

**Asahi Kasei Corporation**

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## Consolidated Results for 1st to 3rd Quarter Fiscal 2018: April 1, 2018 – December 31, 2018

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

**I. Summary of Consolidated Results**

## 1. Operating results (percent change from previous year in brackets)

	Q1–Q3 2018	Q1–Q3 2017
Net sales	1,586,749 [+6.9%]	1,484,549 [+9.4%]
Operating income	156,708 [+5.0%]	149,189 [+30.7%]
Ordinary income	165,254 [+2.9%]	160,546 [+35.6%]
Net income attributable to owners of the parent	115,422 [–17.7%]	140,328 [+56.5%]
Net income per share*	82.67	100.49
Diluted net income per share*	—	—

\* Yen

Note: Comprehensive income was ¥105,894 million during Q1–Q3 2018, and ¥190,791 million during Q1–Q3 2017.

## 2. Financial position

At end of	December 2018	March 2018
Total assets	2,597,035	2,307,154
Net assets	1,360,305	1,305,214
Net worth/total assets	51.6%	55.8%
Net worth per share*	959.95	922.11

\* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of December 31, 2018, was ¥1,340,209 million; as of March 31, 2018, ¥1,287,387 million.

**II. Cash Dividends**

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2017	—	14.00	—	20.00	34.00
2018	—	17.00	—	—	—
2018 (forecast)	—	—	—	17.00	34.00

\* Yen

Notes:

- No revision of cash dividend forecast was made subsequent to the latest announced forecast.
- Year-end dividends will be determined based on FY 2018 consolidated net income results in consideration of total return ratio target of 35%.

### III. Forecast for Fiscal 2018 (April 1, 2018 – March 31, 2019)

#### 1. Latest forecasts (percent change from results in year-ago period in brackets)

	For the fiscal year
Net sales	2,171,000 [+6.3%]
Operating income	201,000 [+1.3%]
Ordinary income	209,000 [−1.7%]
Net income attributable to owners of the parent	145,000 [−14.8%]
Net income per share*	103.86

\* Yen

#### Notes:

- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for fiscal 2018 announced on November 2, 2018, has been revised.

### IV. Other Information

#### 1. Changes in significant subsidiaries which affected scope of consolidation during the period

Addition of two new subsidiaries: Sage Automotive Interiors, Inc. and Asahi Kasei Materials America, Inc.

#### 2. Special accounting methods for preparation of the consolidated financial statements

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate.

#### 3. Changes in accounting policies, changes in accounting estimates, and retroactive restatement

Changes in accounting policy difficult to distinguish from changes in accounting estimates:  
Change in method of depreciation of property, plant and equipment

Whereas Asahi Kasei and its subsidiaries in Japan had previously primarily applied the declining-balance method for depreciation of property, plant and equipment (except lease assets), this was changed to the straight-line method from the first quarter of the year ending March 31, 2019.

The Asahi Kasei Group has continued to acquire overseas companies in recent years, and since overseas subsidiaries apply the straight-line method for depreciation of property, plant and equipment, there is an increase in the proportion of property, plant and equipment depreciated by the straight-line method.

Furthermore, the Asahi Kasei Group is currently advancing investments to expand businesses with competitive superiority, as well as investments for modification and rationalization, based on the “Cs for Tomorrow 2018” three-year strategic management initiative. Large-scale expansions of domestic manufacturing plants are being implemented or planned, especially in the Material sector, during the year ending March 31, 2019, the final fiscal year of the three-year period. As such expansions of manufacturing plants are scheduled to successively start operation beginning from the year ending March 31, 2019, a change in the situation of domestic capital expenditure is foreseeable.

This changing situation surrounding property, plant and equipment presented an opportunity to reconsider the method of depreciation.

Long-term and stable operation of the property, plant and equipment of Asahi Kasei and its subsidiaries in Japan is expected to contribute to the achievement of stable earnings for Asahi Kasei

and its subsidiaries in Japan. Therefore, it was determined that adoption of the straight-line method of depreciation of property, plant and equipment in Japan as well would not only be a cost allocation method more accurately reflecting the state of use of property, plant and equipment, but also more appropriate for performance management of the Asahi Kasei Group.

Due to this change, operating income was ¥6,506 million higher, and ordinary income and income before income taxes were each ¥6,530 million higher than they would have been with the previous method.

Additional information:

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting:

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28) issued by the Accounting Standards Board of Japan is applied from the first quarter of the year ending March 31, 2019. Accordingly, all deferred tax assets are shown under investments and other assets, and all deferred tax liabilities are shown under noncurrent liabilities.

