

October 23, 2015

To Our Shareholders and Investors

Investor Relations  
Asahi Kasei Corporation

**Summary of Analyst Briefing (Teleconference) regarding Pile Installation  
by Asahi Kasei Construction Materials Corp.**

On October 20, 2015, Asahi Kasei Corp. issued a press release entitled “Faulty installation of foundation piles etc. by Asahi Kasei Construction Materials.” The following is a summary of an analyst briefing held by teleconference following the release.

The financial effect of this matter on the consolidated performance of Asahi Kasei Corp. is unclear at this time. An announcement will be made promptly in the event that a material impact is confirmed.

**Participants**

Asahi Kasei Corp.:

Masahito Hirai, Representative Director, Vice-Presidential Executive Officer,  
Hideki Kobori, Representative Director, Primary Executive Officer,  
Kiyoteru Kadokura, General Manager, Investor Relations.

Asahi Kasei Construction Materials Corp.:

Tomihiko Maeda, President & Representative Director, Presidential Executive Officer,  
Tadashi Maejima, General Manager, Products & Marketing Development Dept.

**1. Explanation by Asahi Kasei Corp. and Asahi Kasei Construction Materials Corp.**

1) General explanation by Masahito Hirai

It has become clear that Asahi Kasei Construction Materials Corp. performed faulty installation of a portion of foundation piles, and diverted and modified data in the corresponding installation report, in work performed for the construction of a condominium complex in Yokohama, Kanagawa, Japan. We deeply apologize to our customers and other related parties who had placed their trust in us. The highest priority is given to the safety of the residents as we advance measures to deal with this matter.

On October 19, 2015, we established a task force led by Asahi Kasei President

Toshio Asano. This followed the October 14, 2015, launch of a fact-finding committee led by me, and we are investigating the cause in order to prevent recurrence. We will establish an independent commission to verify the investigation. We are working sincerely to get to the bottom of this problem.

Asahi Kasei Construction Materials Corp. will bear all costs for investigating the case in Yokohama, and for reinforcement, repair, etc. as necessary. We are proceeding under the direction of the relevant authorities in cooperation with the developer and the prime contractor, with the highest priority given to the safety of the residents.

## 2) Explanation by Tadashi Maejima about the pile installation process

After describing the organization of the construction system, the equipment used for pile installation, the layout of machinery, the pile installation procedure, and the installation work flow, Maejima described the 4 ways to confirm the depth of the bearing stratum: 1) boring exploration, 2) test drilling, 3) observation of auger motor sound and vibration when installing each pile, and 4) graphs of ammeter data recorded when installing each pile.

There were 70 piles for which diversion of data etc. was found in this construction project. It was explained that a possible reason for such diversion of data was to gloss over missing data when preparing the installation report. Possible reasons for missing ammeter data included printers being out of paper or jammed, and data becoming unreadable due to paper being exposed to harsh weather.

Maejima also explained about diversion of flowmeter data. Flowmeter data is used to confirm the amount of cement milk injected for consolidation of pile tips. Possible reasons for missing flowmeter data are similar to those for ammeter data.

## 3) Explanation by Tomihiro Maeda about the condition of the installed piles

With respect to the building that has tilted slightly, it is believed that faulty installation was performed for 8 of the piles (6 do not reach the bearing stratum and 2 are insufficiently inserted into the bearing stratum). There are 2 possible reasons for this to happen: Either the installation work was completed without confirming that the piles had reached a sufficient depth, or a sharp incline in the bearing stratum led the operators to mistakenly believe that a sufficient depth had been reached. With respect to the 70 piles for which diversion of data etc. has been found, all of the piles will be examined to confirm whether they reach a sufficient depth in the bearing stratum and whether sufficient consolidation is formed at their tips.

## 2. Questions and Answers (Summary)

1) Regarding the construction project in Yokohama

Questions

- You say you will bear all expenses for investigation, reinforcement, repair, etc., but what scale of expenses do you anticipate?
- Mitsui Fudosan Residential Co., Ltd. has proposed to the residents rebuilding all buildings in the condominium complex. Will you bear all expenses for this?
- Are only the 8 piles whose installation is believed to have been faulty subject to investigation, or all 70 piles for which there was diversion of data, etc.?
- What kind of on-site investigation will you perform?
- What was the division of responsibility between the prime contractor and Asahi Kasei Construction Materials Corp. regarding determination of the depth of the bearing stratum?

