

**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 Quarter Fiscal 2014: April 1, 2014 – June 30, 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 2014	Q1 2013
Net sales	447,146 [+4.0%]	429,963 [+17.8%]
Operating income	26,642 [-5.9%]	28,300 [+160.9%]
Ordinary income	27,345 [-0.5%]	27,486 [+238.1%]
Net income	16,997 [-13.3%]	19,607 [+521.5%]
Net income per share*	12.16	14.03
Diluted net income per share*	—	—

\* Yen

Note: Comprehensive income was ¥24,611 million during Q1 2014, and ¥39,248 million during Q1 2013.

## 2. Financial position

At end of	June 2014	March 2014
Total assets	1,901,175	1,915,089
Net assets	920,846	925,766
Net worth/total assets	47.8%	47.7%
Net worth per share*	649.72	653.15

\* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of June 30, 2014, was ¥907,891 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	—	—	—	—	—
2014 (forecast)	—	8.00	—	9.00	17.00

\* 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)

	For Q1–Q2	For the fiscal year
Net sales	976,000 [+6.2%]	2,016,000 [+6.2%]
Operating income	67,000 [−9.7%]	150,000 [+4.6%]
Ordinary income	67,000 [−8.0%]	151,000 [+5.7%]
Net income	41,500 [−10.9%]	90,000 [−11.2%]
Net income per share*	29.70	64.41

\* 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 2014 announced on May 9, 2014, will be revised at the end of the 2nd quarter of fiscal 2014.

#### 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 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 first quarter 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 first quarter 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 first quarter of the fiscal year ending March 31, 2015, is immaterial.

4. Number of shares outstanding

	Q1 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	5,261,259	5,230,736
Average number of shares outstanding during period	1,397,372,385	1,397,579,922*

\* Q1 2013

## V. Overview of Consolidated Results

### 1. Consolidated group results

Although the US economy continued to recover and there were signs of improvement in Europe during the April–June quarter of fiscal 2014, slower growth was seen in China and other emerging economies, while geopolitical risks were heightened by political instability in certain regions. The Japanese economy continued on a path of gradual recovery with increased employment, but consumer spending softened due to factors such as a fall in demand following a surge before the consumption tax increase.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥17.2 billion (4.0%) from a year ago to ¥447.1 billion with increased deliveries of order-built homes in homes operations. Operating income decreased by ¥1.7 billion (5.9%) to ¥26.6 billion with the impact of higher feedstock prices in chemicals operations. Ordinary income decreased by ¥0.1 billion (0.5%) to ¥27.3 billion. Net income decreased by ¥2.6 billion (13.3%) to ¥17.0 billion.

Results for the first quarter of fiscal 2013 have been revised retroactively to reflect the consolidation of one subsidiary in the third quarter of fiscal 2013.

### 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 ¥5.7 billion (2.6%) from a year ago to ¥227.7 billion, and operating income decreased by ¥3.1 billion (25.1%) to ¥9.3 billion.

Among chemicals operations, in petrochemicals, market prices for acrylonitrile improved, but petrochemical products overall were impacted by high feedstock prices in addition to the impact of major plant maintenance turnarounds. In performance polymers, sales of engineering plastics and of synthetic rubber for fuel-efficient tires were firm, but synthetic rubber for other applications were impacted by low overseas market prices. In specialty products, sales of ion-exchange membranes were firm, but advertising expenses increased for Saran Wrap™ cling film and other consumables.

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

#### HOMES & CONSTRUCTION MATERIALS

Sales increased by ¥6.4 billion (5.7%) from a year ago to ¥117.8 billion, and operating income increased by ¥1.0 billion (13.2%) to ¥8.9 billion.

Among homes operations, in order-built homes, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased based on strong orders in the previous fiscal year. In remodeling, orders decreased in reaction to the surge in demand prior to the consumption tax increase. In real estate, rental management performed well.

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

#### ELECTRONICS

Sales decreased by ¥0.7 billion (1.9%) from a year ago to ¥35.8 billion, and operating income increased ¥0.2 billion (5.8%) to ¥4.0 billion.

In electronic devices operations, shipments of electronic compasses and magnetic sensors for smartphones and other mobile applications increased, but shipments of crystal oscillator ICs decreased.

In electronic materials operations, sales prices decreased mainly for Hipore™ Li-ion battery separator, but sales of high-end products in each product category were firm and operating rates improved.

#### HEALTH CARE

Sales increased by ¥2.9 billion (5.2%) from a year ago to ¥59.0 billion, and operating income increased by ¥0.3 billion (4.6%) to ¥7.8 billion.

