

Asahi Organic Chemicals Industry Co., Ltd.

90th term

2010 Business Report for Shareholders

From April 1 2010 to March 31 2011



To Our Shareholders



Yoichi Saji
Chairman and
Representative Director

Keiji Kamei
President and
Representative Director

We wish to express our sincere appreciation for the kind assistance and cooperation extended to us by our shareholders. We also wish to extend our heartfelt sympathy to all people in the regions suffered damages from the recent East Japan Great Earthquake and pray for their earliest possible reconstruction.

In sending our BUSINESS INFORMATION for SHAREHOLDERS, I wish to briefly explain our activities and operating performances:

While the economy in the Asian region continued strong backed by the expanding domestic demand in the developing countries, the world economy during the current fiscal term continued to remain unstable because of extended anxieties of financial crisis in the European countries and increasing concerns of economic slowdown in European and American countries. Regarding Japanese economy, while a sign of recovery was seen partially thanks to export and economic stimulus measures, the investments of the business corporations and the private consumption remained at a low level, affected by sharp appreciation of the yen and decline in stock values, and the hikes in the price of crude oil due to political instability in the Middle East and North African countries. The East Japan Great Earthquake which occurred in the midst of such circumstances deprived many people of their precious lives and caused heavy blow to the domestic economy and the business environment grew more and more uncertain. Under such environment, our Valve and Piping Systems Administration successfully reduced its cost promoting structural reforms in domestic manufacture and sales.

In overseas markets, it expanded sales for electronics industries such as semiconductors, solar cells etc. and through acceptance of large scale projects. Further, it promoted the development of South American market and improved its earnings greatly. Moreover, with a view to enhancing cost competitiveness, it started overseas production of general purpose valves such as "Water BV™", etc.

Our Resin Administration improved its performances from the recovery of car production due to state subsidy program for eco-friendly vehicles and eco-points system and grasping the increased demands for LCD, LED as well as construction materials, expanded its sales of resins for castings, resin coated sand, high performance resins for electronic material and construction materials and improved its operating performances.

Through these activities explained above, we were able to increase our sales for the first time in 4 years, and returned to the black for the first time in 3 years.

On the other hand, with a view to making a major move for the transformation of our business to more muscular structure responding to the great paradigm shift of the world economy, we implemented integration of production sites of the pipes, reorganization of sales division and logistics networks as well as optimization of the number of personnel through voluntary early retirement program.

We also decided to restructure our Aichi Plant, the main plant of the Resin Administration, and posted a special loss to cover the cost for reconstructing the business structure, etc.

As explained above, we could implement steadily the strengthening of our basic business as "a step toward solidifying for growth" of our "New" medium-term business plan "3C-Action 2010", which was established in the previous year and we could successfully attained the expected results in the business performance.

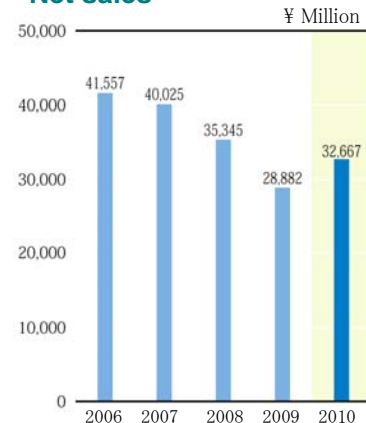
As for the year-end dividend, we proposed a 3 yen/share dividend (annually 6 yen/share). In order to further improve the speed for management's decision-making and business implementation, and to strengthening supervisory function on the business implementation, we launched as of April 1, this year, the Executive Corporate Officer System.

With this new system, we are committed to respond appropriately to the various changing business environments due to earthquake disaster, and to work vigorously to the accomplishment of our medium-term business plan "3C-Action 2010". We earnestly request continued support and cooperation to all our shareholders.

