

Asahi Kasei Corporation

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February 3, 2012

Consolidated Results for 1st to 3rd Quarters Fiscal 2011: April 1, 2011 – December 31, 2011

(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 2011	Q1–Q3 2010
Net sales	1,203,902 [+3.9%]	1,158,739 [+13.3%]
Operating income	87,102 [–7.9%]	94,528 [+136.5%]
Ordinary income	88,001 [–2.0%]	89,830 [+136.1%]
Net income	48,059 [–4.4%]	50,250 [+143.9%]
Net income per share*	34.38	35.94
Diluted net income per share*	—	—

* Yen

Notes: Comprehensive income was ¥45,569 million (+16.2%) during Q1–Q3 2011, and ¥39,222 million during Q1–Q3 2010.

2. Financial position

At end of	December 2011	March 2011
Total assets	1,437,772	1,425,879
Net assets	702,454	675,602
Net worth/total assets	48.0%	46.5%
Net worth per share*	493.71	474.59

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of December 31, 2011, was ¥690,065 million; as of March 31, 2011, ¥663,566 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2010	—	5.00	—	6.00	11.00
2011	—	7.00			
2011 (forecast)				7.00	14.00

* Yen

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

III. Forecasts for Fiscal 2011 (April 1, 2011 – March 31, 2012)

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

Net sales	1,624,000 [+1.6%]
Operating income	104,000 [-15.4%]
Ordinary income	104,000 [-12.0%]
Net income	53,000 [-12.1%]
Net income per share*	37.92

* Yen

2. Comparison of previous and revised fiscal 2011 forecasts

(billions of yen)

	Previous forecast	Revised forecast	Increase (decrease)	cf. fiscal 2010 results
Net sales	1,684.0	1,624.0	(60.0)	1,598.4
Operating income	124.0	104.0	(20.0)	122.9
Ordinary income	125.5	104.0	(21.5)	118.2
Net income	74.5	53.0	(21.5)	60.3

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 2011 announced on November 2, 2011, 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 balance sheets

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–Q3 2011	FY 2010
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	4,892,750	4,420,688
Average number of shares outstanding during period	1,397,926,305	1,398,344,507*

* Q1–Q3 2010

V. Overview of Consolidated Results

1. Consolidated group results

The global economy followed a path of obscurity during the April–December period, with a decline due to the sovereign debt crisis in Europe and slowing growth in China and other emerging markets which had maintained solid growth through the early part of the period. In Japan, although manufacturing activity recovered from the stagnant period following the Great East Japan Earthquake, economic circumstances were challenging due to flooding in Thailand and the exceptional strength of the yen.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥45.2 billion (3.9%) to ¥1,203.9 billion with increased deliveries in the Homes segment reflecting strong orders. However, operating income decreased by ¥7.4 billion (7.9%) to ¥87.1 billion and ordinary income decreased by ¥1.8 billion (2.0%) to ¥88.0 billion with the effect of high feedstock costs and the strong yen in the Chemicals segment and the effect of declining product prices in the Electronics segment. Net income decreased by ¥2.2 billion (4.4%) to ¥48.1 billion with the effect of reversal of deferred tax assets due to amendment to the Japanese tax system.

2. Results by operating segment

The Asahi Kasei Group's operations are described by major business classification: six reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials, together with an "Others" category.

CHEMICALS

Sales increased by ¥4.9 billion (0.9%) from a year ago to ¥559.8 billion, but operating income decreased by ¥10.6 billion (19.6%) to ¥43.3 billion.

In chemicals and derivative products operations, overseas market prices for monomer products such as acrylonitrile rose during the early part of the period, but terms of trade deteriorated with a significant impact from rising costs for naphtha and other feedstocks and from the strong yen. In polymer products operations, synthetic rubber for tires performed well, but shipments of engineering plastics decreased as an effect of the Great East Japan Earthquake, and products throughout the category were impacted by high feedstock costs and the strong yen. In specialty products operations, shipments of ion-exchange membranes increased, and home-use products such as Saran Wrap™ performed well.

HOMES

Sales increased by ¥45.0 billion (17.0%) from a year ago to ¥309.0 billion, and operating income increased by ¥10.8 billion (60.4%) to ¥28.8 billion. Orders for order-built homes increased by ¥9.5 billion (3.6%) to ¥269.4 billion.

In order-built homes operations, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. In pre-built homes operations, sales of condominiums increased. Housing-related operations also performed well.

HEALTH CARE

Sales increased by ¥2.4 billion (2.7%) from a year ago to ¥90.7 billion, and operating income increased by ¥1.7 billion (22.4%) to ¥9.4 billion.

