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(Securities Code: 3407)

June 4, 2018

To Shareholders with Voting Rights:

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

**NOTICE OF
THE 127TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 127th 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 26, 2018.

- 1. Date and Time:** Wednesday, June 27, 2018, 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 127th Fiscal Period (April 1, 2017 - March 31, 2018)
 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 One Corporate Auditor

Disclosure on the Internet

- Out of the documents to be provided at the time of the convocation of this notice, “System to ensure internal control and the status thereof” and 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. They are not stated or are abridged 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/127.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 27, 2018, 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 26, 2018, 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 26, 2018, 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] <https://www.web54.net> (Japanese Only)

Note: Voting rights exercise website may not work depending on the internet environment of computers, smartphones, and mobile phones.

● Handling of voting rights exercise

- If you have exercised your voting rights in duplicate, both on paper 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, or concurrently via a computer, smartphone, or a mobile phone, only the latest 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, Masafumi Nakao, Shuichi Sakamoto, Nobuyuki Kakizawa, Soichiro Hashizume, Norio Ichino, and Tsuneyoshi Tatsuoka, and Ms. Masumi Shiraishi.

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

Meanwhile, candidates Messrs. Tsuneyoshi Tatsuoka and Tsuyoshi Okamoto 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	Hideki Kobori	February 2, 1955	<ul style="list-style-type: none"> • President & Representative Director • Presidential Executive Officer • Shareholders Meeting & Management Council convener & chairman • Nomination Advisory Committee member • Remuneration Advisory Committee member 	Re-appointed
2	Masafumi Nakao	November 1, 1952	<ul style="list-style-type: none"> • Representative Director • Vice-Presidential Executive Officer • Executive Officer for Corporate ESH & QA, Regional Offices, Production Technology, Manufacturing, R&D 	Re-appointed
3	Yutaka Shibata	December 4, 1955	<ul style="list-style-type: none"> • Primary Executive Officer • Executive Officer for Strategy, Accounting/Finance, IT • Oversight of Asahi Kasei America, Inc., Asahi Kasei (China) Co., Ltd. 	Newly-appointed
4	Shuichi Sakamoto	October 13, 1957	<ul style="list-style-type: none"> • Director • Senior Executive Officer • Executive Officer for Health Care 	Re-appointed
5	Nobuyuki Kakizawa	June 21, 1957	<ul style="list-style-type: none"> • Director • Senior Executive Officer • Executive Officer for General Affairs, Legal, Risk Management & Compliance • Senior General Manager, General Affairs 	Re-appointed
6	Soichiro Hashizume	February 23, 1959	<ul style="list-style-type: none"> • Director • Lead Executive Officer • Executive Officer for HR 	Re-appointed
7	Masumi Shiraishi	November 6, 1958	<ul style="list-style-type: none"> • Outside Director • Nomination Advisory Committee member • Remuneration Advisory Committee member 	Re-appointed Outside Director Independent
8	Tsuneyoshi Tatsuoka	January 29, 1958	<ul style="list-style-type: none"> • Outside Director • Nomination Advisory Committee member • Remuneration Advisory Committee member 	Re-appointed Outside Director Independent
9	Tsuyoshi Okamoto	September 23, 1947		Newly-appointed Outside Director 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 style="text-align: center;"> R Hideki Kobori February 2, 1955 </p>	41,400 15/15	<p> 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 & 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) </p> <p> ● Shareholders Meeting & Management Council convener & chairman, Nomination Advisory Committee member, Remuneration Advisory Committee member </p>
<p>[Reasons for us to propose him as a director candidate]</p> <p>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 & 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 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	 Masafumi Nakao November 1, 1952 <div style="text-align: right; border: 1px solid black; padding: 2px;">R</div>	32,000 15/15	April 1978: Joined the Company April 2009: Asahi Kasei Microdevices Director April 2009: Asahi Kasei Microdevices Executive Officer April 2012: Lead Executive Officer April 2012: New Business Development General Manager June 2012: Director April 2014: Corporate Research & 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) ● Responsible for Corporate ESH & QA, Regional Offices, Corporate Production Technology, Manufacturing, R&D
[Reasons for us to appoint him as a director candidate] After many years of experience in R&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&D Center General Manager, and Executive Officer for quality assurance. Since April 2012, he has overseen R&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 as a Director.			
3	 Yutaka Shibata December 4, 1955 <div style="text-align: right; border: 1px solid black; padding: 2px;">N</div>	12,000	April 1979: Joined the Company April 2008: Executive Officer April 2009: Lead Executive Officer April 2011: Asahi Kasei Kuraray Medical President & Representative Director April 2011: Asahi Kasei Kuraray Medical Presidential Executive Officer April 2011: Asahi Kasei Medical President & Representative Director April 2011: Asahi Kasei Medical Presidential Executive Officer April 2011: Asahi Kasei Pharma Director April 2016: Primary Executive Officer (position held at present) April 2017: Asahi Kasei Pharma President & Representative Director April 2017: Asahi Kasei Pharma Presidential Executive Officer April 2017: Asahi Kasei Medical Director ● Responsible for Strategy, Accounting/Finance, IT, Asahi Kasei America, Inc., Asahi Kasei (China) Co., Ltd.
[Reasons for us to appoint him as a director candidate] After many years of experience in legal affairs and corporate planning roles, including as General Manager of Corporate Strategy, Asahi Kasei Medical President & Representative Director, and Asahi Kasei Pharma President & Representative Director, he became responsible for strategy, accounting, finance, and IT in April 2018. 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 as a Director.			

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	 Shuichi Sakamoto October 13, 1957	27,948 15/15	April 1981: Joined the Company 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) April 2018: Asahi Kasei Pharma Director and Chairman (position held at present) April 2018: Asahi Kasei Medical Director and Chairman (position held at present) ● Responsible for Health Care
	[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 responsible for the strategy, accounting, finance, and IT. Since April 2018, he has overseen Health Care. 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 as a Director.		
5	 Nobuyuki Kakizawa June 21, 1957	13,000 15/15	April 1980: Joined the Company April 2013: General Affairs General Manager (position held at present) April 2015: Executive Officer April 2016: Lead Executive Officer June 2016: Director (position held at present) April 2018: Senior Executive Officer (position held at present) ● Responsible for General Affairs, Legal, Risk Management & Compliance
	[Reasons for us to appoint him as a director candidate] After many years of experience in the housing business, he held several leadership positions including Deputy General Manager of Accounting and Finance at the Company and General Manager of General Affairs at Asahi Kasei Homes. He became General Manager of General Affairs in April 2013 with responsibility for formulating and executing measures for risk management and compliance of the 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.		

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	 Soichiro Hashizume February 23, 1959	10,000 15/15	April 1981: Joined the Company April 2013: Corporate HR & Labor Relations General Manager October 2015: Executive Officer April 2016: Lead Executive Officer (position held at present) June 2017: Director (position held at present) ● Responsible for Human Resources
	[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 April 2013, he is responsible for human resource development as well as planning and promotion of personnel and labor measures of the Group, as Corporate HR & Labor Relations General Manager. 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.		
7	[Outside Director Candidate]  Masumi Shiraishi November 6, 1958	17,100 15/15	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"> • The term of office of Masumi Shiraishi as an Outside Director will be five years at the close of this Ordinary General Meeting of Shareholders. • 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 Group making full use of her rich experience and wide knowledge regarding the economy and society as a university professor. • The Group has transactions with Kansai University for which she currently works, mainly concerning R&D consignment. They are, however, transactions mainly concerning R&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. 		

