

Asahi Kasei Corporation

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Consolidated Results for 1st and 2nd Quarter Fiscal 2019: April 1, 2019 – September 30, 2019

(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 2019	Q1–Q2 2018
Net sales	1,068,642 [+2.6%]	1,041,463 [+8.0%]
Operating income	101,694 [–2.5%]	104,306 [+12.6%]
Ordinary income	105,280 [–4.5%]	110,259 [+12.3%]
Net income attributable to owners of the parent	77,863 [–1.3%]	78,924 [+11.4%]
Net income per share*	56.03	56.53
Diluted net income per share*	—	—

* Yen

Note:

Comprehensive income was ¥47,099 million during Q1–Q2 2019, and ¥110,372 million during Q1–Q2 2018.

2. Financial position

At end of	September 2019	March 2019
Total assets	2,590,652	2,575,203
Net assets	1,416,018	1,402,710
Net worth/total assets	53.8%	53.6%
Net worth per share*	1,005.36	989.51

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of September 30, 2019, was ¥1,394,932 million; as of March 31, 2019, ¥1,381,485 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2018	—	17.00	—	17.00	34.00
2019	—	18.00			
2019 (forecast)			—	18.00	36.00

* Yen

III. Forecast for Fiscal 2019 (April 1, 2019 – March 31, 2020)

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

	For the fiscal year
Net sales	2,221,000 [+2.3%]
Operating income	193,000 [-7.9%]
Ordinary income	199,500 [-9.3%]
Net income attributable to owners of the parent	143,000 [-3.1%]
Net income per share*	102.90

* Yen

Notes:

- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for fiscal 2019 announced on May 10, 2019, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period

Addition of one new subsidiary: Cardiac Science Corporation

2. Special accounting methods for preparation of the consolidated financial statements

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

3. Changes in accounting policies, changes in accounting estimates, and retroactive restatement: None

4. Notable changes in shareholders' equity:

Based on a resolution of the Board of Directors on May 10, 2019, a repurchase of 8,684,300 shares of stock was performed. As a result, treasury stock increased by ¥10,000 million during the Q1–Q2 period. Treasury stock at the end of Q2 was ¥13,863 million.

5. Number of shares outstanding

	Q1–Q2 2019	FY 2018
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	15,119,736	6,491,383
Average number of shares outstanding during period	1,389,634,652	1,396,127,850*

* Q1–Q2 2018

V. Consolidated Financial Statements

1. Balance sheets

	At end of March 2019	At end of September 2019
Assets		
Current assets		
Cash and deposits	193,893	186,647
Notes and accounts receivable–trade	350,716	322,445
Merchandise and finished goods	201,699	201,925
Work in process	131,686	149,994
Raw materials and supplies	93,961	96,757
Other	82,900	85,393
Allowance for doubtful accounts	(3,461)	(1,472)
Total current assets	1,051,393	1,041,689
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	547,422	559,394
Accumulated depreciation	(294,536)	(299,180)
Buildings and structures, net	252,886	260,214
Machinery, equipment and vehicles	1,439,166	1,447,375
Accumulated depreciation	(1,222,201)	(1,228,249)
Machinery, equipment and vehicles, net	216,966	219,126
Land	63,889	64,639
Lease assets	10,159	9,844
Accumulated depreciation	(9,423)	(9,174)
Lease assets, net	736	669
Construction in progress	64,188	75,333
Other	160,631	169,033
Accumulated depreciation	(137,930)	(139,509)
Other, net	22,701	29,524
Subtotal	621,366	649,505
Intangible assets		
Goodwill	319,898	327,692
Other	210,080	217,062
Subtotal	529,978	544,755
Investments and other assets		
Investment securities	296,330	281,293
Long-term loans receivable	19,993	16,061
Deferred tax assets	27,508	29,374
Other	29,052	28,349
Allowance for doubtful accounts	(418)	(372)
Subtotal	372,465	354,704
Total noncurrent assets	1,523,810	1,548,964
Total assets	2,575,203	2,590,652

	At end of March 2019	At end of September 2019
Liabilities		
Current liabilities		
Notes and accounts payable–trade	180,429	148,054
Short-term loans payable	97,579	105,287
Commercial paper	77,000	76,000
Current portion of bonds payable	20,000	20,000
Lease obligations	164	988
Accrued expenses	113,221	116,021
Income taxes payable	24,971	21,854
Advances received	75,836	79,920
Provision for grant of shares	82	—
Provision for periodic repairs	5,342	2,055
Provision for product warranties	3,102	3,626
Provision for removal cost of property, plant and equipment	2,251	2,043
Other	81,877	73,885
Total current liabilities	681,853	649,733
Noncurrent liabilities		
Bonds payable	20,000	60,000
Long-term loans payable	209,878	199,904
Lease obligations	253	4,271
Deferred tax liabilities	48,299	48,706
Provision for grant of shares	289	349
Provision for periodic repairs	2,929	3,747
Provision for removal cost of property, plant and equipment	3,018	2,971
Net defined benefit liability	168,685	165,082
Long-term guarantee deposits	21,143	21,413
Other	16,145	18,459
Total noncurrent liabilities	490,639	524,901
Total liabilities	1,172,493	1,174,634
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,708	79,662
Retained earnings	1,077,586	1,132,502
Treasury stock	(3,936)	(13,863)
Total shareholders' equity	1,256,747	1,301,690
Accumulated other comprehensive income		
Net unrealized gain on other securities	101,971	95,253
Deferred gains or losses on hedges	(40)	(114)
Foreign currency translation adjustment	42,020	14,681
Remeasurements of defined benefit plans	(19,213)	(16,578)
Total accumulated other comprehensive income	124,738	93,242
Non-controlling interests	21,225	21,087
Total net assets	1,402,710	1,416,018
Total liabilities and net assets	2,575,203	2,590,652

