

Asahi Industries  
Group Report  
2016



ASAHI INDUSTRIES CO., LTD.





**The Earth is moving.  
Asahi Industries is  
creating tomorrow,  
again today.**

What we are working towards.

The realization of a plentiful society that organically ties the past to the present and the present to the future through resource recycling.

Our role in that society is to be a driver sitting at the center of that cycle, using our technical expertise to seek out, utilize and restore resources so that Earth's wealth becomes the riches of tomorrow.

The steel and agriculture sectors that we work in are paving the way for a new future for society.

The Earth is moving, and a new tomorrow is coming.

We will continue to be a company that is always at the forefront of creating new possibilities for resources.

## INDEX

### Management Principles

Being honest, fair, and loved by all, both now and for generations to come

Continuing to provide products and services of high quality and value while contributing to the global environment

### CSR Guidelines

Focusing on appreciating and contributing to the community

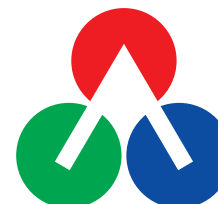
### Environmental Guidelines

Contributing to the environment by decreasing environmental impacts, preventing global warming and achieving zero emissions



#### Corporate Icon

With the “A” of Asahi Industries at its center connecting circles that symbolize “Sun”, “Nature” and “Earth”, our corporate icon expresses our management vision of contributing to the global environment.



<b>TOP MESSAGE</b>	4
<b>The Asahi Industries Story</b>	6
<b>Medium-term Management Plan — Financial Results for FY2015</b>	7
Medium-term Management Plan (FY2016-2018)	8
Financial Results for FY2015	11
<b>Business Summary</b>	13
Steel Business	15
Crushed Stone and Material Recycling Business (Jobu Co., Ltd.)	19
Agribusiness	21
<b>The Environment, Governance &amp; Social Responsibility</b>	27
Environment	28
Governance	33
CSR Activities	36
<b>Financial Data, Corporate Information, Investors Information</b>	37
Financial Data	38
Corporate Information	41
Investors Information	42

## TOP MESSAGE

In the 80 years since it was founded, the Asahi Industries Group has endeavored to “contribute to the global environment and its communities”, honoring its commitment to being “a company that is respected by everyone”.

Our goal as a Group is to help create a sustainable society through our operations, from recycling steel scrap into solid steel reinforcing for buildings, bridges and expressways through to producing safe, high-quality organic fertilizers\* from livestock manure and waste products such as poultry feathers, oil cake and the wastewater from food and beverage plants.

In the period from FY2010 to FY2013, Asahi Industries experienced unavoidable losses due to the severe business downturn following the Great East Japan Earthquake including the four-month shutdown of our steelmaking plant due to snow damage in February 2014.

However, with the normalization of the market and thanks to the huge effort put in by all our employees, our results quickly recovered to take us back into positive territory in FY2014. This continued so well through into FY2015 that profits significantly exceeded our initial forecasts and we were able to resume paying dividends for the first time in three fiscal years. We owe a sincere debt of gratitude to all the shareholders, customers, business partners and other stakeholders who kept the faith and supported us throughout such exceptionally difficult times.

In FY2015, at the same time as we were striving to fully restore our business performance, we were also working hard on formulating our medium-term business plan. Following extensive discussions on the future shape of the Asahi Industries Group, on May 10, 2016 we released the “ASAHI 2018 Project” -- our strategies for FY2016-2018 built around the keyword of “Speciality (clear strengths)”.

In order to ensure that we continue to be profitable and contribute to the community into the future, we fully commit ourselves to implementing the ASAHI 2018 Project as the way forward to 2020 and beyond.

We look forward to your continuing support.



July 2016

President  
Masanori Murakami

村上政徳

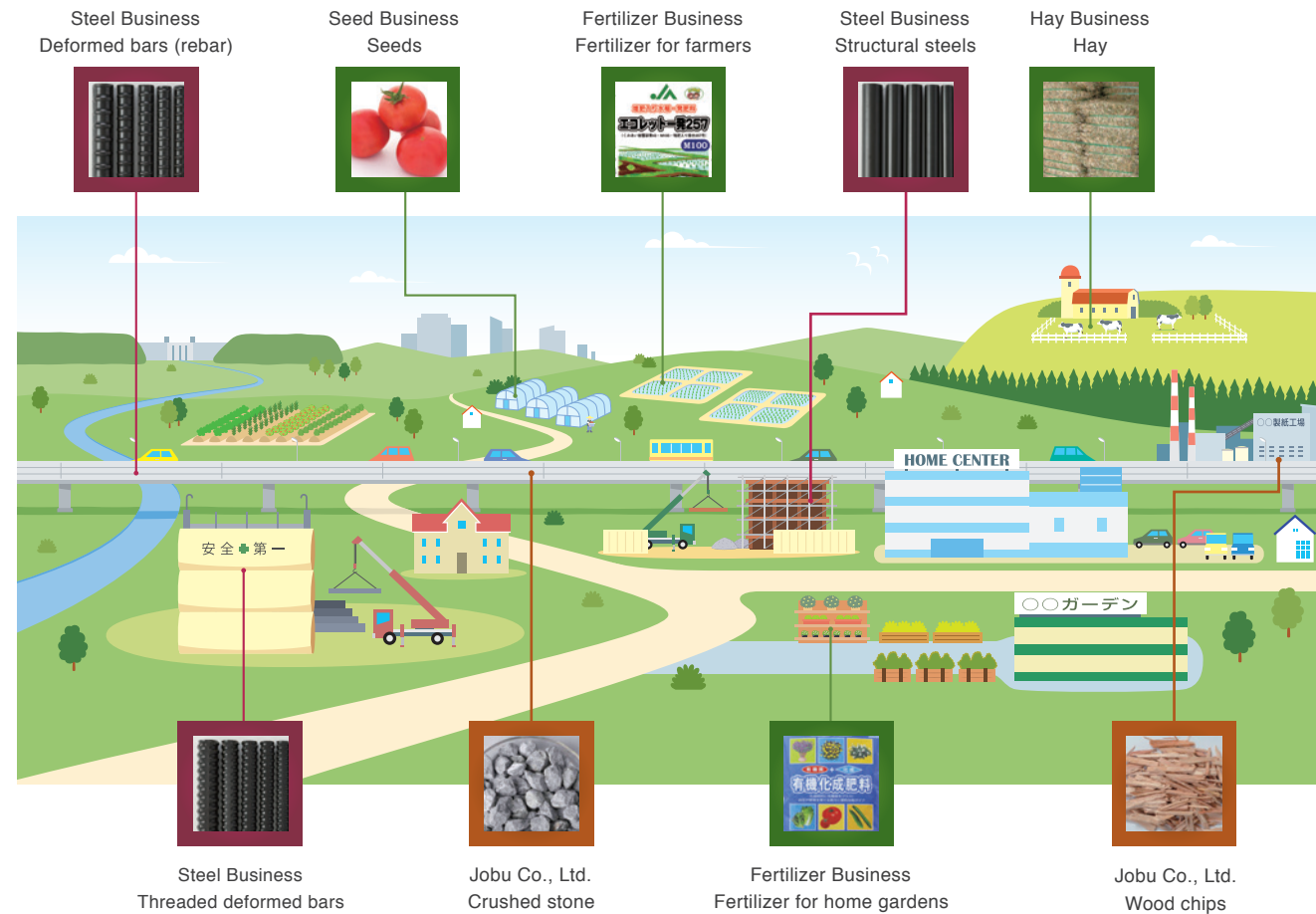
\*Organic fertilizer in this report refers to fertilizer containing 20% or more organic materials.

## To create a truly sustainable society

The efforts that the Asahi Industries Group is making to build a sustainable society are actually already part and parcel of everyone's daily lives.

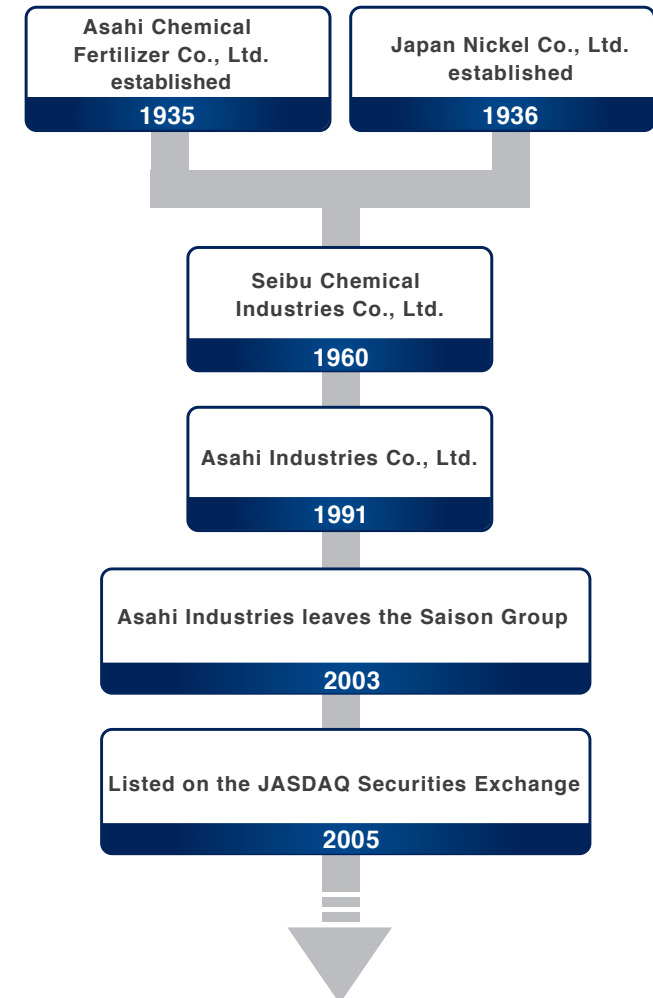
Our activities now cover a broad spectrum through our Steel Business, Agribusiness and Crushed Stone and Material Recycling Business.

In the future, our work recycling valuable resources will inevitably become even more wide-ranging.



## The Asahi Industries Story

- 1935 Asahi Chemical Fertilizer Co., Ltd. is established.  
Predecessor of the fertilizer business (Amagasaki-shi, Hyogo Prefecture)
- 1936 Japan Nickel Co., Ltd. is established.  
Predecessor of the steel business (Kodama-gun, Saitama Prefecture)
- 1960 Asahi Chemical Fertilizer Co., Ltd. takes over the steel division of Japan Nickel Co., Ltd. and the company name is changed to Seibu Chemical Industries Co., Ltd.  
Gives rise to an integrated business model: “steel and fertilizer”.
- 1991 The current Asahi Industries Co., Ltd. is established.
- 1995 Johnson Asahi Pty. Ltd. is established as a joint venture.(Victoria, Australia)
- 2003 Asahi Industries leaves the Saison Group.
- 2005 The company is listed on the JASDAQ Securities Exchange.  
(Currently JASDAQ on the Tokyo Stock Exchange, Inc.)
- 2011 Laiyang Longda Asahi Agricultural Technology Co., Ltd. is established as a joint venture  
(Shandong Province, China)



# MEDIUM-TERM MANAGEMENT PLAN FINANCIAL RESULTS FOR FY2015

**Medium-term Management Plan — Financial Results for FY2015**



# Medium-term Management Plan (FY2016-2018)

The Asahi Industries Group has drawn up “ASAHI 2018 Project” as its new management guidelines for the three years starting April 1, 2016. The Steel Business is anticipating strong demand from proposals for the Tokyo Olympics slated for 2020 and metropolitan redevelopment proposals. In the Agribusiness sector, we are anticipating ongoing stable demand for granular organic fertilizers, one of our leading products. But we also anticipate significant changes in the market environment for both steel and agribusiness after FY2019, so we have developed a business strategy, a management fundamentals enhancement strategy and a finance strategy.

