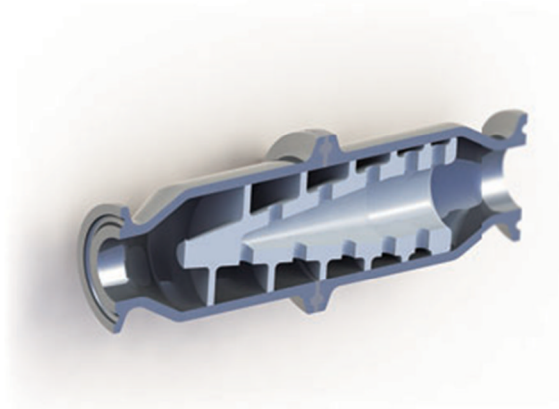


2011 BUSINESS REPORT for SHAREHOLDERS

From April 1 2011 to March 31 2012



To Our SHAREHOLDERS



Yoichi Saji
Chairman and
Representative Director

Keiji Kamei
President and
Representative Director

We are pleased to send this brochure titled “2011 BUSINESS REPORT for SHAREHOLDERS” illustrating our operating performances in the Fiscal Year 2011 (From April 1, 2011 to March 31, 2012) and wish to express our sincere appreciation for the kind assistance and cooperation extended to us.

The business environment surrounding our Group has been very severe and unstable in this Fiscal Year due to natural disasters such as the great East Japan Earthquake, the flood in Thailand, and a steep appreciation of the yen originated from the financial crisis in Europe, stagnant world economy, rising prices of resources and others.

Under such circumstances, the car production in Japan was hard hit and the private sector domestic capital investment has continuously remained sluggish. Moreover, the continuation of the high valued yen and surging raw material prices impacted greatly on our Group.

Under such situation, our Group steadily implemented the various measures raised in our medium-term management plan such as expansion of sales in the U.S. and East Asian markets, market penetration of new products such as Falconics™, etc. and successfully increased the revenues for two consecutive years. While the operating profit and the net profit for the year decreased, we secured increase in ordinary profit. We push forward the structuring of the most suitable production system such as renovation of the plants, expansion of manufacturing plant of phenol resin for castings at local subsidiary located in Nantong, China and new installation of resin manufacturing plant for electronics materials and energetically strived for the development of human resources including establishment of principles on human resources, revision of personnel evaluation system, etc. In Fiscal Year 2012, while we still have uncertain factors concerning the world economy, the effects

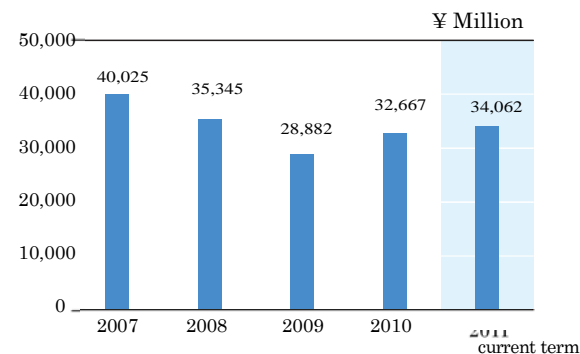
of floods in Thailand, etc are to be eliminated and various measures of Medium-term Management Plan are expected to start showing a certain outcome, we anticipate increases both in sales and profit.

Taking into account these situations, we decided to distribute year-end dividend of 3 yen per one share (3 yen for the first half, totaling 6 yen for the year).

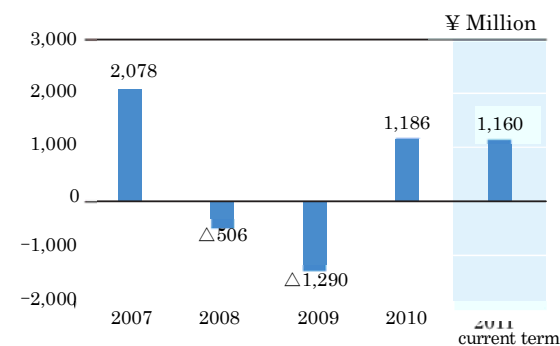
Fiscal Year 2012 is the last year of our Medium-term Management Plan “3C-Action2010”. We strive for the accomplishment of its basic measures “Structural strengthening of basic businesses”, “Acceleration of global expansion” and “Upbringing and expansion of new businesses” and work hard for the improvement of our corporate value.

