

Asahi Kasei Corporation

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Consolidated Results for 1st Quarter Fiscal 2013: April 1, 2013 – June 30, 2013

(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 2013	Q1 2012
Net sales	429,963 [+17.8%]	365,001 [-0.8%]
Operating income	28,321 [+161.1%]	10,846 [-64.1%]
Ordinary income	27,514 [+238.5%]	8,129 [-73.2%]
Net income	19,634 [+522.4%]	3,155 [-83.7%]
Net income per share*	14.05	2.26
Diluted net income per share*	—	—

* Yen

Note: Comprehensive income (loss) was ¥39,130 million during Q1 2013, and ¥(11,650) million during Q1 2012.

2. Financial position

At end of	June 2013	March 2013
Total assets	1,841,946	1,800,170
Net assets	853,585	824,451
Net worth/total assets	45.7%	45.1%
Net worth per share*	601.83	581.05

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of June 30, 2013, was ¥841,089 million; as of March 31, 2013, ¥812,080 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2012	—	7.00	—	7.00	14.00
2013	—	—	—	—	—
2013 (forecast)	—	7.00	—	7.00	14.00

* Yen

Note: No revision of cash dividend forecast was made subsequent to the latest announced forecast.

III. Forecasts for Fiscal 2013 (April 1, 2013 – March 31, 2014)

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

	First half	Full year
Net sales	920,000 [+16.8%]	1,891,000 [+13.5%]
Operating income	65,000 [+69.7%]	130,000 [+41.4%]
Ordinary income	61,000 [+70.1%]	130,000 [+36.7%]
Net income	38,000 [+84.3%]	77,000 [+43.4%]
Net income per share*	27.19	55.09

* Yen

2. Comparison of previous and revised H1 2013 forecasts

(billions of yen)

	Previous H1 2013 forecast	Revised H1 2013 forecast	Increase (decrease)	cf. H1 2012 results
Net sales	912.0	920.0	8.0	787.5
Operating income	59.0	65.0	6.0	38.3
Ordinary income	57.5	61.0	3.5	35.9
Net income	32.5	38.0	5.5	20.6

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 the first half of fiscal 2013 announced on May 9, 2013, has been revised.
- The forecast for the full year shown above is that which was announced on May 9, 2013. A revision will be made when first half results are announced.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period: None.

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: None.

4. Number of shares outstanding

	Q1 2013	FY 2012
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	5,055,273	5,016,645
Average number of shares outstanding during period	1,397,579,922	1,397,683,505*

* Q1 2012

V. Overview of Consolidated Results

1. Consolidated group results

Although the US economy showed signs of recovery with improving employment during the April–June quarter of 2013, the outlook for global economy remained obscure with slowing growth in China and other emerging economies and the European economy continuing to stagnate. The Japanese economy was on a gradual path of recovery under the government’s economic policies, with conditions for exports improving due to depreciation of the exchange value of the yen and signs of recovery in consumer spending.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥65.0 billion (17.8%) from a year ago to ¥430.0 billion, with increased deliveries in the Homes segment, and increased sales volume in the Chemicals segment and of pharmaceutical products in the Health Care segment, as well as the effect of the weaker yen. Operating income increased by ¥17.5 billion (161.1%) to ¥28.3 billion. Ordinary income increased by ¥19.4 billion (238.5%) to ¥27.5 billion. Net income increased by ¥16.5 billion (522.4%) to ¥19.6 billion.

2. Results by operating segment

The Asahi Kasei Group’s operations are described by major business classification: seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Health Care, and Critical Care, together with an “Others” category. Beginning with the April–June quarter of 2013, the sequence of reportable segments has been changed to correspond with the classification of our four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. In the Critical Care segment, results for the year-ago period were included beginning on April 27, 2012, while results were subject to consolidation throughout the entire period beginning with the April–June quarter of 2013.

CHEMICALS

Sales increased by ¥32.1 billion (19.9%) from a year ago to ¥193.1 billion, and operating income increased by ¥5.9 billion (135.8%) to ¥10.2 billion.