## Basic Policies

### A company with “Specialities (clear strengths)” as supporters of a sustainable society

Our goal is to be a leader in “Speciality areas (areas of particular strength)”, committed to excellence and to further enhancing our technological and developmental capabilities.

## Slogan

# ASAHI 2018 Project

- Ambition** ... With **great ambition**,
- Speciality** ... to be a **leader in speciality areas**,
- Action** ... we take **immediate action**.
- High quality** ... **Pursuing high quality**,
- Innovation** ... we put **steady effort into innovation**.

## Key Strategies

### Business strategy

- Focus resources on manufacturing and selling products backed by technical and developmental expertise and enhance our “speciality areas (areas where we are strong)”
- Strive for real cost reductions through measures such as lowering specific power consumption and improving productivity

### Management fundamentals enhancement strategy

- Reform our corporate governance regime through measures such as reorganizing, transitioning to a company with an audit and supervisory committee, and reviewing our committee structures
- Broaden our “human resources” base through measures such as introducing an executive officer system and reforming our human resources systems

### Financial strategy

- Reduce interest-bearing debt through stable profits

# Business strategy

## Constant reviewing of our business portfolio

### Crushed Stone and Material Recycling Business (Jobu Co., Ltd.)

Key Business

Maintain its position as the top crushed stone manufacturer in Saitama prefecture

Expand market share by securing new mining sites

#### Per-segment net sales and income

(Millions of yen)

Crushed Stone and Material Recycling Business	FY2015 results	FY2016 projected	FY2017 projected	FY2018 projected
Net sales	2,010	2,100	2,200	2,200
Segment income	89	100	150	150

### Steel Business

Key Business

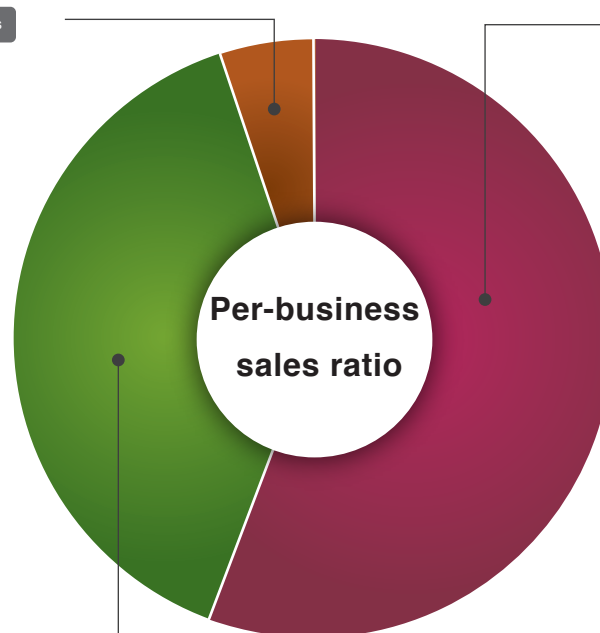
Retain and hold our position in the leading group for light bar production and sales volumes in the Kanto region

Shift to high-strength and/or large-diameter deformed bars and threaded deformed bars  
Reduce specific power consumption  
Improve productivity by reviewing our product portfolio

#### Per-segment net sales and income

(Millions of yen)

Steel Business	FY2015 results	FY2016 projected	FY2017 projected	FY2018 projected
Net sales	19,853	17,200	20,000	20,000
Segment income	1,942	1,600	1,800	1,800



### Agribusiness

Grow as a fertilizer manufacturer that specializes in seed and hay

#### Fertilizer Business

Key Business

Expand granular organic fertilizer production and sales  
Make production more efficient through integrated management of 3 plants

#### Seed Business

Rise-to-the-Challenge Business

Develop our own products and increase domestic and overseas sales

#### Hay Business

Profitable Business

Perform integrated management with Johnson Asahi Pty. Ltd.

#### Per-segment net sales and income

(Millions of yen)

Agribusiness	FY2015 results	FY2016 projected	FY2017 projected	FY2018 projected
Net sales	13,821	13,500	13,700	14,600
Segment income	737	900	900	1,100

\* Projected figures for FY2016 onwards include Asahi Industries Australia profits.

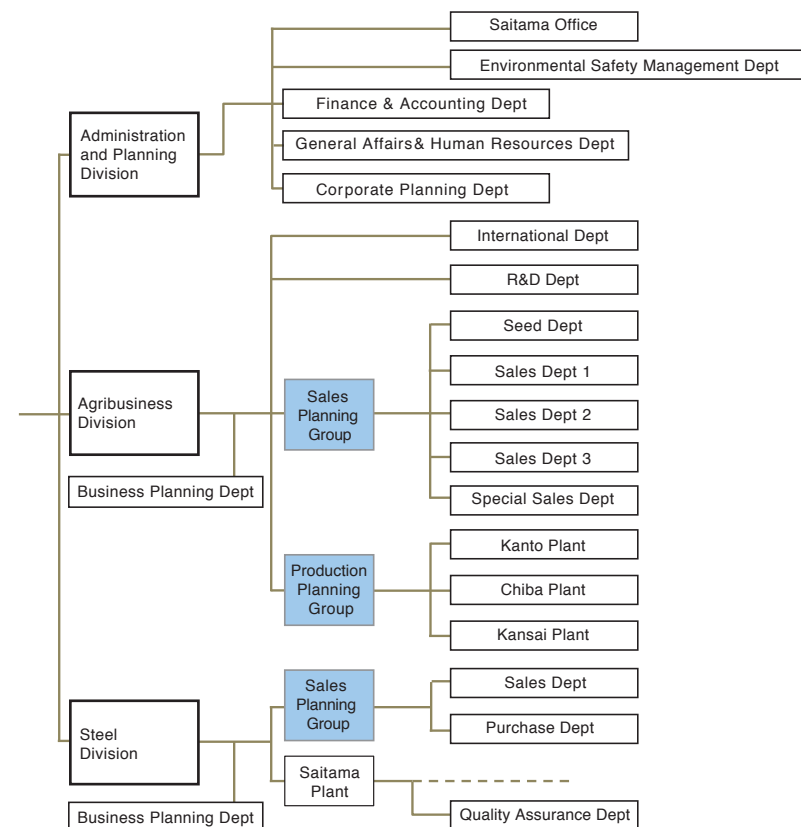
# Management fundamentals enhancement strategy

- 1. Transition to a company with an audit and supervisory committee**
- 2. Abolish the business division system and set up supervisory divisions for production and sales**  
 → More efficient production through the integrated management of 3 fertilizer plants, Synergistic effects by integrating all the sales divisions
- 3. Enhance human resources management**  
 → Introduction of a new human resources system and an executive officer system
- 4. Transfer the majority of management work to Asahi Business Support Co., Ltd.**  
 → Enabling of Administration and Planning Division to specialize in planning and policy development



## Asahi Business Support Co., Ltd.

- [Target business] · Administrative operations support  
 · Business operations support for steel, agriculture, etc.



(Millions of yen)

## Financial strategy

Rebuild our financial footing by reducing interest-bearing debt through stable profits

Management Indices	FY2015 results	FY2016 projected	FY2017 projected	FY2018 projected
Net Sales	36,348	33,000	36,000	37,000
Operating income	1,915	1,500	1,900	2,100
Ordinary income	1,931	1,500	1,900	2,100
Ordinary income rate (%)	5.3	4.5	5.3	5.7
ROE (%)	36.4	16.8	18.1	17.2
Net interest-bearing debt*	7,300	8,200	8,700	8,000

\* Net interest-bearing debt = Interest-bearing debt - cash and equivalents

# Financial Results for FY2015

## Consolidated results

(Millions of yen)

	FY2014	FY2015
Net Sales	35,494	36,348
Operating income	409	1,915
Ordinary income	348	1,931
Net income	549	2,503
Total assets	27,938	25,828
Net assets	6,028	7,716
Ordinary income rate (%)	1.0	5.3
ROE (%)	9.8	36.4
Net interest-bearing debt <sup>*1</sup>	11,000	7,300
Dividend (yen)	0	40

## Performance Summary

Due to the recovery in results from the Steel Business, profits significantly up on last year  
Note regarding the assumption of going concern removed

Sale of owned securities and adjustment (-527 million yen) of corporate tax, etc. due to changes in company partitioning in the accounting standards for tax effect accounting

Accumulated loss cleared

Major decrease in interest-bearing debt

Dividends restored for the first time in 3 fiscal years

\*1: Net interest-bearing debt = Interest-bearing debt - cash and equivalents

## Performance by Segment

### Steel Business

- Lower prices for steel scrap (the main raw material) led to increased metal spread<sup>\*2</sup> and a significant rise in profits

\*2: Difference between the steel scrap costs and product sales prices

### Crushed Stone and Material Recycling Business

- Lower profits due to a fall in sales of in-house products for ready-mixed concrete

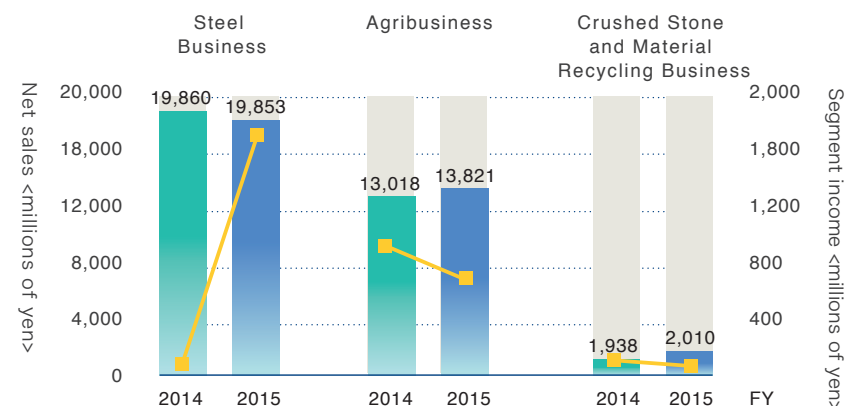
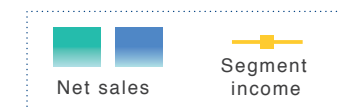
### Agribusiness

- Despite increased net sales generated by higher sales volumes in the fertilizer business, increases in raw material costs led to a fall in profits
- Johnson Asahi Pty. Ltd. (Hay Business) set a new all-time record for profits

### Environmental Solutions Business<sup>\*3</sup>

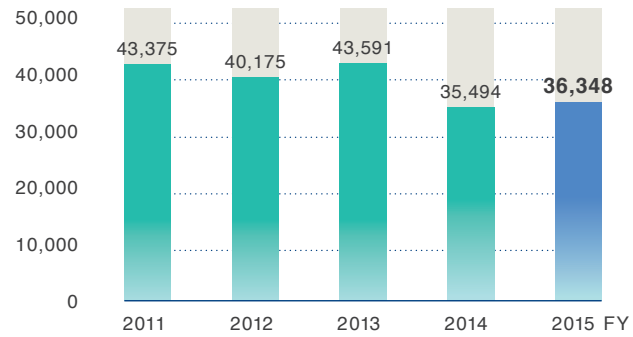
- Revenues and expenditure remain more or less on par with the previous year

\*3: All of our issued shares in EAC Corporation were fully transferred in May 2016