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	<p>[Outside Director Candidate]</p>  <p>R O I Tsuneyoshi Tatsuoka January 29, 1958</p>	<p>3,500 13/15</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 nominate him as an outside director candidate]</p> <ul style="list-style-type: none"> • The term of office of Tsuneyoshi Tatsuoka as an Outside Director will be two years at the close of this Ordinary General Meeting of Shareholders. • The reasons for us to propose him as Outside Director candidate 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 Group making full use of his rich experience and wide knowledge regarding industry and economic policy. • 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 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. 			

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>   Tsuyoshi Okamoto September 23, 1947 </p>	0	<p> April 1970: Joined Tokyo Gas Co., Ltd. June 2002: Tokyo Gas Co., Ltd. Executive Officer April 2004: Tokyo Gas Co., Ltd. Senior Executive Officer June 2004: Tokyo Gas Co., Ltd. Director April 2007: Tokyo Gas Co., Ltd. Representative Director April 2007: Tokyo Gas Co., Ltd. Executive Vice President April 2010: Tokyo Gas Co., Ltd. Representative Director, President April 2014: Tokyo Gas Co., Ltd. Director, Chairman April 2018: Tokyo Gas Co., Ltd. Director, Senior Corporate Advisor (position held at present) </p> <p>[Notable Concurrent Offices] Tokyo Gas Co., Ltd. Senior Corporate Advisor Outside Director of Japan Post Bank Co., Ltd.</p>
	<p>[Reasons for us to nominate him as an outside director candidate]</p> <ul style="list-style-type: none"> • The reasons for us to nominate him as an Outside Director candidate 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 Group making full use of his rich experience and wide knowledge regarding management. • The Group has transactions with Tokyo Gas Co., Ltd., where he was formerly involved in executive management, 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 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 2014 and such situation does not have any influence on his independence. Under these circumstances, we have designated him as an independent director. 		

- (Notes)
1. There is no conflict of interest between any candidate and the Company.
 2. In accordance with Article 427, Paragraph 1, of the Companies Act, the Company has concluded agreements with 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. The Company also plans to conclude a similar agreement with Tsuyoshi Okamoto, if he is elected as Director.
 3. Tokyo Gas Co., Ltd., a company where Mr. Tsuyoshi Okamoto served as a Director, received an order for action from the Consumer Affairs Agency in July 2017, for violation of the Act against Unjustifiable Premiums and Misleading Representations on the advertisement presentation for an event “Gas Fair” held in November 2016, during his term of office.

Proposal 2: Election of One Corporate Auditor

The term of office of Corporate Auditor Akio Makabe will expire at the close of this Ordinary General Meeting of Shareholders. The Company therefore proposes that the following one candidate be elected as Corporate Auditor.

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

Candidate Mr. Akio Makabe 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. Makabe 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 candidate is as follows:

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

Name, Date of Birth	No. of Company's shares held/ Attendance at Board of Directors meetings/ Attendance at Board of Corporate Auditors meetings	Career summary and position/responsibility as Corporate Auditor of the Company [Notable concurrent offices]
<p>[Outside Corporate Auditor Candidate]</p>  <p style="text-align: center;"> R O I </p> <p>Akio Makabe October 21, 1953</p>	<p style="text-align: center;">0</p> <p style="text-align: center;">15/15</p> <p style="text-align: center;">16/16</p>	<p>April 1976: Joined Dai-Ichi Kangyo Bank</p> <p>February 1998: General Manager, Market Research Dept., DKB Research Institute</p> <p>April 1999: Graduate School Lecturer, Faculty of Economics, Shinshu University</p> <p>September 1999: Lecturer, Faculty of Science and Technology, Keio University</p> <p>October 1999: Chief Researcher, DKB Research Institute</p> <p>April 2002: Chief Researcher, Research Division, Mizuho Research Institute Ltd.</p> <p>April 2002: Lecturer, Department of Accounting and Finance, Graduate School of Economics, Rikkyo University (position held at present)</p> <p>April 2003: Project Professor, Graduate School of Management, Shinshu University</p> <p>October 2003: Counsellor, Internal Audit Division, Mizuho Corporate Bank, Ltd.</p> <p>June 2005: Retired from Mizuho Corporate Bank, Ltd.</p> <p>July 2005: Professor, Faculty of Economics, Shinshu University</p> <p>June 2014: Corporate Auditor, the Company (position held at present)</p> <p>April 2016: Visiting Professor, Department of Management and Information Sciences Tama Graduate School of Business (position held at present)</p> <p>April 2017: Professor, Hosei Graduate School of Regional Policy Design (position held at present)</p> <p>[Notable Concurrent Offices] Professor, Hosei Graduate School of Regional Policy Design</p>
<p>[Reasons for us to propose him as an Outside Corporate Auditor candidate]</p> <ul style="list-style-type: none"> • The term of office of Akio Makabe as an Outside Corporate Auditor will be four years at the close of this Ordinary General Meeting of Shareholders. • 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 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 of economy and finance as a professor. • Dai-Ichi Kangyo Bank (currently, Mizuho Bank, Ltd.) for which he has worked in the past is a major business partner and a major shareholder of the Group. Still, we do not see any factors influencing his independent status, since he retired from the bank in June 2005, and since his time there he has centered his activities on academia, including teaching at many universities. The Group also has transactions with Hosei University for which he currently works, mainly concerning R&D consignment. They are, however, transactions mainly concerning R&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 his independence as Professor, Regional Policy Design. Under these circumstances, we have designated him as an independent director. 		

- (Notes)
1. There is no special conflict of interest between the candidate and the Company.
 2. In accordance with Article 427, Paragraph 1, of the Companies Act, the Company has concluded an agreement with Akio Makabe which limits his liability as specified in Article 423, Paragraph 1, of the Companies Act, with the amount of his individual liability being either ¥10 million or the minimum amount stipulated by law or ordinance, whichever is higher.

(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/127.html>

(Appendix)

Business Report

(From April 1, 2017 to March 31, 2018)

I. Business Summary

1. The Group's business progress and results

- (1) The global economy was generally favorable during fiscal 2017, although there were concerns of risks related to the US Trump administration's trade policy and the North Korean situation. Gradual recovery of the Japanese economy continued, supported by export growth, recovering capital investment, and firm consumer spending.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Group) increased by ¥159.2 billion from a year ago to ¥2,042.2 billion, operating income increased by ¥39.2 billion to ¥198.5 billion, and ordinary income increased by ¥51.9 billion to ¥212.5 billion with improved terms of trade in chemical operations in the Material segment, as well as generally firm sales overall. Net income attributable to owners of the parent increased by ¥55.2 billion to ¥170.2 billion with significant gain on sales of investment securities and lower total income taxes as an effect of the US tax reform. Sales reached a new record high, exceeding ¥2 trillion for the first time, and record high levels were also recorded in all earnings categories (operating income, ordinary income, and net income attributable to owners of the parent).

Regarding non-consolidated performance, net sales were ¥621.9 billion, operating income was ¥44.2 billion, and ordinary income was ¥94.2 billion. Net income was ¥84.3 billion.

The following table shows the Group-wide results.

1) The Group's consolidated results

(In 100 millions of yen)

Category	FY2016 (a)	FY2017 (b)	Change (b) – (a)
Net sales	18,830	20,422	1,592
Operating income	1,592	1,985	392
Ordinary income	1,606	2,125	519
Net income attributable to owners of the parent	1,150	1,702	552

2) Consolidated sales by segment

(In 100 millions of yen)

Segment	FY2016 (a)	FY2017 (b)	Change (b) – (a)
Material	9,779	10,877	1,098
Homes	6,190	6,410	220
Health Care	2,701	2,963	261
Others	160	173	12
Total	18,830	20,422	1,592

3) Consolidated operating income or loss by segment

(In 100 millions of yen)

Segment	FY2016 (a)	FY2017 (b)	Change (b) – (a)
Material	885	1,219	334
Homes	641	644	3
Health Care	319	395	75
Others	20	19	(1)
Corporate expenses and eliminations	(273)	(291)	(18)
Total	1,592	1,985	392

(Note) From the period under review, the power supply business, previously included in Others, has been reclassified into the Material segment, in line with organizational changes. Therefore, reclassified figures for the previous term are given.

