

Asahi Kasei Corporation

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Consolidated Results for 1st Quarter Fiscal 2015: April 1, 2015 – June 30, 2015

(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 2015	Q1 2014
Net sales	462,372 [+3.4%]	447,146 [+4.0%]
Operating income	35,547 [+33.4%]	26,642 [-5.9%]
Ordinary income	36,485 [+33.4%]	27,345 [-0.5%]
Net income attributable to owners of the parent	20,691 [+21.7%]	16,997 [-13.3%]
Net income per share*	14.81	12.16
Diluted net income per share*	—	—

* Yen

Note: Comprehensive income was ¥33,021 million during Q1 2015, and ¥24,611 million during Q1 2014.

2. Financial position

At end of	June 2015	March 2015
Total assets	2,036,531	2,014,531
Net assets	1,116,356	1,097,722
Net worth/total assets	54.1%	53.7%
Net worth per share*	788.55	775.05

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of June 30, 2015, was ¥1,101,477 million; as of March 31, 2015, ¥1,082,654 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2014	—	9.00	—	10.00	19.00
2015	—				
2015 (forecast)		10.00	—	10.00	20.00

* Yen

III. Forecasts for Fiscal 2015 (April 1, 2015 – March 31, 2016)

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

	For Q1–Q2	For the fiscal year
Net sales	955,000 [−1.2%]	2,000,000 [+0.7%]
Operating income	77,000 [+8.6%]	164,000 [+3.8%]
Ordinary income	77,000 [+3.8%]	166,500 [−0.0%]
Net income attributable to owners of the parent	47,500 [−4.1%]	106,000 [+0.3%]
Net income per share*	34.01	75.88

* 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 2015 announced on May 12, 2015, will be revised at the end of the 2nd quarter of fiscal 2015.

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

Changes in accounting policy

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 21 “Revised Accounting Standard for Business Combinations,” ASBJ Statement No. 22 “Revised Accounting Standard for Consolidated Financial Statements,” and ASBJ Statement No. 7 “Revised Accounting Standard for Business Divestitures.” These revised accounting standards are applied from the first quarter of the fiscal year ending March 31, 2016. Accordingly, differences resulting from changes in ownership interest in a subsidiary when control over the subsidiary is retained are recorded under capital surplus, and costs related to acquisition of increased ownership interest are recognized in the period in which they arise. Also, transitional accounting is applied to business combinations performed on or after the beginning of the first quarter of the fiscal year ending March 31, 2016, with revision of purchase price allocation applied to the quarterly consolidated financial statements during the quarter in which the date of the business combination occurs. The presentation method of net income was amended, and “minority interests” were changed to “non-controlling interests.” For comparison purposes, information for the first quarter of the fiscal year ended March 31, 2015, and for the fiscal year ended March 31, 2015, is shown in accordance with the new standards in the accompanying consolidated financial statements.

Transitional accounting in accordance with Article 58, Paragraph 2, Item 4, of ASBJ Statement No. 21, Article 44, Paragraph 5, Item 4, of ASBJ Statement No. 22, and Article 57, Paragraph 4, Item 4, of ASBJ Statement No. 7 is applied from the beginning of the first quarter of the fiscal year ending March 31, 2016.

These changes have no effect on the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2016.

4. Number of shares outstanding

	Q1 2015	FY 2014
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	5,773,278	5,742,862
Average number of shares outstanding during period	1,396,858,929	1,397,372,385*

* Q1 2014

V. Overview of Consolidated Results

1. Consolidated group results

Although signs of economic slowdown strengthened in China and other emerging economies during the April–June quarter of fiscal 2015, the economy in Europe continued to improve and the US economy remained firm. The Japanese economy continued on a path of gradual recovery with consumer spending picking up and corporate earnings and capital investment generally improving, but uncertainty remained regarding instability of the overseas situation.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥15.2 billion (3.4%) from a year ago to ¥462.4 billion with firm sales in chemicals and critical care operations, although deliveries of order-built homes decreased in homes operations. Operating income increased by ¥8.9 billion (33.4%) to ¥35.5 billion, and ordinary income increased by ¥9.1 billion (33.4%) to ¥36.5 billion. Net income attributable to owners of the parent increased by ¥3.7 billion (21.7%) to ¥20.7 billion.