Chemicals and derivative products operations were impacted by low market prices for acrylonitrile and high feedstock prices, but the depreciation of the yen and improved market prices for styrene monomer contributed to performance. The depreciation of the yen also contributed to performance in polymer products operations, and shipments of synthetic rubber for fuel-efficient tires and engineering plastics for automotive applications were firm. In specialty products operations, the effect of the depreciation of the yen was most notable for ion-exchange membranes, and shipments of coating materials were firm.

FIBERS

Sales increased by ¥2.6 billion (9.8%) from a year ago to ¥28.8 billion, and operating income increased by ¥1.6 billion (265.3%) to ¥2.2 billion.

Although the cost of petrochemical feedstocks rose, operating income in fibers increased with the effect of the weaker yen, increased sales volume of nonwovens such as Lamous™ artificial suede for automotive interiors and of Roica™ elastic polyurethane filament, and firm shipments of Bemberg™ cupro regenerated cellulose.

HOMES

Sales increased by ¥12.1 billion (14.0%) from a year ago to ¥98.4 billion, and operating income increased by ¥3.0 billion (81.9%) to ¥6.6 billion. Orders for order-built homes increased by ¥10.9 billion (10.8%) to ¥111.8 billion.

In order-built homes operations, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. In real estate operations, rental management performed well. Remodeling operations enjoyed strong orders for major remodeling work and other renovation work.

CONSTRUCTION MATERIALS

Sales increased by ¥1.5 billion (13.2%) from a year ago to ¥13.1 billion, and operating income increased by ¥0.8 billion (156.9%) to ¥1.3 billion.

Hebel™ autoclaved aerated concrete panels and Neoma™ high-performance phenolic foam insulation panels enjoyed strong sales. In foundation systems, orders for Eazet™ piling systems for small-scale construction expanded in new applications such as “mega solar” projects. Performance in structural materials was firm.

ELECTRONICS

Sales increased by ¥2.5 billion (7.4%) from a year ago to ¥36.5 billion, and operating income increased by ¥4.2 billion to ¥3.8 billion.

Although electronic devices operations were impacted by reduced sales prices in each product category, the weaker yen contributed to performance, and sales of mixed-signal LSIs for smartphones were firm. In electronic materials operations, the weaker yen contributed to performance, and sales of high-end products in each product category grew, most notably Hipore™ Li-ion battery separator.

HEALTH CARE

Sales increased by ¥6.0 billion (18.4%) from a year ago to ¥38.3 billion, and operating income increased by ¥4.2 billion (89.6%) to ¥9.0 billion.

Although pharmaceuticals operations were impacted by higher selling, general and administrative expenses, shipments of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin increased. The weaker yen contributed to performance in devices-related operations, and shipments of Planova™ virus removal filters increased.

CRITICAL CARE

Sales increased by ¥8.7 billion (95.3%) from a year ago to ¥17.8 billion, gross operating income* decreased by ¥0.1 billion (4.4%) to ¥1.8 billion, and the consolidated operating loss increased by ¥1.0 billion to ¥1.5 billion. The effect of amortization of goodwill and other intangible assets, etc., related to acquisition of ZOLL Medical Corporation increased by ¥0.9 billion to ¥3.3 billion.

LifeVest™ wearable defibrillator operations expanded smoothly, and other products such as defibrillators for use by medical professionals performed well, but selling, general and administrative expenses grew with reinforced marketing activity. The increase in sales and increase in operating loss were enlarged by the difference in the period subject to consolidation.

* Operating income before amortization of goodwill and other intangible assets, etc., related to acquisition of ZOLL by Asahi Kasei.

