

Asahi Kasei Corporation

Head Office: 3-3-23 Nakanoshima, Kita-ku, Osaka, Japan

Tokyo Head Office: 1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo, Japan

Security code: 3407

Contact: Corporate Communications, Phone +81-3-3296-3008, Fax +81-3-3296-3162

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Consolidated Results for 1st and 2nd Quarter Fiscal 2013: April 1, 2013 – September 30, 2013

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	Q1–Q2 2013	Q1–Q2 2012
Net sales	918,984 [+16.7%]	787,508 [+0.4%]
Operating income	74,295 [+94.0%]	38,305 [–39.9%]
Ordinary income	72,886 [+103.2%]	35,866 [–42.3%]
Net income	46,649 [+126.3%]	20,613 [–46.1%]
Net income per share*	33.38	14.75
Diluted net income per share*	—	—

* Yen

Note: Comprehensive income was ¥70,475 million during Q1–Q2 2013, and ¥2,145 million during Q1–Q2 2012.

2. Financial position

At end of	September 2013	March 2013
Total assets	1,852,288	1,800,170
Net assets	884,707	824,451
Net worth/total assets	47.1%	45.1%
Net worth per share*	624.00	581.05

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of September 30, 2013, was ¥872,054 million; as of March 31, 2013, ¥812,080 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2012	—	7.00	—	7.00	14.00
2013	—	7.00	—	—	—
2013 (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 2013 (April 1, 2013 – March 31, 2014)

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

Net sales	1,904,000 [+14.2%]
Operating income	145,000 [+57.7%]
Ordinary income	143,000 [+50.3%]
Net income	86,000 [+60.1%]
Net income per share*	61.54

* Yen

2. Comparison of previous and revised fiscal 2013 forecasts

	Previous forecast	Revised forecast	Increase (decrease)	(billions of yen) cf. fiscal 2012 results
Net sales	1,891.0	1,904.0	13.0	1,666.6
Operating income	130.0	145.0	15.0	92.0
Ordinary income	130.0	143.0	13.0	95.1
Net income	77.0	86.0	9.0	53.7

Notes:

- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for the first half of fiscal 2013 announced on May 9, 2013, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period: None.
2. Special accounting methods for preparation of the consolidated financial statements

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate.

3. Number of shares outstanding

	Q1–Q2 2013	FY 2012
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	5,102,882	5,016,645
Average number of shares outstanding during period	1,397,557,552	1,397,673,890*

* Q1–Q2 2012

V. Overview of Consolidated Results

1. Consolidated group results

Although the US economy was on a path of recovery, and there were signs that slowing growth in China and other emerging economies and stagnation in the European economy had bottomed out, the global economic situation during the April–September period of 2013 remained soft with many downside risks. The Japanese economy saw a lower yen exchange rate and higher stock prices with high expectations for the government’s economic policies, and consumer spending began recovering with an improved mood, but recovery in the real economy was only partial and the economic outlook remained unpredictable.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥131.5 billion (16.7%) from a year ago to ¥919.0 billion, with increased deliveries in the Homes segment, and increased sales volume in the Chemicals segment and of pharmaceutical products in the Health Care segment, as well as improved overall performance of exports due to the progressive weakening of the yen. Operating income increased by ¥36.0 billion (94.0%) to ¥74.3 billion, ordinary income increased by ¥37.0 billion (103.2%) to ¥72.9 billion, and net income increased by ¥26.0 billion (126.3%) to ¥46.6 billion.

2. Results by operating segment

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

CHEMICALS

Sales increased by ¥64.7 billion (19.5%) from a year ago to ¥397.0 billion, and operating income increased by ¥8.6 billion (59.1%) to ¥23.2 billion.

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

FIBERS

Sales increased by ¥5.9 billion (11.0%) from a year ago to ¥59.8 billion, and operating income increased by ¥2.7 billion (152.7%) to ¥4.4 billion.