(2) The Group's business situation on a segment basis is as follows:

Material

Sales: ¥1,087.7 billion

Operating income: ¥121.9 billion

[Main businesses]

● Fibers operations

Cupro fibers, polyurethane filament, nonwoven fabric, and nylon 66 filament, etc.

● Chemicals operations

Petrochemicals: Styrene, acrylonitrile, polyethylene, polystyrene, etc.

Performance Polymers: Synthetic rubber, engineering plastics, etc.

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

● Electronics operations

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

Sales increased by ¥109.8 billion from a year ago to ¥1,087.7 billion, and operating income increased by ¥33.4 billion from a year ago to ¥121.9 billion.

Although fibers & textiles operations were impacted by higher feedstock costs, sales increased and operating income slightly increased with firm performance centered on Lamous™ microfiber suede for automotive interiors.

Among chemical operations, in petrochemicals, sales and operating income increased with improved market prices for acrylonitrile. Sales and operating income in performance polymers increased with improved terms of trade for synthetic rubber for fuel-efficient tires and greater shipments of engineering plastics for automotive parts. Sales and operating income in performance materials and consumables increased with greater shipments of ion-exchange membranes and electronic materials, and firm sales of SaranWrap™ cling film.

Among electronics operations, sales and operating income in separators grew with considerably increased shipments of each battery separator product, centered on Li-ion battery separator. Sales and operating income in electronic devices increased with firm sales of camera module devices for smartphones and magnetic sensors for household appliances.

In the fibers business, in September 2017 the Company decided to expand production facilities for Lamous™ microfiber suede, and in January 2018 decided to expand production facilities for Leona™ nylon 66 filament, both located in Nobeoka, Miyazaki Prefecture, Japan.

In chemical operations, in July 2017 the Company decided to expand manufacturing facilities in Singapore for synthetic rubber for fuel-efficient tires. In August 2017, the Company decided to construct an engineering plastic compounds manufacturing plant in Changshu, China.

In the electronics business, in January 2018 the Company decided to expand production facilities for Hipore™ lithium-ion battery separators in Moriyama, Shiga Prefecture, Japan, and in North Carolina, the United States. In the same month, the Company's subsidiary Asahi Kasei Microdevices Corp. signed a contract for the acquisition of the shares of Senseair AB, a Swedish manufacturer of gas sensor modules.

Homes

Sales:	¥641.0 billion
Operating income:	¥64.4 billion

[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 increased by ¥22.0 billion from a year ago to ¥641.0 billion, and operating income slightly increased by ¥0.3 billion from a year ago to ¥64.4 billion.

Sales grew but operating income was flat in homes operations as unit prices increased centered on Hebel Maison™ apartment buildings, while labor costs and advertising expenses increased. Although the value of orders for unit homes decreased, the overall value of orders for order-built homes increased by 1.2% with growing orders for apartment buildings. Sales and operating income in real estate, remodeling, and other operations increased with firm performance of rental management in real estate, and performance in remodeling on par with the previous year.

Sales increased but operating income decreased in construction materials operations as shipments of Neoma Foam™ phenolic foam insulation panels were firm, while higher feedstock costs had an impact.

In the homes business, the Company entered a capital alliance with McDonald Jones Homes Pty Ltd in July 2017, positioning us to participate in the residential homes business in Australia, chiefly as contractor for construction of unit homes.

In the construction materials business, in January 2018 the Company began marketing Neoma Zeus™ phenolic foam insulation panels with industry-leading performance.

Health Care

Sales:	¥296.3 billion
Operating income:	¥39.5 billion

[Main businesses]

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

Sales increased by ¥26.1 billion from a year ago to ¥296.3 billion, and operating income increased by ¥7.5 billion from a year ago to ¥39.5 billion.

Shipments of Teribone™ osteoporosis drug increased, but sales and operating income in pharmaceutical operations decreased with lower shipments centering on Flivas™ agent for treatment of benign prostatic hyperplasia due to competition from generics.

Sales and operating income in medical devices operations increased with an effect of the weaker yen and firm performance of each business.

Sales and operating income in critical care operations grew with considerably increased shipments of defibrillators for professional use and firm performance of the LifeVest™ wearable defibrillator business.

In the pharmaceuticals business, the Company received approval in May 2017 for extension of the maximum duration of treatment for Teribone™ osteoporosis drug.

In the medical devices business, in December 2017 the Company decided to construct a new spinning plant in Nobeoka, Miyazaki, Japan, for expanded production capacity of Planova™ hollow-fiber virus removal filters.

Others

[Main businesses]

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

Sales increased by ¥1.2 billion from a year ago to ¥17.3 billion, and operating income decreased by ¥0.1 billion from a year ago to ¥1.9 billion.

(3) The situation of the Group's new business and R&D is as follows:

In fiscal 2017, the Group's R&D expenses increased by ¥6.1 billion from a year ago to ¥85.7 billion. The Company is committed to creating a portfolio of highly profitable and high value-added businesses for the future, and for that purpose is promoting new business and R&D based on the three concepts of "Cultivating and Acquiring Core Technology," "Pursuing High Added Value," and "Using Market Channels."

Regarding measures in the previous fiscal year aimed at "Cultivating and Acquiring Core Technology," we built up core technologies, know-how and business platforms, sources of competitiveness for the Group. We designated priority domains for strengthening to create new businesses, and made structural changes to personnel systems for highly specialized staff in measures to systematically train and secure professional talent, to drive these business domains forward.

In light of the significant impact on business activities of IoT, AI and Big Data, fields that have seen remarkable advances, in April 2017 we newly launched the Materials Informatics (MI) Promotion Department, which will foster and promote MI by leveraging the digital technologies used in materials development within Corporate Research & Development operations, and the IoT Promotion Department

within Corporate Production Technology operations, to develop IT on the production front-line and so strengthen manufacturing capabilities and spur production reform. We are already using MI in development of compounded performance resin and catalysts, and are benefiting from faster development speeds and other improvements. Looking ahead, we will foster digital technologies as new core technologies of the Group.

Specific examples of measures for new business creation that contribute to environmental advances under the “Pursuing High Added Value” initiative include development of alkaline water electrolysis process for producing hydrogen, manufacture of basic chemicals by CO₂ chemistry, and UVC LEDs for the disinfection of water, air, and surfaces.

Regarding the first, development of alkaline water electrolysis process for producing hydrogen from renewable energy at low cost, we launched the “Clean Energy Project” organization in April 2017. We plan to carry out a confirmatory demonstration of a large-scale commercial specification electrolysis device in Yokohama, Kanagawa Prefecture in Japan, followed by validation tests in April 2018 in Germany, which has a thriving environmental solutions sector. Through these and other measures, we will bolster marketing in Europe.

Regarding the second, manufacture of basic chemicals using CO₂ chemistry, we confirmed in an independent initiative the running stability and operability of a validation plant to produce diphenyl carbonate, a monomer used in polycarbonate production, via dialkyl carbonate, achieving continuous operation in May 2017 for over 1,000 hours. This manufacturing process is a further development of our proprietary non-phosgene process. Because it avoids using ethylene oxide as raw material, it enables greater freedom in the selection of a plant site, as there is no need to base operations in the vicinity of a naphtha cracker. There are high expectations for this process as a new area of CO₂ chemistry.

