined important approval documents and inspected the operations and financial affairs at the head office and other major business locations. With respect to subsidiaries (core operating companies, etc.), we facilitated a mutual understanding and exchanged information with Directors, Corporate Auditors, etc. of subsidiaries, and received from subsidiaries reports on their operations as necessary.
  - 2) We periodically received reports from Directors and other employees, sought explanations as necessary, and expressed our opinions regarding the contents of resolutions by the Board of Directors concerning the development of systems stipulated in Article 100, Paragraphs 1 and 3, of the Ordinance for Enforcement of the Companies Act, which are necessary to ensure that Directors' performance of their duties is in conformity with laws and regulations and the Articles of Incorporation of the Company, and to ensure the appropriateness of operations of the Company and its subsidiaries, as described in the business report, as well as the status of the building and management of the systems developed pursuant to such resolutions (internal control systems).

We also periodically received reports from Directors, other employees and PricewaterhouseCoopers Aarata LLC, sought explanations as necessary and expressed our opinions regarding assessment of internal control over financial reporting as well as the status of audit thereof.

As the Group adopts an "Operating Holding Company" structure, we held liaison meetings with the internal audit division and Corporate Auditors of subsidiaries on a routine basis, thereby examining the effectiveness of the Group's internal control systems.
  - 3) We examined the contents of the basic policy on control of the Company presented in the business report and related measures in light of the status of discussions by the Board of Directors and others.
  - 4) We monitored and examined whether the Independent Auditors maintained their independence and properly conducted audit, received reports from the Independent Auditors concerning the status of the performance of its duties, and requested explanations when deemed necessary. We were also notified by the Independent Auditors that they had in place "systems for ensuring proper execution of duties" (matters listed in each item of Article 131 of the Corporate Accounting Rules) in accordance with the "Standards on Quality Control for Audits" (Business Accounting Council, October 28, 2005), etc. and requested explanations as necessary.

Based on the above-described methods, the Corporate Auditors conducted examinations of the Company's business report and the supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and related notes) and the supplementary schedules, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and related

notes) for the business year under review.

## 2. Results of Audit

### (1) Results of audit of the business report, etc.

- 1) We acknowledge that the business report and the supplementary schedules fairly present the status of the Company pursuant to laws and regulations and the Articles of Incorporation of the Company.
- 2) We acknowledge that no misconduct or material fact constituting a violation of any laws or regulations or the Articles of Incorporation of the Company was found with respect to the Directors' performance of their duties.
- 3) We acknowledge that the details of resolutions approved by the Board of Directors concerning the internal control systems are appropriate. No matters that necessitate comment were found regarding the details described in the business report and the Directors' performance of their duties both with respect to the internal control systems including internal control over financial reporting, apart from the following:

We have confirmed that as described in the business report, group-wide efforts are being made, taking into consideration the piling work-related problem that occurred at Asahi Kasei Construction Materials Corporation, a subsidiary of Asahi Kasei Corporation, and revealed in the previous business year, to prevent recurrence of such a problem, comply with laws and regulations and further strengthen, and ensure thoroughness in, corporate ethics through measures such as taking remedial actions at Asahi Kasei Construction Material Corporation, newly formulating the Asahi Kasei Group Code of Conduct, and setting up the Risk Management & Compliance Committee. The Board of Corporate Auditors will keep close watch on continued dissemination of and education about the Asahi Kasei Group Code of Conduct, risk management measures covering the entire Group to be implemented with the Risk Management & Compliance Committee playing a central role, and the effectiveness of compliance.

- 4) No matters that necessitate comment were found regarding the basic policy on control of the Company presented in the business report. We acknowledge that the related measures are in line with the basic policy and do not undermine common interests of the Company's shareholders or aim to maintain the positions of the Company's officers.
- (2) Results of audit of the non-consolidated financial statements and the supplementary schedules  
We acknowledge that the methods of the audit used and results of audit reached by the Independent Auditors, PricewaterhouseCoopers Aarata LLC, are appropriate.
- (3) Results of audit of the consolidated financial statements  
We acknowledge that the methods of the audit used and results of audit reached by the Independent Auditors, PricewaterhouseCoopers Aarata LLC, are appropriate.

May 10, 2017

The Board of Corporate Auditors  
Asahi Kasei Corporation

Corporate Auditor	Hajime Nagahara
Corporate Auditor	Shinsuke Kido
Outside Corporate Auditor	Koji Kobayashi
Outside Corporate Auditor	Akio Makabe
Outside Corporate Auditor	Tetsuo Ito