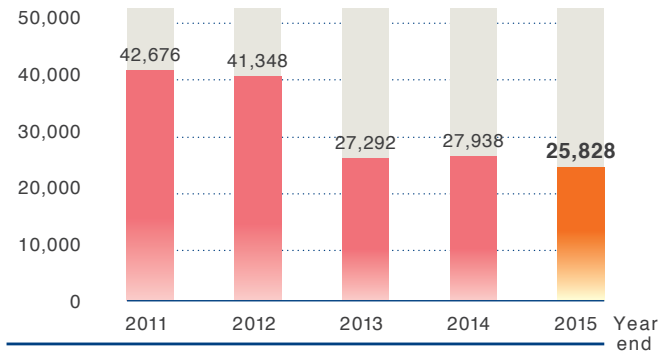


# Financial Highlights (Consolidated)

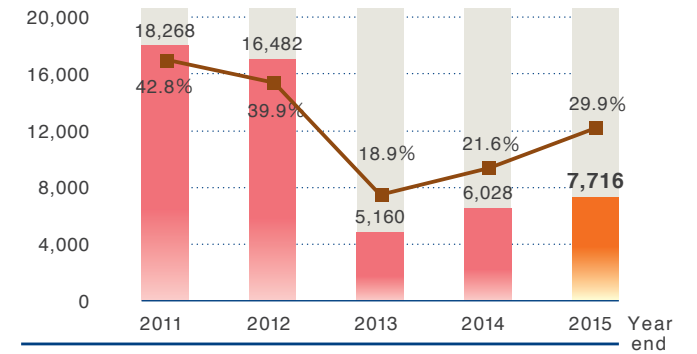
**Net sales** Millions of yen



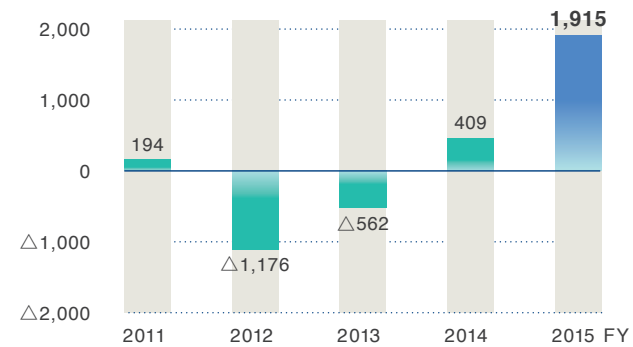
**Total assets** Millions of yen



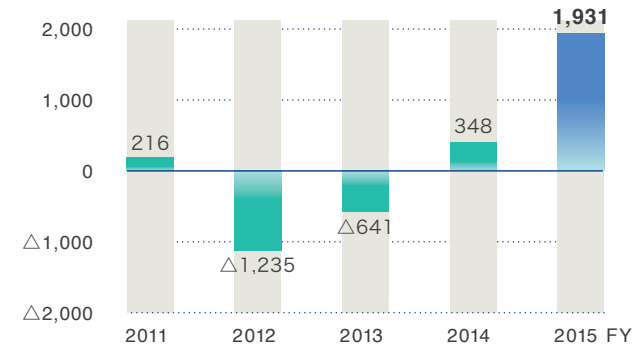
**Net assets** Millions of yen



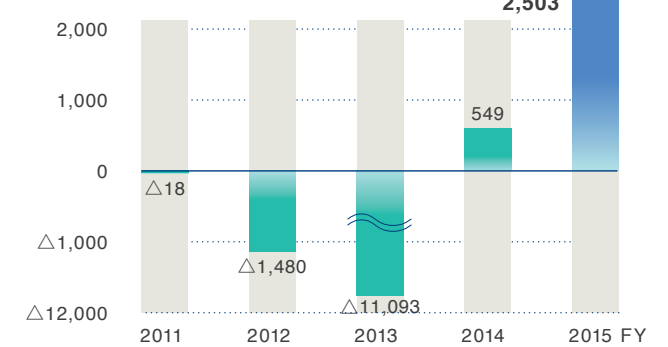
**Operating income** Millions of yen



**Ordinary income** Millions of yen



**Net income** Millions of yen



# OUR BUSINESS

## **Business Summary**









# Steel Business

## Working towards a sustainable society with a prosperous future that is supported by “steel”

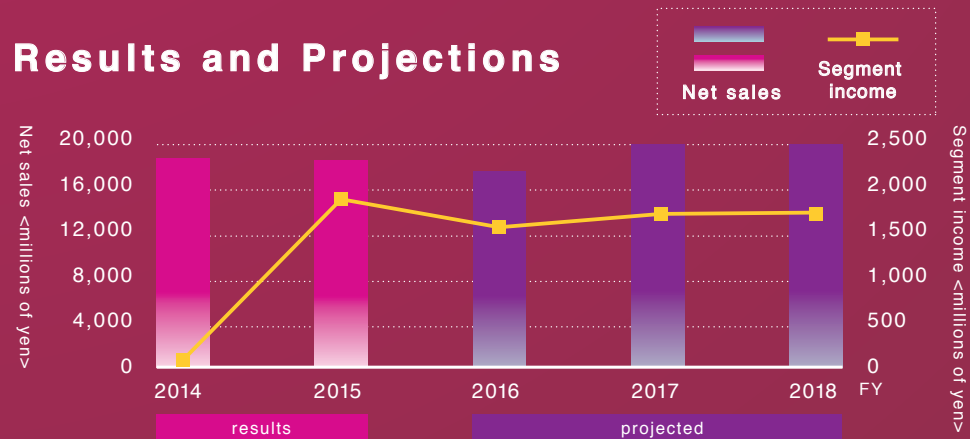
Asahi Industries recycles steel scrap into steel products such as reinforcing bars. The high-quality steel products made in our plants are being used more and more in the large-scale infrastructure projects that underpin our everyday lives.

One of the few manufacturers using an electric arc furnace in an integrated in-house process to manufacture high-strength rebar

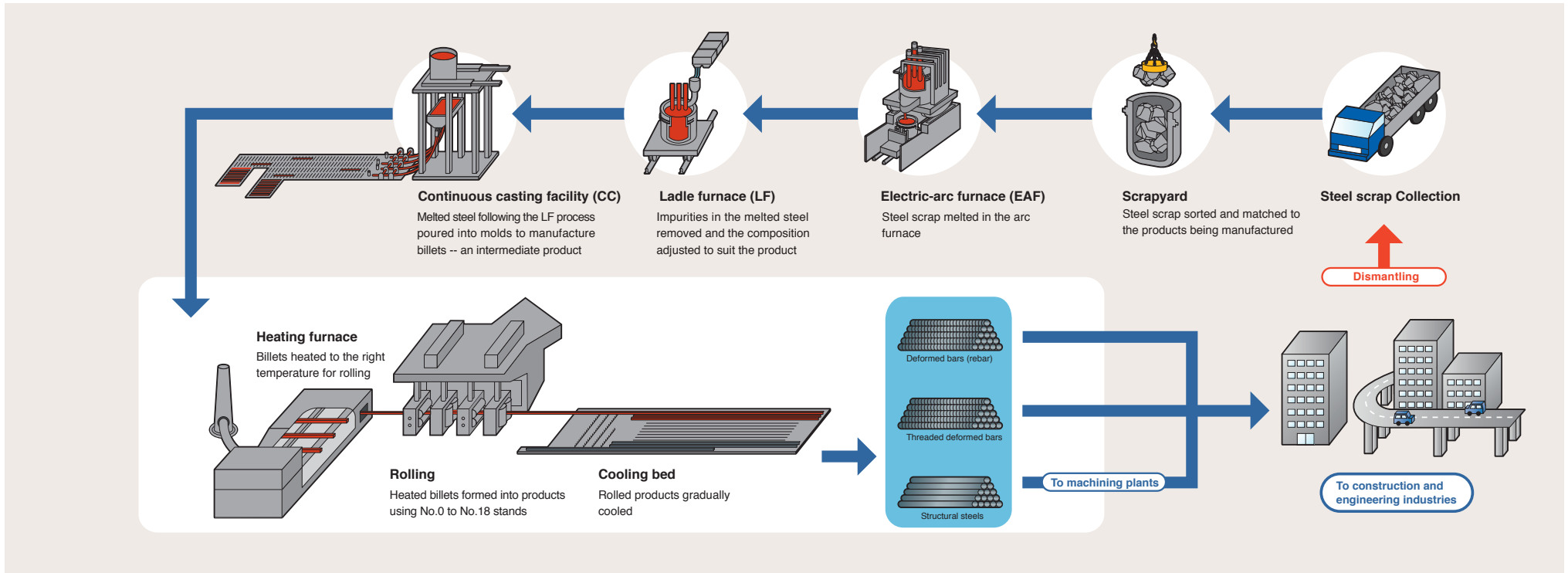
Threaded deformed bars using mechanical couplers and fasteners that allow for more diverse construction methods

Micro-level quality control technology guaranteeing flawless quality and rapid user feedback

### Results and Projections



## Manufacturing Process



## Quality Control

Highly accurate electron microscopes are used in extremely precise quality control processes to ensure that our product assurance system is flawless. We also provide rapid responses to users and implement information feedback to earn their trust.

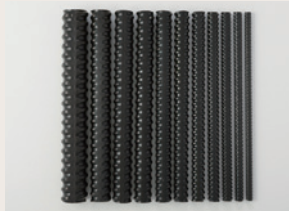


## Products

### “Neji-A-Con” threaded deformed bars

Threaded deformed bars are rebars formed with a screw thread so that they can be joined together using mechanical couplers. The benefits of using these bars include shorter working times and the fact that they can be assembled in any sort of weather. With a few simple instructions, they can be assembled by anyone, and demand for this product is growing.

The USD590A, USD590B, USD685A, USD685B and USD980 Neji-A-Con products have been granted Ministry certification.



The Asahi Industries mechanical coupling method is a process that uses steel couplers to join threaded deformed bars together. We provide 6 different coupler types to suit a wide range of applications.



The screw plate method is a mechanical fastening method that has been certified by the Building Center of Japan (BCJ). It is a method for fastening rebar in place that offers an alternative to fastening rebar by bending the ends over.



### Deformed bars (rebar)

Deformed bars are very widely used in construction projects such as apartment blocks and office buildings, as well as expressways and Shinkansen bridge piers. Asahi Industries is one of the few manufacturers who produce and sell deformed bars in a wide range of diameters. Our products have been used in projects such as Tokyo Station and Tokyo metropolitan expressways.



### Structural steels

Structural steel is processed into a variety of secondary products ranging from mechanical components through to materials for construction and engineering. Its applications underpin our everyday lives, ranging from reinforcing material for the runways at Haneda airport to the foundations for major shopping centers.





**Crushed Stone and  
Material Recycling Business  
(Jobu Co., Ltd.)**

**Helping provide infrastructure  
and recycling waste materials  
for a sustainable society**

## Crushed Stone Business

Jobu Co., Ltd. owns a mining claim of 950,000m<sup>2</sup> in Minano-machi in Saitama prefecture, and the crushed stone and sand from the mine is used as a raw material for buildings, bridges, roads and other construction projects. With the future in mind, the company is looking to secure new mining claims.

No.1 share  
in Saitama  
prefecture

Stable supply  
of a wide  
range of  
products



## Main products

- Crushed stone for concrete
  - Material for ready-mixed concrete
  - Material for secondary concrete products
- Crushed sand
  - Material for ready-mixed concrete
  - Material for secondary concrete products
  - Material for asphalt mixture
- Crushed stone for roads
  - Material for asphalt mixture
  - Gardening material



## Material Recycling Business

By recycling the concrete debris from building demolitions into roadbed material and turning waste timber from house demolitions and logging into wood chips, we are helping to build a sustainable society.

