

Fiscal 2017 Financial Results

– supplementary financial summary –

May 11, 2018

Asahi Kasei Corporation

Consolidated results for FY 2017

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Disclaimer

The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

Consolidated Results for Fiscal Year 2017

Summary of financial results (i)

(¥ billion, unless otherwise specified)

	FY 2016	FY 2017		FY 2017 vs. FY 2016		Actual vs. forecast	
		Actual	Forecast in Feb.	Increase (decrease)	% change	Increase (decrease)	% change
Net sales	1,883.0	2,042.2	2,050.0	159.2	+8.5%	(7.8)	-0.4%
Operating income	159.2	198.5	195.0	39.2	+24.6%	3.5	+1.8%
Ordinary income	160.6	212.5	208.0	51.9	+32.3%	4.5	+2.2%
Net income attributable to owners of the parent	115.0	170.2	169.0	55.2	+48.0%	1.2	+0.7%

Key operating factors

Naphtha price (¥/kL, domestic)	34,675	41,925	42,250
¥/US\$ exchange rate (market average)	108	111	111
¥/€ exchange rate (market average)	119	130	129

Financial position

At closing	FY 2016	FY 2017	Increase (decrease)
Total assets	2,254.5	2,316.1	61.6
Equity	1,151.3	1,287.4	136.0
Interest-bearing debt	402.8	301.7	(101.1)
Debt/equity ratio	0.35	0.23	(0.12)

Summary of financial results (ii)

	FY 2016	FY 2017
Net income per share (EPS)	¥82.34	¥121.93
Dividends per share	¥24	¥34
Payout ratio	29.1%	27.9%
Net income per total assets (ROA)	5.1%	7.4%
Net income per shareholders' equity (ROE)	10.5%	14.0%
Shareholders' equity per share (BPS)	¥824.36	¥922.11

Scope of consolidation

Number of consolidated subsidiaries	171	171
Number of affiliates for which the equity method is applied	32	54
Employees at year end	33,720	34,670

Statements of income

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(¥ billion)

	FY 2016		FY 2017		Increase (decrease)	% change
		% of sales		% of sales		
Net sales	1,883.0	100.0%	2,042.2	100.0%	159.2	+8.5%
Cost of sales	1,296.3	68.8%	1,393.1	68.2%	96.9	+7.5%
Gross profit	586.7	31.2%	649.1	31.8%	62.4	+10.6%
Selling, general and administrative expenses	427.5	22.7%	450.6	22.1%	23.1	+5.4%
Operating income	159.2	8.5%	198.5	9.7%	39.2	+24.6%
Net non-operating income (expenses)	1.4		14.1		12.7	
of which,						
net financing income (expense)	2.1		4.0		2.0	
net equity in earnings (losses) of affiliates	4.9		13.1		8.2	
foreign exchange gains (loss)	(1.2)		(3.0)		(1.7)	
Ordinary income	160.6	8.5%	212.5	10.4%	51.9	+32.3%
Net extraordinary income (loss)	(3.2)		5.8		9.0	
Income before income taxes	157.4	8.4%	218.3	10.7%	60.9	+38.7%
Income taxes	(40.7)		(46.1)		(5.4)	
Net income attributable to non-controlling interests	(1.7)		(1.9)		(0.3)	
Net income attributable to owners of the parent	115.0	6.1%	170.2	8.3%	55.2	+48.0%

Financing activity

Financing income and expenses

(¥ billion)

	FY 2016	FY 2017	Increase (decrease)
Interest expenses	(4.4)	(4.6)	(0.2)
Interest income	1.4	2.1	0.7
Dividends income	5.2	6.6	1.5
Others	(0.1)	(0.1)	0.0
Total	2.1	4.0	2.0

Interest-bearing debt

(¥ billion)

	FY 2016	FY 2017	Increase (decrease)
At closing			
Short-term loans payable	113.5	118.0	4.5
Commercial paper	56.0	20.0	(36.0)
Bonds payable within one year	20.0	–	(20.0)
Bonds payable	20.0	20.0	–
Long-term loans payable	192.6	143.2	(49.4)
Lease obligations	0.8	0.6	(0.2)
Total	402.8	301.7	(101.1)

Extraordinary income and loss

(¥ billion)

	FY 2016	FY 2017	Increase (decrease)
Gain on sales of investment securities	9.9	15.2	5.2
Gain on sales of noncurrent assets	0.2	0.5	0.4
Total extraordinary income	10.1	15.7	5.6
Loss on valuation of investment securities	0.1	0.0	(0.1)
Loss on disposal of noncurrent assets	4.9	6.3	1.4
Impairment losses	1.5	2.2	0.7
Business structure improvement expenses	6.2	1.5	(4.7)
Business integration expense	0.7	–	(0.7)
Total extraordinary loss	13.3	9.9	(3.4)
Net extraordinary income (loss)	(3.2)	5.8	9.0

Balance sheets

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(¥ billion)

	At end of Mar. 2017	At end of Mar. 2018	Increase (decrease)		At end of Mar. 2017	At end of Mar. 2018	Increase (decrease)
Current assets	894.5	959.0	64.4	Liabilities	1,086.4	1,010.9	(75.5)
Cash and deposits	145.3	156.3	11.0	Current liabilities	594.9	589.1	(5.7)
Notes and accounts receivable–trade	302.8	341.4	38.6	Noncurrent liabilities	491.5	421.8	(69.7)
Inventories	346.7	359.7	13.0	Net assets	1,168.1	1,305.2	137.1
Other current assets	99.8	101.6	1.8	Shareholders' equity	1,030.1	1,160.8	130.7
Noncurrent assets	1,360.0	1,357.2	(2.8)	Capital stock	103.4	103.4	–
Property, plant and equipment	556.9	562.0	5.2	Capital surplus	79.4	79.4	(0.0)
Intangible assets	462.8	414.6	(48.2)	Retained earnings	850.5	981.9	131.4
Investments and other assets	340.3	380.5	40.2	Treasury stock	(3.2)	(3.9)	(0.7)
				Accumulated other comprehensive income	121.2	126.6	5.3
				Non-controlling interests	16.8	17.8	1.1
Total assets	2,254.5	2,316.1	61.6	Total liabilities and net assets	2,254.5	2,316.1	61.6

Cash flows and primary investments

Cash flows

(¥ billion)

	FY 2016	FY 2017
a. Net cash provided by (used in) operating activities	169.0	249.9
b. Net cash provided by (used in) investing activities	(89.9)	(110.3)
c. Free cash flows [a+b]	79.0	139.6
d. Net cash provided by (used in) financing activities	(74.0)	(134.4)
e. Effect of exchange rate change on cash and cash equivalents	(6.8)	(0.9)
f. Net increase (decrease) in cash and cash equivalents [c+d+e]	(1.7)	4.2
g. Cash and cash equivalents at beginning of period	145.3	144.1
h. Increase in cash and cash equivalents resulting from changes in scope of consolidation	0.4	0.3
i. Cash and cash equivalents at end of period [f+g+h]	144.1	148.6