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

In medical devices operations, sales of dialysis products and of therapeutic apheresis devices were firm and shipments of Planova™ virus removal filters 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” increased by ¥2.9 billion (71.4%) from a year ago to ¥6.9 billion, and operating income was flat at ¥0.4 billion.

## VI. Consolidated Financial Statements

### 1. Balance sheets

	At end of March 2014	At end of June 2014
<b>Assets</b>		
Current assets		
Cash and deposits	151,474	118,516
Notes and accounts receivable–trade	316,705	303,795
Short-term investment securities	—	15
Merchandise and finished goods	151,156	157,378
Work in process	112,243	129,043
Raw materials and supplies	65,141	66,115
Deferred tax assets	27,469	26,744
Other	68,106	69,195
Allowance for doubtful accounts	(1,894)	(1,829)
<b>Total current assets</b>	<b>890,401</b>	<b>868,972</b>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	453,498	458,129
Accumulated depreciation	(250,633)	(253,556)
<b>Buildings and structures, net</b>	<b>202,866</b>	<b>204,573</b>
Machinery, equipment and vehicles	1,290,526	1,306,766
Accumulated depreciation	(1,127,452)	(1,136,798)
<b>Machinery, equipment and vehicles, net</b>	<b>163,074</b>	<b>169,967</b>
Land	58,067	58,607
Lease assets	13,567	13,378
Accumulated depreciation	(9,095)	(9,432)
<b>Lease assets, net</b>	<b>4,472</b>	<b>3,947</b>
Construction in progress	35,216	29,602
Other	137,897	137,955
Accumulated depreciation	(121,056)	(120,924)
<b>Other, net</b>	<b>16,841</b>	<b>17,030</b>
<b>Subtotal</b>	<b>480,535</b>	<b>483,727</b>
Intangible assets		
Goodwill	137,679	133,542
Other	120,740	118,662
<b>Subtotal</b>	<b>258,419</b>	<b>252,204</b>
Investments and other assets		
Investment securities	238,419	248,554
Long-term loans receivable	9,173	9,055
Net defined benefit asset	2,369	—
Deferred tax assets	16,278	19,478
Other	19,751	19,503
Allowance for doubtful accounts	(256)	(317)
<b>Subtotal</b>	<b>285,735</b>	<b>296,273</b>
<b>Total noncurrent assets</b>	<b>1,024,689</b>	<b>1,032,204</b>
<b>Total assets</b>	<b>1,915,089</b>	<b>1,901,175</b>

	At end of March 2014	At end of June 2014
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable–trade	159,925	173,760
Short-term loans payable	103,605	71,874
Commercial paper	10,000	52,000
Lease obligations	1,784	1,638
Accrued expenses	93,313	78,037
Income taxes payable	48,520	10,939
Advances received	80,164	89,590
Provision for periodic repairs	7,964	3,028
Provision for product warranties	2,503	2,011
Provision for removal cost of property, plant and equipment	2,893	3,012
Asset retirement obligations	806	504
Other	65,305	61,651
<b>Total current liabilities</b>	<b>576,782</b>	<b>548,043</b>
<b>Noncurrent liabilities</b>		
Bonds payable	40,000	40,000
Long-term loans payable	146,037	147,730
Lease obligations	2,445	2,051
Deferred tax liabilities	43,441	42,596
Provision for directors' retirement benefits	818	—
Provision for periodic repairs	173	382
Provision for removal cost of property, plant and equipment	9,526	8,867
Net defined benefit liability	143,523	163,934
Asset retirement obligations	3,244	3,144
Long-term guarantee deposits	18,899	18,835
Other	4,434	4,747
<b>Total noncurrent liabilities</b>	<b>412,541</b>	<b>432,287</b>
<b>Total liabilities</b>	<b>989,323</b>	<b>980,330</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	103,389	103,389
Capital surplus	79,404	79,404
Retained earnings	635,403	623,178
Treasury stock	(2,591)	(2,614)
<b>Total shareholders' equity</b>	<b>815,605</b>	<b>803,357</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on other securities	75,626	84,296
Deferred gains or losses on hedges	(171)	(141)
Foreign currency translation adjustments	46,734	44,571
Remeasurements of defined benefit plans	(25,094)	(24,192)
<b>Total accumulated other comprehensive income</b>	<b>97,095</b>	<b>104,534</b>
<b>Minority interests</b>	<b>13,067</b>	<b>12,954</b>
<b>Total net assets</b>	<b>925,766</b>	<b>920,846</b>
<b>Total liabilities and net assets</b>	<b>1,915,089</b>	<b>1,901,175</b>