We would sincerely request our shareholders continued support and kind cooperation to our businesses.

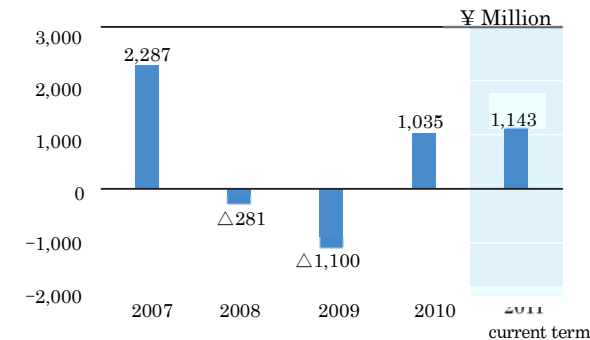
Net sales : ¥34,062 Million



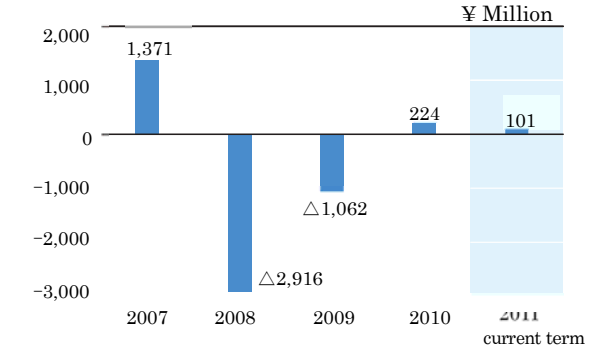
Operating income : ¥1,160 Million



Ordinary income : ¥1,143 Million

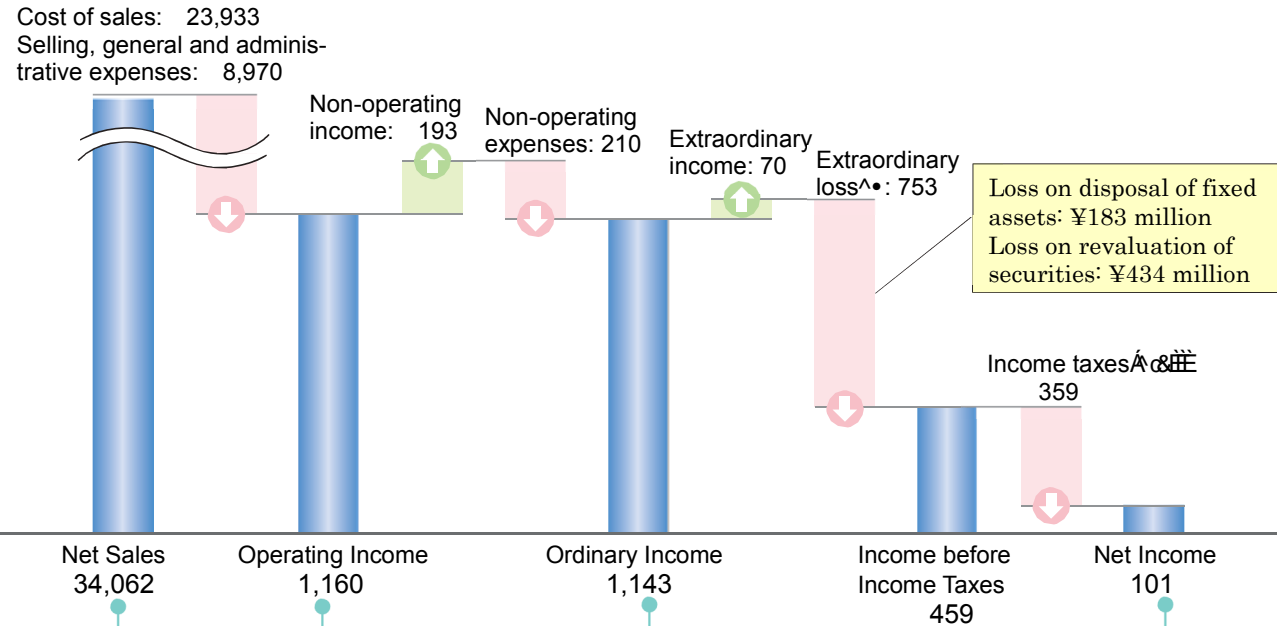


Net income : ¥101 Million



Outline of Consolidated Statements of Income

Current Term: From April 1 2011 to March 31 2012



POINT 1 Sales

Affected by East Japan Great Earthquake and floods in Thailand, the domestic production remained sluggish and business of the existing main products struggled hard. However, launching of new products such as Falconics™, steady acquiring of construction works, expansion of sales of resins for castings in China contributed to the increase of sales by 4.3% compared with the previous year.

