

Asahi Kasei Corporation

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Consolidated Results for 1st to 3rd Quarter Fiscal 2014: April 1, 2014 – December 31, 2014

(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 2014	Q1–Q3 2013
Net sales	1,470,070 [+5.8%]	1,389,648 [+15.6%]
Operating income	118,719 [+8.1%]	109,807 [+75.6%]
Ordinary income	127,250 [+16.2%]	109,530 [+74.6%]
Net income	88,372 [+33.7%]	66,078 [+85.6%]
Net income per share*	63.25	47.28
Diluted net income per share*	—	—

* Yen

Note: Comprehensive income was ¥173,385 million during Q1–Q3 2014, and ¥130,338 million during Q1–Q3 2013.

2. Financial position

At end of	December 2014	March 2014
Total assets	2,077,234	1,915,089
Net assets	1,056,817	925,766
Net worth/total assets	50.2%	47.7%
Net worth per share*	746.05	653.15

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of December 31, 2014, was ¥1,042,185 million; as of March 31, 2014, ¥912,699 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2013	—	7.00	—	10.00	17.00
2014	—	9.00	—		
2014 (forecast)				9.00	18.00

* Yen

III. Forecasts for Fiscal 2014 (April 1, 2014 – March 31, 2015)

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

Net sales	1,991,000 [+4.9%]
Operating income	158,000 [+10.2%]
Ordinary income	164,000 [+14.8%]
Net income	103,000 [+1.7%]
Net income per share*	73.73

* Yen

2. Comparison of previous and revised fiscal 2014 forecasts

	Previous forecast	Revised forecast	Increase (decrease)	(billions of yen) <i>cf.</i> fiscal 2013 results
Net sales	2,006.0	1,991.0	(15.0)	1,897.8
Operating income	154.0	158.0	4.0	143.3
Ordinary income	157.0	164.0	7.0	142.9
Net income	100.0	103.0	3.0	101.3

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 2014 announced on November 5, 2014, has been revised.

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 and minority interests is multiplied by the corresponding effective tax rate.

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

Changes in accounting policy

The provisions of Article 35 of the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26) and the provisions of Article 67 of the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25) are applied from the first quarter of the fiscal year ending March 31, 2015. The calculation method for present value of retirement benefit obligations and current service costs has been revised. The method of attributing retirement benefit obligations to each period has been changed from the straight-line method to a method of calculating present value of retirement benefit obligations for each period. The method of determining the discount rate used in calculation has been changed from one where the number of years approximately equal to the average remaining service period of employees is used as the basis for determining the discount rate to one using a single weighted average discount rate which reflects each forecasted period of payment of retirement benefit obligations and the amount of payment forecasted for each period.

In accordance with the interim measures stipulated in Article 37 of the Accounting Standard for Retirement Benefits, the effect of the change in the calculation method for present value of retirement benefit obligations and current service costs is reflected in retained earnings as of the beginning of the fiscal year ending March 31, 2015.

As a result, net defined benefit liability increased by ¥23,336 million, investment securities decreased by ¥127 million, and retained earnings decreased by ¥15,741 million as of the beginning of the fiscal year ending March 31, 2015. The effect on operating income, ordinary income, and income before income taxes and minority interests in the April–December period of 2014 is immaterial.

4. Number of shares outstanding

	Q1–Q3 2014	FY 2013
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	5,678,080	5,230,736
Average number of shares outstanding during period	1,397,156,506	1,397,533,757*

* Q1–Q3 2013

V. Overview of Consolidated Results

1. Consolidated group results

Although the US economy continued to recover during the April–December period of fiscal 2014, the outlook for the global economy became obscure due to heightened geopolitical risks as well as growing concern of financial crisis rekindling in Europe, while slower growth was seen in China and other emerging economies. The Japanese economy continued on a path of gradual recovery with the weaker yen and lower oil prices leading to improved corporate performance, while the slump in consumer spending after the consumption tax increase showed signs of bottoming out.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥80.4 billion (5.8%) from a year ago to ¥1,470.1 billion with lower volumes in pharmaceuticals operations and constructions materials operations but strong performance in chemicals operations and critical care operations. Operating income increased by ¥8.9 billion (8.1%) to ¥118.7 billion. Ordinary income increased by ¥17.7 billion (16.2%) to ¥127.3 billion. Net income increased by ¥22.3 billion (33.7%) to ¥88.4 billion.