#### 4. Number of shares outstanding

	Q1-Q3 2018	FY 2017
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	6,487,459	6,491,617
Average number of shares outstanding during period	1,396,130,740	1,396,387,353*

\* Q1-Q3 2017

## V. Consolidated Financial Statements

### 1. Balance sheets

	At end of March 2018	At end of December 2018
<b>Assets</b>		
Current assets		
Cash and deposits	156,318	193,890
Notes and accounts receivable–trade	341,396	354,480
Merchandise and finished goods	169,948	196,209
Work in process	109,486	152,098
Raw materials and supplies	80,253	91,181
Other	83,956	98,708
Allowance for doubtful accounts	(2,411)	(2,947)
Total current assets	938,947	1,083,619
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	517,562	544,583
Accumulated depreciation	(285,760)	(292,423)
Buildings and structures, net	231,802	252,159
Machinery, equipment and vehicles	1,399,081	1,444,496
Accumulated depreciation	(1,200,504)	(1,231,210)
Machinery, equipment and vehicles, net	198,577	213,286
Land	62,938	65,404
Lease assets	11,698	10,235
Accumulated depreciation	(10,901)	(9,470)
Lease assets, net	798	765
Construction in progress	50,502	61,352
Other	153,002	158,955
Accumulated depreciation	(135,571)	(137,754)
Other, net	17,431	21,201
Subtotal	562,048	614,166
Intangible assets		
Goodwill	252,724	356,227
Other	161,898	175,948
Subtotal	414,621	532,175
Investments and other assets		
Investment securities	314,830	284,930
Long-term loans receivable	27,793	20,180
Deferred tax assets	17,775	28,693
Other	31,406	33,551
Allowance for doubtful accounts	(266)	(280)
Subtotal	391,538	367,074
Total noncurrent assets	1,368,207	1,513,416
Total assets	2,307,154	2,597,035

	At end of March 2018	At end of December 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	171,413	184,055
Short-term loans payable	118,018	195,209
Commercial paper	20,000	119,000
Current portion of bonds payable	—	20,000
Lease obligations	199	161
Accrued expenses	105,787	95,554
Income taxes payable	29,714	15,035
Advances received	70,142	94,323
Provision for grant of shares	28	—
Provision for periodic repairs	3,185	4,588
Provision for product warranties	2,730	3,021
Provision for removal cost of property, plant and equipment	2,425	2,218
Asset retirement obligations	557	481
Other	64,948	74,515
<b>Total current liabilities</b>	<b>589,146</b>	<b>808,161</b>
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	143,176	156,178
Lease obligations	352	312
Deferred tax liabilities	36,639	41,249
Provision for grant of shares	172	172
Provision for periodic repairs	3,263	2,565
Provision for removal cost of property, plant and equipment	2,699	1,997
Net defined benefit liability	170,634	168,285
Asset retirement obligations	3,282	3,570
Long-term guarantee deposits	20,658	20,889
Other	11,917	13,351
<b>Total noncurrent liabilities</b>	<b>412,793</b>	<b>428,568</b>
<b>Total liabilities</b>	<b>1,001,939</b>	<b>1,236,730</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,440	79,707
Retained earnings	981,934	1,045,496
Treasury stock	(3,930)	(3,928)
<b>Total shareholders' equity</b>	<b>1,160,833</b>	<b>1,224,663</b>
Accumulated other comprehensive income		
Net unrealized gain on other securities	121,128	94,884
Deferred gains or losses on hedges	92	(3)
Foreign currency translation adjustment	28,676	39,659
Remeasurements of defined benefit plans	(23,343)	(18,994)
<b>Total accumulated other comprehensive income</b>	<b>126,553</b>	<b>115,547</b>
Non-controlling interests	17,827	20,095
<b>Total net assets</b>	<b>1,305,214</b>	<b>1,360,305</b>
<b>Total liabilities and net assets</b>	<b>2,307,154</b>	<b>2,597,035</b>

## 2. Statements of income and statements of comprehensive income

### 1) Statements of income

	Q1-Q3 2017	Q1-Q3 2018
Net sales	1,484,549	1,586,749
Cost of sales	1,002,514	1,076,733
Gross profit	482,035	510,016
Selling, general and administrative expenses	332,847	353,309
Operating income	149,189	156,708
Non-operating income		
Interest income	1,497	2,297
Dividends income	5,573	4,728
Equity in earnings of affiliates	9,118	9,890
Other	3,649	2,316
Total non-operating income	19,837	19,231
Non-operating expenses		
Interest expense	3,399	3,338
Foreign exchange loss	1,527	2,216
Other	3,553	5,130
Total non-operating expenses	8,480	10,684
Ordinary income	160,546	165,254
Extraordinary income		
Gain on sales of investment securities	15,087	6,811
Gain on sales of noncurrent assets	530	451
Total extraordinary income	15,617	7,262
Extraordinary loss		
Loss on valuation of investment securities	5	19
Loss on disposal of noncurrent assets	2,864	2,966
Impairment loss	854	3,369
Business structure improvement expenses	1,062	1,907
Total extraordinary loss	4,785	8,261
Income before income taxes	171,378	164,255
Total income taxes	29,482	47,289
Net income	141,896	116,966
Net income attributable to non-controlling interests	1,569	1,544
Net income attributable to owners of the parent	140,328	115,422

