

**Asahi Kasei Corporation**

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## Consolidated Results for 1st and 2nd Quarter Fiscal 2018: April 1, 2018 – September 30, 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–Q2 2018	Q1–Q2 2017
Net sales	1,041,463 [+8.0%]	964,749 [+8.3%]
Operating income	104,306 [+12.6%]	92,652 [+30.9%]
Ordinary income	110,259 [+12.3%]	98,172 [+40.5%]
Net income attributable to owners of the parent	78,924 [+11.4%]	70,868 [+33.9%]
Net income per share*	56.53	50.75
Diluted net income per share*	—	—

\* Yen

Note: Comprehensive income was ¥110,372 million during Q1–Q2 2018, and ¥101,719 million during Q1–Q2 2017.

## 2. Financial position

At end of	September 2018	March 2018
Total assets	2,572,043	2,307,154
Net assets	1,390,214	1,305,214
Net worth/total assets	53.2%	55.8%
Net worth per share*	980.22	922.11

\* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of September 30, 2018, was ¥1,368,520 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

Note: 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	2,210,000 [+8.2%]
Operating income	210,000 [+5.8%]
Ordinary income	222,000 [+4.4%]
Net income attributable to owners of the parent	160,000 [−6.0%]
Net income per share*	114.60

\* 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 May 11, 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 ¥3,766 million higher, and ordinary income and income before income taxes were each ¥3,782 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

	Q2 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	6,476,928	6,491,617
Average number of shares outstanding during period	1,396,127,850	1,396,515,455*

\* Q1–Q2 2017

## V. Consolidated Financial Statements

### 1. Balance sheets

	At end of March 2018	At end of September 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	156,318	170,031
Notes and accounts receivable–trade	341,396	361,821
Merchandise and finished goods	169,948	189,821
Work in process	109,486	131,881
Raw materials and supplies	80,253	88,940
Other	83,956	87,502
Allowance for doubtful accounts	(2,411)	(2,772)
<b>Total current assets</b>	<b>938,947</b>	<b>1,027,224</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	517,562	539,372
Accumulated depreciation	(285,760)	(292,429)
Buildings and structures, net	231,802	246,943
Machinery, equipment and vehicles	1,399,081	1,438,543
Accumulated depreciation	(1,200,504)	(1,226,053)
Machinery, equipment and vehicles, net	198,577	212,490
Land	62,938	64,571
Lease assets	11,698	10,251
Accumulated depreciation	(10,901)	(9,518)
Lease assets, net	798	733
Construction in progress	50,502	63,466
Other	153,002	158,856
Accumulated depreciation	(135,571)	(138,254)
Other, net	17,431	20,602
<b>Subtotal</b>	<b>562,048</b>	<b>608,804</b>
<b>Intangible assets</b>		
Goodwill	252,724	358,561
Other	161,898	181,424
<b>Subtotal</b>	<b>414,621</b>	<b>539,984</b>
<b>Investments and other assets</b>		
Investment securities	314,830	316,383
Long-term loans receivable	27,793	26,119
Deferred tax assets	17,775	21,147
Other	31,406	32,654
Allowance for doubtful accounts	(266)	(272)
<b>Subtotal</b>	<b>391,538</b>	<b>396,030</b>
<b>Total noncurrent assets</b>	<b>1,368,207</b>	<b>1,544,819</b>
<b>Total assets</b>	<b>2,307,154</b>	<b>2,572,043</b>

	At end of March 2018	At end of September 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	171,413	190,329
Short-term loans payable	118,018	215,366
Commercial paper	20,000	71,000
Lease obligations	199	166
Accrued expenses	105,787	101,759
Income taxes payable	29,714	23,661
Advances received	70,142	85,621
Provision for grant of shares	28	—
Provision for periodic repairs	3,185	4,153
Provision for product warranties	2,730	2,974
Provision for removal cost of property, plant and equipment	2,425	2,422
Asset retirement obligations	557	501
Other	64,948	69,761
<b>Total current liabilities</b>	<b>589,146</b>	<b>767,710</b>
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	143,176	136,555
Lease obligations	352	291
Deferred tax liabilities	36,639	44,194
Provision for grant of shares	172	172
Provision for periodic repairs	3,263	2,465
Provision for removal cost of property, plant and equipment	2,699	2,156
Net defined benefit liability	170,634	169,218
Asset retirement obligations	3,282	3,576
Long-term guarantee deposits	20,658	20,818
Other	11,917	14,672
<b>Total noncurrent liabilities</b>	<b>412,793</b>	<b>414,118</b>
<b>Total liabilities</b>	<b>1,001,939</b>	<b>1,181,829</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,440	79,438
Retained earnings	981,934	1,032,904
Treasury stock	(3,930)	(3,912)
<b>Total shareholders' equity</b>	<b>1,160,833</b>	<b>1,211,818</b>
Accumulated other comprehensive income		
Net unrealized gain on other securities	121,128	116,887
Deferred gains or losses on hedges	92	10
Foreign currency translation adjustment	28,676	60,244
Remeasurements of defined benefit plans	(23,343)	(20,439)
<b>Total accumulated other comprehensive income</b>	<b>126,553</b>	<b>156,701</b>
Non-controlling interests	17,827	21,694
<b>Total net assets</b>	<b>1,305,214</b>	<b>1,390,214</b>
<b>Total liabilities and net assets</b>	<b>2,307,154</b>	<b>2,572,043</b>