Primary investments

(¥ billion)

	FY 2016	FY 2017
Capital expenditure (tangible)	80.9	88.2
Capital expenditure (intangible)	9.7	13.2
Total capital expenditure	90.6	101.3
Depreciation and amortization excluding goodwill	91.4	95.4
Amortization of goodwill	17.8	18.0
Total depreciation and amortization	109.2	113.5
R&D expenditures	79.6	85.7

Sales and operating income by segment **AsahiKASEI**

(¥ billion)

	Sales			Operating income			FY 2017 forecast in Feb.	
	FY 2016	FY 2017	Increase (decrease)	FY 2016	FY 2017	Increase (decrease)	Sales	Operating income
Material ¹	977.9	1,087.7	109.8	88.5	121.9	33.4	1,096.0	119.5
Homes	619.0	641.0	22.0	64.1	64.4	0.3	641.0	64.5
Health Care	270.1	296.3	26.1	31.9	39.5	7.5	296.0	38.5
Others ¹	16.0	17.3	1.2	2.0	1.9	(0.1)	17.0	1.5
Corporate expenses and eliminations	–	–	–	(27.3)	(29.1)	(1.8)	–	(29.0)
Consolidated	1,883.0	2,042.2	159.2	159.2	198.5	39.2	2,050.0	195.0

¹ Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Material segment. FY 2016 figures are recalculated in accordance with the new classification.

Sales and operating income by business category¹

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(¥ billion)

	Sales			Operating income			FY 2017 forecast in Feb.	
	FY 2016	FY 2017	Increase (decrease)	FY 2016	FY 2017	Increase (decrease)	Sales	Operating income
Fibers	125.7	135.9	10.2	11.7	12.1	0.5	135.0	12.5
Chemicals ²	712.8	799.3	86.6	74.4	100.1	25.7	807.0	98.0
Electronics	139.4	152.5	13.1	2.5	9.7	7.2	154.0	9.0
Homes	570.2	588.3	18.1	59.5	60.2	0.7	588.0	60.0
Construction Materials	48.8	52.7	3.9	4.5	4.0	(0.4)	53.0	4.5
Health Care	133.9	135.7	1.8	17.1	19.7	2.5	136.0	19.0
Critical Care	136.2	160.5	24.3	14.8	19.8	5.0	160.0	19.5
Others ²	16.0	17.3	1.2	2.0	1.9	(0.1)	17.0	1.5
Corporate expenses and eliminations	–	–	–	(27.1)	(29.0)	(1.9)	–	(29.0)
Consolidated	1,883.0	2,042.2	159.2	159.2	198.5	39.2	2,050.0	195.0

¹ Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

² Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

Sales and operating income increase/decrease by business category¹ (i)

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(¥ billion)

		FY 2016	FY 2017	Net increase (decrease)	Increase (decrease) due to:				
					Sales volume	Sales prices	of which, due to foreign exchange	Others	Operating costs and others
Fibers	Sales	125.7	135.9	10.2	6.0	1.6	0.2	2.5	–
	Operating income	11.7	12.1	0.5	2.7				–
Chemicals ²	Sales	712.8	799.3	86.6	23.8	55.0	7.6	7.8	–
	Operating income	74.4	100.1	25.7	8.7				–
Electronics	Sales	139.4	152.5	13.1	13.6	(2.5)	1.5	2.0	–
	Operating income	2.5	9.7	7.2	4.9				–
Homes	Sales	570.2	588.3	18.1	10.4	2.3	–	5.4	–
	Operating income	59.5	60.2	0.7	2.6				–
Construction Materials	Sales	48.8	52.7	3.9	3.2	(0.2)	–	0.9	–
	Operating income	4.5	4.0	(0.4)	1.5				–

¹ Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

² Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

Sales and operating income increase/decrease by business category¹ (ii)

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(¥ billion)

		FY 2016	FY 2017	Net increase (decrease)	Increase (decrease) due to:				
					Sales volume	Sales prices	of which, due to foreign exchange	Others	Operating costs and others
Health Care	Sales	133.9	135.7	1.8	(1.7)	0.6	0.1	2.9	–
	Operating income	17.1	19.7	2.5	(0.5)			–	2.4
Critical Care	Sales	136.2	160.5	24.3	19.4	1.3	1.2	3.5	–
	Operating income	14.8	19.8	5.0	11.2			–	(7.5)
Others ²	Sales	16.0	17.3	1.2	1.2	–	–	–	–
	Operating income	2.0	1.9	(0.1)	(0.1)	–	–	–	(0.0)
Corporate expenses and eliminations	Operating loss	(27.1)	(29.0)	(1.9)	–	–	–	–	(1.9)
Consolidated	Sales	1,883.0	2,042.2	159.2	76.0	58.1	10.7	25.1	–
	Operating income	159.2	198.5	39.2	31.1			–	(49.9)

¹ Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

² Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

Overseas sales by business category

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(¥ billion)

	FY 2016			FY 2017			Increase (decrease)	% change
	Total sales	Overseas sales	% of total	Total sales	Overseas			
					sales	% of total		
Fibers	125.7	54.8	43.6%	135.9	62.3	45.8%	7.5	+13.7%
Chemicals ¹	712.8	328.5	46.1%	799.3	395.2	49.4%	66.6	+20.3%
Electronics	139.4	96.8	69.4%	152.5	105.5	69.2%	8.7	+9.0%
Homes	570.2	–	–	588.3	–	–	–	–
Construction Materials	48.8	0.0	0.0%	52.7	0.1	0.1%	0.1	–
Health Care	133.9	39.0	29.1%	135.7	42.8	31.5%	3.8	+9.8%
Critical Care	136.2	134.7	98.9%	160.5	158.3	98.6%	23.7	+17.6%
Others ¹	16.0	2.6	16.3%	17.3	3.5	20.3%	0.9	+34.0%
Total	1,883.0	656.4	34.9%	2,042.2	767.7	37.6%	111.3	+17.0%
Sales to East Asia ²		291.5	15.5%		342.6	16.8%	51.1	+17.5%
of which, sales to China		165.5	8.8%		183.4	9.0%	17.9	+10.8%

Sales, excluding Homes
and Construction Materials

1,264.0 656.4 51.9% 1,401.2 767.6 54.8%

¹ Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

² China, Korea, and Taiwan.