2. Results by operating segment

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

CHEMICALS & FIBERS

Sales decreased by ¥0.6 billion (0.3%) from a year ago to ¥227.1 billion, and operating income increased by ¥8.1 billion (87.2%) to ¥17.4 billion.

Among chemicals operations, market prices for petrochemicals were pulled down by falling oil and naphtha prices, although terms of trade for styrene monomer improved substantially as the feedstock price fall exceeded the product price decline. In performance polymers, sales of engineering plastics and of synthetic rubber for fuel-efficient tires increased. In specialty products, ion-exchange membranes especially benefitted from the weaker yen, and sales of Saran Wrap™ increased.

In fibers operations, sales of Bemberg™ cupro fiber increased with a new production facility which began operation in the previous fiscal year, and sales of Lamous™ artificial suede and of Bemliese™ continuous-filament cellulose nonwoven were firm.

HOMES & CONSTRUCTION MATERIALS

Sales increased by ¥4.3 billion (3.6%) from a year ago to ¥122.1 billion, and operating income decreased by ¥2.2 billion (24.1%) to ¥6.8 billion.

Among homes operations, in remodeling, orders increased centering on renovation work and equipment installation. In real estate, the number of condominium units delivered increased, but in order-built homes, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings decreased.

In construction materials operations, sales of Hebel™ autoclaved aerated concrete (AAC) panels and of Neoma™ high-performance phenolic foam insulation panels were firm.

ELECTRONICS

Sales increased by ¥3.3 billion (9.2%) from a year ago to ¥39.1 billion, and operating income increased ¥1.1 billion (27.4%) to ¥5.1 billion.

In electronic devices operations, sales of crystal oscillator ICs decreased, but operations benefitted from the weaker yen, and sales of audio devices and camera module devices for

smartphones were firm.

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

HEALTH CARE

Sales increased by ¥12.3 billion (20.8%) from a year ago to ¥71.3 billion, and operating income increased by ¥2.9 billion (36.7%) to ¥10.7 billion.

In pharmaceuticals operations, selling, general and administrative expenses related mainly to research and development rose, while sales of Teribone™ osteoporosis drug and Recomodulin™ recombinant thrombomodulin increased.

Medical devices operations benefitted from the weaker yen, and sales of dialysis products and of therapeutic apheresis devices were firm, but selling, general and administrative expenses at overseas sales subsidiaries increased.

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” decreased by ¥4.0 billion (58.8%) from a year ago to ¥2.8 billion, and an operating loss of ¥0.1 billion was recorded with a ¥0.5 billion decrease in profitability.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2015	At end of June 2015
Assets		
Current assets		
Cash and deposits	123,821	140,619
Notes and accounts receivable–trade	325,568	310,178
Short-term investment securities	1,802	2,898
Merchandise and finished goods	161,554	160,622
Work in process	112,813	130,611
Raw materials and supplies	65,311	72,337
Deferred tax assets	21,707	21,601
Other	80,520	74,918
Allowance for doubtful accounts	(1,517)	(1,772)
Total current assets	891,579	912,011
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	471,033	481,274
Accumulated depreciation	(261,352)	(264,768)
Buildings and structures, net	209,681	216,506
Machinery, equipment and vehicles	1,345,790	1,364,084
Accumulated depreciation	(1,170,771)	(1,183,233)
Machinery, equipment and vehicles, net	175,019	180,851
Land	59,287	59,635
Lease assets	13,054	12,904
Accumulated depreciation	(10,232)	(10,413)
Lease assets, net	2,822	2,490
Construction in progress	37,566	28,188
Other	143,593	146,396
Accumulated depreciation	(125,461)	(126,579)
Other, net	18,133	19,817
Subtotal	502,507	507,487
Intangible assets		
Goodwill	153,835	154,329
Other	132,241	132,143
Subtotal	286,076	286,472
Investments and other assets		
Investment securities	289,393	285,575
Long-term loans receivable	9,952	10,104
Net defined benefit asset	2,929	3,000
Deferred tax assets	11,351	10,995
Other	21,016	21,157
Allowance for doubtful accounts	(273)	(272)
Subtotal	334,368	330,561
Total noncurrent assets	1,122,952	1,124,520
Total assets	2,014,531	2,036,531