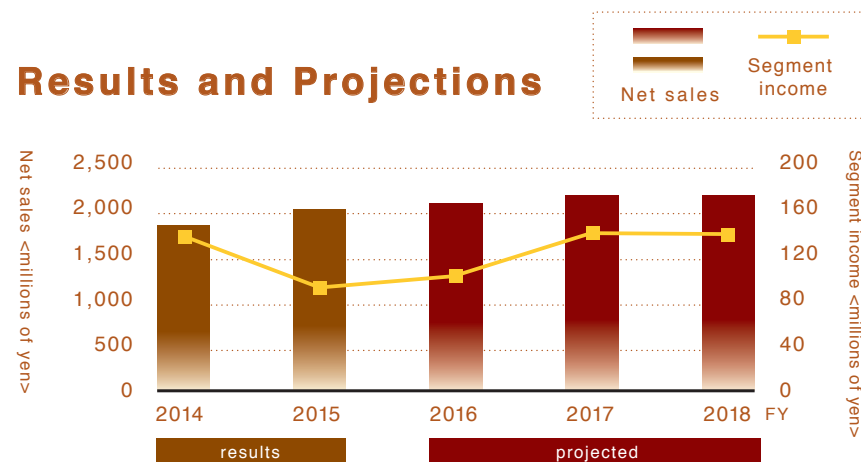
- Recycled roadbed material
  - Civil engineering and construction material



- Wood chips
  - Material for pulp
  - Material for fuel



## Results and Projections







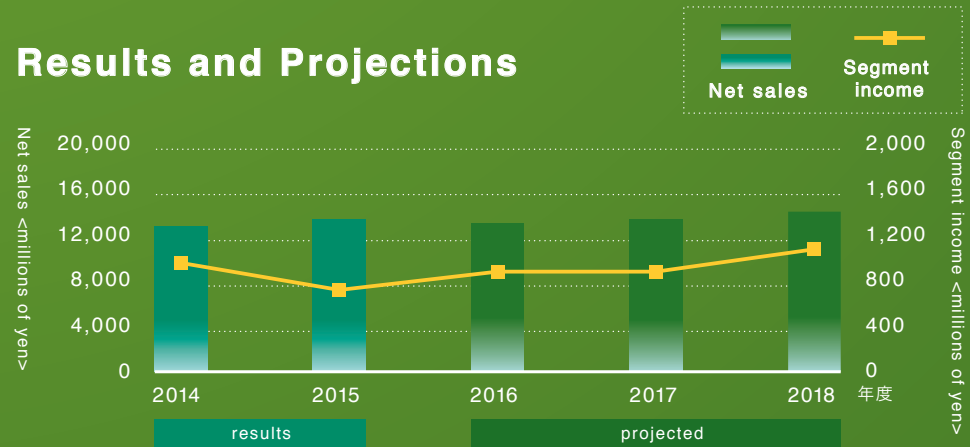
# Agribusiness

## A fertilizer manufacturer that specializes in seed and hay

Asahi Industries is Japan's only company operating a seed business and a hay business in addition to manufacturing and selling fertilizer, focusing particularly on granular organic fertilizer. We will clearly define the position each of our businesses and grow as a fertilizer manufacturer that specializes in seed and hay.



## Results and Projections



\* Projected figures for FY2016 onwards include Asahi Industries Australia profits.

# Fertilizer Business

Amid growing safety awareness of food and a need for differentiation in agricultural products, demand for organic fertilizers is strong.

Its skills in developing organic raw materials and its advanced granulation techniques enable Asahi Industries to efficiently manufacture high-quality, easy-to-use granular organic fertilizers. Its skills and experience as a manufacturer of granular organic fertilizers are also being used in its joint venture company in China.

Experience in developing raw materials for organic fertilizers

Granulation techniques

An extensive range of products catering to the needs of both farmers and gardeners

Approach to sustainable agriculture through the utilization of unused resources such as livestock manure

## Laiyang Longda Asahi Agricultural Technology Co., Ltd.

- Established in 2011 as a joint venture with Toyota Tsusho Corporation and Longda Foodstuffs Group Co., Ltd.
- Located in Shandong Province, China's largest agricultural production region, the company uses environmentally friendly facilities such as exhaust gas scrubbing and industrial wastewater recycling equipment to manufacture high-quality granular organic fertilizers with technical guidance from Asahi Industrie
- Its sales network extends into regions beyond Shandong Province



## Environmentally Friendly Manufacturing

Asahi Industries manufactures high-quality granular organic fertilizers while also caring for the environment.

### Odors

- Electrostatic precipitators, exhaust gas scrubbers, soil deodorizing equipment, regenerative thermal deodorizers
- Sealed plant buildings

### Waste-water

- Factory wastewater recycled inside the plant using closed systems (Chiba and Kansai plants)

### Exhaust gases

- Exhaust gas scrubbers, electrostatic precipitators



Soil deodorizers



Regenerative thermal deodorizers

## Fertilizer for farmers





# Materials Development and Manufacturing Techniques for Organic Fertilizers

Asahi Industries fertilizers are made using our own specially developed organic materials as well as regular organic materials, and are formed into superbly round, firm granules suited to mechanical application.

- The primary organic materials developed by Asahi Industries include powdered bone made from the pork bones used by major ramen noodle chains to make their soup stock, compost made using bacteria from the wastewater produced by foodstuff companies, and livestock manure.
- By increasing the ratio of our own materials used in our fertilizers, we are making even more superior products (fertilizers) in terms of both quality and cost.



Bones used for ramen stock



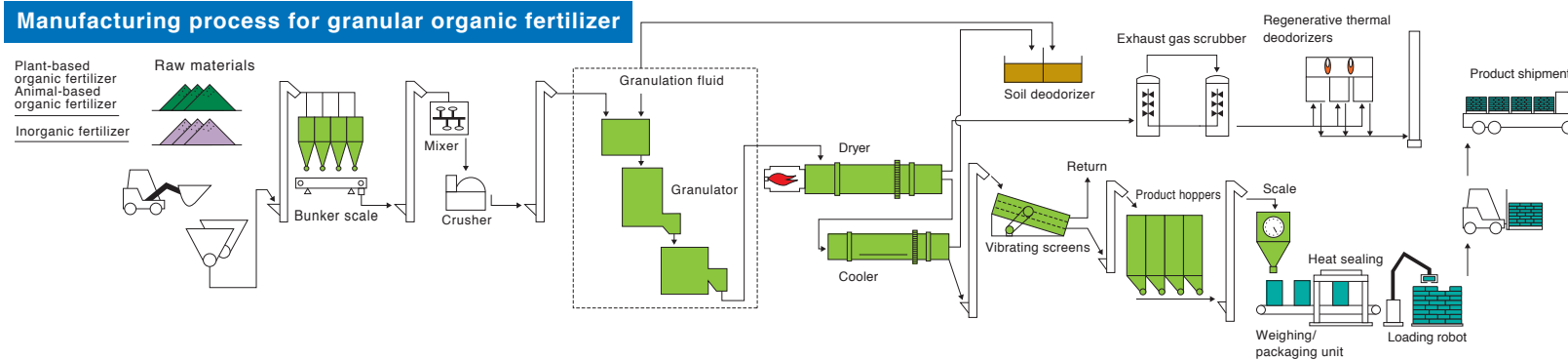
Pig manure



Poultry feathers



All Organic 666



## Fertilizer for home gardens



Vege\*Garden  
ベジ ガーデン

Also available from our Vege Garden website

# Seed Business

We use our own in-house developments coupled with techniques developed jointly with a leading Dutch seed company to produce deliciously flavorsome, high-yielding vegetable varieties that are disease resistant. And by introducing unique vegetable strains from all over Japan and around the world, we can offer a wide selection of seed varieties.

Comprehensive cultivation guidance including application instructions and disease diagnosis offered in cooperation with fertilizer sales teams

Joint development with a Dutch seed company  
 Joint marketing with a Chinese seed company



Kamikawa Research Station



Climbing cultivation of pumpkins



Tomato cultivation



## Products

Asahi pumpkin



A fluffy, sweet, and high-yielding variety (First released in 2015)

Asahi tomato



A well-balanced flavor variety that is highly resistant to 8 major diseases, including yellow leaf curl virus (First released in 2016)

Asahi cucumber



An easy-to-grow, high-yielding variety that is highly resistant to Corynespora leaf spot (First released in 2015)

Asahi rootstock



Tomato and melon rootstock that is resistant to soil diseases (Launched joint marketing with a Chinese seed company in 2016)

### Field Day

The Kamikawa Research Station holds Field Days twice a year in Spring and Fall. The Field Days offer an opportunity to show our varieties to growers, the JA Group (Japan Agricultural Cooperatives), vegetable distributors and others. The Field Days were attended by 1,600 people in FY2015.



# Hay Business

Asahi Industries' Australian affiliate produces hay under strict quality controls, providing a stable supply of hay to dairy and cattle farmers in Japan. As of last year, we started marketing TMF (Total Mixed Fermented) hay as a strategic product to cultivate new markets.

Growing demand for hay in China and other Asian countries

Joint venture partner J.T. Johnson & Sons Pty. Ltd., a leading Australian hay producer



## Products

### Oaten hay

Our main product and a highly palatable variety due to its high sugar content



### TMF (Total Mixed Fermented) hay

A fermented cattle feed made from a mixture of hay and squeezed fruit pulp from juicing, TMF is a low-cost product with excellent palatability



## Johnson Asahi Pty. Ltd.

- Established in 1995 as a joint venture with J.T. Johnson & Sons Pty. Ltd. (Australian hay company)
- Owns a plant in Victoria for the production and sale of hay to Japan, China, Korea and Taiwan
- With the increased consumption of dairy and beef products in Asia, we are planning for future business expansion



# ENVIRONMENT SOCIAL GOVERNANCE

**The Environment,  
Governance & Social Responsibility**

# Environmental Management

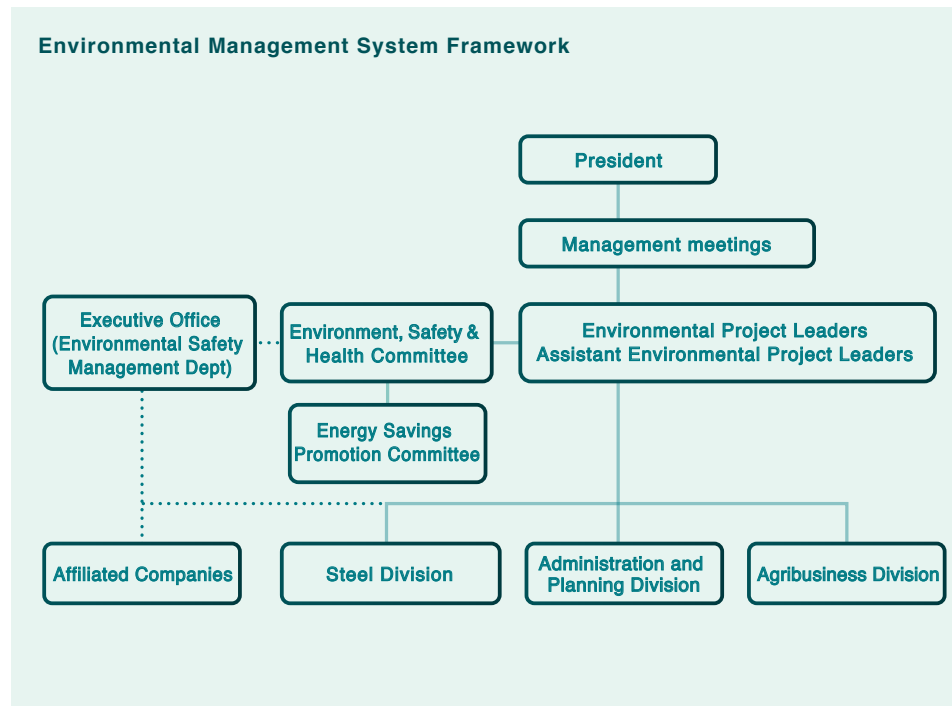
The Asahi Industries Group endeavors above all to “contribute to the global environment and communities around the world”, honoring its commitment to being “a company that is respected by everyone”.