Forecast for Fiscal Year 2018

Consolidated operating performance forecast

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(¥ billion, unless otherwise specified)

	FY 2016	FY 2017			FY 2018 forecast			Increase (decrease)
		H1	H2	Total	H1	H2	Total	
Net sales	1,883.0	964.7	1,077.5	2,042.2	1,037.0	1,118.0	2,155.0	112.8
Operating income	159.2	92.7	105.8	198.5	85.5	104.5	190.0	(8.5)
Ordinary income	160.6	98.2	114.4	212.5	90.5	108.5	199.0	(13.5)
Net income attributable to owners of the parent	115.0	70.9	99.4	170.2	62.5	77.5	140.0	(30.2)

Naphtha price (¥/kL, domestic)	34,675	37,600	46,250	41,925	50,000	50,000	50,000	8,075
¥/US\$ exchange rate (market average)	108	111	111	111	105	105	105	(6)
¥/€ exchange rate (market average)	119	126	133	130	130	130	130	0

	FY 2016	FY 2017	FY 2018
Dividends per share	¥24	¥34	¥34 (planned)
Payout ratio	29.1%	27.9%	33.9%

Sales and operating income forecast by segment

Sales forecast

(¥ billion)

	FY 2017			FY 2018 forecast			Increase (decrease)
	H1	H2	Total	H1	H2	Total	
Material	518.9	568.8	1,087.7	577.0	598.0	1,175.0	87.3
Homes	295.7	345.3	641.0	303.0	354.0	657.0	16.0
Health Care	142.5	153.8	296.3	148.0	155.0	303.0	6.7
Others	7.6	9.6	17.3	9.0	11.0	20.0	2.7
Consolidated	964.7	1,077.5	2,042.2	1,037.0	1,118.0	2,155.0	112.8

Operating income forecast

(¥ billion)

	FY 2017			FY 2018 forecast			Increase (decrease)
	H1	H2	Total	H1	H2	Total	
Material	60.7	61.2	121.9	59.0	56.0	115.0	(6.9)
Homes	26.1	38.2	64.4	24.0	41.5	65.5	1.1
Health Care	18.4	21.0	39.5	17.0	20.5	37.5	(2.0)
Others	0.7	1.2	1.9	1.0	1.0	2.0	0.1
Corporate expenses and eliminations	(13.3)	(15.9)	(29.1)	(15.5)	(14.5)	(30.0)	(0.9)
Consolidated	92.7	105.8	198.5	85.5	104.5	190.0	(8.5)

Sales forecast by business category

(¥ billion)

	FY 2017			FY 2018 forecast			Increase (decrease)
	H1	H2	Total	H1	H2	Total	
Fibers	66.1	69.8	135.9	73.0	76.0	149.0	13.1
Chemicals	375.2	424.2	799.3	425.0	440.0	865.0	65.7
Electronics	77.7	74.8	152.5	79.0	82.0	161.0	8.5
Homes	269.6	318.7	588.3	275.0	325.0	600.0	11.7
Construction Materials	26.1	26.6	52.7	28.0	29.0	57.0	4.3
Health Care	66.3	69.4	135.7	69.0	69.0	138.0	2.3
Critical Care	76.2	84.4	160.5	79.0	86.0	165.0	4.5
Others	7.6	9.6	17.3	9.0	11.0	20.0	2.7
Consolidated	964.7	1,077.5	2,042.2	1,037.0	1,118.0	2,155.0	112.8

Operating income forecast by business category¹

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(¥ billion)

	FY 2017			FY 2018 forecast			Increase (decrease)
	H1	H2	Total	H1	H2	Total	
Fibers	6.6	5.6	12.1	6.5	7.5	14.0	1.9
Chemicals	48.6	51.5	100.1	49.0	44.5	93.5	(6.6)
Electronics	5.6	4.1	9.7	3.5	4.0	7.5	(2.2)
Homes	24.3	35.9	60.2	22.0	39.0	61.0	0.8
Construction Materials	1.8	2.2	4.0	2.0	2.5	4.5	0.5
Health Care	9.9	9.8	19.7	8.5	9.0	17.5	(2.2)
Critical Care	8.5	11.3	19.8	8.5	11.5	20.0	0.2
Others	0.7	1.2	1.9	1.0	1.0	2.0	0.1
Corporate expenses and eliminations	(13.3)	(15.7)	(29.0)	(15.5)	(14.5)	(30.0)	(1.0)
Consolidated	92.7	105.8	198.5	85.5	104.5	190.0	(8.5)

¹ Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

Forecast by business category¹

	(¥billion)	FY 17	FY 18 Forecast	Outlook
Fibers	Sales	135.9	149.0	Increased feedstock cost. Impact of stronger yen. Increased shipments of Bemliese continuous-filament cellulose nonwoven with recently increased production capacity, as well as of Lamous microfiber suede and Bemberg cupro fiber. Sales and operating income increase.
	Operating income	12.1	14.0	
Chemicals	Sales	799.3	865.0	Absence of impact of maintenance turnaround at naphtha cracker of Asahi Kasei Mitsubishi Chemical Ethylene Corp. Increased shipments of synthetic rubber for fuel-efficient tires and of engineering plastics. Deteriorated terms of trade for acrylonitrile and synthetic rubber. Impact of stronger yen. Sales increase, but operating income decrease.
	Operating income	100.1	93.5	
Electronics	Sales	152.5	161.0	Separators: Increased shipments of each battery separator product. Impact of stronger yen. Higher expenses for business expansion. Electronic devices: Impact of stronger yen. Slowdown of smartphone market in China. Sales increase, but operating income decrease in Electronics overall.
	Operating income	9.7	7.5	
Homes	Sales	588.3	600.0	In order-built homes, decreased number of buildings delivered. Firm performance of rental management and condominium construction in real estate. Firm performance in remodeling. Sales and operating income increase.
	Operating income	60.2	61.0	
Construction Materials	Sales	52.7	57.0	Increased shipments of Neoma Foam phenolic foam insulation panels. Sales and operating income increase.
	Operating income	4.0	4.5	
Health Care	Sales	135.7	138.0	Pharmaceuticals: Impact of reduced reimbursement prices and competition with generics. Increased shipments centered on Teribone osteoporosis drug. Devices: Solid sales centered on Planova virus removal filters. Reduced reimbursement prices for blood-purification products. Sales increase, but operating income decrease in Health Care overall.
	Operating income	19.7	17.5	
Critical Care	Sales	160.5	165.0	Continued expansion of operations centered on LifeVest wearable defibrillators and defibrillators for professional use. Increased SG&A with reinforced sales activity. Impact of stronger yen. Sales increase, but operating income flat.
	Operating income	19.8	20.0	

¹ Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

Appendix

Quarterly sales by business category

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(¥ billion)

	FY 2016				FY 2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fibers	30.9	31.4	31.4	32.0	32.0	34.1	34.7	35.1
Chemicals ¹	167.0	167.9	185.2	192.8	178.3	196.8	214.1	210.1
Electronics	32.2	34.7	36.4	36.1	36.5	41.2	39.8	35.0
Homes	115.7	149.1	125.4	179.9	115.6	154.0	134.7	183.9
Construction Materials	10.3	12.3	14.1	12.1	12.6	13.5	14.5	12.1
Health Care	34.5	33.3	34.3	31.8	32.7	33.6	36.7	32.7
Critical Care	32.2	32.3	34.8	37.0	37.3	38.8	40.8	43.5
Others ¹	2.9	4.1	4.5	4.5	3.6	4.0	4.4	5.2
Total	425.8	464.9	466.1	526.1	448.7	516.0	519.8	557.7

¹ Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

Quarterly operating income by business category¹

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(¥ billion)