	At end of March 2015	At end of June 2015
Liabilities		
Current liabilities		
Notes and accounts payable—trade	151,867	150,783
Short-term loans payable	96,015	79,734
Commercial paper	—	27,000
Lease obligations	1,383	1,263
Accrued expenses	101,164	81,208
Income taxes payable	10,203	10,132
Advances received	74,675	87,271
Provision for periodic repairs	2,396	2,019
Provision for product warranties	2,562	2,468
Provision for removal cost of property, plant and equipment	2,832	1,830
Asset retirement obligations	533	533
Other	63,817	58,208
Total current liabilities	507,449	502,448
Noncurrent liabilities		
Bonds payable	40,000	40,000
Long-term loans payable	130,400	133,259
Lease obligations	1,219	947
Deferred tax liabilities	57,943	59,819
Provision for periodic repairs	1,248	595
Provision for removal cost of property, plant and equipment	7,865	7,465
Provision for loss on litigation	2,316	5,198
Net defined benefit liability	142,035	141,284
Asset retirement obligations	3,506	3,597
Long-term guarantee deposits	19,146	19,081
Other	3,683	6,481
Total noncurrent liabilities	409,360	417,727
Total liabilities	916,809	920,176
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,408	79,408
Retained earnings	699,259	705,981
Treasury stock	(3,041)	(3,075)
Total shareholders' equity	879,014	885,703
Accumulated other comprehensive income		
Net unrealized gain on other securities	113,562	117,253
Deferred gains or losses on hedges	(1,697)	(76)
Foreign currency translation adjustment	99,531	105,797
Remeasurements of defined benefit plans	(7,757)	(7,200)
Total accumulated other comprehensive income	203,639	215,774
Non-controlling interests	15,068	14,879
Total net assets	1,097,722	1,116,356
Total liabilities and net assets	2,014,531	2,036,531

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1 2014	Q1 2015
Net sales	447,146	462,372
Cost of sales	328,351	327,120
Gross profit	118,794	135,252
Selling, general and administrative expenses	92,152	99,705
Operating income	26,642	35,547
Non-operating income		
Interest income	317	339
Dividends income	1,306	1,910
Equity in earnings of affiliates	811	—
Foreign exchange gains	—	484
Other	750	885
Total non-operating income	3,184	3,617
Non-operating expenses		
Interest expense	764	830
Equity in losses of affiliates	—	253
Foreign exchange loss	749	—
Other	968	1,597
Total non-operating expenses	2,481	2,680
Ordinary income	27,345	36,485
Extraordinary income		
Gain on sales of noncurrent assets	236	15
Total extraordinary income	236	15
Extraordinary loss		
Loss on sales of investment securities	112	—
Loss on valuation of investment securities	465	—
Loss on disposal of noncurrent assets	502	471
Impairment losses	—	75
Business structure improvement expenses	201	196
Provision for loss on litigation	—	2,813
Total extraordinary loss	1,281	3,555
Income before income taxes	26,300	32,945
Total income taxes	9,043	12,064
Net income	17,258	20,881
Net income attributable to non-controlling interests	261	190
Net income attributable to owners of the parent	16,997	20,691