In pharmaceuticals operations, an increase in medical representatives resulted in higher selling, general and administrative expenses. Shipments of Recomedulin™ recombinant thrombomodulin and Flivas™ agent for benign prostatic hyperplasia increased, and the launch of sales of Teribone™, a new osteoporosis drug, contributed to increased shipments. In devices-related operations, performance was impacted by the strong yen, but shipments of Planova™ virus removal filters increased.

FIBERS

Sales increased by ¥1.7 billion (2.0%) from a year ago to ¥83.4 billion, but operating income decreased by ¥0.9 billion (25.4%) to ¥2.7 billion.

Bemberg™ regenerated cellulose performed well and shipments of Leona™ nylon 66 filament in airbag applications and of nonwovens such as spunbond increased, but performance was impacted by high feedstock costs and the strong yen.

ELECTRONICS

Sales decreased by ¥8.4 billion (6.9%) from a year ago to ¥113.2 billion, and operating income decreased by ¥7.3 billion (52.6%) to ¥6.6 billion.

In electronic devices operations, sales of mixed-signal LSIs for smartphones were especially firm, as were sales of Hipore™ Li-ion battery separator in electronic materials operations. However, performance throughout the segment was impacted by a general deterioration in the operating climate which resulted in sluggish growth in shipment volumes, and by declining product prices and the strong yen.

CONSTRUCTION MATERIALS

Sales decreased by ¥2.1 billion (5.7%) from a year ago to ¥35.0 billion, and operating income decreased by ¥0.7 billion (28.3%) to ¥1.7 billion.

Both shipment volumes and product prices of Hebel™ autoclaved aerated concrete panels were recovering, but performance in foundation systems and insulation materials operations was sluggish.

OTHERS

Sales in “Others,” comprising engineering operations and employment agency/staffing operations, increased by ¥1.8 billion (15.9%) from a year ago to ¥12.9 billion, and operating income increased by ¥1.1 billion (115.4%) to ¥2.1 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2011	At end of Dec. 2011
Assets		
Current assets		
Cash and deposits	140,319	115,439
Notes and accounts receivable, trade	273,414	266,609
Short-term investment securities	371	63
Merchandise and finished goods	129,898	142,468
Work in process	76,551	102,361
Raw materials and supplies	49,799	53,534
Deferred tax assets	23,131	24,855
Other	63,240	60,646
Allowance for doubtful accounts	(1,072)	(1,112)
Total current assets	755,651	764,863
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	409,263	411,174
Accumulated depreciation	(231,474)	(233,721)
Buildings and structures, net	177,789	177,454
Machinery, equipment and vehicles	1,192,132	1,198,245
Accumulated depreciation	(1,047,912)	(1,064,656)
Machinery, equipment and vehicles, net	144,220	133,589
Land	55,243	54,909
Lease assets	8,581	10,769
Accumulated depreciation	(3,118)	(4,359)
Lease assets, net	5,463	6,411
Construction in progress	22,173	27,316
Other	118,718	121,898
Accumulated depreciation	(105,252)	(108,467)
Other, net	13,466	13,431
Subtotal	418,354	413,109
Intangible assets		
Goodwill	5,087	10,329
Other	26,015	31,081
Subtotal	31,101	41,410
Investments and other assets		
Investment securities	166,317	165,905
Long-term loans receivable	5,181	5,780
Deferred tax assets	22,005	20,794
Other	27,507	26,137
Allowance for doubtful accounts	(237)	(225)
Subtotal	220,773	218,391
Total noncurrent assets	670,228	672,910
Total assets	1,425,879	1,437,772

	At end of March 2011	At end of Dec. 2011
Liabilities		
Current liabilities		
Notes and accounts payable, trade	136,407	157,857
Short-term loans payable	108,889	66,131
Commercial paper	23,000	44,000
Lease obligations	1,522	2,011
Income taxes payable	24,085	10,150
Accrued expenses	97,745	81,036
Advances received	52,346	61,315
Provision for repairs	3,239	5,054
Provision for product warranties	2,465	2,122
Asset retirement obligations	512	508
Other	39,668	52,564
Total current liabilities	489,878	482,747
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	91,722	83,215
Lease obligations	3,802	4,415
Deferred tax liabilities	6,374	8,091
Provision for retirement benefits	107,309	106,945
Provision for directors' retirement benefits	1,119	753
Provision for repairs	2,131	1,699
Asset retirement obligations	3,316	3,165
Long-term guarantee deposited	18,340	18,073
Other	1,284	1,214
Total noncurrent liabilities	260,399	252,571
Total liabilities	750,277	735,318
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,402	79,404
Retained earnings	478,681	508,806
Treasury stock	(2,115)	(2,372)
Total shareholders' equity	659,357	689,226
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,647	34,302
Deferred gains or losses on hedges	(140)	(14)
Foreign currency translation adjustment	(25,299)	(33,449)
Total accumulated other comprehensive income	4,209	839
Minority interests	12,036	12,389
Total net assets	675,602	702,454
Total liabilities and net assets	1,425,879	1,437,772