	FY 2016				FY 2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Fibers	3.3	2.7	3.4	2.3	3.5	3.1	3.0	2.6
Chemicals ²	14.7	18.6	22.4	18.8	22.5	26.0	30.1	21.4
Electronics	(0.1)	(0.2)	1.7	1.0	2.0	3.6	3.7	0.4
Homes	7.8	16.8	10.8	24.1	6.9	17.3	11.9	24.0
Construction Materials	0.9	1.0	1.9	0.8	0.7	1.1	1.7	0.5
Health Care	6.8	4.0	5.4	1.0	5.3	4.6	8.2	1.6
Critical Care	2.8	4.0	4.0	4.0	3.7	4.8	5.4	5.9
Others ²	0.2	0.7	0.4	0.7	0.0	0.6	0.4	0.8
Corporate expenses and eliminations	(6.4)	(6.6)	(6.5)	(7.6)	(6.9)	(6.4)	(7.9)	(7.9)
Total	29.9	40.9	43.4	45.1	37.9	54.8	56.5	49.3

¹ Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

² Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

Primary investments by business category

(¥ billion)

	Capital expenditures			Depreciation and amortization ¹			R&D expenditures		
	FY 2016	FY 2017	FY 2018 forecast	FY 2016	FY 2017	FY 2018 forecast	FY 2016	FY 2017	FY 2018 forecast
Fibers	9.4	9.4	14.0	7.5	8.2		2.9	2.9	
Chemicals ²	31.9	32.4	49.0	31.9	32.2		17.0	17.9	
Electronics	11.6	18.0	48.0	14.8	15.6		11.6	11.4	
Homes	9.1	15.9	13.0	6.9	6.9		2.6	2.7	
Constustion Materials	3.0	2.5	4.0	2.5	2.6		0.8	1.0	
Health Care	11.1	6.9	7.0	6.6	7.1		19.7	21.4	
Critical Care	4.5	5.3	7.0	11.6	12.3		11.4	12.9	
Others ²	1.1	1.2	1.0	1.3	1.7		0.1	0.2	
Corporate expenses, assets, and eliminations	8.8	9.7	7.0	8.3	8.9		13.5	15.3	
Total	90.6	101.3	150.0	91.4	95.4	88.0	79.6	85.7	91.0

Amortization of goodwill

17.8 18.0

¹ Amortization of goodwill is excluded and shown separately below the table.

² Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

Completed in FY 2017

N/A

Under construction at FY 2017 year-end

- Hipore Li-ion battery separator*
60 million m²/y capacity increase in Moriyama-shi, Shiga, Japan, H1 2018.
- Hipore Li-ion battery separator*
200 million m²/y capacity increase in Moriyama-shi, Shiga, Japan, H1 2019.
- Solution-polymerized styrene-butadiene rubber (S-SBR)*
30,000 t/y capacity increase in Singapore, Jan 2019.
- Lamous microfiber suede*
3 million m²/y capacity increase in Nobeoka-shi, Miyazaki, Japan, H1 2019.
- Li-ion battery separator*
Celgard – 150 million m²/y capacity increase in North Carolina, the US, H2 2018; Hipore – 90 million m²/y capacity increase in Moriyama-shi, Shiga, Japan, H1 2020.
- Leona nylon 66 filament
5,000 t/y capacity expansion in Nobeoka-shi, Miyazaki, Japan, H1 2019.

* Investment of ¥3 billion or more.

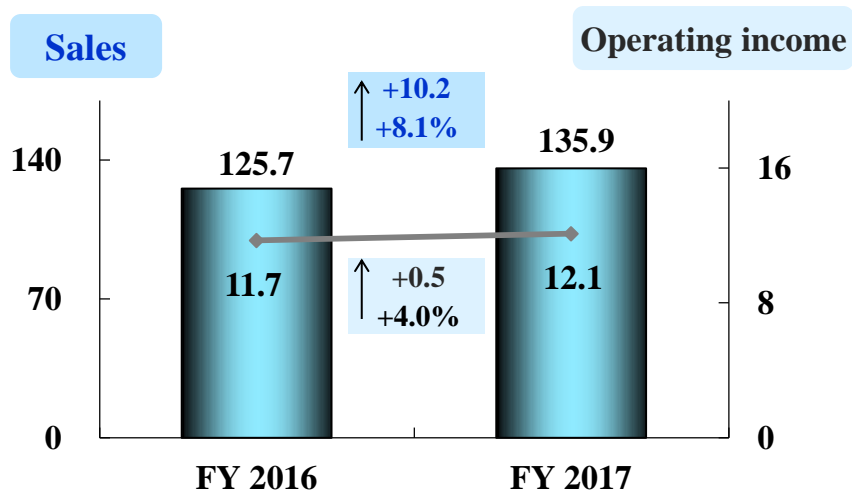
Statements of comprehensive income

(¥ billion)

	FY 2016	FY 2017	increase (decrease)
a: Net income	116.7	172.2	55.5
Net increase or decrease in unrealized gain on other securities	21.2	7.7	(13.5)
Deferred gains or losses on hedges	0.2	0.0	(0.2)
Foreign currency translation adjustment	(8.0)	(12.3)	(4.2)
Remeasurements of defined benefit plans	8.1	9.7	1.6
Share of other comprehensive income of affiliates accounted for using equity method	0.8	0.4	(0.5)
b: Other comprehensive income	22.3	5.5	(16.8)
Comprehensive income [a+b]	139.0	177.7	38.7

Comprehensive income attributable to owners of the parent	137.0	175.6	38.5
Comprehensive income attributable to non-controlling interests	1.9	2.2	0.2

(¥ billion)



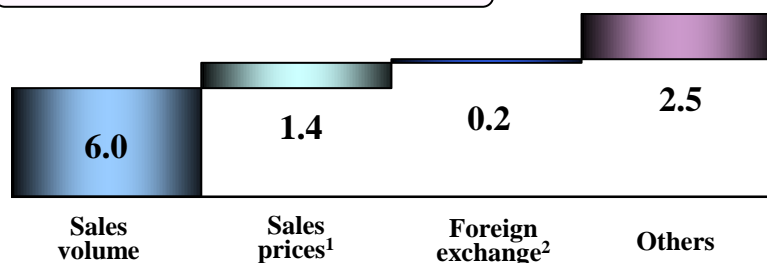
Review of operations

Impact of higher feedstock costs. Firm performance centered on Lamous microfiber suede. Sales increase and slight operating income increase.

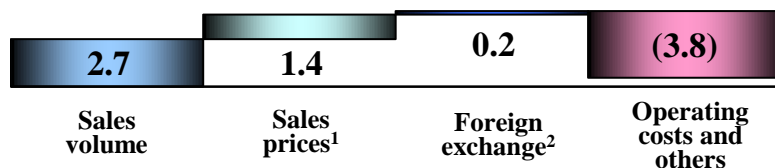
Highlights

- September, decision to increase production capacity for Lamous microfiber suede in Nobeoka-shi, Miyazaki, Japan.
- January, decision to increase production capacity for Leona nylon 66 filament in Nobeoka-shi, Miyazaki, Japan.