2) Statements of comprehensive income

	Q1 2014	Q1 2015
Net income	17,258	20,881
Other comprehensive income		
Net increase in unrealized gain on other securities	8,611	3,609
Deferred gains or losses on hedges	30	1,621
Foreign currency translation adjustment	(1,957)	6,556
Remeasurements of defined benefit plans	913	578
Share of other comprehensive income of affiliates accounted for using equity method	(243)	(223)
Total other comprehensive income	7,353	12,140
Comprehensive income	24,611	33,021
Comprehensive income attributable to:		
Owners of the Parent	24,399	32,826
Non-controlling interests	212	195

3. Statements of cash flows

	Q1 2014	Q1 2015
Cash flows from operating activities		
Income before income taxes	26,300	32,945
Depreciation and amortization	19,698	21,355
Impairment losses	—	75
Amortization of goodwill	2,156	2,618
Amortization of negative goodwill	(40)	(40)
Decrease in provision for periodic repairs	(4,727)	(1,030)
Decrease in provision for product warranties	(488)	(99)
Decrease in provision for removal cost of property, plant and equipment	(541)	(1,402)
Increase in provision for loss on litigation	—	2,813
Decrease in net defined benefit liability	(575)	(820)
Interest and dividend income	(1,623)	(2,248)
Interest expense	764	830
Equity in (earnings) losses of affiliates	(811)	253
Loss on sales of investment securities	112	—
Loss on valuation of investment securities	465	—
Gain on sale of property, plant and equipment	(236)	(15)
Loss on disposal of noncurrent assets	502	471
Decrease in notes and accounts receivable–trade	13,372	15,973
Increase in inventories	(23,808)	(17,585)
Increase (decrease) in notes and accounts payable–trade	12,848	(3,641)
Decrease in accrued expenses	(15,429)	(20,691)
Increase in advances received	9,451	12,469
Other, net	(4,456)	(1,485)
Subtotal	32,933	40,745
Interest and dividend income, received	2,608	3,274
Interest expense paid	(526)	(594)
Income taxes paid	(46,188)	(8,648)
Net cash (used in) provided by operating activities	(11,173)	34,778
Cash flows from investing activities		
Payments into time deposits	(1,951)	(1,205)
Proceeds from withdrawal of time deposits	4,929	7,945
Purchase of property, plant and equipment	(19,463)	(19,477)
Proceeds from sales of property, plant and equipment	126	167
Purchase of intangible assets	(3,660)	(2,882)
Purchase of investment securities	(204)	(405)
Proceeds from sales of investment securities	2,516	125
Payments for transfer of business	—	(200)
Payments of loans receivable	(460)	(20)
Collection of loans receivable	660	366
Other, net	(449)	445
Net cash used in investing activities	(17,956)	(15,142)

	Q1 2014	Q1 2015
Cash flows from financing activities		
Net decrease in short-term loans payable	(31,326)	(18,492)
Increase in commercial paper	42,000	27,000
Proceeds from long-term loans payable	3,123	2,961
Repayment of long-term loans payable	(361)	(362)
Repayments of lease obligations	(564)	(420)
Purchase of treasury stock	(23)	(34)
Proceeds from disposal of treasury stock	0	—
Cash dividends paid	(13,974)	(13,969)
Cash dividends paid to non-controlling interests	(177)	(328)
Other, net	212	354
Net cash used in financing activities	(1,090)	(3,290)
Effect of exchange rate change on cash and cash equivalents	(100)	1,162
Net (decrease) increase in cash and cash equivalents	(30,318)	17,507
Cash and cash equivalents at beginning of period	143,139	112,297
Increase in cash and cash equivalents resulting from changes in scope of consolidation	100	6,273
Cash and cash equivalents at end of period	112,921	136,078

VII. Additional Information

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

1) Consolidated net sales by segment

(billions of yen)

	Q1 2014	Q1 2015	Increase (decrease)	Q1–Q2 2015 forecast
Chemicals	196.9	194.1	(2.8)	380.0
Fibers	30.9	33.0	2.2	67.0
Chemicals & Fibers	227.7	227.1	(0.6)	447.0
Homes	105.5	109.9	4.4	256.0
Construction Materials	12.3	12.2	(0.1)	26.0
Homes & Construction Materials	117.8	122.1	4.3	282.0
Electronics	35.8	39.1	3.3	78.0
Health Care	35.7	38.5	2.8	74.0
Critical Care	23.3	32.7	9.4	67.0
Health Care	59.0	71.3	12.3	141.0
Others	6.9	2.8	(4.0)	7.0
Total	447.1	462.4	15.2	955.0