Although feedstock costs rose for each product, operating income in fibers increased with the effect of the weaker yen, increased shipments of nonwovens such as Lamous™ artificial suede for automotive interiors and of Roica™ elastic polyurethane filament, and firm sales of Bemberg™ cupro fiber.

HOMES

Sales increased by ¥25.3 billion (11.9%) from a year ago to ¥238.4 billion, and operating income increased by ¥7.7 billion (40.9%) to ¥26.5 billion. Orders for order-built homes increased by ¥44.4 billion (21.4%) to ¥251.9 billion.

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

CONSTRUCTION MATERIALS

Sales increased by ¥3.0 billion (12.1%) from a year ago to ¥27.8 billion, and operating income increased by ¥1.5 billion (92.7%) to ¥3.1 billion.

Shipments of Hebel™ autoclaved aerated concrete panels increased. In foundation systems, orders for Eazet™ and ATT Column™ piling systems for small-scale construction expanded with the development of new applications. Sales of Neoma™ high-performance phenolic foam insulation panels and structural materials were firm.

ELECTRONICS

Sales increased by ¥7.8 billion (11.6%) from a year ago to ¥74.7 billion, and operating income increased ¥9.3 billion to ¥9.3 billion.

Although electronic devices operations were impacted by reduced sales prices in each product category, the weaker yen contributed to performance, and shipments of electronic compasses and magnetic sensors for smartphones and other mobile applications increased. In electronic materials operations, the weaker yen contributed to performance, and sales grew for high-end products among Hipore™ Li-ion battery separator and other products.

HEALTH CARE

Sales increased by ¥11.0 billion (16.9%) from a year ago to ¥75.8 billion, and operating income increased by ¥8.9 billion (118.8%) to ¥16.4 billion.

Pharmaceuticals operations were impacted by higher selling, general and administrative expenses, but shipments of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin increased. In devices-related operations, the weaker yen contributed to performance of blood-purification products, and shipments of Planova™ virus removal filters increased.

CRITICAL CARE

Sales increased by ¥14.6 billion (64.0%) from a year ago to ¥37.5 billion, gross operating income* increased by ¥0.5 billion (11.4%) to ¥4.6 billion, and the consolidated operating loss increased by ¥0.9 billion to ¥2.0 billion. The effect of amortization of goodwill and other intangible assets, etc., related to acquisition of ZOLL Medical Corporation increased by ¥1.4 billion to ¥6.6 billion.

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

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

OTHERS

Sales in “Others” decreased by ¥0.9 billion (9.9%) from a year ago to ¥8.0 billion, and operating income decreased by ¥0.4 billion (31.1%) to ¥0.8 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2013	At end of Sept. 2013
Assets		
Current assets		
Cash and deposits	109,513	112,365
Notes and accounts receivable–trade	306,222	304,535
Short-term investment securities	124	10
Merchandise and finished goods	145,470	155,311
Work in process	100,513	119,361
Raw materials and supplies	63,695	63,830
Deferred tax assets	21,945	22,845
Other	73,619	69,922
Allowance for doubtful accounts	(1,631)	(1,807)
Total current assets	819,469	846,373
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	428,616	444,900
Accumulated depreciation	(241,191)	(247,103)
Buildings and structures, net	187,425	197,797
Machinery, equipment and vehicles	1,236,111	1,273,474
Accumulated depreciation	(1,082,480)	(1,110,150)
Machinery, equipment and vehicles, net	153,631	163,324
Land	58,176	58,162
Lease assets	13,980	14,045
Accumulated depreciation	(7,173)	(8,414)
Lease assets, net	6,806	5,631
Construction in progress	41,482	31,738
Other	129,716	135,763
Accumulated depreciation	(115,656)	(119,135)
Other, net	14,060	16,628
Subtotal	461,581	473,279
Intangible assets		
Goodwill	134,303	136,220
Other	121,114	120,195
Subtotal	255,417	256,416
Investments and other assets		
Investment securities	224,903	236,142
Long-term loans receivable	5,248	4,750
Deferred tax assets	8,487	9,611
Other	25,311	25,944
Allowance for doubtful accounts	(245)	(228)
Subtotal	263,704	276,219
Total noncurrent assets	980,702	1,005,915
Total assets	1,800,170	1,852,288