Sales increase/decrease due to:

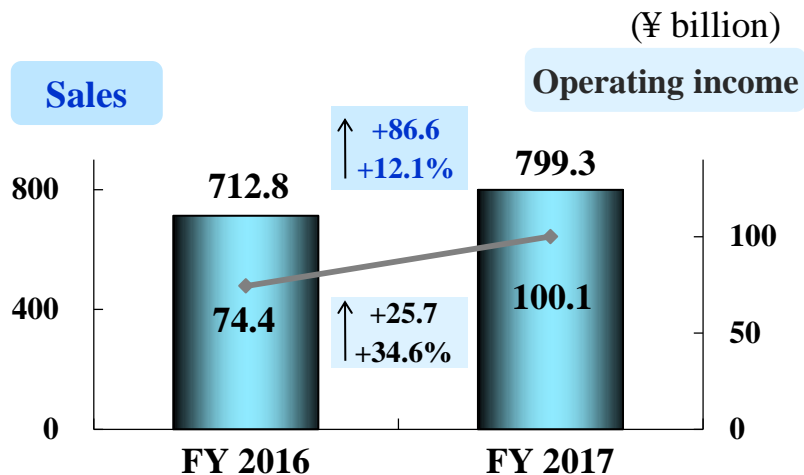


Operating income increase/decrease due to:

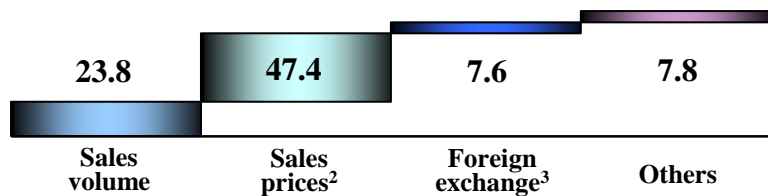


¹ Increase (decrease) in sales prices excluding impact of foreign exchange

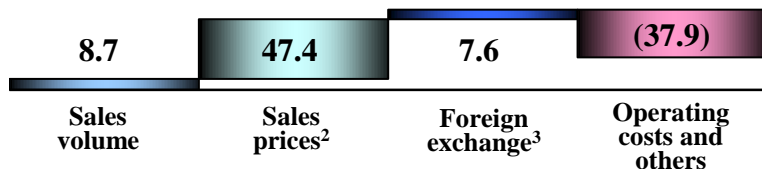
² Impact of foreign exchange on sales prices



Sales increase/decrease due to:



Operating income increase/decrease due to:



Review of operations

Petrochemicals:

Improved market prices for acrylonitrile. Sales and operating income increase.

Performance polymers:

Improved terms of trade for synthetic rubber. Firm sales of engineering plastics. Sales and operating income increase.

Performance materials & consumables:

Increased shipments of ion-exchange membranes and electronic materials. Firm sales of Saran Wrap cling film. Sales and operating income increase.

Highlights

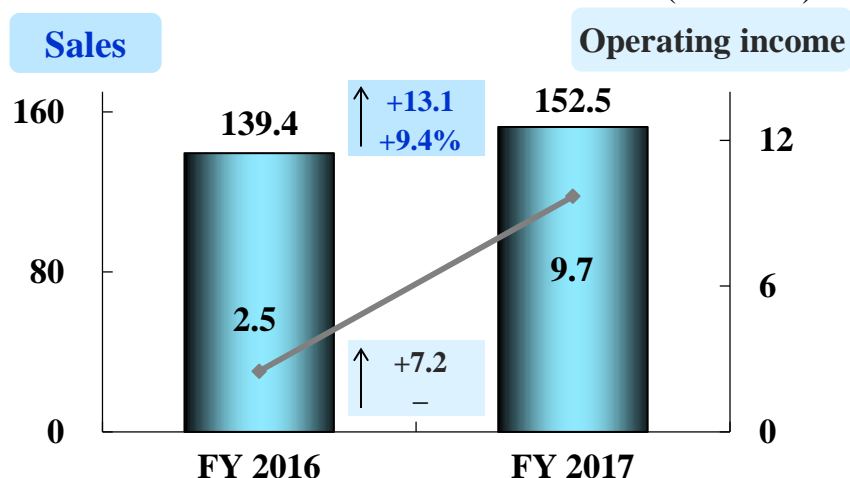
- July, decision to increase production capacity for S-SBR for fuel-efficient tires in Singapore.
- August, decision to construct a new plant for plastic compounds in Changshu, Jiangsu, China, with start-up scheduled in early 2020.
- September, establishment of joint ventures with China National Bluestar (Group) Co., Ltd., for the integrated production and sale of Xyron modified polyphenylene ether, including its intermediate materials 2,6-xyleneol and polyphenylene ether, in Nantong, Jiangsu, China.
- October, selection of Microza hollow-fiber membrane for a seawater desalination plant in Doha, Kuwait City, Kuwait, representing the company's largest-scale hollow-fiber filtration membrane order ever received.

¹ Beginning with FY 2017, the Energy Division, which was formerly included in Others, is reclassified into the Chemicals business category. FY 2016 figures are recalculated in accordance with the new classification.

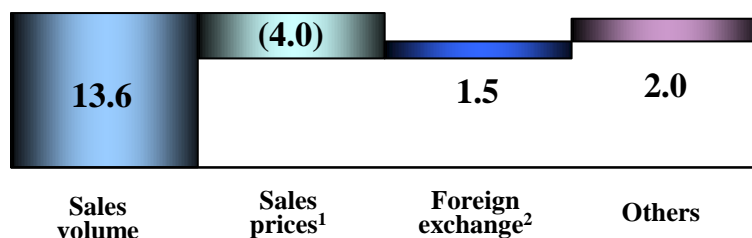
² Increase (decrease) in sales prices excluding impact of foreign exchange

³ Impact of foreign exchange on sales prices

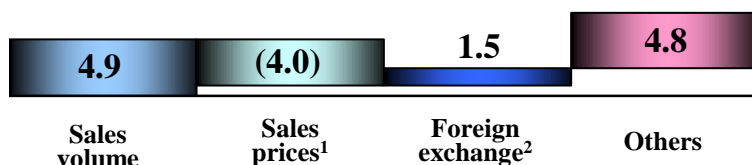
(¥ billion)



Sales increase/decrease due to:



Operating income increase/decrease due to:



Review of operations

Separators:

Considerably increased shipments of each battery separator product, centered on Li-ion battery separator. Sales and operating income increase.

Electronic devices:

Solid sales of camera module devices for smartphones and magnetic sensors for household appliances. Sales and operating income increase.