2) Consolidated operating income (loss) by segment

(billions of yen)

	Q1 2014	Q1 2015	Increase (decrease)	Q1-Q2 2015 forecast
Chemicals	7.1	13.5	6.4	29.0
Fibers	2.2	3.9	1.7	6.0
Chemicals & Fibers	9.3	17.4	8.1	35.0
Homes	8.4	6.1	(2.3)	22.0
Construction Materials	0.9	1.2	0.3	2.5
Homes & Construction Materials	8.9	6.8	(2.2)	24.0
Electronics	4.0	5.1	1.1	8.5
Health Care	8.1	9.3	1.1	14.0
Critical Care	(0.3)	1.5	1.8	4.0
Health Care	7.8	10.7	2.9	18.0
Others	0.4	(0.1)	(0.5)	0.0
Combined	30.5	39.8	9.4	85.5
Corporate expenses and eliminations	(3.9)	(4.3)	(0.4)	(8.5)
Total	26.6	35.5	8.9	77.0

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	1.5	(15.8)	8.6	20.7	6.4
Fibers	0.8	0.9	0.8	(0.0)	1.7
Chemicals & Fibers	2.3	(14.9)	9.4	20.7	8.1
Homes	(1.4)	(0.1)	—	(0.9)	(2.3)
Construction Materials	(0.1)	0.1	—	0.4	0.3
Homes & Construction Materials	(1.5)	0.0	—	(0.7)	(2.2)
Electronics	0.5	1.0	3.2	(0.5)	1.1
Health Care	2.0	(0.1)	0.5	(0.8)	1.1
Critical Care	4.1	(0.7)	(0.2)	(1.7)	1.8
Health Care	6.1	(0.8)	0.3	(2.5)	2.9
Others	(0.3)	—	—	(0.3)	(0.5)
Subtotal	7.1	(14.6)	12.8	16.8	9.4
Corporate expenses and eliminations	—	—	—	(0.4)	(0.4)
Consolidated	7.1	(14.6)	12.8	16.4	8.9

3. Major financial metrics (consolidated)

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

	Q1 2014	Q1 2015
Capital expenditure (tangible)	19.2	18.8
Capital expenditure (intangible)	3.1	2.3
Depreciation and amortization*	19.7	21.4
Balance of payments	0.8	1.4
<i>of which, dividends received</i>	<i>1.3</i>	<i>1.9</i>
Employees at end of period	29,823	31,108
D/E ratio	0.35	0.26

* Excluding amortization of goodwill.

4. Contract trends for home construction operations

	Q1 2014	Q1 2015	Increase (decrease)	Q1–Q2 2015 forecast
No. of orders received (home units)	4,557	4,745	188	10,490
Value of orders received (¥ billion)	99.2	106.8	7.6	228.0
Backlog of orders (¥ billion)	505.7	553.5	47.8	566.6
No. of sales (home units)	3,085	2,784	(301)	7,770
Value of sales (¥ billion)	75.1	67.8	(7.3)	175.9

5. Key operating factors

	Q1 2014	Q1 2015	Increase (decrease)	Q1–Q2 2015 forecast
Naphtha price (yen/kL, domestic)	69,900	48,800	(21,100)	49,400
Exchange rates				
Yen/US\$	102	121	19	121
Yen/€	140	134	(6)	135

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2015	At end of June 2015	Increase (decrease)
Short-term loans payable	96.0	79.7	(16.3)
Commercial paper	—	27.0	27.0
Long-term loans payable	130.4	133.3	2.9
Bonds payable	40.0	40.0	—
Lease obligations	2.6	2.2	(0.4)
Total	269.0	282.2	13.2