OTHERS

Sales in “Others” decreased by ¥0.4 billion (9.4%) from a year ago to ¥4.0 billion, and operating income decreased by ¥0.4 billion (49.0%) to ¥0.4 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2013	At end of June 2013
Assets		
Current assets		
Cash and deposits	109,513	102,034
Notes and accounts receivable–trade	306,222	305,242
Short-term investment securities	124	364
Merchandise and finished goods	145,470	148,471
Work in progress	100,513	123,370
Raw materials and supplies	63,695	71,537
Deferred tax assets	21,945	22,076
Other	73,619	70,060
Allowance for doubtful accounts	(1,631)	(1,681)
Total current assets	819,469	841,474
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	428,616	441,301
Accumulated depreciation	(241,191)	(244,748)
Buildings and structures, net	187,425	196,553
Machinery, equipment and vehicles	1,236,111	1,258,789
Accumulated depreciation	(1,082,480)	(1,099,141)
Machinery, equipment and vehicles, net	153,631	159,648
Land	58,176	58,096
Lease assets	13,980	14,069
Accumulated depreciation	(7,173)	(7,848)
Lease assets, net	6,806	6,221
Construction in progress	41,482	32,739
Other	129,716	132,377
Accumulated depreciation	(115,656)	(116,582)
Other, net	14,060	15,795
Subtotal	461,581	469,052
Intangible assets		
Goodwill	134,303	138,555
Other	121,114	122,448
Subtotal	255,417	261,003
Investments and other assets		
Investment securities	224,903	233,906
Long-term loans receivable	5,248	5,083
Deferred tax assets	8,487	5,980
Other	25,311	25,715
Allowance for doubtful accounts	(245)	(266)
Subtotal	263,704	270,417
Total noncurrent assets	980,702	1,000,472
Total assets	1,800,170	1,841,946

	At end of March 2013	At end of June 2013
Liabilities		
Current liabilities		
Notes and accounts payable–trade	172,630	177,224
Short-term loans payable	113,043	115,620
Commercial paper	70,000	81,000
Current portion of bonds payable	5,000	5,000
Lease obligations	2,415	2,298
Accrued expenses	91,646	77,197
Income taxes payable	13,978	8,651
Advances received	61,953	78,610
Provision for periodic repairs	2,359	5,432
Provision for product warranties	2,143	2,037
Provision for removal cost of property, plant and equipment	1,910	2,402
Asset retirement obligations	722	715
Other	65,064	58,052
Total current liabilities	602,864	614,237
Noncurrent liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	146,929	150,565
Lease obligations	4,051	3,572
Deferred tax liabilities	39,985	41,801
Provision for retirement benefits	107,776	109,099
Provision for directors' retirement benefits	767	663
Provision for periodic repairs	4,255	598
Provision for removal cost of property, plant and equipment	2,960	1,751
Asset retirement obligations	2,834	3,423
Long-term guarantee deposits	18,396	18,291
Other	4,902	4,359
Total noncurrent liabilities	372,855	374,123
Total liabilities	975,719	988,361
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,403	79,403
Retained earnings	553,557	563,439
Treasury stock	(2,431)	(2,457)
Total shareholders' equity	733,918	743,774
Accumulated other comprehensive income		
Net unrealized gain on other securities	62,622	69,474
Deferred gains or losses on hedges	(900)	(688)
Foreign currency translation adjustments	16,440	28,530
Total accumulated other comprehensive income	78,162	97,315
Minority interests	12,371	12,496
Total net assets	824,451	853,585
Total liabilities and net assets	1,800,170	1,841,946

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1 2012	Q1 2013
Net sales	365,001	429,963
Cost of sales	274,374	313,327
Gross profit	90,627	116,636
Selling, general and administrative expenses	79,781	88,314
Operating income	10,846	28,321
Non-operating income		
Interest income	373	280
Dividends income	1,007	1,088
Foreign exchange gains	—	727
Other	814	787
Total non-operating income	2,193	2,882
Non-operating expenses		
Interest expense	792	852
Equity in losses of affiliates	524	1,872
Foreign exchange loss	1,500	—
Other	2,095	966
Total non-operating expenses	4,911	3,690
Ordinary income	8,129	27,514
Extraordinary income		
Gain on sales of investment securities	—	35
Gain on sales of noncurrent assets	33	1,467
Total extraordinary income	33	1,502
Extraordinary loss		
Loss on valuation of investment securities	22	—
Loss on disposal of noncurrent assets	1,128	461
Impairment loss	27	—
Business structure improvement expenses	18	357
Total extraordinary loss	1,194	818
Income before income taxes and minority interests	6,967	28,197
Income taxes	3,750	8,376
Income before minority interests	3,217	19,821
Minority interests in income	62	187
Net income	3,155	19,634