	At end of March 2013	At end of Sept. 2013
Liabilities		
Current liabilities		
Notes and accounts payable–trade	172,630	169,524
Short-term loans payable	113,043	116,615
Commercial paper	70,000	50,000
Current portion of bonds payable	5,000	5,000
Lease obligations	2,415	2,122
Accrued expenses	91,646	86,307
Income taxes payable	13,978	20,859
Advances received	61,953	80,695
Provision for periodic repairs	2,359	6,442
Provision for product warranties	2,143	2,077
Provision for removal cost of property, plant and equipment	1,910	3,743
Asset retirement obligations	722	629
Other	65,064	53,151
Total current liabilities	602,864	597,165
Noncurrent liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	146,929	143,515
Lease obligations	4,051	3,169
Deferred tax liabilities	39,985	46,490
Provision for retirement benefits	107,776	108,641
Provision for directors' retirement benefits	767	737
Provision for periodic repairs	4,255	775
Provision for removal cost of property, plant and equipment	2,960	933
Asset retirement obligations	2,834	3,518
Long-term guarantee deposited	18,396	18,225
Other	4,902	4,413
Total noncurrent liabilities	372,855	370,416
Total liabilities	975,719	967,581
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,403	79,403
Retained earnings	553,557	590,423
Treasury stock	(2,431)	(2,490)
Total shareholders' equity	733,918	770,725
Accumulated other comprehensive income		
Net unrealized gain on other securities	62,622	72,300
Deferred gains or losses on hedges	(900)	(410)
Foreign currency translation adjustments	16,440	29,440
Total accumulated other comprehensive income	78,162	101,330
Minority interests	12,371	12,653
Total net assets	824,451	884,707
Total liabilities and net assets	1,800,170	1,852,288

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1-Q2 2012	Q1-Q2 2013
Net sales	787,508	918,984
Cost of sales	585,213	665,783
Gross profit	202,295	253,201
Selling, general and administrative expenses	163,990	178,906
Operating income	38,305	74,295
Non-operating income		
Interest income	756	559
Dividends income	1,585	1,848
Equity in earnings of affiliates	26	—
Other	1,682	2,601
Total non-operating income	4,049	5,008
Non-operating expenses		
Interest expense	1,560	1,735
Equity in losses of affiliates	—	1,755
Foreign exchange loss	1,689	329
Other	3,240	2,598
Total non-operating expenses	6,489	6,417
Ordinary income	35,866	72,886
Extraordinary income		
Gain on sales of investment securities	—	319
Gain on sales of noncurrent assets	38	1,479
Total extraordinary income	38	1,797
Extraordinary loss		
Loss on valuation of investment securities	53	580
Loss on disposal of noncurrent assets	1,585	1,427
Impairment loss	511	—
Business structure improvement expenses	969	1,422
Total extraordinary loss	3,118	3,430
Income before income taxes and minority interests	32,786	71,254
Total income taxes	11,750	24,103
Income before minority interests	21,036	47,151
Minority interests in income	422	502
Net income	20,613	46,649

(2) Statements of comprehensive income

	Q1-Q2 2012	Q1-Q2 2013
Income before minority interests	21,036	47,151
Other comprehensive income		
Net increase or decrease in unrealized gain on other securities	(4,261)	9,604
Deferred gains or losses on hedges	1,570	489
Foreign currency translation adjustment	(14,764)	13,029
Share of other comprehensive income of affiliates accounted for using equity method	(1,435)	203
Total other comprehensive income (loss)	(18,890)	23,325
Comprehensive income	2,145	70,475
Comprehensive income attributable to:		
Owners of the parent	1,979	69,816
Minority interests	166	659