Regarding the third, UVC LEDs, marketing began in January 2018 for the Klaran™ WD series of new disinfection products, for water. We will continue to make progress toward establishing a proprietary new market, by developing products with still more advanced functionality, enabling supplies of safe water and helping to safeguard the sanitary environment, based on UVC-LED technology.

With regard to our effort for “Using Market Channels,” in October 2017 we opened a Europe R&D Center in Dormagen, Germany, along with our ongoing effort to expand functions of Asahi Kasei Europe, to accelerate new business development and business expansion. The aim is to grow automotive operations in Europe, and so develop new markets drawing on the Group-wide capabilities.

- (4) In FY2017, the Group made a total capital investment of ¥101.3 billion, and the following shows the main facilities which were under construction during the fiscal year.
- Additional production capacity for Lamous™ microfiber suede in Miyazaki, Japan (Fibers business)
 - Additional production capacity for Leona™ nylon 66 filament in Miyazaki, Japan (Fibers business)
 - Additional production capacity for synthetic rubber for fuel-efficient tires in Singapore (Chemical business)
 - Additional production capacity for Hipore™ and Celgard™ lithium-ion battery separator in Shiga, Japan and the United States (Electronics business)
- (5) In FY2017, the Group raised low-interest funds by bank loans and by issuing commercial paper. Buoyed by strong business results with healthy operating cash flows, repayment of loans and redemption of commercial paper exceeded funds raised. Outstanding interest-bearing debt at the year-end decreased by ¥101.1 billion from a year ago to ¥301.7 billion.

2. Issues to be addressed by the Group

With a Group vision of “contributing to life and living for people around the world,” the Group aims to create value by leveraging its diverse range of business, technology, and human resources. In the current management plan from FY2016 to FY2018, “Cs for Tomorrow 2018,” we seek to realize this vision through an optimized governance system that can realize the concepts of a “society of clean environmental energy” and a “society of healthy/comfortable longevity with peace of mind.” We are working to establish business platforms geared to sustainable growth through three basic strategies for rapid growth, to evolve an aggregate of highly profitable and high value-added business.

(1) Three basic strategies

The three basic strategies are pursuit of growth and profitability, new business creation, and acceleration of globalization.

To enable pursuit of growth and profitability, we engage in business activities based on policies we have specified for each segment. In the Material segment, we aim to maximize earnings by seeking fusion and synergy among different businesses, so optimizing the business portfolio. In the Homes segment, the aim is to further strengthen the business by bringing to bear our overall Group capabilities in manufactured products, project construction, and services, so as to meet society’s housing needs, and pursue business development that expands the value chain. In the Health Care segment, we are strengthening the earnings capability of operations in Japan, and further strengthening business platforms on a global basis. The aim is to build up this business into a third pillar of growth for the Group, after the Material and Homes segments.

In the new business creation strategy, we aim to create value by combining the diversified Group assets of business, technology, and human resources, and strengthen alliances with external entities to foster and accelerate innovation.

Under our acceleration of globalization strategy, we aim to develop our businesses chiefly in the United States, Asia, and Europe, in accordance with regional characteristics.

(2) Creating business platforms for sustainable growth

Creating business platforms for sustainable growth has three aspects: obtaining thorough compliance, laying the foundation to heighten business activities and linkage between management strategy and HR strategy.

Obtaining thorough compliance means reinforcing the Group risk management and compliance posture, in light of the issue of manipulation of precast concrete pile installation data, which was disclosed in October 2015. In response, we are taking measures such as establishing a basic Asahi Kasei Group Code of Conduct for Group executives and general employees, setting up the Risk Management & Compliance Committee chaired by the Asahi Kasei President and taking measures to identify risk on a Group-wide basis, with compliance and other training given at every workplace. Through these activities, the Company will further strengthen the compliance system and consistently encourage all personnel of the entire Group to apply 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.

With regard to laying the foundation to heighten business activities, we are incorporating into our management state-of-the-art technologies such as IoT and AI, in measures to reengineer manufacturing processes and production technologies and establish new business models.

With regard to linkage between management strategy and HR strategy, we have positioned securing, fostering and strengthening human capital as an essential priority for realizing growth strategies and issue resolution. Measures include updating the personnel systems for highly specialized staff to foster a high level of professional skills, and fostering management talent and global staff with high managerial skills.

The Group will treat these management issues with due gravity and act with integrity for all stakeholders, boldly take on challenges and create new value. In that connection, we plan to further heighten corporate

value and ensure sustainable growth, with an emphasis on ESG.

(Note) On November 28, 2017, our subsidiary Asahi Kasei Construction Materials Corporation, along with Hitachi High-Technologies Corporation and Sumitomo Mitsui Construction Co., Ltd., were sued in proceedings at Tokyo District Court for damage compensation of approximately ¥45.9 billion on grounds of tort in concrete pile installation in an apartment construction project at Yokohama, Kanagawa Prefecture. Asahi Kasei Construction Materials was the secondary subcontractor and Hitachi High-Technologies the primary subcontractor, with Sumitomo Mitsui Construction as the prime contractor. The three companies were sued by Mitsui Fudosan Residential Co., Ltd., the vendor, which was required to pay replacement construction costs, etc. in the project arising due to fears of faulty workmanship in certain works. In this case, Asahi Kasei Construction Materials holds that there is no basis for the plaintiff's claim, and will make this argument during the legal proceedings.

3. Trends in Group-wide results and assets

(In millions of yen*)

Category	FY2013 (123rd)	FY2014 (124th)	FY2015 (125th)	FY2016 (126th)	FY2017 (127th)
Net sales	1,897,800	1,986,400	1,940,900	1,883,000	2,042,200
Operating income	143,300	157,900	165,200	159,200	198,500
Ordinary income	142,900	166,500	161,400	160,600	212,500
Net income attributable to owners of the parent	101,300	105,700	91,800	115,000	170,200
Net income per share	¥72.48	¥75.62	¥65.69	¥82.34	¥121.93
Total assets	1,915,100	2,014,500	2,211,700	2,254,500	2,316,100
Net assets	925,800	1,097,700	1,057,400	1,168,100	1,305,200
Net assets per share	¥653.15	¥775.05	¥745.94	¥824.36	¥922.11

* Except per-share amounts.

II. Corporate Summary

(As of March 31, 2018)

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

Segment	Locations	
Material	Offices	Tokyo, Osaka
	Plants	Fibers: Shiga, Miyazaki, China, Taiwan, Thailand, Germany Chemicals: Kanagawa, Chiba, Shizuoka, Mie, Shiga, 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, Germany Electronics: Tokyo, Kanagawa, Shizuoka, Shiga, US
Homes	Offices	Tokyo, Osaka
	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
Administrative, etc.	Offices	Tokyo, Shizuoka, Osaka, Miyazaki, China, India, Germany, US
	Laboratories	Tokyo, Kanagawa, Shizuoka, Mie, Shiga, Okayama, Oita, Miyazaki, Germany

2. Group employees

Segment	Employees	Year-on-year change
Material	14,932	557
Homes	7,288	258
Health Care	8,799	102
Others	1,064	23
Administrative, etc.	2,587	10
Total	34,670	950

3. Main lenders and loans

(In millions of yen)

Lender	Loan
Sumitomo Mitsui Banking Corporation	72,967 *1
Mizuho Bank, Ltd.	68,613 *1
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	38,109 *1,2
The Norinchukin Bank	26,076
Development Bank of Japan Inc.	20,000
Sumitomo Mitsui Trust Bank, Limited	13,889
Nippon Life Insurance Company	6,000
Meiji Yasuda Life Insurance Company	3,000
Asahi Mutual Life Insurance Company	3,000
Japan Bank for International Cooperation	1,977

(Notes) *1 The loan amounts of the lender include loans from lenders' overseas affiliates.