## Asahi Industries Group Environmental Guidelines

Contributing to the environment by decreasing environmental impacts, preventing global warming and achieving zero emissions.

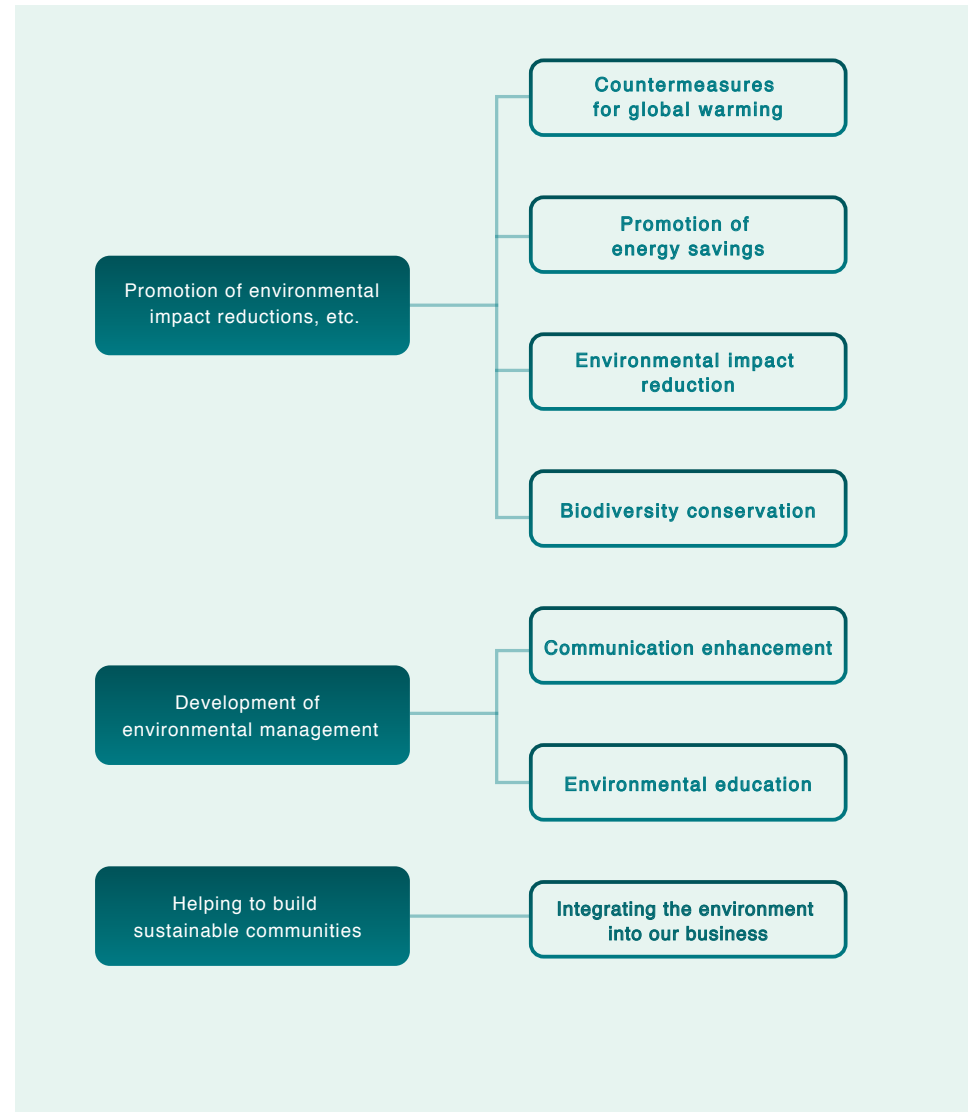
## Environmental Management System

Working to build an environmental management system that encompasses the entire Asahi Industries Group and forcefully promoting ongoing environmental activities.



# Fourth Medium-term Environmental Action Plan

The Asahi Industries Group has formulated the “Fourth Medium-term Environmental Action Plan” and has been undertaking activities based on that plan as of FY2015.



# Fourth Medium-term Environmental Action Plan — Results for FY2015

## Promotion of environmental impact reductions, etc.

### Countermeasures against global warming

- Effectively reduced CO<sub>2</sub> emissions by switching to natural gas as the fuel for our main facilities as of FY2009
- Reduced fuel consumption in the Steel Division by implementing continuous production that keeps billets at high temperatures between the steelmaking and rolling processes
- Reduced power consumption by optimizing management of the electric-arc furnace
- Achieved our CO<sub>2</sub> emissions reduction targets through energy-saving measures in offices and by switching to hybrid vehicles in the Sales Dept
- Sold CO<sub>2</sub> emission reductions (emission offsets) under the Saitama Prefecture's emissions trading scheme for the first time (Saitama Office)

Targets	Results	Assessment
<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions 25% reduction on FY1990 levels</li> <li>5% reduction on FY2005 levels</li> </ul>	<ul style="list-style-type: none"> <li>45% reduction on FY1990 levels</li> <li>19% reduction on FY2005 levels</li> </ul>	◎

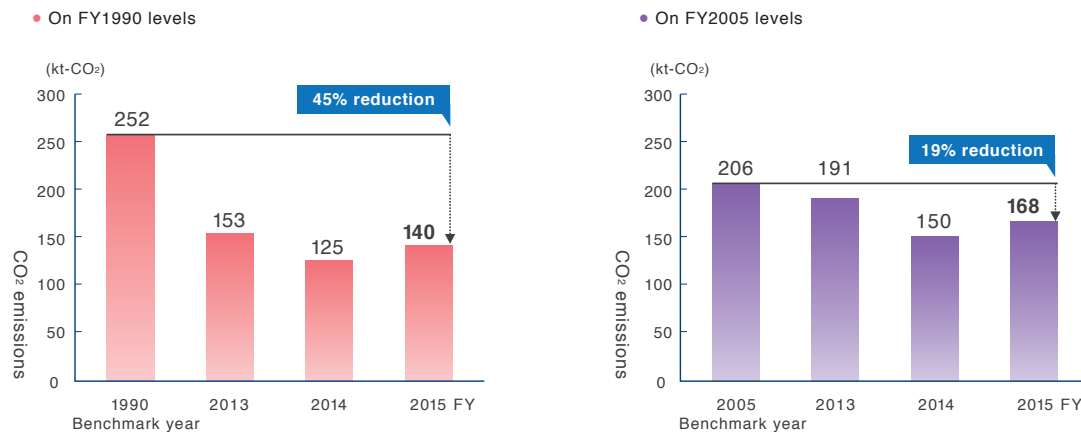
Assessment ◎: 100% achieved ○: 70% achieved △: Less than 70% achieved, improvement required

### Promotion of energy savings

- Continued energy-saving measures in the Steel and Fertilizer divisions
- Failed to meet the target of a 1% reduction in specific energy consumption on a 5-year average due to the impact of small-lot production in the Fertilizer Division
- Examined the merits of introduction of renewable and new power companies (PPS), and introduced a PPS in some welfare facilities where the use of new power companies yielded benefits

Targets	Results	Assessment
<ul style="list-style-type: none"> <li>1% reduction in specific energy consumption on a 5-year average</li> </ul>	<ul style="list-style-type: none"> <li>0.5% increase in yearly average from FY2011 to FY2015</li> </ul>	△
<ul style="list-style-type: none"> <li>Investigation into renewable energy and available energy</li> </ul>	<ul style="list-style-type: none"> <li>Investigation conducted by committee, PPS introduced</li> </ul>	◎

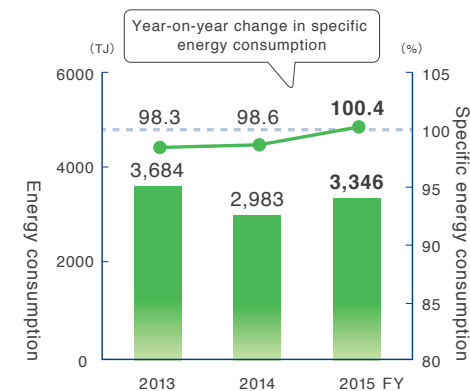
### Changes in CO<sub>2</sub> emissions



\* Results for each year calculated using the energy coefficient for FY1990

\* Results calculated using the energy coefficient for each year

### Changes in energy consumption



Saitama Office "green curtain"

## Environmental impact reduction

In terms of environmental and biodiversity conservation, we are setting and administering our own voluntary management targets for exhaust gas and wastewater emissions from plants that are stricter than those required by legislation.

### <Prevention of Air Pollution>

- Met targets for FY2015 continuously through equipment maintenance and testing and optimized operation management
- Strengthened measures to prevent environmental accidents by conducting monitoring of odors and dust and smoke in addition to exhaust gas measurement

### <Prevention of Water Pollution>

- Failed to meet targets in FY2014 as quantities of suspended solids temporarily increased due to the restart of the steel plant
- Achieved targets in FY2015 owing to optimized management

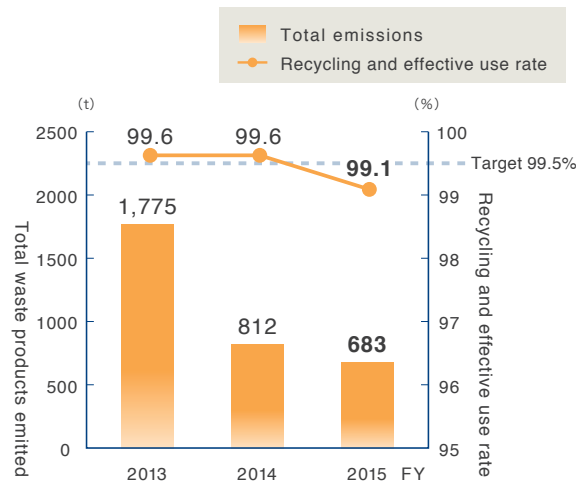
Targets	Results	Assessment
• Exhaust gases One half or less of legal environmental standard	• Fully achieved	◎
• Wastewater One tenth or less of legal environmental standard	• Fully achieved	◎

### <Zero Waste Product Emissions>

- Reduced waste product emissions significantly from FY2014 levels
- Recycled all soot and smoke emissions from steelmaking processes within Asahi Industries
- Failed to meet our target as recycling and effective use rates were at 99.1% while emissions were reduced in FY2015
- Due to regular maintenance of our environmental facilities, there was a buildup in replacement of consumables that are difficult to recycle, so the amount for final disposal increased

\* Recycling and effective use rate: Calculated from ratio of final disposal relative to standard emissions (7,223 tons in FY2003)

### Changes in total waste products emitted



Targets	Results	Assessment
• Zero waste product emissions Recycling and effective use rate of 99.5% or better	• Recycling and effective use rate: 99.1%	○

## Biodiversity conservation

Each of the Asahi Industries Group plants is set in a location with abundant natural beauty. With biodiversity in mind, we formulated the Green Space Management Guidelines under which we maintain and manage green spaces in our facilities.