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1-Q2 2018	Q1-Q2 2019
Net sales	1,041,463	1,068,642
Cost of sales	704,955	722,643
Gross profit	336,508	346,000
Selling, general and administrative expenses	232,202	244,305
Operating income	104,306	101,694
Non-operating income		
Interest income	1,563	1,340
Dividends income	3,309	3,340
Equity in earnings of affiliates	6,688	4,624
Other	1,518	1,768
Total non-operating income	13,078	11,072
Non-operating expenses		
Interest expense	2,203	2,136
Foreign exchange loss	1,448	1,914
Other	3,474	3,435
Total non-operating expenses	7,125	7,486
Ordinary income	110,259	105,280
Extraordinary income		
Gain on sales of investment securities	6,811	9,021
Gain on sales of noncurrent assets	259	414
Total extraordinary income	7,070	9,435
Extraordinary loss		
Loss on valuation of investment securities	19	412
Loss on disposal of noncurrent assets	1,318	3,082
Impairment loss	183	141
Business structure improvement expenses	661	263
Total extraordinary loss	2,181	3,899
Income before income taxes	115,148	110,816
Total income taxes	35,131	32,040
Net income	80,018	78,776
Net income attributable to non-controlling interests	1,094	913
Net income attributable to owners of the parent	78,924	77,863

2) Statements of comprehensive income

	Q1-Q2 2018	Q1-Q2 2019
Net income	80,018	78,776
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	(4,180)	(6,733)
Deferred gains or losses on hedges	(82)	(73)
Foreign currency translation adjustment	30,050	(26,590)
Remeasurements of defined benefit plans	2,950	2,665
Share of other comprehensive income of affiliates accounted for using equity method	1,617	(946)
Total other comprehensive income	30,355	(31,677)
Comprehensive income	110,372	47,099
Comprehensive income attributable to:		
Owners of the parent	109,072	46,367
Non-controlling interests	1,301	732

3. Statements of cash flows

	Q1-Q2 2018	Q1-Q2 2019
Cash flows from operating activities		
Income before income taxes	115,148	110,816
Depreciation and amortization	39,844	45,900
Impairment loss	183	141
Amortization of goodwill	8,900	10,753
Amortization of negative goodwill	(79)	(79)
Decrease in provision for grant of shares	(28)	(22)
Increase (decrease) in provision for periodic repairs	170	(2,469)
Increase in provision for product warranties	230	533
Decrease in provision for removal cost of property, plant and equipment	(546)	(255)
Decrease in net defined benefit liability	(1,635)	(1,881)
Interest and dividend income	(4,872)	(4,680)
Interest expense	2,203	2,136
Equity in earnings of affiliates	(6,688)	(4,624)
Gain on sales of investment securities	(6,811)	(9,021)
Loss on valuation of investment securities	19	412
Gain on sale of property, plant and equipment	(259)	(414)
Loss on disposal of noncurrent assets	1,318	3,082
(Increase) decrease in notes and accounts receivable-trade	(10,017)	22,994
Increase in inventories	(41,644)	(25,446)
Increase (decrease) in notes and accounts payable-trade	9,150	(28,939)
Decrease in accrued expenses	(5,580)	(2,307)
Increase in advances received	15,030	4,313
Other, net	(3,277)	(10,809)
Subtotal	110,760	110,136
Interest and dividend income, received	6,463	6,003
Interest expense paid	(2,190)	(2,110)
Income taxes paid	(41,308)	(36,226)
Net cash provided by operating activities	73,724	77,803
Cash flows from investing activities		
Payments into time deposits	(925)	(1,053)
Proceeds from withdrawal of time deposits	7,441	12,312
Purchase of property, plant and equipment	(55,500)	(64,688)
Proceeds from sales of property, plant and equipment	426	1,731
Purchase of intangible assets	(4,330)	(6,659)
Purchase of investment securities	(1,054)	(2,656)
Proceeds from sales of investment securities	8,101	18,025
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(78,454)	(31,307)
Payments for transfer of business	—	(1,964)
Payments of loans receivable	(5,389)	(3,791)
Collection of loans receivable	10,998	5,469
Other, net	(431)	803
Net cash used in investing activities	(119,117)	(73,778)

	Q1-Q2 2018	Q1-Q2 2019
Cash flows from financing activities		
Net increase in short-term loans payable	48,287	11,806
Increase (decrease) in commercial paper	51,000	(1,000)
Proceeds from long-term loans payable	2,658	847
Repayment of long-term loans payable	(12,008)	(11,665)
Proceeds from issuance of bonds payable	—	40,000
Repayments of lease obligations	(120)	(595)
Purchase of treasury stock	(10)	(10,010)
Proceeds from disposal of treasury stock	28	83
Cash dividends paid	(27,932)	(23,742)
Cash dividends paid to non-controlling interests	(674)	(826)
Other, net	17	(121)
Net cash provided by financing activities	61,245	4,778
Effect of exchange rate change on cash and cash equivalents	3,503	(3,925)
Net increase in cash and cash equivalents	19,356	4,878
Cash and cash equivalents at beginning of period	148,596	180,520
Increase in cash and cash equivalents resulting from changes in scope of consolidation	826	86
Cash and cash equivalents at end of period	168,777	185,484