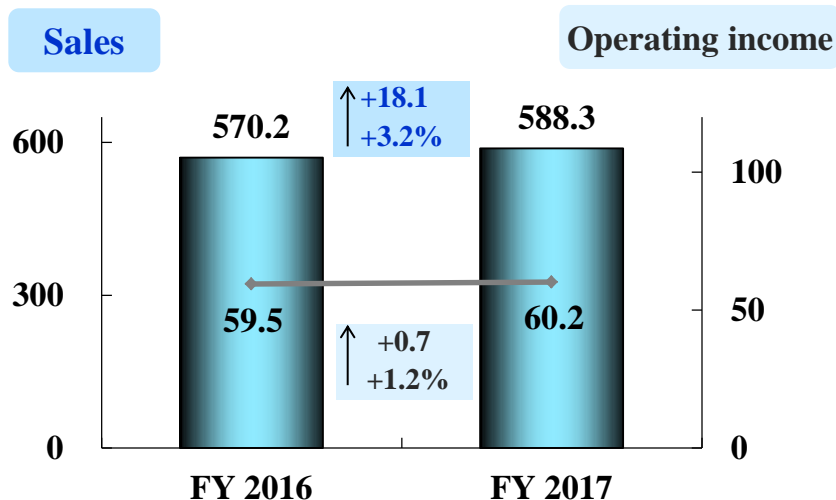
Highlights

- January, decision to increase production capacity for Li-ion battery separator: Celgard in North Carolina, the US, by 150 million m²/year with start-up scheduled in H2 2018, and Hipore in Moriyama, Shiga, Japan, by 90 million m²/year with start-up scheduled in H1 2020.
- January, agreement to acquire shares of Senseair AB, a Swedish manufacturer of gas sensor modules; consolidated in April 2018.

¹ Increase (decrease) in sales prices excluding impact of foreign exchange

² Impact of foreign exchange on sales prices

(¥ billion)



Review of operations

Order-built homes:

- Increased unit prices centered on Hebel Maison apartment buildings. Increased SG&A expenses such as labor costs and advertising expenses. Sales increase, but operating income flat.
- Year-on-year 1.2% increase in value of new orders. Decreased value of new orders for unit homes, but increased value for multi-dwelling homes.

Real estate, remodeling and others:

Firm performance of rental management in real estate. Flat performance of remodeling. Sales and operating income increase.

Highlights

- May, new high-durability double-layer insulation system adopted in all products.
- June, start of sales of Hebel Haus Cubic Roomy, a new model of the main product series of Hebel Haus Cubic two-story unit homes.
- August, formation of capital alliance with McDonald Jones Homes Pty Ltd, an Australian company which constructs and sells unit homes.
- November, launch of promotion to commemorate 50th anniversary of production of Hebel autoclaved aerated concrete in Japan.
- May 2018, launch of Hebel Haus product featuring semi-outdoor space connecting the living room and entrance approach.

Results by product category

(¥ billion)

	FY 2016		FY 2017		Increase (decrease)	
	Sales	Operating income	Sales	Operating income	Sales	Operating income
Order-built homes, etc. (Asahi Kasei Homes)	404.3	41.6	406.8	41.1	2.5	(0.5)
Real estate (Asahi Kasei Realty & Residence)	109.4	10.0	124.1	11.1	14.7	1.1
Remodeling (Asahi Kasei Reform)	56.1	5.7	55.2	5.8	(0.9)	0.1
Other housing-related, etc.	0.4	2.2	2.2	2.3	1.8	0.1
Total	570.2	59.5	588.3	60.2	18.1	0.7

Homes (ii)

Sales and order trends

(¥ billion, % indicates year-on-year comparison)

		Value of new orders during the term		Sales of order-built homes, etc. ¹	Sales of real estate ¹				Sales of remodeling	Other sales	Consolidated	Order backlog		
					Pre-built homes	Rental housing	Other	Total						
FY14	H1	217.6	(-13.6%)	187.9	(+3.9%)	9.8	29.3	1.4	40.6	26.3	1.1	256.0	(+7.4%)	516.3
	H2	208.0	(+22.8%)	216.2	(+1.5%)	18.0	31.8	1.6	51.4	27.3	0.9	295.8	(-0.1%)	514.5
	annual	425.7	(+1.0%)	404.2	(+2.6%)	27.8	61.1	3.1	92.0	53.6	2.0	551.8	(+3.3%)	
FY15	H1	217.3	(-0.2%)	183.8	(-2.2%)	10.4	33.5	1.7	45.6	27.8	0.9	258.0	(+0.8%)	554.6
	H2	183.1	(-12.0%)	227.7	(+5.3%)	27.7	39.0	1.8	68.4	28.1	0.7	325.0	(+9.9%)	513.1
	annual	400.4	(-5.9%)	411.5	(+1.8%)	38.1	72.5	3.5	114.1	55.9	1.6	583.0	(+5.7%)	
FY16	H1	206.6	(-4.9%)	183.5	(-0.1%)	11.8	41.2	1.8	54.8	27.0	(0.5)	264.8	(+2.6%)	538.8
	H2	194.3	(+6.1%)	220.8	(-3.1%)	9.5	43.5	1.6	54.6	29.1	0.8	305.3	(-6.1%)	515.8
	annual	400.9	(+0.1%)	404.3	(-1.8%)	21.3	84.7	3.4	109.4	56.1	0.4	570.2	(-2.2%)	
FY17	H1	193.1	(-6.5%)	182.7	(-0.4%)	12.0	45.3	1.6	59.0	26.8	1.1	269.6	(+1.8%)	528.9
	H2	212.5	(+9.4%)	224.1	(+1.5%)	14.7	47.8	2.5	65.1	28.4	1.1	318.7	(+4.4%)	520.9
	annual	405.6	(+1.2%)	406.8	(+0.6%)	26.8	93.2	4.2	124.1	55.2	2.2	588.3	(+3.2%)	
FY18 forecast		438.0	(+8.0%)	403.0	(-0.9%)	29.0	102.0	4.5	135.5	59.0	2.5	600.0	(+2.0%)	561.4

¹ As the rental management operation of Asahi Kasei Homes was transferred to Asahi Kasei Reality & Residence, the corresponding sales previously included in order-built homes, etc., are combined with rental housing under real estate beginning with H2 2015.

Homes (iii)

FY 2017 sales and orders of Asahi Kasei Homes

(% change from previous year)

		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	221.7	+0.9%	6,945	-0.6%	211.1	-3.2%	6,581	-4.4%
	3+ story	83.2	+2.0%	3,131	+0.7%	86.7	+0.8%	3,211	-1.9%
	Total	304.9	+1.2%	10,076	-0.2%	297.8	-2.1%	9,792	-3.6%
Multi-dwelling homes	1-2 story	30.6	-7.2%	2,136	-10.1%	33.6	+10.4%	2,348	+8.3%
	3+ story	65.0	+1.5%	4,445	-7.9%	74.1	+11.8%	4,927	+8.3%
	Total	95.6	-1.4%	6,581	-8.6%	107.7	+11.4%	7,275	+8.3%
Order-built homes total		400.5	+0.6%	16,657	-3.7%	405.6	+1.2%	17,067	+1.1%
Other ¹		6.3	+4.6%	15	-44.4%	-	-	-	-
Asahi Kasei Homes total		406.8	+0.6%	16,672	-3.8%	405.6	+1.2%	17,067	+1.1%

¹ Includes certain parcel sales and insurance commissions, etc.