2. Results by operating segment

Beginning with the first quarter of fiscal 2014, the Asahi Kasei Group's previous seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Electronics, Health Care, and Critical Care, together with an "Others" category, have been changed to the four reportable segments of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, together with an "Others" category, in accordance with a change in the governance configuration. The figures for the year-ago period have been recalculated in accordance with the new segment configuration for comparison purposes.

CHEMICALS & FIBERS

Sales increased by ¥40.0 billion (5.8%) from a year ago to ¥728.3 billion, and operating income increased by ¥7.3 billion (18.4%) to ¥47.2 billion.

Among chemicals operations, in petrochemicals, market prices declined for styrene monomer while market prices improved for acrylonitrile, and the positive effects of strengthening of petrochemical operations in Japan contributed to performance. Performance polymers benefitted from the weaker yen and sales of engineering plastics were firm, but synthetic rubber was impacted by low market prices for general-purpose products. In specialty products, sales of ion-exchange membranes were firm, but Saran Wrap™ cling film and other consumables were impacted by the consumption tax increase.

In fibers operations, spunbond and Leona™ nylon 66 filament were impacted by high costs for feedstocks, and Bemberg™ cupro fiber was impacted by increased depreciation expenses for a new production facility. Sales of Bemliese™ continuous-filament cellulosic nonwoven for facial masks etc. and of Roica™ elastic polyurethane filament were firm.

HOMES & CONSTRUCTION MATERIALS

Sales increased by ¥17.8 billion (4.4%) from a year ago to ¥420.8 billion, and operating income decreased by ¥1.8 billion (4.2%) to ¥41.9 billion.

Among homes operations, in order-built homes, deliveries increased mainly for Hebel Maison™ apartment buildings based on strong orders in the previous fiscal year, but advertising expenses increased. In remodeling, orders decreased in reaction to the surge in demand prior to the consumption tax increase. In real estate, management of rental units was firm.

In construction materials operations, shipments of Hebel™ autoclaved aerated concrete (AAC) panels increased, but shipments of Neoma™ high-performance phenolic foam panels decreased as an effect of the consumption tax increase and the business was impacted by increased depreciation expenses for a new production line.

ELECTRONICS

Sales increased by ¥2.5 billion (2.3%) from a year ago to ¥113.9 billion, and operating income increased by ¥0.4 billion (3.4%) to ¥13.3 billion.

Electronic devices operations benefitted from the weaker yen and shipments of electronic compasses and other electronic devices for smartphones increased, but shipments of crystal oscillator ICs decreased.

Electronic materials operations benefitted from the weaker yen and sales of high-end products in each product category increased, but sales prices decreased mainly for Hipore™ Li-ion battery separator.

HEALTH CARE

Sales increased by ¥16.4 billion (9.4%) from a year ago to ¥191.0 billion, and operating income increased by ¥3.1 billion (13.0%) to ¥26.8 billion.

In pharmaceuticals operations, pharmaceutical products excluding new drugs were impacted by reduced reimbursement prices, and shipments of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin decreased in reaction to the surge in demand prior to the consumption tax increase.

In medical devices operations, sales of dialysis products and of therapeutic apheresis devices were firm and shipments of Planova™ virus removal filters increased, while the weaker yen contributed to performance.

In critical care operations, the LifeVest™ wearable defibrillator business continues to expand smoothly, and sales of other products such as defibrillators and related accessories increased, but selling, general and administrative expenses grew with reinforced sales activity.

OTHERS

Sales in “Others” increased by ¥3.7 billion (29.6%) from a year ago to ¥16.2 billion, and operating income decreased by ¥0.1 billion (8.9%) to ¥0.9 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2014	At end of Dec. 2014
Assets		
Current assets		
Cash and deposits	151,474	122,182
Notes and accounts receivable–trade	316,705	360,419
Short-term investment securities	—	671
Merchandise and finished goods	151,156	168,963
Work in progress	112,243	131,251
Raw materials and supplies	65,141	70,697
Deferred tax assets	27,469	27,994
Other	68,106	82,191
Allowance for doubtful accounts	(1,894)	(1,324)
Total current assets	890,401	963,045
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	453,498	469,489
Accumulated depreciation	(250,633)	(259,127)
Buildings and structures, net	202,866	210,362
Machinery, equipment and vehicles	1,290,526	1,342,117
Accumulated depreciation	(1,127,452)	(1,166,950)
Machinery, equipment and vehicles, net	163,074	175,167
Land	58,067	59,322
Lease assets	13,567	13,137
Accumulated depreciation	(9,095)	(9,862)
Lease assets, net	4,472	3,274
Construction in progress	35,216	35,323
Other	137,897	142,753
Accumulated depreciation	(121,056)	(124,249)
Other, net	16,841	18,504
Subtotal	480,535	501,953
Intangible assets		
Goodwill	137,679	155,460
Other	120,740	131,692
Subtotal	258,419	287,152
Investments and other assets		
Investment securities	238,419	279,280
Long-term loans receivable	9,173	10,513
Net defined benefit asset	2,369	—
Deferred tax assets	16,278	13,991
Other	19,751	21,574
Allowance for doubtful accounts	(256)	(275)
Subtotal	285,735	325,085
Total noncurrent assets	1,024,689	1,114,189
Total assets	1,915,089	2,077,234