- Participated actively in regional cleaning volunteer programs aimed at preserving water sources (lakes, marshes, rivers and streams) as well as long-term in-house 5S workplace programs and clean-up activities around our plants
- Maintained the Asahi Flower Garden at the Saitama Office to provide a place where local people can enjoy the flowering plants of each season
- Engaged in development of disease resistant vegetable cultivars that allow low-chemical cultivation

Targets	Results	Assessment
• Conservation activities at offices and plants	• Carried out workplace 5S programs and regular patrols of the surroundings • Drafted the Green Space Guidelines and managed green spaces so as to conserve biodiversity	◎
• Participation in programs aimed at preserving water sources and planting trees	• Continued to undertake volunteer activities • Maintained the Asahi Flower Garden	◎
• Promotion of the development and adoption of disease resistant seed	• Developed disease resistant tomato and cucumber varieties	◎



Biodiversity conservation green space



Volunteer activity

## Topics

### Saitama Prefecture Highway Care Awards Recipient of the “Saitama Prefecture Roads Association Chairman’s Award”

The Saitama Office is located next to a prefectural highway. Having registered in the Saitama prefectural road support system, we have been conducting a road cleaning and beautification program since FY2005. We received the Saitama Prefecture Roads Association Chairman’s Award in recognition for our continued contributions over many years. And we will continue to ensure that this 700-meter stretch of road remains beautiful into the future.



## Development of Environmental Management

### Environmental communication enhancement and environmental education

- “Environmental Communication” seminars held for regional residents  
These seminars provide an opportunity both to disseminate environmental information and to foster understanding of Asahi Industries’ business operations through open discussions and factory tours
- Active environmental education programs for employees

Targets	Results	Assessment
• Dissemination of environmental information and participation in regional discourse	• Held regional communication seminars • Expanded the Asahi Kamikawa Gallery	◎
• Hosting of in-house environmental seminars	• Held environmental seminars tailored to work content (environmentally friendly driving, the Saitama prefecture environment, etc.)	◎
• Encouraging the acquisition of certifications	• Attained total of 54 certifications, including Eco certification and internal ecological certification	◎

### Topics

#### Ministry of the Environment Recipient of the “Incentive Award” main prize for building environmental leadership

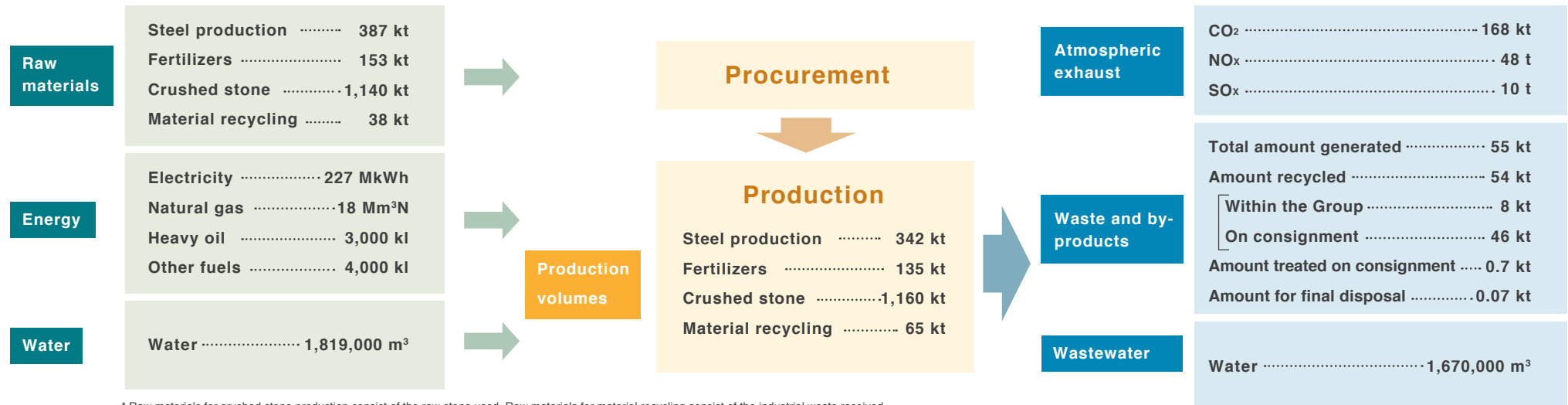
Asahi Industries was nominated for the main prize for building environmental leadership\* awarded by the Ministry of the Environment and received the Incentive Award. The award was given in recognition of our contribution to the development of environmental leaders through our educational programs and our efforts for the environment.



\* A commendation awarded to enterprises that promote the development of environmental leaders who will drive environmental conservation and the greening of society and the economy.

## Material Balance

### INPUT



\* Raw materials for crushed stone production consist of the raw stone used. Raw materials for material recycling consist of the industrial waste received



# Environmental Accounting

## Environmental conservation costs

(Millions of yen)

Category	Group total			Cumulative total (FY2005-2015)	Ratio (%)
	FY2013	FY2014	FY2015		
1. Pollution prevention costs	729	530	560	6,140	50.4
2. Global environmental conservation costs	198	84	87	959	7.9
3. Recycling costs	361	330	318	3,892	31.9
4. Management costs	49	38	30	430	3.5
5. R&D costs	52	50	50	427	3.5
6. Social activity costs	21	25	24	190	1.6
7. Environmental damage remediation costs, etc.	5	5	5	149	1.2
<b>Environmental conservation costs (total)</b>	<b>1,415</b>	<b>1,062</b>	<b>1,074</b>		
<b>Environmental conservation costs (cumulative total)</b>	<b>10,051</b>	<b>11,113</b>	<b>12,187</b>	<b>12,187</b>	<b>100.0</b>

## Economic Benefits

(Millions of yen)

Category	Group total			Cumulative total (FY2005-2015)	Ratio (%)
	FY2013	FY2014	FY2015		
1. In-house recycling benefit*	403	381	540	3,785	53.7
2. Waste disposal benefit	76	57	63	1,245	17.7
3. Product cost reduction benefit	59	51	51	690	9.8
4. Received industrial waste treatment benefit	117	102	96	1,324	18.8
<b>Economic benefit (total)</b>	<b>655</b>	<b>591</b>	<b>750</b>		
<b>Economic benefit (cumulative total)</b>	<b>5,703</b>	<b>6,294</b>	<b>7,044</b>	<b>7,044</b>	<b>100.0</b>

\* The increase in in-house recycling benefit was primarily due to the effects of unit prices for outside sales and increased recycling volumes resulting from increased steel production.

### • Reporting of environmental activities

Our environmental activities are also described on the “Environmental Activities” page on the Asahi Industries website.

<https://www.asahi-kg.co.jp/en/csr/environment.html>

# Corporate Governance

Based on our management principle of “Being at all times honest, fair and trusted by everyone”, we will strive to maintain high ethical standards, improve transparency and accountability, and conduct efficient management that reflects rational decision-making processes.

## Basic Principles

- Establish a flexible corporate structure capable of responding quickly to changes in the business environment
- Ensure management transparency through fair, timely and appropriate information dissemination to shareholders and the public at large
- Pursue efficient management based on rational decisions
- Discharge our management duties fairly and soundly in full compliance with applicable laws and corporate ethics

Asahi Industries complies with the basic principles of the code of corporate governance.

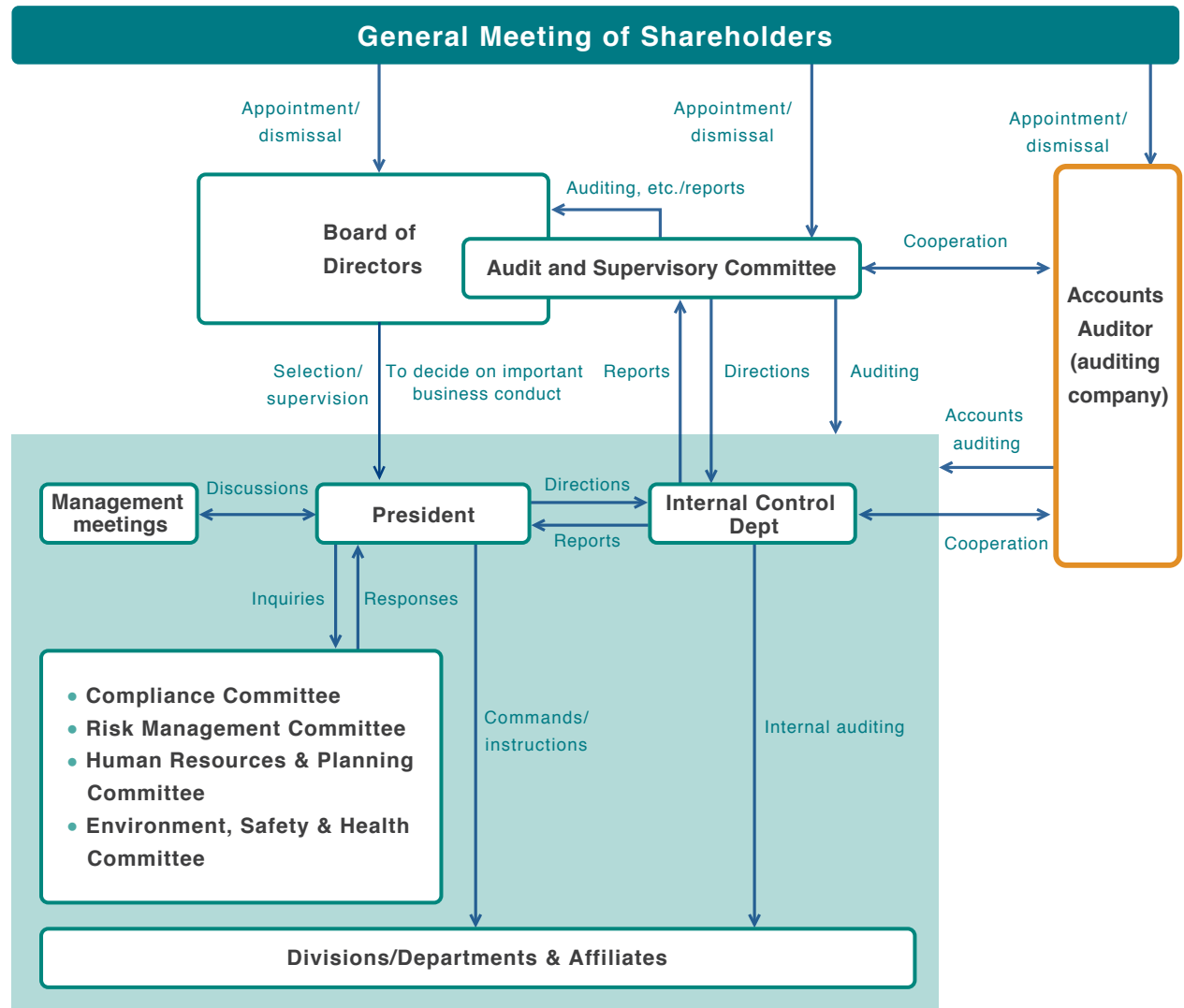
(<https://www.asahi-kg.co.jp/en/corporate/company/governance.html>)

## Establishment of an Audit and Supervisory Committee

As of 23 June 2016, Asahi Industries has transitioned from a company with a board of corporate auditors to one with an audit and supervisory committee.