3. Statements of cash flows

	Q1-Q2 2012	Q1-Q2 2013
Cash flows from operating activities		
Income before income taxes and minority interests	32,786	71,254
Depreciation and amortization	37,382	41,212
Impairment loss	511	—
Amortization of goodwill	3,173	4,384
Amortization of negative goodwill	(116)	(116)
(Decrease) increase in provision for periodic repairs	(2,424)	599
Decrease in provision for product warranties	(218)	(72)
Decrease in provision for removal cost of property, plant and equipment	(1,326)	(195)
Increase in provision for retirement benefits	1,158	805
Interest and dividend income	(2,341)	(2,407)
Interest expense	1,560	1,735
Equity in (earnings) losses of affiliates	(26)	1,755
Gain on sales of investment securities	—	(319)
Loss on valuation of investment securities	53	580
Gain on sale of property, plant and equipment	(38)	(1,479)
Loss on disposal of noncurrent assets	1,585	1,427
(Increase) decrease in notes and accounts receivable-trade	(12,422)	5,004
Increase in inventories	(30,126)	(24,860)
Increase (decrease) in notes and accounts payable-trade	15,665	(5,710)
Decrease in accrued expenses	(11,713)	(6,051)
Increase in advances received	12,890	18,576
Other, net	(10,241)	(4,403)
Subtotal	35,773	101,720
Interest and dividend income, received	3,147	3,091
Interest expense paid	(1,754)	(1,710)
Income taxes paid	(7,246)	(15,693)
Net cash provided by operating activities	29,920	87,408
Cash flows from investing activities		
Payments into time deposits	(5,560)	(3,061)
Proceeds from withdrawal of time deposits	5,560	4,873
Purchase of property, plant and equipment	(41,061)	(40,544)
Proceeds from sales of property, plant and equipment	155	2,137
Purchase of intangible assets	(7,469)	(10,055)
Purchase of investment securities	(1,553)	(3,531)
Proceeds from sales of investment securities	503	971
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(174,308)	(1,697)
Additional purchase of investments in consolidated subsidiaries	(1,310)	—
Payments of loans receivable	(6,631)	(4,744)
Collection of loans receivable	4,285	5,837
Other, net	(1,186)	(387)
Net cash used in investing activities	(228,576)	(50,201)

	Q1-Q2 2012	Q1-Q2 2013
Cash flows from financing activities		
Increase in short-term loans payable	32,130	2,166
Increase (decrease) in commercial paper	102,000	(20,000)
Proceeds from long-term loans payable	85,528	1,864
Repayment of long-term loans payable	(6,431)	(7,203)
Proceeds from issuance of bonds payable	20,000	—
Repayments of lease obligations	(1,242)	(1,303)
Purchase of treasury stock	(20)	(60)
Proceeds from disposal of treasury stock	3	0
Cash dividends paid	(9,784)	(9,783)
Cash dividends paid to minority shareholders	(673)	(552)
Other, net	(88)	149
Net cash provided(used in) by financing activities	221,423	(34,722)
Effect of exchange rate change on cash and cash equivalents	(5,659)	1,705
Net increase in cash and cash equivalents	17,108	4,190
Cash and cash equivalents at beginning of period	96,351	104,008
Increase in cash and cash equivalents resulting from changes of scope of consolidation	102	1
Effect of change in the reporting period of consolidated subsidiaries and affiliates	(5,327)	—
Cash and cash equivalents at end of period	108,235	108,199

VII. Additional Information

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

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

1) Consolidated net sales by segment

(billions of yen)