2) Statements of comprehensive income

	Q1-Q3 2017	Q1-Q3 2018
Net income	141,896	116,966
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	20,645	(26,132)
Deferred gains or losses on hedges	(37)	(95)
Foreign currency translation adjustment	20,879	10,495
Remeasurements of defined benefit plans	5,879	4,418
Share of other comprehensive income of affiliates accounted for using equity method	1,529	242
Total other comprehensive income	48,895	(11,072)
Comprehensive income	190,791	105,894
Comprehensive income attributable to:		
Owners of the parent	188,741	104,415
Non-controlling interests	2,050	1,479

### 3. Statements of cash flows

	Q1-Q3 2017	Q1-Q3 2018
Cash flows from operating activities		
Income before income taxes	171,378	164,255
Depreciation and amortization	70,426	61,516
Impairment loss	854	3,369
Amortization of goodwill	13,636	14,930
Amortization of negative goodwill	(119)	(119)
Decrease in provision for grant of shares	—	(28)
(Decrease) increase in provision for periodic repairs	(529)	705
Increase in provision for product warranties	242	283
Decrease in provision for removal cost of property, plant and equipment	(1,999)	(910)
Decrease in provision for loss on litigation	(2,153)	—
Decrease in net defined benefit liability	(2,804)	(2,462)
Interest and dividend income	(7,070)	(7,025)
Interest expense	3,399	3,338
Equity in earnings of affiliates	(9,118)	(9,890)
Gain on sales of investment securities	(15,087)	(6,811)
Loss on valuation of investment securities	5	19
Gain on sale of property, plant and equipment	(530)	(451)
Loss on disposal of noncurrent assets	2,864	2,966
(Increase) decrease in notes and accounts receivable-trade	(27,060)	86
Increase in inventories	(33,593)	(72,445)
Increase in notes and accounts payable-trade	20,186	2,386
Decrease in accrued expenses	(12,095)	(12,384)
Increase in advances received	12,131	23,747
Other, net	11,284	(5,303)
Subtotal	194,249	159,773
Interest and dividend income, received	8,757	9,111
Interest expense paid	(2,970)	(2,884)
Income taxes paid	(45,993)	(63,564)
Net cash provided by operating activities	154,043	102,436
Cash flows from investing activities		
Payments into time deposits	(2,247)	(1,416)
Proceeds from withdrawal of time deposits	2,246	7,925
Purchase of property, plant and equipment	(58,958)	(87,734)
Proceeds from sales of property, plant and equipment	1,696	520
Purchase of intangible assets	(9,601)	(7,516)
Purchase of investment securities	(9,989)	(1,369)
Proceeds from sales of investment securities	16,656	8,116
Purchase of shares in subsidiaries resulting in change in scope of consolidation	—	(88,687)
Payments for transfer of business	—	(2,764)
Payments of loans receivable	(40,540)	(5,094)
Collection of loans receivable	31,773	14,844
Other, net	(97)	(578)
Net cash used in investing activities	(69,061)	(163,753)



	Q1-Q3 2017	Q1-Q3 2018
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(14,643)	33,294
Increase in commercial paper	30,000	99,000
Proceeds from long-term loans payable	15,295	25,679
Repayment of long-term loans payable	(12,316)	(20,216)
Proceeds from issuance of bonds payable	—	20,000
Redemption of bonds	(20,000)	—
Repayments of lease obligations	(279)	(176)
Purchase of treasury stock	(683)	(30)
Proceeds from disposal of treasury stock	1	35
Cash dividends paid	(39,106)	(51,674)
Cash dividends paid to non-controlling interests	(1,456)	(1,152)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	—	(1,145)
Other, net	69	(233)
Net cash (used in) provided by financing activities	(43,117)	103,380
Effect of exchange rate change on cash and cash equivalents	5,123	1,209
Net increase in cash and cash equivalents	46,987	43,273
Cash and cash equivalents at beginning of period	144,077	148,596
Increase in cash and cash equivalents resulting from changes in scope of consolidation	272	846
Cash and cash equivalents at end of period	191,336	192,715