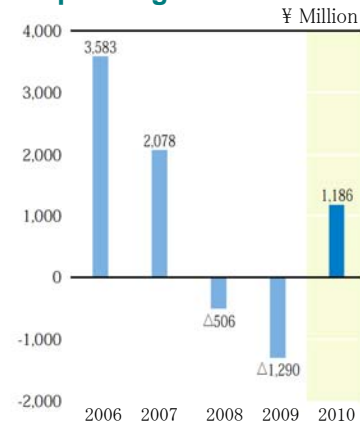
June, 2011

Consolidated Financial Highlights

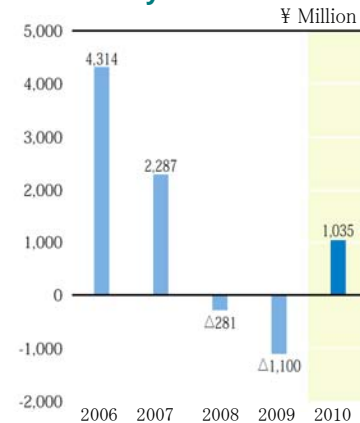
Net sales



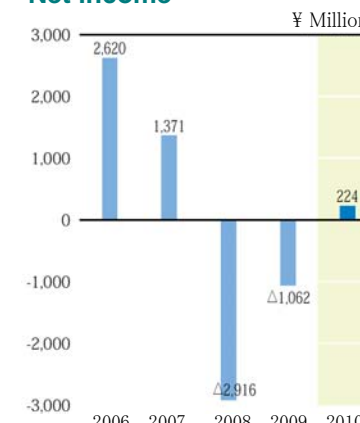
Operating income



Ordinary income



Net income



Consolidated Cash Flows

Item	Amount
Net cash provided by operating activities	1,762
Net cash used in investing activities	△ 1,186
Net cash used in financing activities	△ 75
Effect of exchange rate change on cash and cash equivalents	△ 137
Net increase in cash and cash equivalents	△ 364
Cash and cash equivalents at beginning of year	2,996
Cash and cash equivalents at end of year	3,360

(Note) The stated amounts are rounded off to the nearest million yen.



3C (Challenge, Create, Change) – Action 2010

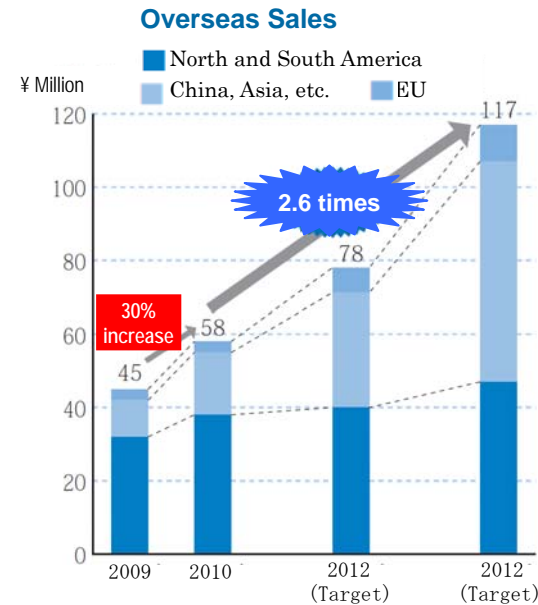
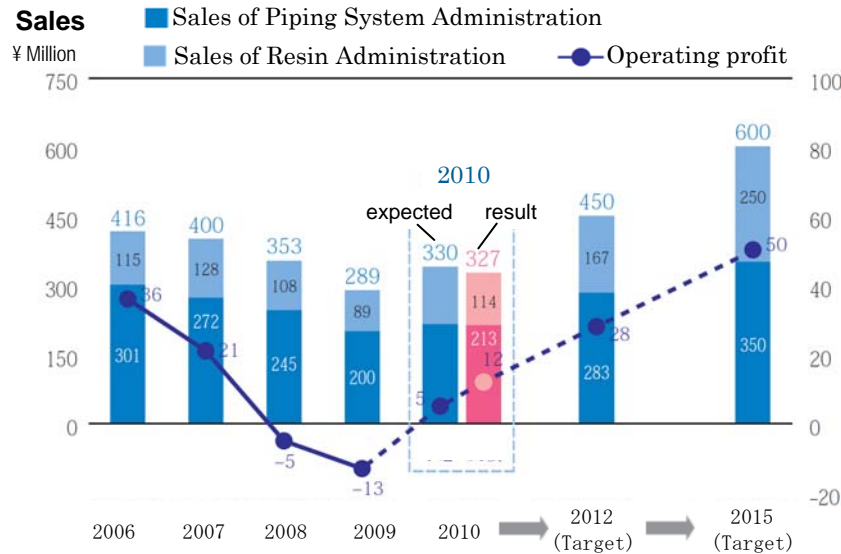
Our Group has been implementing steadily the medium-term business plan “3C-Action 2010”, making fiscal year 2010 the first year and is accomplishing certain results.