(2) Statements of comprehensive income

	Q1 2012	Q1 2013
Income before minority interests	3,217	19,821
Other comprehensive income		
Net increase or decrease in unrealized gain on other securities	(3,086)	6,837
Deferred gains or losses on hedges	1,428	211
Foreign currency translation adjustment	(11,684)	11,885
Share of other comprehensive income of affiliates accounted for using equity method	(1,526)	376
Total other comprehensive income (loss)	(14,867)	19,309
Comprehensive income (loss)	(11,650)	39,130
Comprehensive income (loss) attributable to:		
Owners of the parent	(11,447)	38,787
Minority interests	(203)	343

3. Statements of cash flows

	Q1 2012	Q1 2013
Cash flows from operating activities		
Income before income taxes and minority interests	6,967	28,197
Depreciation and amortization	17,895	19,951
Impairment loss	27	—
Amortization of goodwill	1,397	2,190
Amortization of negative goodwill	(58)	(58)
Decrease in provision for periodic repairs	(3,497)	(584)
Decrease in provision for product warranties	(230)	(114)
Decrease in provision for removal cost of property, plant and equipment	(649)	(717)
Increase in provision for retirement benefits	538	1,291
Interest and dividend income	(1,379)	(1,368)
Interest expense	792	852
Equity in losses of affiliates	524	1,872
Gain on sales of investment securities	—	(35)
Loss on valuation of investment securities	22	—
Gain on sale of property, plant and equipment	(33)	(1,467)
Loss on disposal of noncurrent assets	1,128	461
Decrease in notes and accounts receivable–trade	6,573	3,077
Increase in inventories	(22,685)	(30,906)
Increase in notes and accounts payable–trade	12,965	3,023
Decrease in accrued expenses	(15,054)	(15,330)
Increase in advances received	13,660	16,494
Other, net	(10,511)	1,896
Subtotal	8,391	28,725
Interest and dividend income, received	2,112	1,927
Interest expense paid	(983)	(627)
Income taxes paid	(4,827)	(11,353)
Net cash provided by operating activities	4,692	18,673
Cash flows from investing activities		
Payments into time deposits	(3,828)	(2,640)
Proceeds from withdrawal of time deposits	2,784	2,640
Purchase of property, plant and equipment	(16,652)	(21,518)
Proceeds from sales of property, plant and equipment	99	2,030
Purchase of intangible assets	(2,732)	(8,955)
Purchase of investment securities	(1,128)	(2,507)
Proceeds from sales of investment securities	500	87
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(174,308)	—
Additional purchase of investments in consolidated subsidiaries	(1,310)	—
Payments of loans receivable	(3,123)	(2,453)
Collection of loans receivable	2,018	2,565
Other, net	706	(192)
Net cash used in investing activities	(196,973)	(30,943)

	Q1 2012	Q1 2013
Cash flows from financing activities		
Increase in short-term loans payable	185,425	2,071
Increase in commercial paper	36,000	11,000
Proceeds from long-term loans payable	812	1,862
Repayment of long-term loans payable	(5,243)	(651)
Repayments of lease obligations	(625)	(672)
Purchase of treasury stock	(8)	(26)
Proceeds from disposal of treasury stock	2	0
Cash dividends paid	(9,784)	(9,783)
Cash dividends paid to minority shareholders	(403)	(20)
Other, net	(60)	(17)
Net cash provided by financing activities	206,117	3,763
Effect of exchange rate change on cash and cash equivalents	(5,329)	1,175
Net increase (decrease) in cash and cash equivalents	8,507	(7,331)
Cash and cash equivalents at beginning of period	96,351	104,008
Increase in cash and cash equivalents resulting from changes in scope of consolidation	102	1
Effect of change in the reporting period of consolidated subsidiaries and affiliates	(5,327)	—
Cash and cash equivalents at end of period	99,634	96,678

VII. Additional Information

1. Consolidated net sales and operating income (loss) by segment

Note: Beginning with the April–June quarter of 2013, the sequence of segments has been changed to correspond with the classification of our four business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care.