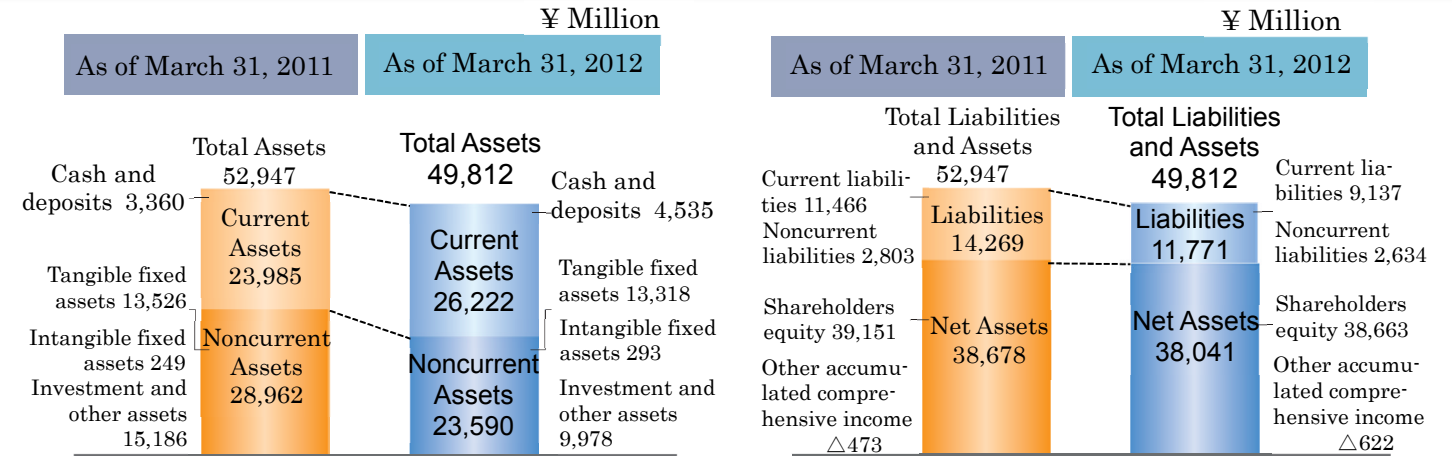
POINT 2 Operating Income

Valve and Piping Systems Administration increased operating income from increased sales. In Resin Administration, while the subsidiary in China recorded increased sales, the operating income decreased due to decreased sales of main products in the domestic market and soaring price increase of main raw materials. The Overall operating income showed a 2.2% decline compared with the previous year.

POINT 3 Ordinary Income Net Income

At our Aichi Plant, we made a replacement investment of phenol resin manufacturing plant for castings. Accompanied with this, we entered a loss on retirement of fixed assets of old equipment. We also recorded an evaluation loss of the invested securities following the lowering of the security price. These are the special losses for this year.