*2 The Bank of Tokyo-Mitsubishi UFJ, Ltd., has changed its name to MUFG Bank, Ltd., as of April 1, 2018.

4. Status of Material Subsidiaries

(1) Status of material subsidiaries, etc.

Segment	Company name	Principal business
Material	Asahi Kasei Advance Corp.	Production, processing, sale, etc. of fibers, chemicals, resin products, and construction materials products
	Asahi Kasei Spunbond (Thailand) Co., Ltd.	Production and sale of spunbond nonwovens
	Thai Asahi Kasei Spandex Co., Ltd.	Production and sale of spandex fiber
	PS Japan Corp.	Production and sale of polystyrene
	Tongsoh Petrochemical Corp., Ltd.	Production and sale of acrylonitrile, sodium cyanide, etc.
	Asahi Kasei Mitsubishi Chemical Ethylene Corp. *1	Production of petrochemicals and sales to both parent companies
	PTT Asahi Chemical Co., Ltd.	Production and sale of acrylonitrile, methyl methacrylate, etc.
	Asahi Kasei Synthetic Rubber Singapore Pte. Ltd.	Production and sale of synthetic rubber
	Asahi Kasei Plastics (America) Inc.	Holding company of a company producing and selling compounded performance resin
	Asahi Kasei Plastics Singapore Pte. Ltd.	Production and sale of performance resin
	Asahi Kasei Plastics (Shanghai) Co., Ltd.	Sale of performance resin
	Asahi Kasei Europe GmbH	Business support services, sales of performance resin, etc. in Europe
	Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.	Production and sale of electronic materials
	Asahi Kasei Pax Corp.	Production and sale of synthetic resin products
	Asahi Kasei Home Products Corp.	Production and sale of Saran Wrap™ cling film, other household products
	Asahi Kasei Microdevices Corp.	Design, production and sale of electronic devices
Polypore International, LP	Production and sale of battery separators	
Asahi Kasei E-materials Korea Inc.	Production and sale of electronic materials	

Segment	Company name	Principal business
Homes	Asahi Kasei Homes Corp.	Housing design, construction, and sale
	Asahi Kasei Realty & Residence Corp.	Real estate development, brokerage, and related business
	Asahi Kasei Reform Co., Ltd.	Waterproofing, exterior remodeling, and renovation of homes
	Asahi Kasei Homes Financial Corp. *2	Home loan and management/recovery business, nonlife insurance agency business
	Mori-Gumi Co., Ltd.	Civil engineering and construction, real estate, stone crushing, etc.
	Chuo Build Industry Co., Ltd.	Temporary construction equipment, metal processing
	McDonald Jones Homes Pty Ltd	Contracted home construction and marketing of parceled home lots
	Asahi Kasei Construction Materials Corp.	Production and sale of construction and civil engineering materials
Health Care	Asahi Kasei Pharma Corp.	Production and sale of pharmaceuticals
	Asahi Kasei Medical Co., Ltd	Production and sale of medical devices, bioprocess products, etc.
	ZOLL Medical Corporation	Production and sale of acute critical care devices and systems
Administrative, etc.	Asahi Kasei (China) Co., Ltd.	Investment and business support services, etc. in China
	Asahi Kasei America, Inc.	Business support services in US
	Asahi Yukizai Corp.	Production, processing, and sale of synthetic resin and fabricated plastic products

(Notes) *1 Asahi Kasei Mitsubishi Chemical Ethylene Corp. changed its Japanese trade name on April 1, 2017. The English name remains unchanged.

*2 Asahi Kasei Mortgage Corp. changed its name to Asahi Kasei Homes Financial Corp. on February 1, 2018.

The Company had 171 consolidated subsidiaries and 54 equity-method affiliates at the end of FY2017, including material subsidiaries, etc. stated in (1) above.

- (2) Integration and reorganization of material subsidiaries, etc.
Not applicable.

5. 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 6,027,617 shares)
- (3) Number of shareholders: 85,302 persons (increased by 8,518 persons compared to the end of previous fiscal year)

(Note) By resolution of a meeting of the Board of Directors held on May 11, 2017, the minimum share unit was changed from 1,000 shares to 100 shares, effective October 1, 2017.

(4) Largest shareholders (top 10)

Name of shareholder	Number of shares owned (Thousand shares)	Percentage of equity* (%)
JP Morgan Chase Bank 380055	126,327	9.05
The Master Trust Bank of Japan, Ltd. (trust account)	79,523	5.69
Japan Trustee Services Bank, Ltd. (trust account)	61,041	4.37
Nippon Life Insurance Company	58,400	4.18
Sumitomo Mitsui Banking Corp.	35,404	2.54
Asahi Kasei Group Employee Stockholding Assn.	32,484	2.33
Japan Trustee Services Bank, Ltd. (trust account 9)	25,383	1.82
Japan Trustee Services Bank, Ltd. (trust account 5)	24,962	1.79
State Street Bank West Client – Treaty 505234	23,913	1.71
State Street Bank and Trust Company	21,790	1.56

* Percentage of equity ownership after exclusion of treasury stock

III. Matters regarding Company Officers

1. Situation of Directors and Corporate Auditors

(As of March 31, 2018)

Position	Name	Responsibilities	Situation of concurrent holding of important posts
Chairman and Director	Ichiro Itoh	<ul style="list-style-type: none"> • Convener and chair of meetings of the Board of Directors • Member of the Nomination Advisory Committee • Member of the Remuneration Advisory Committee 	
President and Representative Director	Hideki Kobori	<ul style="list-style-type: none"> • Presidential Executive Officer • Convener and chair General Meetings of Shareholders and meetings of the Management Council • Member of the Nomination Advisory Committee • Member of the Remuneration Advisory Committee 	
Representative Director	Masafumi Nakao	<ul style="list-style-type: none"> • Vice-Presidential Executive Officer • Corporate ESH & QA, Regional Offices, Corporate Production Technology, Manufacturing, R&D 	
Director	Shuichi Sakamoto	<ul style="list-style-type: none"> • Senior Executive Officer • Strategy, Accounting/Finance, IT • Asahi Kasei America, Inc. • Asahi Kasei (China) Co., Ltd. 	
Director	Nobuyuki Kakizawa	<ul style="list-style-type: none"> • Lead Executive Officer • General Affairs, Legal, Risk Management & Compliance 	
Director	Soichiro Hashizume	<ul style="list-style-type: none"> • Lead Executive Officer • Human Resources 	
Outside Director	Norio Ichino	<ul style="list-style-type: none"> • Member of the Nomination Advisory Committee • Member of the Remuneration Advisory Committee 	Special Advisor of Tokyo Gas Co., Ltd.
Outside Director	Masumi Shiraishi	<ul style="list-style-type: none"> • Member of the Nomination Advisory Committee • Member of the Remuneration Advisory Committee 	Professor of Faculty of Policy Studies, Kansai University
Outside Director	Tsuneyoshi Tatsuoka	<ul style="list-style-type: none"> • Member of the Nomination Advisory Committee • Member of the Remuneration Advisory Committee 	Outside Director of Nitori Holdings Co., Ltd. (member of audit committee)
Corporate Auditor	Yuji Kobayashi		
Corporate Auditor	Shinsuke Kido		
Outside Corporate Auditor	Akio Makabe		Professor, Hosei Graduate School of Regional Policy Design
Outside Corporate Auditor	Tetsuo Ito		<ul style="list-style-type: none"> • Attorney-at-Law, (Of Counsel, Nishimura & Asahi) • Outside Corporate Auditor of Takasago Thermal Engineering Co., Ltd. • Outside Corporate Auditor of UNIZO Holdings Co., Ltd. • Outside Director of Japan Petroleum Exploration Co., Ltd.
Outside Corporate Auditor	Hikoe Konishi		<ul style="list-style-type: none"> • Certified Public Accountant, Certified Tax Accountant • Full-Time Corporate Auditor, Smart Resource Co., Ltd.