	At end of March 2014	At end of Dec. 2014
Liabilities		
Current liabilities		
Notes and accounts payable–trade	159,925	194,011
Short-term loans payable	103,605	91,157
Commercial paper	10,000	70,000
Lease obligations	1,784	1,463
Accrued expenses	93,313	84,373
Income taxes payable	48,520	1,727
Advances received	80,164	81,738
Provision for periodic repairs	7,964	2,336
Provision for product warranties	2,503	2,657
Provision for removal cost of property, plant and equipment	2,893	1,502
Asset retirement obligations	806	522
Other	65,305	61,643
Total current liabilities	576,782	593,130
Noncurrent liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	146,037	133,593
Lease obligations	2,445	1,500
Deferred tax liabilities	43,441	52,869
Provision for directors' retirement benefits	818	—
Provision for periodic repairs	173	782
Provision for removal cost of property, plant and equipment	9,526	8,737
Net defined benefit liability	143,523	162,190
Asset retirement obligations	3,244	3,402
Long-term guarantee deposits	18,899	18,899
Other	4,434	5,317
Total noncurrent liabilities	412,541	427,287
Total liabilities	989,323	1,020,417
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,404	79,407
Retained earnings	635,403	681,980
Treasury stock	(2,591)	(2,965)
Total shareholders' equity	815,605	861,811
Accumulated other comprehensive income		
Net unrealized gain on other securities	75,626	100,672
Deferred gains or losses on hedges	(171)	(124)
Foreign currency translation adjustment	46,734	102,185
Remeasurements of defined benefit plans	(25,094)	(22,359)
Total accumulated other comprehensive income	97,095	180,374
Minority interests	13,067	14,632
Total net assets	925,766	1,056,817
Total liabilities and net assets	1,915,089	2,077,234

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1-Q3 2013	Q1-Q3 2014
Net sales	1,389,648	1,470,070
Cost of sales	1,008,346	1,066,289
Gross profit	381,302	403,781
Selling, general and administrative expenses	271,495	285,062
Operating income	109,807	118,719
Non-operating income		
Interest income	879	1,032
Dividends income	2,743	3,094
Equity in earnings of affiliates	—	1,683
Foreign exchange gains	2,256	5,991
Other	3,321	3,086
Total non-operating income	9,200	14,886
Non-operating expenses		
Interest expense	2,580	2,314
Equity in losses of affiliates	3,097	—
Other	3,800	4,040
Total non-operating expenses	9,477	6,354
Ordinary income	109,530	127,250
Extraordinary income		
Gain on sales of investment securities	319	2,274
Gain on sales of noncurrent assets	1,500	361
Total extraordinary income	1,818	2,636
Extraordinary loss		
Loss on sales of investment securities	—	112
Loss on valuation of investment securities	586	510
Loss on disposal of noncurrent assets	2,522	1,748
Impairment loss	283	708
Business structure improvement expenses	2,047	575
Loss on discontinuation of development project	4,493	—
Total extraordinary loss	9,930	3,652
Income before income taxes and minority interests	101,419	126,234
Total income taxes	34,697	37,032
Income before minority interests	66,721	89,202
Minority interests in income	643	829
Net income	66,078	88,372