During the fiscal year of 2010, as the step towards “Solidifying Ground for the Growth”, we implemented, in Japan, optimization of the number of personnel meeting the market scale and reorganization of sales and logistics network. In the growing overseas markets, we got our resin business in China on track and implemented measures for development of new fields such as IT, etc in the United States. As the results, we posted consolidated operating profits exceeding the original plan.

On the other hand, we put on a strategic move for the improvement of the future earnings. The piping plant in Nobeoka, Miyazaki Prefecture, was closed and the facilities were consolidated in Tochigi Plant. We also decided the restructuring of the solid resin plant (Aichi) of resin manufacturing site.

Further, we are promoting the establishment of base points in the growing market. In China and Taiwan, we launched the commissioned production of valves and pipes with our technology and in India we established a sales company.

In the management structure, we decided to introduce the Executive Corporate Officer System to accelerate decision making and business implementation and to strengthen supervisory function.



In the US market, Asahi America Inc. recorded an all-time high profit. This is brought about by entering in IT related markets through business activities impartial to specific markets and successful acquiring of large size project such as New York City Drinking Water Facility Construction Project, etc.

Also, Asahi Organic Chemicals (Nantong) Co., Ltd. increased its sales drawn by the growth of car production in China and attained profits in the operating income. As the results of this, the overseas sales amount increased by 30% compared with the previous year.

Challenges for the Fiscal Year 2011

We position the fiscal year 2011 as a year to accomplish the solidifying of the grounding and to shift our axis to the path of growth.

We will promote restructuring of our principal manufacturing base both in Nobeoka and Aichi to strengthen their competitiveness.

We will certainly put on track the integration of the sales companies and consolidation of the pipe manufacturing base which were initiated in 2010.

In China, utilizing the respective Chinese manufacturing base of Valve and Piping Systems Administration and Resin Administration, we will cultivate deeply the markets of the neighboring South East Asian countries and develop a new market to input high performance resin.

In Americas, we will put emphasis on the selling activities mainly targeting copper refining industries in South America and try to increase the sales volume.

As our new and fostering businesses, we will further promote the market penetration of our highly functional CFC-free foaming-in-place system “Zero-Freon ER” and aggressively carry out launching of new products such as “New Type Mixer” and “One-Box Unit” embodying precise liquid control technology.

In the fiscal year of 2011, while responding to the effects of the East Japan Great Earthquake is an important issue, we will also try to get stable procurement of our essential raw materials at reasonable price and build structures enabling us to fulfill stable supply of our products so that we can meet the restoration and rehabilitation demands after the disaster.

By carrying out these measures, we are committed to attain steadily our growth target.



Tochigi Piping Plant



Aichi Plant restructuring drawing



[Valve and Piping Systems Administration]

The Valve and Piping Systems Administration increased its sales. In the domestic market, although the level of the demand for capital investment still remained sluggish, the Administration was able to acquire the orders steadily. In the overseas market, it tried to acquire large scale projects and extend the target industries and regions. While the selling price went down due to severe competition, the earnings have improved considerably through increased sales volume and all-out cost cutting in sales and distribution as well as belt-tightening of the corporation. Dymatrix products and washing device for electronics instruments increased their sales due to steady performance of semiconductor industries in Japan and overseas and AOC Techno Co., Ltd. which produces the washing device improved considerably its operating performances. The sales of the engineering operation remained low because the recovery of large scale plant construction has not been realized in the domestic market.

Further, as a measure for strengthening the base business, one of the challenges of the medium-term business plan, we restructured our supply system to meet the shrunken domestic demand and at the same time the two production sites of the pipe business were put together consolidated in Tochigi plant. For streamlining the sales system, we also decided to merge our two sales subsidiaries namely, Chubu AOC Sales Co., Ltd. of Chubu region and AOC Sales Co., Ltd. of Kanto region.