- Stronger and more far-reaching supervisory functions
- Faster decision-making by entrusting decisions on business conduct from the board of directors broadly to directors
- Configuration with five directors, including three independent directors
- Audit and supervisory committee to meet monthly and as required

Corporate Governance Framework



# Compliance

The Asahi Industries Group promotes employees' understanding and awareness understanding and awareness of compliance through day-to-day activities.

## Workplace Compliance Promotion Activities

- Activities to further improve understanding and awareness of compliance
- Planning and implementation of annual compliance activities

## Awareness Raising & Instructional Activities

- Issuing of Compliance News monthly (with mini-tests on compliance)
- Internal compliance training based on an annual theme (e.g. Workplace environment improvement in FY2015)

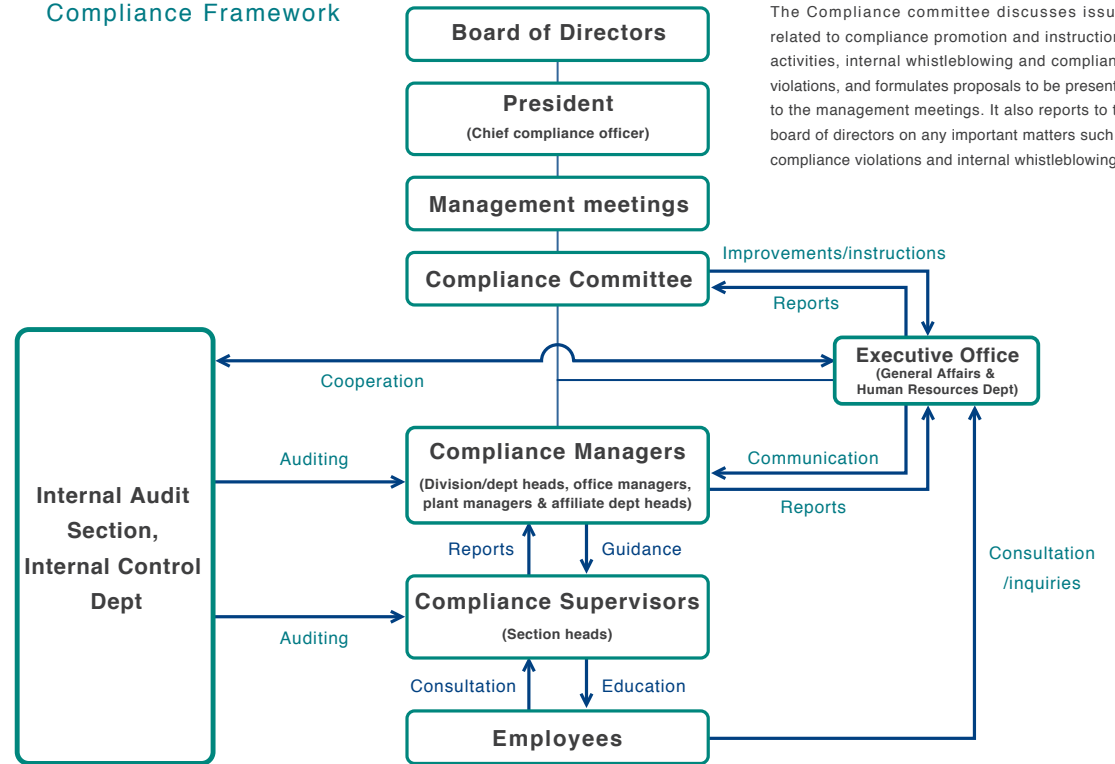
## Compliance Checking

- Compliance checks for all employees

## Internal Whistleblower System

- Establishment of whistleblower hotlines in the compliance section, in collaboration with labor unions, and in consultation with a retained law firm

Compliance Framework



The Compliance committee discusses issues related to compliance promotion and instructional activities, internal whistleblowing and compliance violations, and formulates proposals to be presented to the management meetings. It also reports to the board of directors on any important matters such as compliance violations and internal whistleblowing.

# Risk Management

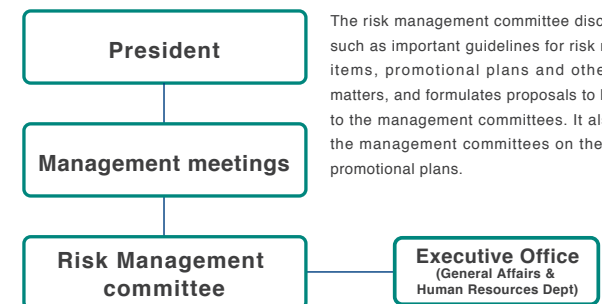
Each year, the Asahi Industries Group identifies and assesses potential risks and formulates appropriate countermeasures to improve its preparedness.

In 2015, the Group mainly reviewed complaints handling and risks relating to chemical pollution occurring during large-scale disasters and accidents and adopted new countermeasures.

## Business Continuity Plan (BCP)

- Formulation of a business continuity plan to prepare for large-scale earthquakes
- Introduction of a safety confirmation and damage verification system
- Ongoing renewal of our business continuity plan through training

Risk Management Committee Framework



The risk management committee discusses topics such as important guidelines for risk management items, promotional plans and other important matters, and formulates proposals to be presented to the management committees. It also reports to the management committees on the progress of promotional plans.

# Human Resources Management

The environment in which businesses operate is changing significantly as globalization leads to greater competition and the population and labor force shrink, and this demands constant innovation. In this sort of environment, developing and retaining human resources has emerged as a key issue.

## Introduction of an Executive Officer System (23 June 2016)

Asahi Industries has put in place an executive officer system. By appointing staff who are highly skilled in conducting business to executive officer positions, we can run more sophisticated business operations and at the same time boost motivation among employees by setting more ambitious future targets.

And delegating the authority to conduct business to executive officers clarifies the areas of responsibility and gives directors stronger supervisory powers.

## Human Resources System Reform (scheduled for October 2016)

We will reform our human resources system with the focus on human resource development and the diversification of work patterns so that we can fully appreciate staff who work hard to achieve results and promote greater diversity in our work force.

## Enhanced Training System

At present, the training conducted by Asahi Industries consists of standard employee training and specialist skills training.

- Standard employee training  
Inductee training, 5-year training, management candidate training, executive training
- Specialist skills training  
Participation in training conducted by research facilities, such as instruction in DNA markers and blight certification  
New programs, such as production “maester” training, are also planned



## Self Study

We also support employees who study of their own volition to improve themselves and progress their knowledge and skills.

- Correspondence courses  
We offer an extensive selection of correspondence courses tailored to a wide range of employees from new recruits through to managers. Courses cover areas such as sales, technology, finance, accounting, computing, stress management, health management and gaining qualifications.
- Learning languages  
Language classes in English and Chinese are provided with the aim of improving the level of communication with our affiliates and other overseas companies.

## Employee Care

We will introduce a Stress Check system that is designed to identify employee stress levels and help employees be aware of their own stress levels, as well as promoting the creation of workplaces that are easier to work in and leading to improvements in workplace environments.

### Topics

#### Certification as a Company Providing Diverse Work Patterns

By offering diverse work options, such as shortened work hours and flex time, Asahi Industries has been certified by Saitama Prefecture as a “Company that facilitates working while raising children”.



# CSR Activities

The Asahi Industries Group undertakes a range of activities aimed at supporting children and regional communities.

The Group's contributions to regional communities include regularly volunteering to help clean up river banks, parks and roads, maintaining parks and holding festivals on summer evenings. Through these activities, we are involved in actively beautifying the natural environment and improving our local neighborhood surroundings.

The Group also runs a range of educational programs in the hope of enriching the lives of children by supporting their education. These programs include classes in growing vegetables, factory and farm tours and art classes (Asahi Kamikawa Gallery).

## Contributing to local communities



Asahi Flower Garden



Clean-up volunteers



Summer river festival for local residents



Clean-up volunteers

## Supporting education



Factory tour



Supporting a primary school judo tournament



Seed sowing class at a local kindergarten



Asahi Kamikawa Gallery



Every year since March 2008, the walls surrounding the Saitama Office have been used to exhibit artworks by children from local elementary and junior-high schools. In March 2016, 48 new artworks were added, bringing the total number exhibited so far to around 350. This display of youthful energy puts a smile on everyone's face.

# COMPANY INFORMATION

**Financial Data,  
Corporate Information,  
Investors Information**

# Consolidated Balance Sheets

(Millions of yen)

	End FY2011	End FY2012	End FY2013	End FY2014	End FY2015
<b>Assets</b>					
<b>Current assets</b>	19,529	18,140	14,162	14,849	13,845
Cash and deposits	2,327	2,561	2,640	1,501	2,640
Trade notes and accounts receivable	7,869	7,792	5,952	5,671	4,727
Merchandise inventory and finished goods	6,999	5,477	3,221	5,830	4,754
Raw materials and supplies	1,766	1,908	2,060	1,527	1,397
Other	573	410	293	321	328
Allowance for doubtful accounts	△7	△10	△5	△3	△1
<b>Noncurrent assets</b>	23,147	23,208	13,129	13,088	11,982
Property, plant and equipment	20,253	20,112	10,652	10,620	10,116
Buildings and structures, net	3,958	3,785	3,139	3,344	3,134
Machinery, equipment and vehicles, net	12,579	12,540	4,053	3,817	3,509
Land	2,625	2,665	2,678	2,678	2,678
Other	1,090	1,120	780	779	792
Intangible assets	771	659	196	193	182
Investments and other assets	2,122	2,436	2,280	2,274	1,683
<b>Total assets</b>	42,676	41,348	27,292	27,938	25,828

(Millions of yen)

	End FY2011	End FY2012	End FY2013	End FY2014	End FY2015
<b>Liabilities</b>					
<b>Current liabilities</b>	19,423	20,279	16,848	16,638	13,348
Trade notes and accounts payable	8,405	7,714	5,947	5,626	3,831
Short-term loans payable	5,115	5,915	5,915	7,245	4,950
Current portion of bonds	60	120	120	120	60
Current portion of long-term loans payable	1,330	1,690	1,790	1,434	1,649
Income taxes payable	55	84	62	77	231
Allowance for bonuses	337	261	146	135	271
Other	4,120	4,493	2,866	2,000	2,354
<b>Noncurrent liabilities</b>	4,984	4,586	5,284	5,271	4,762
Long-term loans payable	2,455	2,395	3,105	3,623	3,234
Net defined benefit liability*	1,052	1,083	1,050	722	1,097
Other	1,476	1,107	1,128	925	430
<b>Total liabilities</b>	24,408	24,865	22,132	21,909	18,111
<b>Net assets</b>					
Shareholders' equity	18,073	16,102	4,729	5,361	7,864
Other comprehensive income, accumulated	195	379	430	667	△ 148
<b>Total net assets</b>	18,268	16,482	5,160	6,028	7,716
<b>Total liabilities and net assets</b>	42,676	41,348	27,292	27,938	25,828

\*Figures for end FY2011 and end FY2012 show the provision for retirement benefits