	Q1-Q2 2012	Q1-Q2 2013	Increase (decrease)	Fiscal 2013 forecast
Chemicals	332.3	397.0	64.7	800.0
Fibers	53.9	59.8	5.9	120.0
Homes	213.0	238.4	25.3	532.0
Construction Materials	24.8	27.8	3.0	57.0
Electronics	66.9	74.7	7.8	149.0
Health Care	64.8	75.8	11.0	150.0
Critical Care	22.9	37.5	14.6	78.0
Others	8.9	8.0	(0.9)	18.0
Total	787.5	919.0	131.5	1,904.0

2) Consolidated operating income (loss) by segment

(billions of yen)

	Q1-Q2 2012	Q1-Q2 2013	Increase (decrease)	Fiscal 2013 forecast
Chemicals	14.6	23.2	8.6	43.0
Fibers	1.7	4.4	2.7	8.5
Homes	18.8	26.5	7.7	60.0
Construction Materials	1.6	3.1	1.5	6.0
Electronics	0.0	9.3	9.3	16.0
Health Care	7.5	16.4	8.9	28.0
Critical Care	(1.1)	(2.0)	(0.9)	(3.5)
Others	1.2	0.8	(0.4)	1.5
Combined	44.3	81.6	37.3	159.5
Corporate expenses and eliminations	(6.0)	(7.3)	(1.4)	(14.5)
Consolidated	38.3	74.3	36.0	145.0

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 [of which, due to foreign exchange]			
Chemicals	1.2	26.8	27.3	(19.4)	8.6
Fibers	0.5	3.8	3.7	(1.6)	2.7
Homes	8.3	0.3	—	(1.0)	7.7
Construction Materials	0.7	0.2	—	0.5	1.5
Electronics	1.8	3.2	9.3	4.4	9.3
Health Care	8.2	3.6	3.4	(2.9)	8.9
Critical Care*	2.3	0.9	0.0	(4.1)	(0.9)
Others	(0.1)	—	—	(0.3)	(0.4)
Subtotal	22.9	38.7	43.7	(24.2)	37.3
Corporate expenses and eliminations	—	—	—	(1.4)	(1.4)
Consolidated	22.9	38.7	43.7	(25.6)	36.0

* Effect of difference in period subject to consolidation is included in "operating costs and others."

3. Major financial metrics (consolidated)

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

	Q1-Q2 2012	Q1-Q2 2013	Fiscal 2013 Forecast
Capital expenditure (tangible)	46.4	35.7	84.5
Capital expenditure (intangible)	8.5	4.4	13.0
Depreciation and amortization*	37.4	41.2	89.5
Balance of payments	0.7	0.6	0.9
<i>of which, dividends received</i>	1.6	1.8	3.1
R&D expenses	35.1	34.5	72.0
Employees at end of period	28,433	29,210	
D/E ratio	0.59	0.41	

* Excluding amortization of goodwill.

4. Contract trends for home construction operations

	Q1-Q2 2012	Q1-Q2 2013	Increase (decrease)	Fiscal 2013 forecast
No. of orders received (home units)	9,251	11,067	1,816	19,410
Value of orders received (¥ billion)	207.5	251.9	44.4	444.0
Backlog of orders (¥ billion)	441.5	519.9	78.4	505.6
No. of sales (home units)	6,528	7,236	708	16,930
Value of sales (¥ billion)	157.8	176.6	18.8	383.0

5. Key operating factors

	Q1-Q2 2012	Q1-Q2 2013	Increase (decrease)	Fiscal 2013 forecast	
Naphtha price (yen/kL, domestic)	55,200	64,700	9,500	65,850	
Exchange rates	Yen/US\$	79	99	19	98
(market average)	Yen/€	101	130	29	130

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2013	At end of Sept. 2013	Increase (decrease)
Short-term loans payable	113.0	116.6	3.6
Commercial paper	70.0	50.0	(20.0)
Current portion of bonds payable	5.0	5.0	—
Long-term loans payable	146.9	143.5	(3.4)
Bonds payable	40.0	40.0	—
Lease obligations	6.5	5.3	(1.2)
Total	381.4	360.4	(21.0)