1) Consolidated net sales by segment

(billions of yen)

	Q1 2012	Q1 2013	Increase (decrease)	First half FY 2013 forecast
Chemicals	161.1	193.1	32.1	398.0
Fibers	26.3	28.8	2.6	59.0
Homes	86.3	98.4	12.1	239.0
Construction Materials	11.5	13.1	1.5	28.0
Electronics	34.0	36.5	2.5	74.0
Health Care	32.4	38.3	6.0	76.0
Critical Care	9.1	17.8	8.7	38.0
Others	4.4	4.0	(0.4)	8.0
Total	365.0	430.0	65.0	920.0

2) Consolidated operating income (loss) by segment

(billions of yen)

	Q1 2012	Q1 2013	Increase (decrease)	First half FY 2013 forecast
Chemicals	4.3	10.2	5.9	21.0
Fibers	0.6	2.2	1.6	3.5
Homes	3.6	6.6	3.0	26.5
Construction Materials	0.5	1.3	0.8	2.5
Electronics	(0.4)	3.8	4.2	7.0
Health Care	4.7	9.0	4.2	14.0
Critical Care	(0.5)	(1.5)	(1.0)	(2.0)
Others	0.8	0.4	(0.4)	0.5
Combined	13.8	32.1	18.3	73.0
Corporate expenses and eliminations	(2.9)	(3.7)	(0.8)	(8.0)
Consolidated	10.8	28.3	17.5	65.0

2. Operating income increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:				Net increase (decrease)
	Sales volume	Sales prices [<i>of which, due to foreign exchange</i>]		Operating costs and others	
Chemicals	(0.1)	6.7	6.5	(0.7)	5.9
Fibers	0.2	1.8	1.6	(0.4)	1.6
Homes	3.9	0.4	—	(1.3)	3.0
Construction Materials	0.2	0.1	—	0.5	0.8
Electronics	0.6	2.4	4.7	1.1	4.2
Health Care	4.2	1.5	1.5	(1.4)	4.2
Critical Care	0.9	0.2	0.0	(2.1)	(1.0)
Others	(0.2)	—	—	(0.2)	(0.4)
Corporate expenses and eliminations	—	—	—	(0.8)	(0.8)
Consolidated	9.7	13.0	14.3	(5.2)	17.5

3. Major financial metrics (consolidated)

(billions of yen, except employees and D/E ratio)

	Q1 2012	Q1 2013
Capital expenditure (tangible)	22.0	17.6
Capital expenditure (intangible)	3.6	2.7
Depreciation and amortization	17.9	20.0
Balance of payments	0.6	0.5
<i>of which, dividends received</i>	(1.0)	(1.1)
Employees at end of period	28,401	28,987
D/E ratio	0.57	0.47

4. Contract trends for home construction operations

	Q1 2012	Q1 2013	Increase (decrease)	First half FY 2013 forecast
No. of orders received (home units)	4,553	4,794	241	10,560
Value of orders received (¥ billion)	100.9	111.8	10.9	234.0
Backlog of orders (¥ billion)	433.1	486.4	53.4	501.6
No. of sales (home units)	2,379	2,791	412	7,300
Value of sales (¥ billion)	59.7	70.0	10.3	177.0

5. Key operating factors

	Q1 2012	Q1 2013	Increase (decrease)	First half FY 2013 forecast	
Naphtha price (yen/kL, domestic)	60,600	65,500	4,900	65,250	
Exchange rates (market average)	Yen/US\$	80	99	19	99
	Yen/€	103	129	26	129

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2013	At end of June 2013	Increase (decrease)
Short-term loans payable	113.0	115.6	2.6
Commercial paper	70.0	81.0	11.0
Current portion of bonds payable	5.0	5.0	—
Long-term loans payable	146.9	150.6	3.6
Bonds payable	40.0	40.0	—
Lease obligations	6.5	5.9	(0.6)
Total	381.4	398.1	16.6