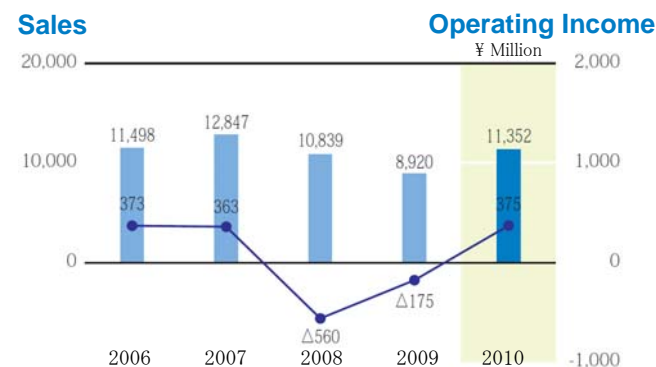


[Resin Administration]

In the Resin Administration, the production cost increased accompanied with the rise of the price of principal raw materials, but as the sales volume has recovered to a great extent, it marked higher earnings on higher sales. The sales of resins for foundry and RCS have exceeded greatly the sales of the previous year due to steady demands of castings for cars due to eco-car subsidies, etc. Moreover, Asahi Organic Chemicals (Nantong) Co., Ltd. in China increased sales supported by sharp increase in the car production in China and attained surplus in the operating income. In the general industrial resins, with the introduction of eco-point system for housing in the second half of the year, the demand of resins for the construction material increased sharply contributing to a considerable increase in sales.

In the resins for electronic materials, affected by the increased production of LCD and LED both in domestic and overseas markets, the base resins for photo-resist application and phenol derivatives for photosensitive materials increased their sales. Increase in sales was also seen in the molding materials due to higher use of plastics backed by the promotion of the lightweight vehicles.

In the resins for foaming material, the high performance CFC-free foaming-in-place system "Zero-Freon ER" was awarded the Special Prize of the Screening Board for the Grand Prize on Ozone Layer Protection and Prevention of Global Warming, and Special Prize of the Screening Board for Green Procurement. The performance of this system was highly evaluated and its brand name further penetrated in the marketplace.



Release of Falcons™

We launched the sale of Falcons™ Series as a new product line of our Dymatrix. This is a unit product storing a flow-meter, flow control valve and their control board in a box. The special features of this product include straight flow-channel, use of pinch valve that can close totally, and excellent durability. This product is used in the process requiring precise flow-control such as semiconductor manufacturing facilities, etc.

Our current product line up is only for slurry use. However, we are scheduled to release one by one new products usable under the severer conditions such as highly corrosive chemical fluids and highly viscous fluids.



Falcons™

An epoch-making mixer was developed

Corporate Technology & Business Development Administration successfully developed an epoch-making mixer "New static type mixer" that will hardly cause uneven mixing even in the event of flow-rate change in the process for mixing two or more kinds of fluid.

The trial sales of this has already been started in wide variety of fields such as semiconductor manufacturing facility related industry, food processing field and other general industrial applications. This product is expected to show its performances in the processes liable to cause uneven liquid flow such as manufacturing processes especially where constant volume pump is used.

In the future, to meet the diversified needs in the marketplace, we will promote the commercialization of new products, with various materials such as stainless steel, and PTFE having excellent chemical resistance, etc. in addition to vinyl chloride.



Vinyl chloride

PTFE

Stainless steel



Consolidated Financial Statements

Consolidated Balance Sheets (As of March 31, 2011)

¥ Million

Assets		Liabilities	
Account	Amount	Account	Amount
Current Assets	23,985	Current Liabilities	11,466
Cash and deposits	3,360	Notes and accounts payable	6,904
Notes and accounts receivable	12,746	Short-term loans payable	1,500
Securities	78	Deferred income taxes liabilities	140
Inventories	6,892	Others	2,921
Deferred tax assets	520	Noncurrent Liabilities	2,803
Others	428	Deferred tax liabilities	69
Allowance for doubtful accounts	△38	Provision for retirement benefits	1,267
Noncurrent Assets	28,962	Provision for director's retirement benefits	285
Tangible Assets	13,526	Negative goodwill	2
Property, plant and equipment	3,926	Others	1,180
Machinery and delivery tools	2,433	Total Liabilities	14,269
Land	6,044	Net Assets	
Construction in progress	585	Shareholder's Equity	39,151
Others	539	Capital stock	5,000
Intangible Assets	249	Capital surplus	8,479
Goodwill	12	Retained earnings	26,226
Others	237	Treasury stock	△555
Investments and other Assets	15,186	Valuation and Translation Adjustment	△473
Investment securities	10,294	Valuation difference on available-for-sale securities	4
Deferred tax assets	2,504	Foreign currency translation adjustment	△477
Others	2,417	Total Net Assets	38,678
Allowance for doubtful accounts	△29	Total Liabilities and Net Assets	52,947
Total Assets	52,947		

(Notes) 1. Accumulated depreciation of tangible noncurrent assets: ¥31,429 million 2. Net income per share: ¥2.29
3. The above stated amounts are rounded off to the million.