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1-Q3 2010	Q1-Q3 2011
Net sales	1,158,739	1,203,902
Cost of sales	855,679	901,817
Gross profit	303,059	302,085
Selling, general and administrative expenses	208,532	214,984
Operating income	94,528	87,102
Non-operating income		
Interest income	793	1,065
Dividends income	1,852	2,169
Equity in earnings of affiliates	2,171	954
Other	2,385	3,835
Total non-operating income	7,201	8,022
Non-operating expenses		
Interest expense	2,574	2,072
Foreign exchange losses	4,748	1,781
Other	4,577	3,270
Total non-operating expenses	11,899	7,123
Ordinary income	89,830	88,001
Extraordinary income		
Gain on sales of investment securities	260	98
Gain on sales of noncurrent assets	417	409
Reversal of allowance for doubtful accounts	155	—
Gain on transfer of business	781	—
Gain on step acquisitions	—	2,277
Total extraordinary income	1,612	2,784
Extraordinary loss		
Loss on valuation of investment securities	422	3,606
Loss on disposal of noncurrent assets	2,962	2,237
Impairment loss	59	179
Environmental expenses	706	—
Loss on adjustment for changes of accounting for asset retirement obligations	1,240	—
Loss on disaster	—	997
Business structure improvement expenses	8,725	648
Total extraordinary loss	14,114	7,667
Income before income taxes	77,328	83,118
Income taxes	25,681	33,768
Income before minority interests	51,647	49,350
Minority interests in income	1,397	1,291
Net income	50,250	48,059

(2) Statements of comprehensive income

	Q1-Q3 2010	Q1-Q3 2011
Income before minority interests	51,647	49,350
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,102)	4,759
Deferred gains or losses on hedges	165	126
Foreign currency translation adjustment	(5,441)	(5,932)
Share of other comprehensive income of associates accounted for using equity method	(2,047)	(2,734)
Total other comprehensive income	(12,424)	(3,781)
Comprehensive income	39,222	45,569
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	38,101	44,689
Comprehensive income attributable to minority interests	1,122	880

3. Statements of cash flows

	Q1-Q3 2010	Q1-Q3 2011
Cash flows from operating activities:		
Income before income taxes	77,328	83,118
Depreciation and amortization	61,911	57,906
Impairment loss	59	179
Amortization of goodwill	832	804
Amortization of negative goodwill	(199)	(173)
Increase (decrease) in provision for repairs	(4,398)	1,383
Increase (decrease) in provision product warranties	(1,161)	(345)
Increase (decrease) in provision for retirement benefits	(1,329)	(322)
Interest and dividend income	(2,645)	(3,233)
Interest expense	2,574	2,071
Equity in (earnings) losses of affiliates	(2,171)	(954)
Loss (gain) on sales of investment securities	(260)	(98)
Loss (gain) on valuation of investment securities	422	3,606
Loss (gain) on sales of noncurrent assets	(417)	(409)
Loss (gain) on disposal of noncurrent assets	2,962	2,237
Loss (gain) on transfer of business	(781)	—
Loss (gain) on step acquisitions	—	(2,277)
Decrease (increase) in notes and accounts receivable, trade	(42,942)	3,464
Decrease (increase) in inventories	(35,457)	(42,429)
Increase (decrease) in notes and accounts payable, trade	35,803	22,665
Increase (decrease) in accrued expenses	(10,062)	(16,474)
Increase (decrease) in advances received	23,563	8,988
Other, net	1,124	10,224
Subtotal	104,756	129,930
Interest and dividend income, received	3,370	4,122
Interest expense, paid	(2,667)	(2,157)
Income taxes (paid) refund	(24,455)	(46,287)
Net cash provided by (used in) operating activities	81,003	85,608
Cash flows from investing activities:		
Payments into time deposits	(6,322)	(11,762)
Proceeds from withdrawal of time deposits	—	9,986
Purchase of property, plant and equipment	(44,510)	(43,431)
Proceeds from sales of property, plant and equipment	709	1,021
Purchase of intangible assets	(3,026)	(5,468)
Purchase of investment securities	(3,541)	(4,309)
Proceeds from sales of investment securities	723	483
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(7,080)
Additional purchase of investments in consolidated subsidiaries	(408)	—
Proceeds from transfer of business	2,646	—
Payments of loans receivable	(3,747)	(4,006)
Collection of loans receivable	4,172	3,739
Other, net	(1,021)	(1,234)
Net cash provided by (used in) investing activities	(54,325)	(62,061)