- (Notes) 1. Director Soichiro Hashizume was newly elected as Director at the 126th Ordinary General Meeting of Shareholders held on June 28, 2017, and assumed office as of the same date. Yuji Kobayashi and Hikoe Konishi were newly elected as Corporate Auditors at the 126th Ordinary General Meeting of Shareholders held on June 28, 2017, 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 Akio Makabe, Tetsuo Ito, and Hikoe Konishi 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 Akio Makabe has instructed and conducted research on economics and finance at universities, etc, while Corporate Auditor Hikoe Konishi is licensed as a certified public accountant and has vast experience of corporate auditing 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: Yuji Kobayashi, Shinsuke Kido, Akio Makabe, Tetsuo Ito, and Hikoe Konishi 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 FY2017

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	10	482	7	127	17	609
(of which Outside Officers)	3	44	4	44		

- (Notes) 1. The cash 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 cash 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 above total remuneration includes in sums recorded as expenses for the period under review based on the stock-based remuneration system approved at the 126th Ordinary General Meeting of Shareholders held on June 28, 2017. The stock-based remuneration is intended only for Directors, excluding Outside Directors. An upper limit of ¥300 million applies for the three fiscal years from FY2017 to FY2019.
4. The number of Officers as of March 31, 2018 is nine Directors (of which three are Outside Directors) and five Corporate Auditors (of which three are Outside Corporate Auditors).

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

1) Remuneration for Directors

Directors' remuneration is composed of fixed basic remuneration, variable performance-linked remuneration reflecting financial results, and stock-based remuneration. This remuneration is set within the limits for remuneration and granting of stock approved by a General Meeting of Shareholders, and is determined based on a remuneration system approved in advance by the Board of Directors.

Fixed base remuneration is determined by the rank of each Director, and performance-linked remuneration determined based on consolidated financial results of the Group and individual performance evaluation. 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. Stock-based remuneration is granted to executives of the Group upon their retirement based on a number of shares granted according to the rank of each Director, creating a framework wherein current management efforts are reflected in the

future stock prices and received as consideration. Additionally, remuneration for Outside Directors is comprised solely of fixed basic remuneration.

The Company determines the level of remuneration based on research data provided by external specialized agencies, etc.

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.

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	14 out of 15 meetings (93%)	–	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	15 out of 15 meetings (100%)	–	She appropriately made statements that were necessary to the Board's deliberation of agenda based on her high personal insight as a university professor.
	Tsuneyoshi Tatsuoka	13 out of 15 meetings (87%)	–	He appropriately made statements that were necessary to the Board's deliberation of agenda based on his broad knowledge for industries.
Corporate Auditors	Akio Makabe	15 out of 15 meetings (100%)	16 out of 16 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 16 meetings (94%)	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.
	Hikoe Konishi	11 out of 11 meetings (100%)	10 out of 10 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.

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

IV. Status of Independent Auditors

- (1) Name of Independent Auditors
PricewaterhouseCoopers Aarata LLC
- (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 FY2017
 - 1) Remuneration for audit services as stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act
PricewaterhouseCoopers Aarata: ¥160 million
 - 2) Total amount of remuneration to be paid by the Company and its subsidiaries and other financial profit
PricewaterhouseCoopers Aarata: ¥258 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 the services relating to Feed-in Tariff Scheme for Renewable Energy.
 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).

- 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

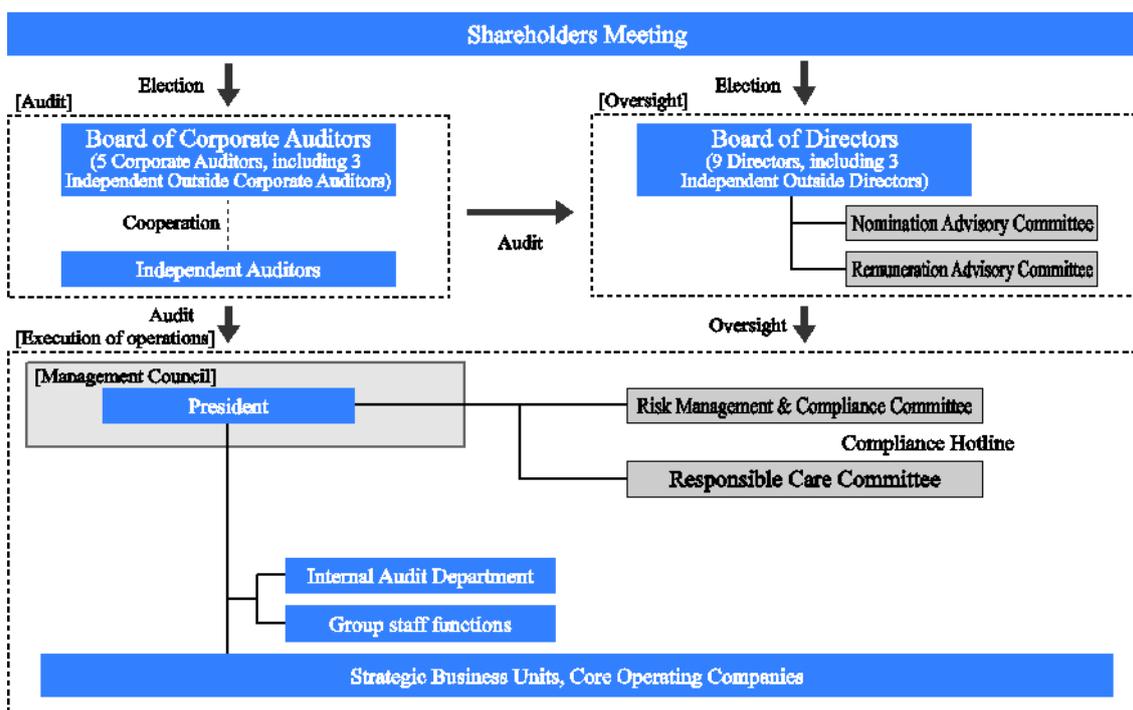
(1) Basic views for corporate governance

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, 2018)



(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 Rules of the Group with regard to matters concerning the management plan, investment and loans, financing and fund management, the organization and rules, 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, quality control, operational safety, and workplace safety/health.

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

The Company's Board of Directors reviews its effectiveness at the end of each fiscal year, and discloses its evaluation.

1. Measures implemented in FY2017

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

1) Enhanced provision of information to Outside Directors and Outside Corporate Auditors

As part of our efforts to expand the provision of information to Outside Directors and Outside Corporate Auditors, we continuously arrange visits to our manufacturing and R&D sites. We also arrange regular briefings by people responsible for each of our wide-ranging business units, to keep Outside Directors and Outside Corporate Auditors informed of the current business situation and issues, and to provide information through internal and external events to encourage a deeper understanding of the Company. We will continue to expand briefings to Outside Officers.

2) Sharing information: Investor relations activities and investor opinion feedback

In addition to the established practice of submitting reports outlining investor relations activities to the Board of Directors, we have newly launched an arrangement for the responsible Executive Officer to regularly report and share the opinions of our investors to the Board of Directors. We shall continue to encourage discussion at the Board of Directors, promptly incorporating feedback from investors.