(2) Statements of comprehensive income

	Q1-Q3 2013	Q1-Q3 2014
Income before minority interests	66,721	89,202
Other comprehensive income		
Net increase or decrease in unrealized gain on other securities	22,813	24,979
Deferred gains or losses on hedges	412	47
Foreign currency translation adjustment	38,625	51,895
Remeasurements of defined benefit plans	—	2,769
Share of other comprehensive income of affiliates accounted for using equity method	1,767	4,493
Total other comprehensive income	63,617	84,184
Comprehensive income	130,338	173,385
Comprehensive income attributable to:		
Owners of the parent	129,189	171,614
Minority interests	1,149	1,771

3. Statements of cash flows

	Q1-Q3 2013	Q1-Q3 2014
Cash flows from operating activities		
Income before income taxes and minority interests	101,419	126,234
Depreciation and amortization	63,315	62,810
Impairment loss	283	708
Amortization of goodwill	6,620	6,755
Amortization of negative goodwill	(173)	(119)
Increase (decrease) in provision for periodic repairs	1,136	(5,020)
(Decrease) increase in provision for product warranties	(50)	116
Decrease in provision for removal cost of property, plant and equipment	(951)	(2,181)
Increase in provision for retirement benefits	1,640	—
Decrease in net defined benefit liability	—	(2,427)
Interest and dividend income	(3,623)	(4,125)
Interest expense	2,580	2,314
Equity in losses (earnings) of affiliates	3,097	(1,683)
Gain on sales of investment securities	(319)	(2,162)
Loss on valuation of investment securities	586	510
Gain on sale of property, plant and equipment	(1,500)	(361)
Loss on disposal of noncurrent assets	2,522	1,748
Increase in notes and accounts receivable-trade	(20,215)	(33,082)
Increase in inventories	(41,254)	(33,185)
Increase in notes and accounts payable-trade	10,849	26,649
Decrease in accrued expenses	(16,271)	(11,399)
Increase in advances received	23,160	885
Other, net	(5,792)	(13,127)
Subtotal	127,059	119,856
Interest and dividend income, received	4,412	5,596
Interest expense paid	(2,426)	(2,145)
Income taxes paid	(28,176)	(82,154)
Net cash provided by operating activities	100,869	41,153
Cash flows from investing activities		
Payments into time deposits	(5,927)	(16,925)
Proceeds from withdrawal of time deposits	5,520	9,156
Purchase of property, plant and equipment	(59,781)	(61,770)
Proceeds from sales of property, plant and equipment	2,295	406
Purchase of intangible assets	(12,630)	(8,273)
Purchase of investment securities	(2,168)	(854)
Proceeds from sales of investment securities	971	4,961
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(1,697)	—
Additional purchase of investments in consolidated subsidiaries	(152)	—
Payments for transfer of business	—	(3,763)
Payments of loans receivable	(9,784)	(4,989)
Collection of loans receivable	6,433	5,340
Other, net	(700)	(2,315)
Net cash used in investing activities	(77,622)	(79,029)

	Q1-Q3 2013	Q1-Q3 2014
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,982	(30,177)
Increase in commercial paper	16,000	60,000
Proceeds from long-term loans payable	11,864	6,463
Repayment of long-term loans payable	(27,685)	(13,710)
Redemption of bonds	(5,000)	—
Repayments of lease obligations	(1,946)	(1,447)
Purchase of treasury stock	(130)	(384)
Proceeds from disposal of treasury stock	2	7
Cash dividends paid	(19,566)	(26,547)
Cash dividends paid to minority shareholders	(553)	(586)
Other, net	108	(24)
Net cash used in financing activities	(23,924)	(6,406)
Effect of exchange rate change on cash and cash equivalents	4,768	5,567
Net increase (decrease) in cash and cash equivalents	4,091	(38,714)
Cash and cash equivalents at beginning of period	104,008	143,139
Increase in cash and cash equivalents resulting from changes in scope of consolidation	498	581
Cash and cash equivalents at end of period	108,597	105,007

VII. Additional Information

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

Note: Beginning with the first quarter of fiscal 2014, the Asahi Kasei Group's previous seven reportable segments of Chemicals, Fibers, Homes, Construction Materials, Electronics, Health Care, and Critical Care, together with an "Others" category, have been changed to the four reportable segments of Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care, together with an "Others" category, in accordance with a change in the governance configuration.