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

### 1) Statements of income

	Q1-Q2 2017	Q1-Q2 2018
Net sales	964,749	1,041,463
Cost of sales	651,543	704,955
Gross profit	313,206	336,508
Selling, general and administrative expenses	220,554	232,202
Operating income	92,652	104,306
Non-operating income		
Interest income	960	1,563
Dividends income	2,841	3,309
Equity in earnings of affiliates	5,349	6,688
Other	1,646	1,518
Total non-operating income	10,795	13,078
Non-operating expenses		
Interest expense	2,298	2,203
Foreign exchange loss	923	1,448
Other	2,054	3,474
Total non-operating expenses	5,275	7,125
Ordinary income	98,172	110,259
Extraordinary income		
Gain on sales of investment securities	5,845	6,811
Gain on sales of noncurrent assets	416	259
Total extraordinary income	6,261	7,070
Extraordinary loss		
Loss on valuation of investment securities	—	19
Loss on disposal of noncurrent assets	1,477	1,318
Impairment loss	567	183
Business structure improvement expenses	699	661
Total extraordinary loss	2,743	2,181
Income before income taxes	101,690	115,148
Total income taxes	29,736	35,131
Net income	71,954	80,018
Net income attributable to non-controlling interests	1,086	1,094
Net income attributable to owners of the parent	70,868	78,924

2) Statements of comprehensive income

	Q1-Q2 2017	Q1-Q2 2018
Net income	71,954	80,018
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	12,613	(4,180)
Deferred gains or losses on hedges	(85)	(82)
Foreign currency translation adjustment	12,542	30,050
Remeasurements of defined benefit plans	3,919	2,950
Share of other comprehensive income of affiliates accounted for using equity method	776	1,617
Total other comprehensive income	29,765	30,355
Comprehensive income	101,719	110,372
Comprehensive income attributable to:		
Owners of the parent	100,330	109,072
Non-controlling interests	1,389	1,301

### 3. Statements of cash flows

	Q1–Q2 2017	Q1–Q2 2018
<b>Cash flows from operating activities</b>		
Income before income taxes	101,690	115,148
Depreciation and amortization	45,817	39,844
Impairment loss	567	183
Amortization of goodwill	9,063	8,900
Amortization of negative goodwill	(79)	(79)
Decrease in provision for grant of shares	—	(28)
(Decrease) increase in provision for periodic repairs	(2,463)	170
Increase in provision for product warranties	223	230
Decrease in provision for removal cost of property, plant and equipment	(1,949)	(546)
Increase in provision for loss on litigation	2	—
Decrease in net defined benefit liability	(1,765)	(1,635)
Interest and dividend income	(3,801)	(4,872)
Interest expense	2,298	2,203
Equity in earnings of affiliates	(5,349)	(6,688)
Gain on sales of investment securities	(5,845)	(6,811)
Loss on valuation of investment securities	—	19
Gain on sale of property, plant and equipment	(416)	(259)
Loss on disposal of noncurrent assets	1,477	1,318
Increase in notes and accounts receivable–trade	(16,156)	(10,017)
Increase in inventories	(15,206)	(41,644)
Increase in notes and accounts payable–trade	12,517	9,150
Decrease in accrued expenses	(3,834)	(5,580)
Increase in advances received	9,380	15,030
Other, net	14,012	(3,277)
<b>Subtotal</b>	<b>140,183</b>	<b>110,760</b>
Interest and dividend income, received	5,229	6,463
Interest expense paid	(2,437)	(2,190)
Income taxes paid	(27,966)	(41,308)
<b>Net cash provided by operating activities</b>	<b>115,009</b>	<b>73,724</b>
<b>Cash flows from investing activities</b>		
Payments into time deposits	(1,725)	(925)
Proceeds from withdrawal of time deposits	1,232	7,441
Purchase of property, plant and equipment	(36,822)	(55,500)
Proceeds from sales of property, plant and equipment	1,010	426
Purchase of intangible assets	(4,785)	(4,330)
Purchase of investment securities	(9,166)	(1,054)
Proceeds from sales of investment securities	6,306	8,101
Purchase of shares in subsidiaries resulting in change in scope of consolidation	—	(78,454)
Payments of loans receivable	(36,663)	(5,389)
Collection of loans receivable	27,936	10,998
Other, net	(279)	(431)
<b>Net cash used in investing activities</b>	<b>(52,956)</b>	<b>(119,117)</b>



	Q1-Q2 2017	Q1-Q2 2018
Cash flows from financing activities		
Net decrease in short-term loans payable	(2,435)	48,287
Increase in commercial paper	4,000	51,000
Proceeds from long-term loans payable	5,676	2,658
Repayment of long-term loans payable	(12,064)	(12,008)
Redemption of bonds	(20,000)	—
Repayments of lease obligations	(211)	(120)
Purchase of treasury stock	(675)	(10)
Proceeds from disposal of treasury stock	1	28
Cash dividends paid	(19,553)	(27,932)
Cash dividends paid to non-controlling interests	(680)	(674)
Other, net	3	17
Net cash (used in) provided by financing activities	(45,937)	61,245
Effect of exchange rate change on cash and cash equivalents	1,121	3,503
Net increase in cash and cash equivalents	17,237	19,356
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	826
Cash and cash equivalents at end of period	161,586	168,777