Homes (iv)

FY 2018 sales and order forecast of Asahi Kasei Homes

(% change from previous year)

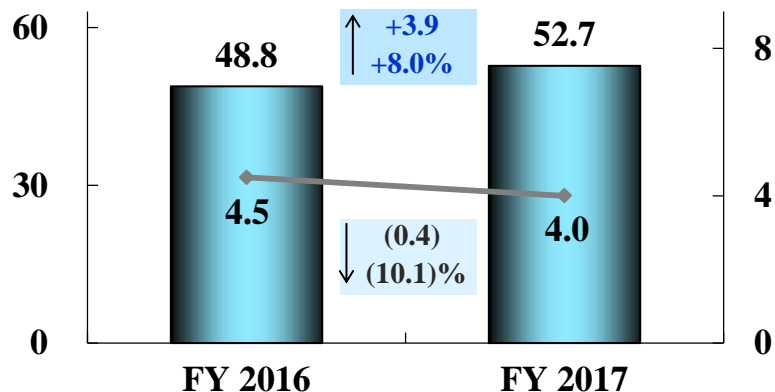
		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	208.1	-6.2%	6,360	-8.4%	218.6	+3.6%	6,890	+4.7%
	3+ story	90.5	+8.8%	3,400	+8.6%	95.1	+9.6%	3,670	+14.3%
	Total	298.6	-2.1%	9,760	-3.1%	313.7	+5.3%	10,560	+7.8%
Multi-dwelling homes	1-2 story	33.1	+8.1%	2,320	+8.6%	38.0	+13.1%	2,780	+18.4%
	3+ story	65.9	+1.4%	4,500	+1.2%	86.3	+16.4%	5,620	+14.1%
	Total	98.9	+3.5%	6,820	+3.6%	124.3	+15.4%	8,400	+15.5%
Order-built homes total		397.5	-0.7%	16,580	-0.5%	438.0	+8.0%	18,960	+11.1%
Other ¹		5.5	-12.7%	10	-33.3%	–	–	–	–
Asahi Kasei Homes total		403.0	-0.9%	16,590	-0.5%	438.0	+8.0%	18,960	+11.1%

¹ Includes certain parcel sales and insurance commissions, etc.

(¥ billion)

Sales

Operating income



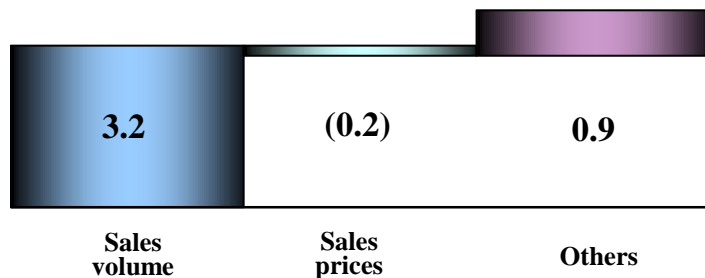
Review of operations

Firm shipments of Neoma Foam phenolic foam insulation panels. Impact of higher feedstock costs. Sales increase, but operating income decrease.

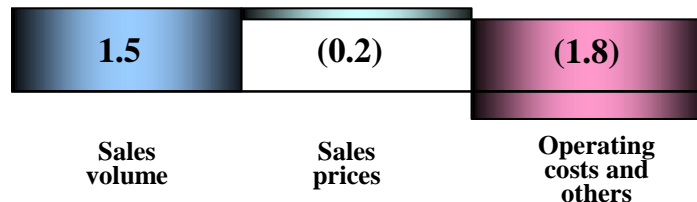
Highlights

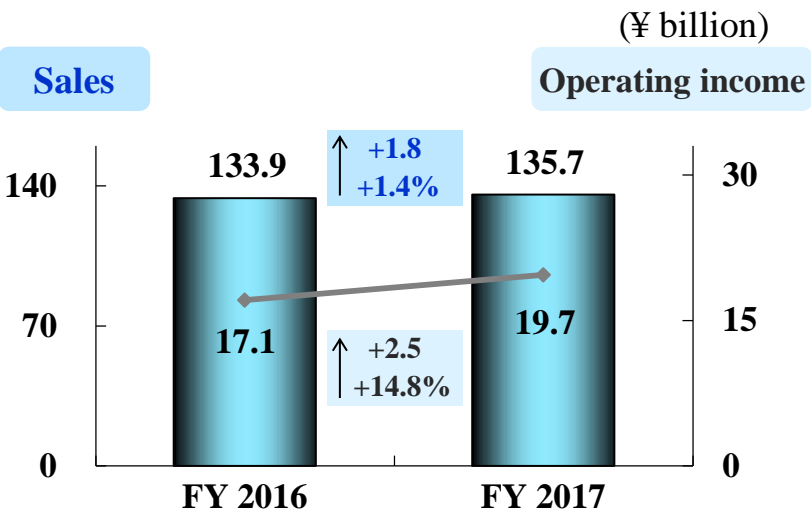
- January, announcement to launch sales of Neoma Zeus, a new phenolic foam insulation panel with higher insulation performance than previous products.

Sales increase/decrease due to:

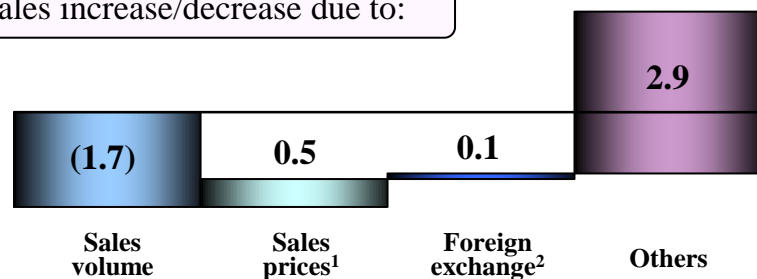


Operating income increase/decrease due to:

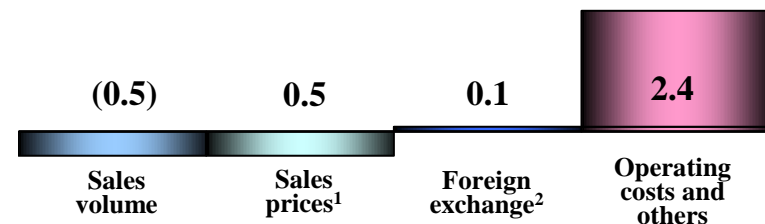




Sales increase/decrease due to:



Operating income increase/decrease due to:



¹ Increase (decrease) in sales prices excluding impact of foreign exchange

² Impact of foreign exchange on sales prices

Review of operations

Pharmaceuticals:

Increased shipments of Teribone osteoporosis drug. Decreased shipments centered on Flivas agent for treatment of benign prostatic hyperplasia due to competition from generics. Sales and operating income decrease.