1) Consolidated net sales by segment

(billions of yen)

	Q1-Q3 2013	Q1-Q3 2014	Increase (decrease)	Fiscal 2014 forecast
Chemicals	598.4	631.0	32.6	827.0
Fibers	89.9	97.3	7.4	131.0
Chemicals & Fibers	688.2	728.3	40.0	958.0
Homes	360.2	380.2	20.0	551.0
Construction Materials	42.8	40.6	(2.2)	53.0
Homes & Construction Materials	403.0	420.8	17.8	604.0
Electronics	111.3	113.9	2.5	152.0
Health Care	117.0	113.0	(4.0)	147.0
Critical Care	57.6	78.0	20.3	109.0
Health Care	174.6	191.0	16.4	256.0
Others	12.5	16.2	3.7	21.0
Total	1,389.6	1,470.1	80.4	1,991.0

2) Consolidated operating income (loss) by segment

(billions of yen)

	Q1-Q3 2013	Q1-Q3 2014	Increase (decrease)	Fiscal 2014 forecast
Chemicals	33.1	40.0	6.9	54.0
Fibers	6.7	7.3	0.6	9.5
Chemicals & Fibers	39.9	47.2	7.3	63.5
Homes	38.8	38.8	0.0	58.5
Construction Materials	5.1	3.5	(1.6)	4.0
Homes & Construction Materials	43.7	41.9	(1.8)	62.5
Electronics	12.8	13.3	0.4	16.0
Health Care	26.4	24.0	(2.4)	26.5
Critical Care	(2.7)	2.7	5.4	4.0
Health Care	23.7	26.8	3.1	30.5
Others	1.0	0.9	(0.1)	1.5
Combined	121.1	130.0	8.9	174.0
Corporate expenses and eliminations	(11.2)	(11.2)	(0.0)	(16.0)
Consolidated	109.8	118.7	8.9	158.0

Note: Figures for operating income by business category within segments include intrasegment transactions which are eliminated from the segment totals.

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	1.1	10.7	15.2	(4.9)	6.9
Fibers	1.1	1.9	1.4	(2.5)	0.6
Chemicals & Fibers	2.2	12.6	16.6	(7.5)	7.3
Homes	1.0	13.2	—	(14.2)	0.0
Construction Materials	(0.6)	0.5	—	(1.5)	(1.6)
Homes & Construction Materials	0.4	13.7	—	(15.9)	(1.8)
Electronics	6.0	(6.2)	4.3	0.6	0.4
Health Care	(1.6)	(2.7)	1.6	1.9	(2.4)
Critical Care	11.9	(0.2)	(0.0)	(6.3)	5.4
Health Care	10.3	(2.9)	1.5	(4.3)	3.1
Others	0.4	—	—	(0.5)	(0.1)
Combined	19.3	17.2	22.4	(27.6)	8.9
Corporate expenses and eliminations	—	—	—	(0.0)	(0.0)
Consolidated	19.3	17.2	22.4	(27.6)	8.9

3. Major financial metrics (consolidated)

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

	Q1-Q3 2013	Q1-Q3 2014	Fiscal 2014 forecast
Capital expenditure (tangible)	56.1	55.5	86.0
Capital expenditure (intangible)	6.5	8.2	8.5
Depreciation and amortization*	63.3	62.8	86.0
R&D expenses	51.9	54.2	82.0
Balance of payments	1.0	1.8	
<i>of which, dividends received</i>	(2.7)	(3.1)	
Employees at end of period	29,146	30,120	
D/E ratio	0.42	0.32	

* Excluding amortization of goodwill.

4. Contract trends for home construction operations

	Q1-Q3 2013	Q1-Q3 2014	Increase (decrease)	Fiscal 2014 forecast
No. of orders received (home units)	14,109	14,745	636	21,100
Value of orders received (¥ billion)	321.1	314.1	(7.0)	442.0
Backlog of orders (¥ billion)	505.9	524.8	18.9	531.5
No. of sales (home units)	10,486	11,582	1,096	17,360
Value of sales (¥ billion)	259.7	270.8	11.1	392.0

5. Key operating factors

	Q1-Q3 2013	Q1-Q3 2014	Increase (decrease)	Fiscal 2014 forecast
Naphtha price (yen/kL, domestic)	65,767	68,933	3,166	62,950
Exchange rates				
Yen/US\$	99	107	7	109
Yen/€	132	140	8	140

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2014	At end of Dec. 2014	Increase (decrease)
Short-term loans payable	103.6	91.2	(12.4)
Commercial paper	10.0	70.0	60.0
Long-term loans payable	146.0	133.6	(12.4)
Bonds payable	40.0	40.0	—
Lease obligations	4.2	3.0	(1.3)
Total	303.9	337.7	33.8