	Q1-Q3 2010	Q1-Q3 2011
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(32,270)	(32,173)
Increase (decrease) in commercial paper	25,000	21,000
Proceeds from long-term loans payable	4,417	1,355
Repayment of long-term loans payable	(13,997)	(19,630)
Repayments of lease obligations	(974)	(1,346)
Purchase of treasury stock	(94)	(281)
Proceeds from disposal of treasury stock	15	18
Cash dividends paid	(13,984)	(18,173)
Cash dividends paid to minority shareholders	(387)	(772)
Other, net	35	295
Net cash provided by (used in) financing activities	(32,238)	(49,707)
Effect of exchange rate change on cash and cash equivalents	(1,738)	(2,075)
Net increase (decrease) in cash and cash equivalents	(7,298)	(28,235)
Cash and cash equivalents at beginning of period	93,125	134,450
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	876	1,528
Effect of change in the reporting period of consolidated subsidiaries and affiliates	—	469
Cash and cash equivalents at end of period	86,704	108,212

VII. Additional Information

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

1) Consolidated net sales

(billions of yen)

	Q1-Q3 2010	Q1-Q3 2011	Increase (decrease)	Fiscal 2011 forecast
Chemicals	554.9	559.8	4.9	728.0
Homes	264.0	309.0	45.0	453.0
Health Care	88.3	90.7	2.4	120.0
Fibers	81.7	83.4	1.7	111.0
Electronics	121.6	113.2	(8.4)	147.0
Construction Materials	37.1	35.0	(2.1)	46.0
Others	11.1	12.9	1.8	19.0
Total	1,158.7	1,203.9	45.2	1,624.0

2) Consolidated operating income (loss)

(billions of yen)

	Q1-Q3 2010	Q1-Q3 2011	Increase (decrease)	Fiscal 2011 forecast
Chemicals	53.9	43.3	(10.6)	45.0
Homes	18.0	28.8	10.8	47.0
Health Care	7.6	9.4	1.7	9.0
Fibers	3.6	2.7	(0.9)	3.0
Electronics	13.9	6.6	(7.3)	5.5
Construction Materials	2.4	1.7	(0.7)	1.5
Others	1.0	2.1	1.1	3.0
Combined	100.3	94.5	(5.8)	114.0
Corporate expenses and eliminations	(5.8)	(7.4)	(1.6)	(10.0)
Consolidated	94.5	87.1	(7.4)	104.0

2. Operating income increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:			Operating costs and others	Net increase (decrease)
	Sales volume	Sales prices [<i>of which, due to foreign exchange</i>]			
Chemicals	(1.1)	19.6	(11.5)	(29.1)	(10.6)
Homes	12.7	2.4	—	(4.3)	10.8
Health Care	4.2	(2.0)	(0.6)	(0.5)	1.7
Fibers	0.3	0.4	(1.5)	(1.6)	(0.9)
Electronics	5.3	(12.7)	(2.6)	0.0	(7.3)
Construction Materials	(0.7)	(0.1)	—	0.0	(0.7)
Others	0.9	0.0	0.0	0.3	1.1
Combined	21.7	7.7	(16.2)	(35.2)	(5.8)
Corporate expenses and eliminations	—	—	—	(1.6)	(1.6)
Consolidated	21.7	7.7	(16.2)	(36.8)	(7.4)

3. Major financial metrics (consolidated)

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

	Q1–Q3 2010	Q1–Q3 2011	Fiscal 2011 forecast
Capital expenditure (tangible)	43.4	49.3	87.0
Capital expenditure (intangible)	3.0	5.4	8.0
Depreciation and amortization	62.7	58.7	81.0
Balance of payments	0.0	1.1	1.2
<i>of which, dividends received</i>	1.9	2.2	2.5
R&D expenses	46.0	48.1	66.0
Employees at end of period	25,038	25,477	
D/E ratio	0.38	0.33	

4. Contract trends for home construction operations

	Q1–Q3 2010	Q1–Q3 2011	Increase (decrease)	Fiscal 2011 forecast
No. of orders received (home units)	11,247	11,705	458	16,065
Value of orders received (¥ billion)	260.0	269.4	9.5	363.5
Backlog of orders (¥ billion)	374.5	400.3	25.8	384.1
No. of sales (home units)	7,564	9,183	1,619	14,525
Value of sales (¥ billion)	192.7	228.7	36.0	339.0

5. Key operating factors

	Q1–Q3 2010	Q1–Q3 2011	Increase (decrease)	Fiscal 2011 forecast
Naphtha price (yen/kL, domestic)	45,800	55,200	9,400	54,525
Exchange rates				
Yen/US\$	87	79	(8)	79
(market average)				
Yen/€	113	111	(3)	108

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2011	At end of Dec. 2011	Increase (decrease)
Short-term loans payable	108.9	66.1	(42.8)
Commercial paper	23.0	44.0	21.0
Long-term loans payable	91.7	83.2	(8.5)
Bonds payable	25.0	25.0	—
Lease obligations	5.3	6.4	1.1
Total	253.9	224.8	(29.2)