Devices:

Benefit from weaker yen. Firm performance of each business. Sales and operating income increase.

Highlights

- May, approval for an extension of the maximum duration of treatment for the osteoporosis drug Teribone 56.5 µg subcutaneous injection.
- June, application for import drug registration for Flivas (naftopidil) in China.
- October, announcement of an open competition for new-drug development proposals from researchers at domestic and overseas universities, research institutions, and corporations.
- October, receipt of 510(k) clearance from the US Food and Drug Administration for Lucica Glycated Albumin-L, an in vitro diagnostic assay kit for glycated albumin formulated for the US market.
- November, announcement of Phase III clinical study results of famciclovir for the treatment of recurrent herpes simplex.
- December, agreement with Sanofi for marketing of Kevzara Subcutaneous Injection, a treatment for rheumatoid arthritis in Japan; launch in February.
- December, decision to construct a new spinning plant in Nobeoka-shi, Miyazaki, Japan, for expanded production capacity of cellulose hollow-fiber for Planova virus removal filters.
- March, agreement with RaQualia Pharma Inc. for exclusive rights for worldwide development, manufacture, and sale of novel P2X7 receptor antagonist.

Sales of Health Care business category

(¥ billion)

		FY 2016			FY 2017		
		H1	H2	Total	H1	H2	Total
	Domestic pharmaceuticals	31.2	30.2	61.5	30.5	29.6	60.1
	Others	3.4	2.9	6.4	2.8	2.9	5.7
Asahi Kasei Pharma consolidated		34.7	33.1	67.8	33.3	32.5	65.8
Devices ¹		33.1	33.0	66.1	33.0	36.9	70.0
Total		67.8	66.1	133.9	66.3	69.4	135.7

¹Asahi Kasei Medical and its affiliate companies.

Main pharmaceuticals domestic sales

(¥ billion)

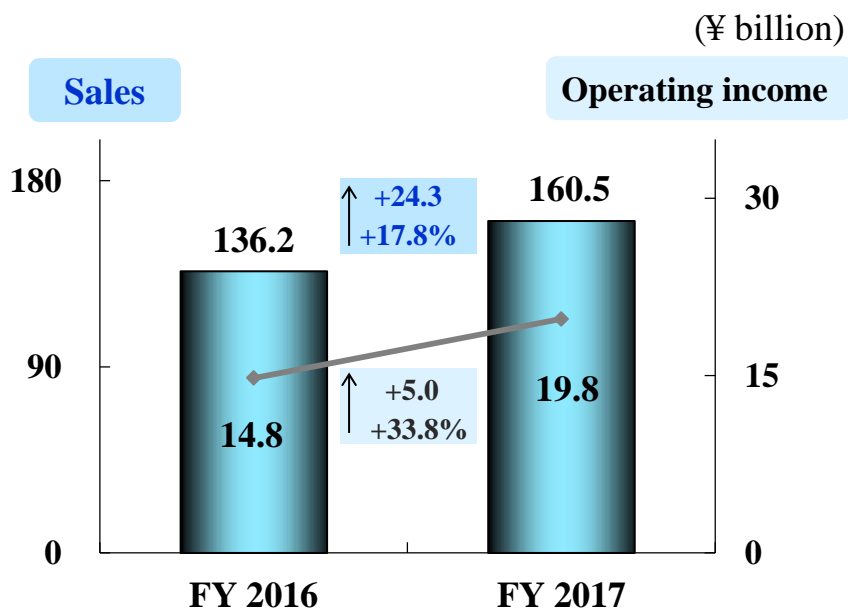
	FY 2016			FY 2017		
	H1	H2	Total	H1	H2	Total
Teribone	12.0	11.9	23.9	13.3	13.5	26.8
Recomodulin	6.3	6.3	12.6	5.8	6.1	11.8
Flivas	3.1	2.8	5.9	2.5	2.1	4.6
Bredinin	2.2	2.0	4.2	1.9	1.7	3.6
Elcitonin	2.3	2.0	4.4	1.9	1.5	3.4
Reclast	–	0.4	0.4	0.5	0.6	1.1

Main pharmaceutical products

	Generic name	Classifications	Indication	Formulation
Teribone	Teriparatide acetate	Synthetic human parathyroid hormone (PTH)	Osteoporosis with high risk of fracture	Injection
Reclast	Zoledronic acid	Osteoporosis drug	Osteoporosis	Injection
Recomodulin	Recombinant thrombomodulin alpha	Anticoagulant	Disseminated intravascular coagulation	Injection
Kevzara	Sarilumab (rDNA origin)	Interleukin-6 inhibitor	Rheumatoid arthritis not responding well to conventional treatments	Injection
Flivas	Naftopidil	Dysuria treatment	Benign prostatic hyperplasia	Tablet
Elcitonin	Elcatonin	Eel calcitonin derivative	Osteoporosis pain	Injection
Bredinin	Mizoribine	Immunosuppressant	Rheumatoid arthritis, kidney transplantation, nephrotic syndrome, lupus nephritis	Tablet

Pharmaceutical pipeline

Development stage	Code name, form, generic name	Classifications	Indication	Region	Origin	Remarks
Phase III	ART-123, injection, recombinant thrombomodulin alfa	Anticoagulant	Acute exacerbation of idiopathic pulmonary fibrosis (AE-IPF)	Japan	In-house	Additional indication
	MN-10-T, autoinjection, teriparatide acetate	Osteoporosis drug	Osteoporosis with high risk of fracture	Japan	In-house	New formulation; new dose
	AK1820, injection/capsule, isavuconazole	Antifungal agent	Invasive fungal infections	Japan	Licensed	
Phase II	ART-123, injection, recombinant thrombomodulin alfa	Anticoagulant	Chemotherapy-induced peripheral neuropathy (CIPN)	Japan	In-house	Additional indication
Pending approval (overseas)	Flivas, tablet, naftopidil	Dysuria treatment	Benign prostatic hyperplasia	China	In-house	
Phase III (overseas)	ART-123, injection, recombinant thrombomodulin alfa	Anticoagulant	Severe sepsis with coagulopathy	United States, Europe, etc	In-house	
	HE-69, tablet, mizoribine	Immunosuppressant	Lupus nephritis, nephrotic syndrome	China	In-house	Additional indication



Review of operations

Considerably increased shipments of defibrillators for professional use. Firm performance of LifeVest wearable defibrillator business. Sales and operating income increase.

Financial performance of Critical Care business category

(\$ million)

	FY 2016		FY 2016	FY 2017		FY 2017
	H1	H2		H1	H2	
Net sales	612	644	1,256	686	762	1,448
Gross operating income before PPA ¹ impact	126	133	259	138	162	300
Amortization/depreciation from PPA ¹ revaluation	(61)	(61)	(122)	(61)	(61)	(122)
Goodwill	(37)	(38)	(75)	(38)	(38)	(75)
Other intangible assets, etc.	(24)	(24)	(47)	(23)	(23)	(47)
Consolidated operating income	65	72	136	77	102	179

¹ Purchase price allocation.