Outline of Consolidated Financial Statements



POINT 1 Assets

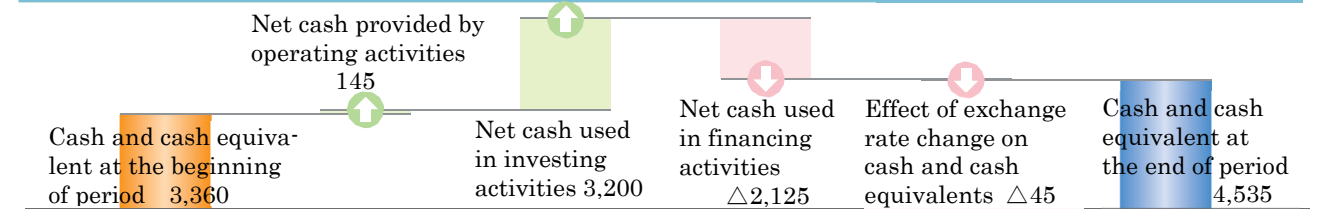
The current assets increased by 26,222 million yen (a 9.3% increase compared with the previous year) due to the increase in cash and bank deposit principally accompanied with the reimbursement of securities invested. The fixed assets decreased by 590 million yen (a decrease of 18.5% compared with the previous year) mainly due to decrease in investment and other assets accompanied by reimbursement of invested securities.

POINT 2 Liabilities

Current liabilities decreased by 9,137 million yen (a decrease of 20.3% compared with the previous year) mainly due to the decrease in short-term borrowings. The net assets decreased by 38,041 million yen (a 1.6% decline compared with the previous year) due to decrease in accumulated profit.

Consolidated Cash Flows

Current Term: From April 1 2011 to March 31 2012

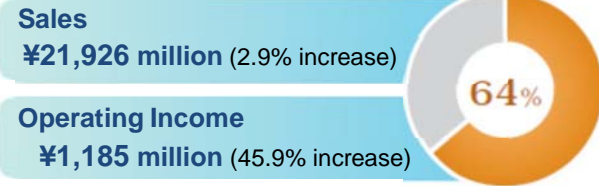


POINT 1 Consolidated Cash Flow Statement

Cash flow from sales activities indicated an income of 145 million yen as the decrease of funds due to increase in sales credits and inventories were exceeded by the increase cash due to net income before adjustment of tax etc. and depreciation. Cash flow from investing activities showed an income of 3,200 million yen due to increase in funds from reimbursement of invested securities. Cash flow from financing activities showed an expenditure of 2,125 million yen due to repayment of short-term borrowing and payment of dividends.

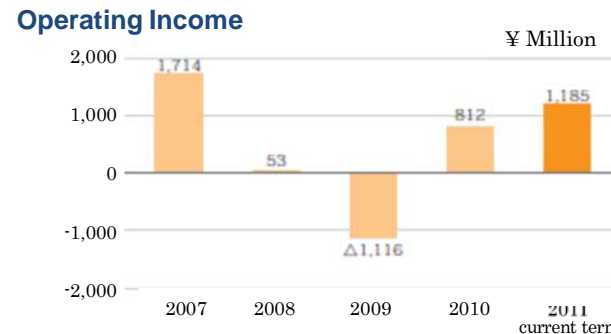
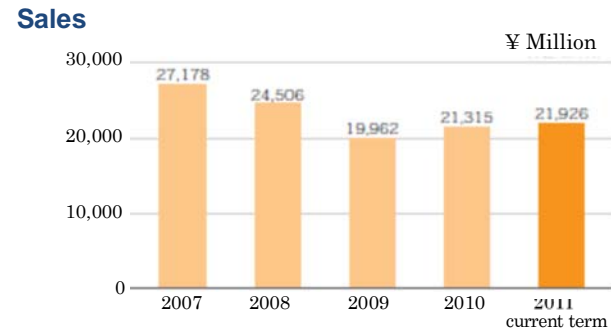
Valve and Piping Systems Administration

Sales ratio of Valve and Piping Systems Administration



Operating performance of Valve and Piping Systems Administration deteriorated greatly caused by the decrease in plant start-ups due to the revision of the Building Code in 2007 and the worldwide financial crisis in the following year of 2008. However, the Administration is on the way to recovery carrying out steadily the Medium-term Management Plan started in 2010.

In 2011, sales increased in the beginning of the year, by quickly responding to the disaster recovery of the East Japan Great Earthquake, and in the middle of the year, by deeply plowing the East Asian electronics market inputting new products, and through development of domestic sites of Engineering Department, but in the second half of the year, we were forced into a hard fight because of the drain of Japanese enterprises' capital investments to overseas initiated by the high evaluation of the yen and earthquake and flood in Thailand, etc. As the results, the sales increase was limited to only 2.9% compared with the previous year.