Consolidated Statements of Income (From April 1, 2010 to March 31, 2011)

¥ Million

Account	Amount
Net Sales	32,667
Cost of sales	22,390
Gross Profit	10,277
Selling, general and administrative expenses	9,091
Operating Income	1,186
Non-operating income	214
Interest income	25
Dividends income	41
Equity in earnings of affiliates	7
Others	141
Non-operating expenses	365
Interest expense	19
Foreign exchange loss	177
Valuation loss on combined financial instruments	60
Others	109
Ordinary Income	1,035
Extraordinary income	228
Gain on sale of noncurrent assets	162
Reversal of allowance for doubtful accounts	15
Others	51
Extraordinary loss	694
Loss on disposal of noncurrent assets	78
Special additional amount for retirement	285
Business structure improvement expenses	268
Others	62
Income before income taxes	569
Income taxes-current	289
Income taxes-deferred	60
Income before adjustment of minority interest in income	219
Minority interest in income	5
Net Income	224

Company Name: Asahi Organic Chemicals Industry Co., Ltd.
 Headquarters: Nobeoka Head Office:
 5955 Nakanose-cho 2-chome,
 Nobeoka, Miyazaki
 Tokyo Head Office:
 20th Floor, World Trade Center Bldg
 4-1 Hamamatsu-Cho 2-Chome
 Minato-ku, Tokyo
 Date of Establishment: March 12, 1945
 Paid-in-Capital: ¥5,000,100,000
 Employees: 703 (1,043, consolidated)
 Principal Business Sites:
 Sales offices: Sapporo, Sendai, Tokyo, Nagoya, Hokuriku
 (Toyama), Osaka, Hiroshima, Takamatsu,
 Fukuoka, Minami-Kyushu (Miyazaki)
 Germany (Bad Homburg), Thailand (Bangkok)
 Factories: Nobeoka Works, Aichi Plant, Tochigi Plant,
 Hiroshima Plant
 Research Laboratories: Nobeoka, Aichi

Directors and Auditors (As of June29, 2011)

Chairman & Representative Director	Yoichi Saji
President & Representative Director	Keiji Kamei
Presidential Executive Officer	
Director	Yasushi Kishimoto
Primary Executive Officer	
Director	Masahiro Kinoshita
Senior Executive Officer	
Director	Kyoji Tominaga
Executive Officer	
Director	Masayuki Kuwata
Executive Officer	
Outside Corporate Auditor	Yasuyuki Ito
Outside Corporate Auditor	Shozo Horino
Corporate Auditor	Shigetoshi Awano
Outside Corporate Auditor	Kazuyoshi Yonebayashi

Major Subsidiaries

Corporate Name	Main Businesses	Corporate Name	Main Businesses
Asahi/America, Inc.	Manufacture and sale of plastic piping materials	AOC Sales Co., Ltd.	Sale of plastic piping materials
AOC Techno Co., Ltd.	Manufacture and sale of cleaning facilities for electronics-related equipment	Asahi Organic Chemicals Trading (Shanghai) Co., Ltd.	Sale of synthetic resin products
AOC Assembling Co., Ltd.	Fabrication and assembling of plastic piping materials	Asahi Organic Chemicals (Nantong) Co., Ltd.	Manufacture and sale of phenol resins for castings
AOC Sales West Japan Co., Ltd.	Sale of plastic piping materials	Asahi AV Valve (Shanghai) Co., Ltd.	Manufacture and sale of plastic piping materials

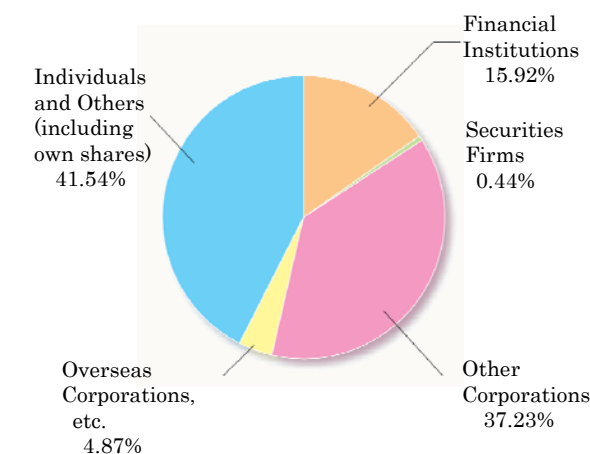
Stock Information

Total Number of Shares Authorized to be Issued: 199,000,000
 Total Number of Shares Issued: 99,002,000 Number of Shareholders: 12,248