2. Moving forward

During FY2017, we took measures to enhance the supervisory functions of the Board of Directors as described in 1. above. Furthermore, based on deliberations of the effectiveness of the Board of Directors during FY2017, the Company will continue and expand these efforts in the future. In FY2018, we are providing ample time for discussion of management strategy from a longer-term perspective in preparation for the launch of the next mid-term management plan from FY2019, and will encourage deliberations among members of the Board of Directors including Outside Directors.

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.

1) The status of Risk Management System

The Company centrally control and operate risk management and promote compliance across the entire Group based on the Asahi Kasei Group Basic Regulation for Risk Management & Compliance.

The Company also has assigned a Risk Management and Compliance Supervisor at each strategic business unit, core operating company, and affiliate. The Company performs risk analysis and appraisal, plans and implements action plans for significant risks, and confirms and follows up progress in risk management measures through the Risk Management & Compliance Committee.

In the year under review, we also established a Group emergency response protocol and have reviewed and codified basic policy for emergency situations and for creation of criteria and roles for emergency response units.

2) The status of Compliance System

The Company established “Asahi Kasei Group Code of Conduct” as a standard of corporate conduct for compliance and applies it to the entire Group.

In FY2017, the Company distributed a Code of Conduct booklet to all officers and employees in Japan, and implemented continual dissemination and education. Overseas dissemination is being performed in succession through e-learning, training sessions, etc.

The Company has made certain systemic and operational amendments to its Compliance Hotline (whistle blowing system), in accordance with “Guidelines for Business Operators regarding the establishment, maintenance and Operation of internal reporting systems based on the Whistleblower Protection Act” announced by the Consumer Affairs Agency on December 9, 2016.

Note: We disclose “System to ensure internal control and the status thereof” in detail on our website.

3. Policy regarding dividends from retained earnings

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 performance of quality, functions, and services, and business structure improvement, and the other is by improving capital efficiency through appropriate control of receivables and inventory levels. Given our currently sound financial position, 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 order to obtain stable and low-cost financing through interest-bearing debt.

In addition, 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, 2018)

(In millions of yen)

Accounts	Consolidated Fiscal Year Under Review (As of March 31, 2018)	Previous Consolidated Fiscal Year (As of March 31, 2017)
(Assets)		
Current assets	958,978	894,545
Cash and deposits	156,318	145,289
Notes and accounts receivable–trade	341,396	302,751
Merchandise and finished goods	169,948	159,395
Work in process	109,486	116,481
Raw materials and supplies	80,253	70,806
Deferred tax assets	20,032	20,279
Other	83,956	81,816
Allowance for doubtful accounts	(2,411)	(2,272)
Noncurrent assets	1,357,158	1,359,955
Property, plant and equipment	562,048	556,881
Buildings and structures	231,802	230,590
Machinery, equipment and vehicles	198,577	199,343
Land	62,938	62,391
Lease assets	798	986
Construction in progress	50,502	45,958
Other	17,431	17,613
Intangible assets	414,621	462,772
Goodwill	252,724	285,622
Other	161,898	177,149
Investments and other assets	380,489	340,302
Investment securities	314,830	284,137
Long-term loans receivable	27,793	18,918
Deferred tax assets	6,727	9,309
Other	31,406	28,154
Allowance for doubtful accounts	(266)	(215)
Total assets	2,316,137	2,254,500

Note: Amounts are rounded to the nearest million yen.

(In millions of yen)

Accounts	Consolidated Fiscal Year Under Review (As of March 31, 2018)	Previous Consolidated Fiscal Year (As of March 31, 2017)
(Liabilities)	1,010,922	1,086,385
Current liabilities	589,146	594,880
Notes and accounts payable–trade	171,413	147,543
Short-term loans payable	118,018	113,475
Commercial paper	20,000	56,000
Current portion of bonds payable	-	20,000
Lease obligations	199	305
Accrued expenses	105,787	100,419
Income taxes payable	29,714	16,202
Advances received	70,142	72,882
Provision for grant of shares	28	-
Provision for periodic repairs	3,185	5,003
Provision for product warranties	2,730	2,461
Provision for removal cost of property, plant and equipment	2,425	1,800
Asset retirement obligations	557	572
Other	64,948	58,217
Noncurrent liabilities	421,776	491,506
Bonds payable	20,000	20,000
Long-term loans payable	143,176	192,584
Lease obligations	352	467
Deferred tax liabilities	45,622	59,759
Provision for grant of shares	172	-
Provision for periodic repairs	3,263	165
Provision for removal cost of property, plant and equipment	2,699	4,390
Provision for loss on litigation	-	2,162
Net defined benefit liability	170,634	178,368
Asset retirement obligations	3,282	3,436
Long-term guarantee deposits	20,658	20,479
Other	11,917	9,695
Net assets	1,305,214	1,168,115
Shareholders' equity	1,160,833	1,030,122
Capital stock	103,389	103,389
Capital surplus	79,440	79,443
Retained earnings	981,934	850,532
Treasury stock	(3,930)	(3,242)
Accumulated other comprehensive income	126,553	121,222
Net unrealized gain on other securities	121,128	113,475
Deferred gains or losses on hedges	92	55
Foreign currency translation adjustment	28,676	40,831
Remeasurements of defined benefit plans	(23,343)	(33,140)
Non-controlling interests	17,827	16,771
Total liabilities and net assets	2,316,137	2,254,500

Note: Amounts are rounded to the nearest million yen.

Consolidated Statement of Income
(April 1, 2017 - March 31, 2018)

(In millions of yen)

Accounts	Consolidated Fiscal Year Under Review (April 1, 2017 - March 31, 2018)	Previous Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Net sales	2,042,216	1,882,991
Cost of sales	1,393,111	1,296,255
Gross profit	649,105	586,736
Selling, general and administrative expenses	450,630	427,506
Operating income	198,475	159,229
Non-operating income	27,802	15,347
Interest income	2,078	1,425
Dividends income	6,626	5,170
Equity in earnings of affiliates	13,137	4,899
Other	5,961	3,854
Non-operating expenses	13,733	13,944
Interest expense	4,594	4,435
Foreign exchange loss	2,971	1,228
Other	6,169	8,281
Ordinary income	212,544	160,633
Extraordinary income	15,698	10,083
Gain on sales of investment securities	15,164	9,918
Gain on sales of noncurrent assets	534	165
Extraordinary loss	9,908	13,328
Loss on valuation of investment securities	31	101
Loss on disposal of noncurrent assets	6,261	4,863
Impairment loss	2,158	1,484
Business structure improvement expenses	1,460	6,189
Business integration expense	-	690
Income before income taxes	218,333	157,388
Income taxes—current	63,239	49,017
Income taxes—deferred	(17,095)	(8,293)
Net income	172,190	116,663
Net income attributable to non-controlling interests	1,941	1,663
Net income attributable to owners of the parent	170,248	115,000

Note: Amounts are rounded to the nearest million yen.