Regarding the profit, an increase of 45.9% was recorded due to sales increase, especially the increase in valves such as Dymatrix™.

Our subsidiary, Asahi America Inc. renewed highest sales amount on the local currency basis continuously from the preceding year through the development of new fields of electronics industries, etc. Asahi AV Valve (Shanghai) Co., Ltd. promoted market penetration of the brands and achieved profit in the final profit/loss in 3 years after start of operation.

Development of New Business Fields by means of Flow Control Technology

Aspirator type Ozonizer

As equipment corresponding to wide variety of water treatment system, we have developed "Aspirator type Ozonizer". Characteristically, by generating ozone close to liquid surface, ozone and various active species can be utilized without loss. It has a structure emphasizing efficiency and safety.

Also, for the generation of ozone, air can be used instead of pure oxygen and dry air. This enables to reduce the cost and the ozone concentration and volume of generation can be controlled freely. It is possible to make the design meeting the needs of the users.

Starting in the fiscal year of 2012, we will actively carry out the market development and trial sales and make the improvement. By the end of the fiscal year 2012, we will implement the development towards the marketing in various fields such as aquariums, fish processing facilities, water treatment facilities and sewage disposal facilities, etc.



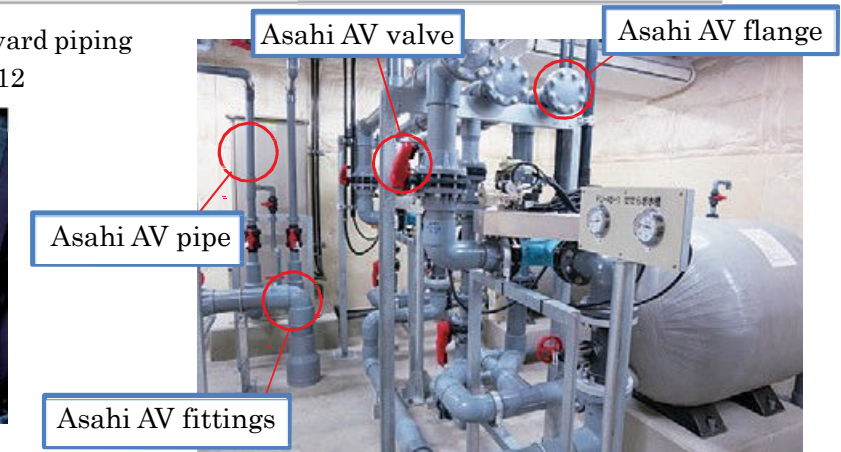
Discharge on the liquid surface

Kyoto Aquarium where our products are used

Our AsahiAV products are used in the backyard piping of Kyoto Aquarium opened on March 14, 2012