## 2. Statements of income and statements of comprehensive income

### (1) Statements of income

	Q1 2013	Q1 2014
Net sales	429,963	447,146
Cost of sales	313,327	328,351
Gross profit	116,636	118,794
Selling, general and administrative expenses	88,335	92,152
Operating income	28,300	26,642
Non-operating income		
Interest income	280	317
Dividends income	1,088	1,306
Equity in earnings of affiliates	—	811
Foreign exchange gains	720	—
Other	787	750
Total non-operating income	2,875	3,184
Non-operating expenses		
Interest expense	852	764
Equity in losses of affiliates	1,872	—
Foreign exchange loss	—	749
Other	966	968
Total non-operating expenses	3,690	2,481
Ordinary income	27,486	27,345
Extraordinary income		
Gain on sales of investment securities	35	—
Gain on sales of noncurrent assets	1,467	236
Total extraordinary income	1,502	236
Extraordinary loss		
Loss on sales of investment securities	—	112
Loss on valuation of investment securities	—	465
Loss on disposal of noncurrent assets	461	502
Business structure improvement expenses	357	201
Total extraordinary loss	818	1,281
Income before income taxes and minority interests	28,169	26,300
Total income taxes	8,376	9,043
Income before minority interests	19,793	17,258
Minority interests in income	187	261
Net income	19,607	16,997

(2) Statements of comprehensive income

	Q1 2013	Q1 2014
Income before minority interests	19,793	17,258
Other comprehensive income		
Net increase in unrealized gain on other securities	6,837	8,611
Deferred gains or losses on hedges	211	30
Foreign currency translation adjustment	12,030	(1,957)
Remeasurements of defined benefit plans, net of tax	—	913
Share of other comprehensive income of affiliates accounted for using equity method	376	(243)
Total other comprehensive income	19,454	7,353
Comprehensive income	39,248	24,611
Comprehensive income attributable to:		
Owners of the Parent	38,904	24,399
Minority interests	343	212

### 3. Statements of cash flows

	Q1 2013	Q1 2014
Cash flows from operating activities		
Income before income taxes and minority interests	28,169	26,300
Depreciation and amortization	19,953	19,698
Amortization of goodwill	2,190	2,156
Amortization of negative goodwill	(58)	(40)
Decrease in provision for periodic repairs	(584)	(4,727)
Decrease in provision for product warranties	(114)	(488)
Decrease in provision for removal cost of property, plant and equipment	(717)	(541)
Increase in provision for retirement benefits	1,291	—
Decrease in net defined benefit liability	—	(575)
Interest and dividend income	(1,368)	(1,623)
Interest expense	852	764
Equity in losses (earnings) of affiliates	1,872	(811)
(Gain) loss on sales of investment securities	(35)	112
Loss on valuation of investment securities	—	465
Gain on sale of property, plant and equipment	(1,467)	(236)
Loss on disposal of noncurrent assets	461	502
Decrease in notes and accounts receivable—trade	3,077	13,372
Increase in inventories	(30,906)	(23,808)
Increase in notes and accounts payable—trade	3,023	12,848
Decrease in accrued expenses	(15,328)	(15,429)
Increase in advances received	16,494	9,451
Other, net	1,693	(4,456)
Subtotal	28,498	32,933
Interest and dividend income, received	1,927	2,608
Interest expense paid	(627)	(526)
Income taxes paid	(11,359)	(46,188)
Net cash provided by (used in) operating activities	18,439	(11,173)
Cash flows from investing activities		
Payments into time deposits	(2,640)	(1,951)
Proceeds from withdrawal of time deposits	2,640	4,929
Purchase of property, plant and equipment	(21,845)	(19,463)
Proceeds from sales of property, plant and equipment	2,030	126
Purchase of intangible assets	(8,955)	(3,660)
Purchase of investment securities	(1,707)	(204)
Proceeds from sales of investment securities	87	2,516
Payments of loans receivable	(2,453)	(460)
Collection of loans receivable	2,565	660
Other, net	(271)	(449)
Net cash used in investing activities	(30,548)	(17,956)

	Q1 2013	Q1 2014
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	2,071	(31,326)
Increase in commercial paper	11,000	42,000
Proceeds from long-term loans payable	1,862	3,123
Repayment of long-term loans payable	(651)	(361)
Repayments of lease obligations	(672)	(564)
Purchase of treasury stock	(26)	(23)
Proceeds from disposal of treasury stock	0	0
Cash dividends paid	(9,783)	(13,974)
Cash dividends paid to minority shareholders	(20)	(177)
Other, net	(17)	212
Net cash provided by (used in) financing activities	3,763	(1,090)
Effect of exchange rate change on cash and cash equivalents	1,206	(100)
Net decrease in cash and cash equivalents	(7,139)	(30,318)
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	100
Cash and cash equivalents at end of period	97,367	112,921

## 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. Also, results for the first quarter of fiscal 2013 have been revised retroactively to reflect the consolidation of one subsidiary in the third quarter of fiscal 2013.