(Reference)
Summary of Consolidated Statements of Cash Flows
(April 1, 2017 - March 31, 2018)

(In 100 millions of yen)

Description	Amount
Cash flows from operating activities	2,499
Income before income taxes	2,183
Depreciation and amortization	954
Amortization of goodwill	180
Increase in notes and accounts receivable–trade	(390)
Increase in inventories	(118)
Increase in notes and accounts payable–trade	230
Increase in accrued expenses	60
Decrease in advances received	(25)
Income taxes paid	(495)
Other	(82)
Cash flows from investing activities	(1,103)
Purchase of property, plant and equipment	(829)
Proceeds from sales of property, plant and equipment	16
Purchase of intangible assets	(134)
Purchase of investment securities	(116)
Proceeds from sales of investment securities	178
Other	(218)
Cash flows from financing activities	(1,344)
Net decrease in loans payable and commercial papers	(931)
Cash dividends paid	(391)
Other	(22)
Effect of exchange rate change on cash and cash equivalents	(9)
Net decrease in cash and cash equivalents	42
Cash and cash equivalents at beginning of period	1,441
Increase in cash and cash equivalents resulting from changes in scope of consolidation	3
Cash and cash equivalents at end of period	1,486

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

Non-Consolidated Balance Sheet
(As of March 31, 2018)

(In millions of yen)

Accounts	Non-Consolidated Fiscal Year Under Review (As of March 31, 2018)	Previous Non-Consolidated Fiscal Year (As of March 31, 2017)
(Assets)		
Current assets	444,751	414,231
Cash and deposits	36,573	45,777
Notes receivable–trade	2,106	2,167
Electronically recorded monetary claims–operating	3,227	2,153
Accounts receivable–trade	154,087	130,134
Merchandise and finished goods	71,767	72,777
Work in process	22,528	23,083
Raw materials and supplies	38,944	34,077
Prepaid expenses	4,320	3,737
Deferred tax assets	7,678	8,342
Accounts receivable–other	28,365	24,838
Short-term loans	2	2
Short-term loans receivable from subsidiaries and affiliates	40,774	37,597
Advances paid	31,818	26,265
Other	3,711	4,358
Allowance for doubtful accounts	(1,150)	(1,074)
Noncurrent assets	1,212,195	1,216,705
Property, plant and equipment	247,709	241,751
Buildings	87,171	84,755
Structures	24,531	24,122
Machinery and equipment	68,169	70,134
Vehicles	286	111
Tools, furniture and fixtures	5,909	5,514
Land	45,460	46,817
Lease assets	37	60
Construction in progress	16,146	10,238
Intangible assets	10,222	12,733
Software	8,482	11,392
Other	1,740	1,341
Investments and other assets	954,264	962,221
Investment securities	211,600	202,007
Stocks of subsidiaries and affiliates	616,137	619,818
Investments in capital	11	11
Long-term loans receivable	10	12
Long-term loans receivable from subsidiaries and affiliates	116,519	131,355
Long-term prepaid expenses	1,343	2,168
Other	8,645	6,849
Total assets	1,656,946	1,630,936

(In millions of yen)

Accounts	Non-Consolidated Fiscal Year Under Review (As of March 31, 2018)	Previous Non-Consolidated Fiscal Year (As of March 31, 2017)
(Liabilities)	898,693	924,629
Current liabilities	649,022	639,345
Notes payable—trade	964	1,067
Accounts payable—trade	62,709	56,406
Short-term loans payable	46,631	72,388
Commercial paper	20,000	56,000
Current portion of bonds payable	-	20,000
Current portion of long-term loans payable	52,379	23,100
Short-term loans payable to subsidiaries and affiliates	339,085	304,520
Lease obligations	19	22
Accounts payable—other	38,535	33,755
Accrued expenses	32,641	30,290
Income taxes payable	18,549	7,733
Advances received	4,179	2,847
Deposits received	4,201	3,734
Provision for grant of shares	21	-
Provision for periodic repairs	3,185	4,999
Provision for removal costs of property, plant and equipment	2,210	1,656
Provision for loss on guarantees	-	264
Provision for warranties	223	211
Notes payable—alternative payment	2,523	2,526
Other	20,969	17,826
Noncurrent liabilities	249,671	285,284
Bonds payable	20,000	20,000
Long-term loans payable	126,117	167,670
Lease obligations	20	39
Deferred tax liabilities	35,531	30,591
Provision for retirement benefits	58,842	56,872
Provision for grant of shares	107	-
Provision for periodic repairs	1,104	165
Provision for removal costs of property, plant and equipment	2,363	4,055
Provision for warranties	421	644
Asset retirement obligations	135	135
Long-term guarantee deposits	3,273	3,441
Other	1,758	1,673

Accounts	Non-Consolidated Fiscal Year Under Review (As of March 31, 2018)	Previous Non-Consolidated Fiscal Year (As of March 31, 2017)
(Net assets)	758,254	706,307
Shareholders' equity	643,623	599,131
Capital stock	103,389	103,389
Capital surplus	79,411	79,410
Legal capital surplus	79,396	79,396
Other retained earnings	15	14
Retained earnings	464,753	419,575
Legal retained earnings	25,847	25,847
Other retained earnings	438,906	393,728
Reserve for special depreciation	115	154
Reserve for advanced depreciation of noncurrent assets	11,634	11,717
Reserve for special disaster	16	-
Reserve for dividend equalization	7,000	7,000
General reserve	82,000	82,000
Retained earnings brought forward	338,142	292,857
Treasury stock	(3,930)	(3,242)
Valuation and translation adjustments	114,631	107,176
Net unrealized gain on other securities	114,510	107,166
Deferred gains or losses on hedges	120	10
Total liabilities and net assets	1,656,946	1,630,936

Note: Amounts are rounded to the nearest million yen.

Non-Consolidated Statement of Income
(April 1, 2017 - March 31, 2018)

(In millions of yen)

Accounts	Non-Consolidated Fiscal Year Under Review (April 1, 2017 - March 31, 2018)	Previous Non-Consolidated Fiscal Year (April 1, 2016 - March 31, 2017)
Net Sales	621,875	572,645
Cost of sales	484,991	452,820
Gross profit	136,883	119,825
Selling, general and administrative expenses	92,692	89,774
Operating income	44,192	30,051
Non-operating income	58,726	59,027
Interest and dividends income	55,622	56,176
Other income	3,104	2,852
Non-operating expenses	8,754	9,896
Interest expenses	3,577	3,522
Foreign exchange loss	1,883	235
Other	3,295	6,140
Ordinary income	94,163	79,182
Extraordinary income	17,322	131,882
Gain on sales of investment securities	15,093	9,918
Gain on liquidation of subsidiaries and affiliates	1,015	—
Gain on sales of noncurrent assets	1,000	131
Gain on extinguishment of tie-in shares	214	121,833
Extraordinary loss	12,441	10,386
Loss on valuation of investment securities	8	56
Loss on valuation of shares of subsidiaries and affiliates	5,942	292
Loss on disposal of noncurrent assets	4,305	3,784
Impairment loss	829	1,041
Business structure improvement expense	1,356	4,523
Business integration expense	-	690
Income before income taxes	99,045	200,678
Income taxes—current	12,351	7,400
Income taxes—deferred	(2,410)	(5,381)
Net income	84,284	198,660

Note: Amounts are rounded to the nearest million yen.

Independent Auditors' Report

May 9, 2018

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, 2018, and for the fiscal year from April 1, 2017, to March 31, 2018, 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, 2018

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, 2018 and for the 127th financial period from April 1, 2017, to March 31, 2018, 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 127th financial period from April 1, 2017, to March 31, 2018, 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, the development and operation status of internal control systems, status of responsible care activities, the development and operation status of risk control systems, the implementation status of the mid-term management plan, 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.

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 to strengthen risk management and compliance posture of the entire Group.

The Board of Corporate Auditors will keep close watch on the effectiveness of these measures.

Furthermore, regarding the damage compensation suit filed by Mitsui Fudosan Residential Co., Ltd. in November 2017 against three companies including Asahi Kasei Construction Materials Corporation concerning piling work, the Board of Directors will keep close watch on any new developments.

- 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, 2018

The Board of Corporate Auditors
Asahi Kasei Corporation

Corporate Auditor	Yuji Kobayashi
Corporate Auditor	Shinsuke Kido
Outside Corporate Auditor	Akio Makabe
Outside Corporate Auditor	Tetsuo Ito
Outside Corporate Auditor	Hikoe Konishi