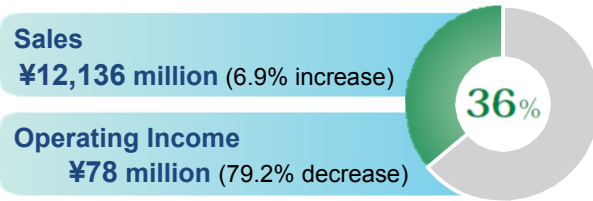
Big pool of Koto Aquarium



Backyard of Kyoto Aquarium

Resin Administration

Sales ratio of Resin Administration

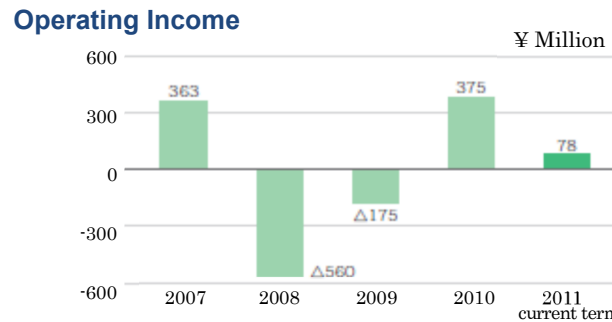
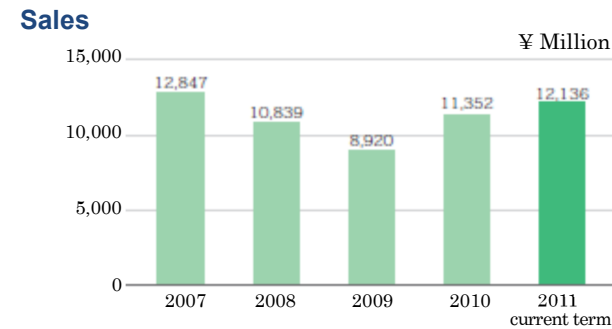


In the midst of steep crude oil price increase which hit its peak in July 2008, and outbreak of Lehman Shock in September of the same year, the domestic car production dropped drastically. Also, the increase of raw material prices hit hard the operation of our main products, resins for castings. We operated in the red consecutively for two years in fiscal years of 2008 and 2009.

Entering in 2010, the domestic car production began to start recovering thanks to eco-car subsidies, etc. But in 2011, East Japan Great Earthquake occurred which followed by the flooding in Thailand. The domestic sales quantities of resins for casting and RCS were below the level of the previous year.

On the other side, Asahi Organic Chemicals (Nantong) Co., Ltd., our subsidiary in China, registered increased sales and increased profit, catching the growth of car production in China.

Further, due to vital demand for semiconductor in East Asia, the resins for electronics materials increased its sales and with market penetration of



Zero-Freon, resin for foaming application increased its sales. As the results, the business as a whole increased its revenue.

Nevertheless, principal raw material producers suffered from the Great Earthquake, and the raw material price increased abnormally because of difficulty in obtaining them. Under the circumstances, a big decrease in profit was registered as we could not absorb the increase in cost by streamlining of manufacture, sale and logistics and by sales price adjustment.

Strengthening of Phenol Resin Manufacturing System for Casting both in Japan and Abroad

Started expansion of phenol resin manufacturing plant for casting at Nantong, China

Asahi Organic Chemicals (Nantong) Co., Ltd., our subsidiary in China, has been operating close to full capacity in the 3rd year of operation after starting. To respond to the continuously increasing car production in China, we are currently performing expansion works of phenol resin for casting manufacturing plant.

The plant is slated to complete in February, 2013. The production capacity of the company will be doubled.

Renewal of Plant for the manufacture of Phenol Resin for castings in Aichi will be completed soon.

The renewal works of Aichi plant for the manufacture of phenol resins for castings will be completed in June and the operation will be started in July. In this plant, while the production capacity is kept as it was, the automation of the manufacturing process was attained and the plant can produce high quality products with high production efficiency. The facility is also suitable for high variety low volume production that can flexibly respond the needs of the customers.

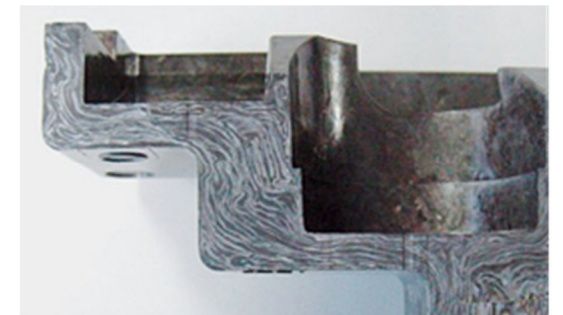


Extended applications by new phenol materials

Carbon based SMC

Up to now, carbon fiber and phenol resin were considered incompatible with each other. However, we have successfully developed carbon based SMC (Sheet Molding Compound) having strength exceeding the existing products made with the use of other resins. SMC can be molded easily and compared with normal carbon fiber reinforced plastics more suitable for mass production. In the future, expansion of application is expected as a shielding and absorbing

material of electromagnetic waves emitted from various facilities surrounding us.