Principal Shareholders

Name	Number of Shares Held	Ratio of Shareholding
Asahi Kasei Corporation	29,196,674	29.87%
The Miyazaki Bank, Ltd.	2,458,818	2.52%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,909,000	1.95%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,859,000	1.90%
Nippon Life Insurance Company	1,797,888	1.84%
Sumitomo Metal Mining Co., Ltd.	1,700,000	1.74%
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,327,000	1.36%
Mitsubishi Corporation	1,100,300	1.13%
Okabe Co., Ltd.	795,000	0.81%
Hirata & Co, Ltd.	732,234	0.75%

Ownership and Distribution of Shares



(Notes) 1. The Company holds 1,242,897 own shares.
 2. The percentage of Shares Held is calculated excluding our own shares.

Our Website

<http://www.asahi-yukizai.co.jp/>

English top page:
<http://www.asahi-yukizai.co.jp/en/index.html>

In our website, we provide our shareholders and the investors with the latest company's topics and the financial information, as well as our business activities and policies. Please visit our website to know about our company more.



Information for Shareholders

Fiscal Year:	From April 1 to March 31 the following year
Ordinary General Meeting of Shareholders:	To be held in June, every year
Record Date:	Ordinary General Meeting of Shareholders: March 31 Year-end Dividend: March 31 Interim Dividend: September 30 Other necessary events: Date set in advance through public notification
Administrator of Shareholder Registry and Special Account Administration Agency:	The Sumitomo Trust and Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
Administrator of Shareholder Registry:	Stock Transfer Agency Department The Sumitomo Trust and Banking Co., Ltd. 5-33, Kitahama 4-chome, Chuo-ku, Osaka
(Mailing Address)	Stock Transfer Agency Department The Sumitomo Trust and Banking Co., Ltd. 1-10, Nikkocho, Fuchu City, Tokyo, 183-8701
(Contacting Phone Number)	0120-176-417
Public Notice:	published in the <i>Nihon Keizai Shimbun</i>
Stock Listing:	Tokyo Stock Exchange (1st Section)

[System for Purchase/Sale of Shares less than Trade Unit]

Holders of Shares less than Trade Unit (1-999 shares) may use the system that the Company purchase their shares (System for Purchase of Shares less than Trade Unit) or the system that the Company sell the holders the necessary number of shares to reach One Trade Unit (1,000 shares) (System for sale of Shares satisfying Trade Unit). For details, please call the contacting phone number indicated above as reference.

[Notice of the change of address and other inquiries]

Shareholders having accounts in the securities company are requested to make the notification of change of address and other inquiries to the securities company where you have your account. Shareholders having no account in the securities company are requested to contact the phone number indicated above.

[Special Account]

For those shareholders who had not used “Hofuri” (Japan Securities Depository Center, Incorporated) prior to the computerization of shares, an account (called Special Account) was established in The Sumitomo Trust and Banking Co., Ltd., Administrator of Shareholder Registry. For inquiries on this Special Account as well as the notification of the change of address, etc. please contact the phone number indicated above.

[Payment of Year-end Dividends for the 90th term]

The year-end dividend for the 90th term will be paid by way of “Statement of Interim Dividend for the 90th Term” enclosed herein, and you are requested to receive it at any of the main office and nation-wide branch offices of Japan Post Bank or Post Offices near you within the payment period (From June30, 2011 to August 1, 2011). Shareholders who designated the account to which the dividend is to be remitted are requested to confirm the enclosed “Statement of Interim Dividend for the 90th Term” and “Notification of the Account to which the Dividend is to be remitted”. (As for the account to which the remittance of the dividend is made in the event you chose the system of distribution proportional to the number of shares held, you are requested to contact your account administration agency (securities firms)

[Notification of Payment of Dividend, etc. of listed shares]

With the revision in 2008 of the Act on Special Measures Concerning Taxation (Law No. 23 dated April 30, 2008), the Company shall send to the shareholders a “Notification of Payment” stating the amount of dividend, the amount of tax withheld at source, etc. (The enclosed “Statement of Dividend” doubles with “Notification of Payment”). This “Notification of Payment” may be used by the shareholder as an attachment when he/she files the Tax Returns.

Disclaimer

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