#### 1) Consolidated net sales by segment

		Q1 2013	Q1 2014	Increase (decrease)	Q1–Q2 2014 forecast
Chemicals & Fibers	Chemicals	193.1	196.9	3.7	417.0
	Fibers	28.8	30.9	2.0	63.0
Chemicals & Fibers		222.0	227.7	5.7	480.0
Homes & Construction Materials	Homes	98.4	105.5	7.1	257.0
	Construction Materials	13.1	12.3	(0.8)	28.0
Homes & Construction Materials		111.4	117.8	6.4	285.0
Electronics		36.5	35.8	(0.7)	75.0
Health Care	Health Care	38.3	35.7	(2.6)	76.0
	Critical Care	17.8	23.3	5.5	48.0
Health Care		56.1	59.0	2.9	124.0
Others		4.0	6.9	2.9	12.0
Total		430.0	447.1	17.2	976.0

## 2) Consolidated operating income (loss) by segment

(billions of yen)

	Q1 2013	Q1 2014	Increase (decrease)	Q1-Q2 2014 forecast
Chemicals	10.2	7.1	(3.1)	21.5
Fibers	2.2	2.2	0.0	4.0
Chemicals & Fibers	12.4	9.3	(3.1)	25.5
Homes	6.6	8.4	1.8	26.5
Construction Materials	1.3	0.9	(0.4)	2.0
Homes & Construction Materials	7.9	8.9	1.0	28.5
Electronics	3.8	4.0	0.2	7.5
Health Care	9.0	8.1	(0.8)	13.0
Critical Care	(1.5)	(0.3)	1.2	0.0
Health Care	7.5	7.8	0.3	13.0
Others	0.4	0.4	0.0	0.5
Combined	32.0	30.5	(1.5)	75.0
Corporate expenses and eliminations	(3.7)	(3.9)	(0.2)	(8.0)
Total	28.3	26.6	(1.7)	67.0

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	(0.5)	1.6	2.6	(4.2)	(3.1)
Fibers	0.0	0.6	0.2	(0.6)	0.0
Chemicals & Fibers	(0.5)	2.2	2.8	(4.8)	(3.1)
Homes	1.7	2.4	—	(2.4)	1.8
Construction Materials	(0.0)	0.1	—	(0.6)	(0.4)
Homes & Construction Materials	1.7	2.6	—	(3.3)	1.0
Electronics	(0.0)	(1.4)	0.7	1.6	0.2
Health Care	(1.1)	(1.0)	0.5	1.2	(0.8)
Critical Care	4.1	(0.7)	0.1	(2.2)	1.2
Health Care	3.0	(1.6)	0.6	(1.0)	0.3
Others	0.3	—	—	(0.3)	0.0
Subtotal	4.5	1.7	4.1	(7.7)	(1.5)
Corporate expenses and eliminations	0.0	—	—	(0.2)	(0.2)
Consolidated	4.5	1.7	4.1	(7.9)	(1.7)

### 3. Major financial metrics (consolidated)

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

	Q1 2013	Q1 2014
Capital expenditure (tangible)	19.3	19.2
Capital expenditure (intangible)	2.7	3.1
Depreciation and amortization*	20.0	19.7
Balance of payments	0.5	0.8
<i>of which, dividends received</i>	<i>1.1</i>	<i>1.3</i>
Employees at end of period	28,987	29,823
D/E ratio	0.47	0.35

\* Excluding amortization of goodwill.

### 4. Contract trends for home construction operations

	Q1 2013	Q1 2014	Increase (decrease)	Q1–Q2 2014 forecast
No. of orders received (home units)	4,794	4,557	(237)	8,900
Value of orders received (¥ billion)	111.8	99.2	(12.6)	202.0
Backlog of orders (¥ billion)	486.4	505.7	19.3	499.8
No. of sales (home units)	2,791	3,085	294	7,850
Value of sales (¥ billion)	70.0	75.1	5.1	183.7

### 5. Key operating factors

	Q1 2013	Q1 2014	Increase (decrease)	Q1–Q2 2014 forecast	
Naphtha price (yen/kL, domestic)	65,500	69,900	4,400	71,050	
Exchange rates	Yen/US\$	99	102	3	102
(market average)	Yen/€	129	140	11	139

### 6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2014	At end of June 2014	Increase (decrease)
Short-term loans payable	103.6	71.9	(31.7)
Commercial paper	10.0	52.0	42.0
Long-term loans payable	146.0	147.7	1.7
Bonds payable	40.0	40.0	—
Lease obligations	4.2	3.7	(0.5)
Total	303.9	315.3	11.4