Molded product using carbon based SMC

Activities in the fiscal year 2011 in the Medium-term Management Plan

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

Our Group's activities in the fiscal year 2011 are reported below:

Strengthening of our Basic Businesses

• Completion of renewal works of phenol resin manufacturing plant for castings in Aichi

A modern plant for the manufacture of resins for castings, which will be the core of our molded material business, will start operation in July in Aichi Plant. The new plant is an automated facility suitable for the production of high performance resins such as low smelling resins and multi-functional resins.

Rapid Expansion of Foam Material business

• Sales expansion of zero-freon series

In addition to the main item Zero-Freon®ER, we strengthened foaming in process business "Zero-Freon Fit" for wooden house. We are promoting the development of applications for panels to which foamed insulation material is injected. Cold storage warehouse will also be the target.



New products "Zero FreonFit® blowing

Acceleration of global development

• Reinforcement of phenol resin supplying system

Asahi Organic Chemicals (Nantong) Co., Ltd., our subsidiary in China, started the construction of new plant of resins for the electronics materials, together with the expansion of plant for resins for castings. Both of them are aimed at completing in February 2013. Upon completion of this plant our production capacity will be 1.5 times in the resins for castings and 2 times in resins for electronics material.

• Sales Expansions in the North and South Americas

Because of the penetration in new market of North American semiconductor industries and with the development of mining demand in South America, Asahi America, Inc., our subsidiary, registered the highest sales on the local currency basis for 2 years consecutively.

Upbringing and expansion of new businesses

• Dymatrix™ products sales attained all-time high

Through reinforcement of product line-up represented by Falconics™ launched in August 2011 and sales expansion to semiconductor market in East Asia, sales of Dymatrix series recorded all-time high.



New product Falconics

• Test marketing of new static type mixer started (Photos on the front cover)

For the new standstill type mixer which eliminates disturbance generated in the flow direction when liquids are mixed, a project team was started since spring last year. We are currently working on market development and started trial marketing.

Also, under the concept of "mixing", we have developed ejectors responding to the various needs and inline mixing unit of our technology, which are widely being tested in foods industry, city-water field and various chemical plants



New static type mixer

Challenges in fiscal year 2012

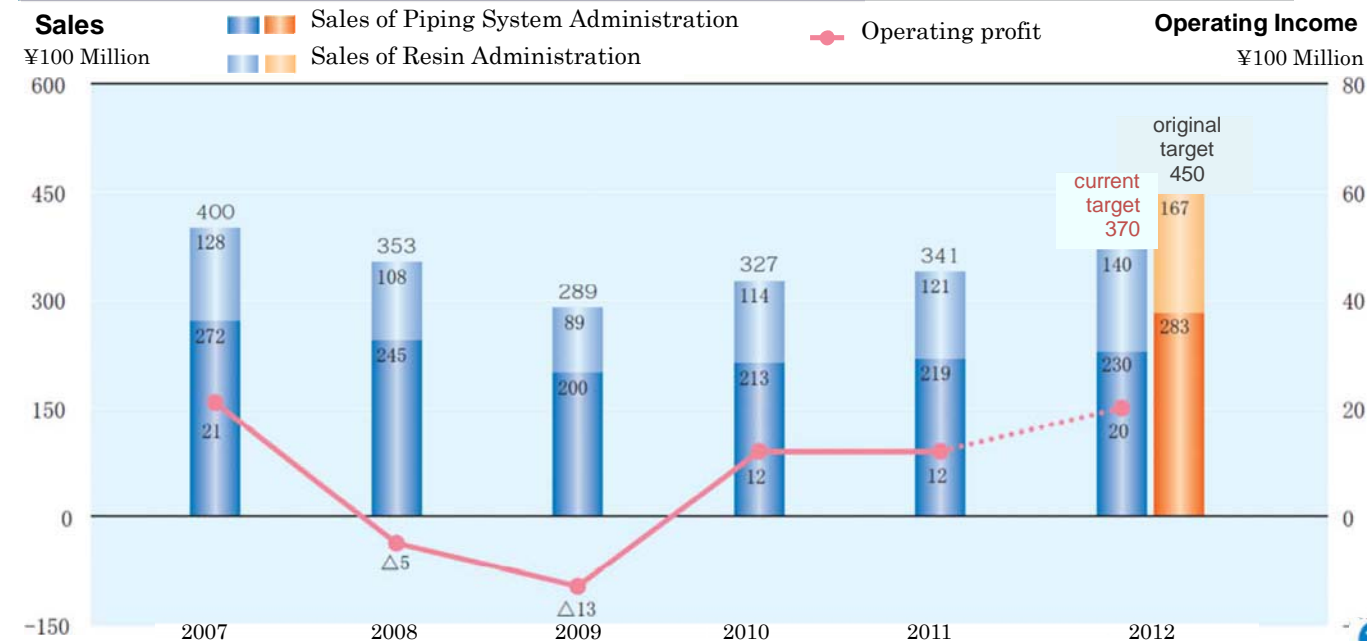
Extended applications by new phenol materials