## Consolidated Statements of Income

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Sales</b>	43,375	40,175	43,591	35,494	<b>36,348</b>
Cost of sales	36,145	34,340	37,317	29,174	<b>28,064</b>
Gross profit	7,230	5,835	6,274	6,320	<b>8,284</b>
Selling, general and administrative expenses	7,035	7,011	6,836	5,911	<b>6,369</b>
Operating income (loss)	194	△1,176	△562	409	<b>1,915</b>
Non-operating income	258	178	174	197	<b>280</b>
Non-operating expenses	235	238	253	258	<b>264</b>
Ordinary income (loss)	216	△1,235	△641	348	<b>1,931</b>
Extraordinary gains	-	-	3	545	<b>410</b>
Extraordinary losses	145	233	9,337	263	<b>118</b>
Income (loss) before income taxes	71	△1,468	△9,975	630	<b>2,223</b>
Income taxes - current	60	75	104	114	<b>246</b>
Income taxes - deferred	28	△64	1,013	△33	△527
Net income (loss)	△18	△1,480	△11,093	549	<b>2,503</b>
Current net income (loss) returned to parent company shareholders	△18	△1,480	△11,093	549	<b>2,503</b>

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Net income (loss)</b>	△18	△1,480	△11,093	549	<b>2,503</b>
<b>Other comprehensive income</b>					
Net unrealized gains on available-for-sale securities	9	133	56	3	△327
Foreign currency translation adjustments	△13	50	18	28	△67
Remeasurements of defined benefit plans				204	△420
Total other comprehensive income	△3	184	74	236	△815
<b>Comprehensive income</b>	△21	△1,295	△11,018	785	<b>1,688</b>
Comprehensive income attributed to parent company shareholders	△21	△1,295	△11,018	785	<b>1,688</b>
Comprehensive income attributes to minority shareholders	-	-	-	-	-

## Consolidated Statements of Cash Flow

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Operating activities</b>	1,398	1,299	2,116	△1,164	<b>3,852</b>
<b>Investment activities</b>	△2,829	△1,592	△2,115	△1,044	△61
<b>Financing activities</b>	1,601	519	73	1,065	△2,639
Effect of exchange rate changes on cash and cash equivalents	△0	7	3	4	△12
<b>Net increase (decrease) in cash and cash equivalents</b>	169	234	78	△1,139	<b>1,139</b>
Cash and cash equivalents at the beginning of current period	2,158	2,327	2,561	2,640	<b>1,501</b>
Cash and cash equivalents at the end of current period	2,327	2,561	2,640	1,501	<b>2,640</b>



# Consolidated Statements of Changes in Net Assets

April 1, 2015 through March 31, 2016

(Millions of yen)

	Shareholders' equity					Other comprehensive income, accumulated				Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total other comprehensive income, accumulated	
Balance at the beginning of current period	2,190	1,802	1,662	△293	5,361	354	131	181	667	6,028
Changes in items during the period										
Current net income (loss) returned to parent company shareholders			2,503		2,503					2,503
Net changes in items other than shareholders' equity						△327	△67	△420	△815	△815
Total changes in items during the period	-	-	2,503	-	2,503	△327	△67	△420	△815	1,688
Balance at the end of current period	2,190	1,802	4,166	△293	7,864	26	64	△239	△148	7,716

# Performance by Segment

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Net Sales</b>					
Steel Business	28,550	24,961	26,242	19,860	19,853
Agribusiness	12,323	12,729	14,628	13,018	13,821
Environmental Solutions Business	810	695	723	642	620
Crushed Stone and Material Recycling Business	1,822	1,800	1,994	1,938	2,010
Other <sup>1</sup>	437	374	223	151	150
Adjustments <sup>2</sup>	△568	△385	△221	△116	△108
<b>Total</b>	<b>43,375</b>	<b>40,175</b>	<b>43,591</b>	<b>35,494</b>	<b>36,348</b>

(Millions of yen)

	FY2011	FY2012	FY2013	FY2014	FY2015
<b>Segment income</b>					
Steel Business	375	△1,045	△1,210	65	1,942
Agribusiness	865	881	1,532	980	737
Environmental Solutions Business	71	1	19	36	36
Crushed Stone and Material Recycling Business	67	77	146	151	89
Other <sup>1</sup>	3	4	△30	△20	△6
Adjustments <sup>2</sup>	△1,189	△1,095	△1,018	△804	△884
<b>Total</b>	<b>194</b>	<b>△1,176</b>	<b>△562</b>	<b>409</b>	<b>1,915</b>

\*1: Other: Contracting business operations not categorized in the reporting segments

\*2: Adjustments: Primarily general and administrative expenses in departments outside the reporting segments

# Corporate Information

As of June 23, 2016

## Corporate Information

<i>Company name</i>	Asahi Industries Co., Ltd.
<i>Head office</i>	Daiwa Higashi-Ikebukuro Building, 23-5 Higashi-Ikebukuro 3-chome, Toshima-ku, Tokyo 170-0013, Japan
<i>TEL:</i>	03-3987-2161
<i>URL:</i>	<a href="http://www.asahi-kg.co.jp/">http://www.asahi-kg.co.jp/</a>
<i>Founded</i>	August 16, 1935
<i>Established</i>	October 29, 1991
<i>Common stock</i>	2,190 million yen
<i>No. of employees</i>	412 (consolidated base: 465)

## Corporate Officers

*President*  
Masanori Murakami

*Managing Directors*  
Noriyuki Nakamura, Makoto Yaguchi, Kiyoshi Hirose

*Directors*  
Susumu Inaba, Masaru Kusama

*Directors and audit and supervisory committee members*  
Ichiro Tajima, Kou Sato

*Directors and audit and supervisory committee members (independent)*  
Ryoji Aragaki, Shinichi Tajima, Hideki Hanaeda

*Executive officers*  
Toshio Sakamoto, Satoru Tanaka, Yoshiro Yamada, Masaru Sekine

## Offices

### Saitama Office (Steel Business, Agribusiness)

222 Wataruse, Kamikawa-machi, Kodama-gun, Saitama 367-0394, Japan  
TEL: 0274-52-2711

### Osaka Office (Agribusiness)

Osaka JA Building, 2-5 Nishitenma 1-chome, Kita-ku, Osaka-shi, Osaka 530-0047, Japan  
TEL: 06-6311-6215

### [Steel Plant]

Saitama Plant 222 Wataruse, Kamikawa-machi, Kodama-gun, Saitama 367-0394, Japan TEL: 0274-52-2713

### [Fertilizer Plant]

Kanto Plant 222 Wataruse, Kamikawa-machi, Kodama-gun, Saitama 367-0394, Japan TEL: 0274-52-2712

Chiba Plant 13, Sakuradai 1-chome, Asahi-shi, Chiba 289-0506, Japan TEL: 0479-68-1600

Kansai Plant 6776 Minakuchi, Minakuchi-cho, Koka-shi, Shiga 528-0005, Japan TEL: 0748-62-8171

### [Farm]

Kamikawa Research Station 863-2 Higashikitahara, Niisato, Kamikawa-machi, Kodama-gun, Saitama 367-0232, Japan

## Affiliated Companies

### Jobu Co., Ltd. (crushed stone production and sales, material recycling)

3085-1 Kanezawa, Minano-machi, Chichibu-gun, Saitama 369-1601, Japan  
TEL: 0494-62-1321 President: Atsushi Terai

### Asahi Business Support Co., Ltd. (contracting, temporary staffing)

222 Wataruse, Kamikawa-machi, Kodama-gun, Saitama 367-0301, Japan  
TEL: 0274-52-6411 President: Makoto Sato

# Investors Information

As of March 31, 2016

## Stock Information

As of March 31, 2016

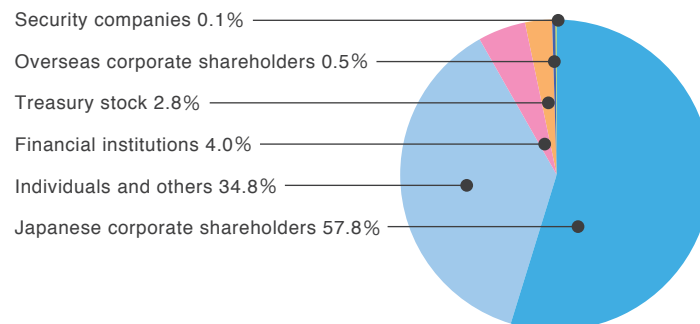
Stock listing	Tokyo Stock Exchange, JASDAQ	
Securities identification code	5456	
Stocks	Total shares authorized:	24,000,000
	Total shares issued:	7,200,000
No. of shareholders	6,872	

## Major Shareholders

Name of shareholder	No. of shares held	Shareholding percentage (%)
Hanwa Co., Ltd.	600,000	8.6
Mitsui & Co., Ltd.	600,000	8.6
Asagami Corporation	522,000	7.5
Katakura & Co-op Agri Corporation	300,000	4.3
The Norinchukin Bank	210,000	3.0
Tokyo Tekko Co., Ltd.	200,000	2.9
Nihon Matai Co., Ltd.	181,000	2.6
Marubeni Itochu Sumisho Techno Steel Inc.	180,000	2.6
Kanehira Steel Co., Ltd.	180,000	2.6
Credit Saison Co., Ltd.	134,700	1.9

(Note) Shareholding percentage (%) is calculated exclusive of treasury stock (200,000 shares). Percentages are shown rounded off to the first decimal place.

## Composition of Shareholders



## Dividends

Our basic policy is to return profits to shareholders, fully taking into consideration our consolidated financial results and the company's financial status and financial requirements, ensuring that stable profit distribution is continued.

## Shareholder Benefit Program

Long-term Asahi Industries shareholders are eligible for additional benefits over and above the benefits awarded to normal shareholders.

No. of shares held	Benefits	
	Normal shareholder benefits	Long-term shareholders (shareholders who have owned shares for one year or more)*
100-199	Rice coupons (4)	500 yen Quo card (gift card)
200-299	Rice coupons (8)	1,000 yen Quo card (gift card)
300-499	Rice coupons (12)	1,500 yen Quo card (gift card)
500 or more	Rice coupons (16)	2,000 yen Quo card (gift card)

\* Holdings where the shareholder number has changed are not regarded as continuous holdings (as in the following situations):

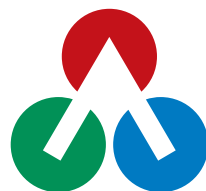
- ① Change in securities company (stockbroker)
- ② Repurchase after selling all shares held
- ③ Use of stock lending transactions
- ④ Change to registered owner due to inheritance, etc.

## Topics

### Facility Tours

As of FY2016, we have been conducting tours of our various facilities to provide all our shareholders with an opportunity to gain a deeper understanding of the work we do at Asahi Industries. The first of these tours, held in May 2016, took visitors to our Kamikawa Research Station, which serves as a research farm for the development of vegetable varieties and as a testing ground for our fertilizers. The facility tours are an opportunity for us to send information about Asahi Industries out into the community, but also a chance to hear candid feedback from shareholders, and we plan to hold the tours on a regular basis in years to come.





ASAHI INDUSTRIES CO.,LTD.



## Compilation policy

This report was compiled so as to provide everyone with clear and straightforward account of the business activities and financial details of the Asahi Industries Group (Asahi Industries Co., Ltd. and its affiliated companies), together with its environmental and CSR activities in FY2015.

### Companies covered

Asahi Industries Co., Ltd.  
Jobu Co., Ltd.  
Asahi Business Support Co., Ltd.  
Johnson Asahi Pty. Ltd.  
Laiyang Longda Asahi Agricultural  
Technology Co., Ltd.

### Period covered

April 1, 2015 through March 31, 2016  
(\*Periods other than FY2015 are also partially covered.)  
Publication date: September 2016  
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### Reference guidelines

- GRI (Global Reporting Initiative)  
“Sustainability Reporting Guidelines 4.0”
- Ministry of the Environment, Japan,  
“Environmental Reporting Guidelines” (Fiscal Year 2012 Version)

### Available on our website at:

<http://www.asahi-kg.co.jp/en/>

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