Answers

- If reinforcement of piles, jacking up the building, etc. are sufficient, it is not anticipated that expenses for investigation, reinforcement, repair, etc. will reach a large amount.
- Whether or not all the buildings are to be rebuilt will be determined through discussion among Mitsui Fudosan Residential Co., Ltd. and the residents. If a decision to rebuild is made, discussions will then be held among the related parties regarding the allocation of expenses. No such discussion has begun at this time. We are now focused on investigating the matter with the highest priority given to the safety of the residents.
- Of the 473 piles installed for this project, we believe that 8 of them were installed to an insufficient depth. Of the 70 piles for which there was diversion of data etc., we believe that the remaining 62 are sound because they were long enough to reach a sufficient depth in the bearing stratum and there is no tilting associated with them. We will nevertheless examine all 70 piles. Even when a pile is installed to the proper depth, insufficient injection of cement milk for consolidation would cause the pile's supporting strength to be diminished. Since there was diversion etc. of flowmeter data, we will confirm whether sufficient consolidation was formed at the tips of the piles. We do not believe that diversion of data necessarily corresponds to faulty installation, but we will confirm it.
- To examine the condition of the installed piles on site, we plan to have a hole of a certain size bored next to each of the 70 piles until the proper depth in the bearing stratum is reached. A radar system will then be inserted into the hole, and radar waves directed toward the pile. Reflected radar waves will indicate whether or not

the pile is present at the proper depth, and whether or not sufficient consolidation has been formed at the tip.

- The prime contractor performed boring exploration to determine the depth of the bearing stratum. Asahi Kasei Construction Materials Corp. performed test drilling in the presence of the prime contractor. Confirmation based on observation of auger motor sound and vibration, and based on graphs of ammeter data when installing each pile, were performed by Asahi Kasei Construction Materials Corp.

2) Regarding investigation of the approximately 3,000 projects where Asahi Kasei Construction Materials Corp. installed precast concrete piles

Questions

- How will you perform the investigation?
- Approximately how much do you anticipate this investigation will cost?
- Why is the period to be investigated 10 years?
- How detailed is the past data?

Answers

- We will analyze the data we have stored on past pile installations, and examine whether there has been any diversion or modification. If diversion of data etc. is found, we will compare the boring data that indicates the depth of the bearing stratum with the length of the installed pile to confirm safety. We will report the results to the contractor. If diversion of data etc. is found but safety cannot be verified based on other documents on hand, we will report this to the contractor and conduct on-site investigation in cooperation with the contractor.
- We cannot forecast the total cost of this investigation at the present time. Although costs will vary from case to case according to the position of the piles, the current condition of the buildings, etc., we do not anticipate that the total expense will reach a high level. We estimate that the cost of on-site investigation will range from several hundred thousand to several million yen per pile. If any reinforcement or repair is required, further costs will be incurred.
- The 10-year period corresponds to the warranty period, which determines our data storage period.
- We believe there is fairly detailed data for each pile, including data in the installation reports.

3) Regarding other aspects of Asahi Kasei Group operations

Questions

- If there has been a violation of the Building Standards Law, what would be the

scope of effect on your operations?

- What is the scale of your precast concrete pile business and how will this business be affected moving forward?
- Is the reason the business of Asahi Kasei Homes Corp. is excluded from the investigation of the past 3,000 projects because the type of pile and installation method are both different?
- What is the effect on the condominium business of Asahi Kasei Homes Corp.?

#### Answers

- If there is any administrative penalty based on violation of the Building Standards Law or other applicable law or regulation, it would only apply to the pile business of Asahi Kasei Construction Materials Corp. Asahi Kasei Homes Corp. and other businesses would not be affected.
- The pile business of Asahi Kasei Construction Materials Corp. has annual sales of approximately 18 billion yen. Sales of precast concrete piles were essentially discontinued in August 2013, except in Hokkaido. Other than fulfilling some backlog orders, there is almost no precast concrete pile business activity in 2015. The current pile business is focused on steel pipe piles, which are completely different than precast concrete piles, and installed by a completely different method. Pile business activities will inevitably be reduced as manpower is dedicated to dealing with the problem at hand. The degree and duration of such reduced business activity cannot be forecasted at this time.
- The type of pile and installation method used for Hebel Haus unit homes and Hebel Maison apartment buildings of Asahi Kasei Homes Corp. are completely different from the precast concrete pile installation which is currently an issue, and therefore not subject to investigation.
- Precast concrete piles of Asahi Kasei Construction Materials Corp. are used in some condominiums built by Asahi Kasei Homes Corp., and some of them are included in the 3,000 projects being investigated. We are not disclosing the number.