Fiscal year 2012 is the last year of our present Medium-term Management Plan.

During this year, we will steadily carry out the basic measures raised in the Medium-term plan, "Structural strengthening of basic businesses", "Acceleration of global expansion", "Quick expansion of foaming material businesses" and "Upbringing and expansion of new businesses". Namely, to support the fast increasing demand of market we have renovated and expanded our production facilities. Renovation of AICHI Resin production facility for casting industry (by July, 2012) & expansion

of resin production facilities in Nantong, China for electronics and casting industry (by Feb, 2013) will significantly improve the supply chain and boost sales. To meet the challenge of a new age we have rearranged our organizational structure for effluent performance and focused on cost management as well. To expand new business we concentrate on test marketing for quick launching of new products such as the first-ever static type mixer and aspirator type ozonizer. Concerning the business target, we are currently targeting lower than the original figures of the Medium-term plan because of big change in environment such as the huge earthquake.

Medium-term Management Plan



Corporate Profile

Stock Information (as of March 31, 2012)

Total Number of Shares Authorized to be issued:	199,000,000
Total Number of Shares Issued:	99,002,000
Number of Shareholders:	12,018

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)	1,969,000	2.01%
Nippon Life Insurance Company	1,797,888	1.84%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,787,000	1.83%
Sumitomo Metal Mining Co., Ltd.	1,700,000	1.74%
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	1,405,000	1.44%
Mitsubishi Corporation	1,100,300	1.13%
Okabe Co., Ltd.	795,000	0.81%
Hirata & Co, Ltd.	732,234	0.75%

1. Apart from the above, the Company holds 1,253,885 own shares.
2. The percentage of Shares Held is calculated excluding our own shares.

Directors and Auditors (as of June 27, 2012)

Chairman and Representative Director	Yoichi Saji
President and Representative Director	Keiji Kamei
Presidential Executive Officer	
Director, Primary Executive Officer	Yasushi Kishimoto
Director, Primary Executive Officer	Masahiro Kinoshita
Director, Executive Officer	Kyoji Tominaga
Director, Executive Officer	Masayuki Kuwata
Full Time Auditor	Satoshi Miyamoto
Auditor	Shigetoshi Awano
Auditor	Kazuyoshi Yonebayashi

(Note) Mr. Satoshi Miyamoto and Mr. Kazuyoshi Yonebayashi are outside auditors.

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 notice
Administrator of Shareholder Registry and Special Account Administration Agency	The Sumitomo Mitsui Trust and Banking Co., Ltd. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Administrator of Shareholder Registry	Stock Transfer Agency Department The Sumitomo Mitsui Trust and Banking Co., Ltd. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
(Mailing Address)	Stock Transfer Agency Department The Sumitomo Mitsui Trust and Banking Co., Ltd. 1-10, Nikkocho, Fuchu, Tokyo 183-8701
(Contact Tel Number)	0120-176-417
(Homepage URL)	http://www.smb.jp/personal/agency/index.html
Public Notice	The Nihon Keizai Shimbun
Stock Listing	Tokyo Stock Exchange (1st Section)

Notice of the change of address, etc. and other inquiries:

1. In case you have accounts in the securities company:
Please notify the securities company.
2. In case no account in the securities company: Please call the above tel. no. "Notification of Payment" enclosed herewith may be used for the Tax Returns.

Corporate Profile (as of March 31, 2012)

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	1,006 (consolidated)

Website (English top page)

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