

Asahi Kasei Corporation

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

February 7, 2018

Consolidated Results for 1st to 3rd Quarter Fiscal 2017: April 1, 2017 – December 31, 2017

(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 2017	Q1–Q3 2016
Net sales	1,484,549 [+9.4%]	1,356,844 [–6.3%]
Operating income	149,189 [+30.7%]	114,134 [–9.9%]
Ordinary income	160,546 [+35.6%]	118,391 [–5.0%]
Net income attributable to owners of the parent	140,328 [+56.5%]	89,654 [+25.0%]
Net income per share*	100.49	64.19
Diluted net income per share*	—	—

* Yen

Note:

Comprehensive income was ¥190,791 million during Q1–Q3 2017, and ¥122,584 million during Q1–Q3 2016.

2. Financial position

At end of	December 2017	March 2017
Total assets	2,422,516	2,254,500
Net assets	1,318,632	1,168,115
Net worth/total assets	53.7%	51.1%
Net worth per share*	931.58	824.36

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of December 31, 2017, was ¥1,300,602 million; as of March 31, 2017, ¥1,151,344 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2016	—	10.00	—	14.00	24.00
2017	—	14.00			
2017 (forecast)			—	14.00	28.00

* Yen

III. Forecast for Fiscal 2017 (April 1, 2017 – March 31, 2018)

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

	For the fiscal year
Net sales	2,050,000 [+8.9%]
Operating income	195,000 [+22.5%]
Ordinary income	208,000 [+29.5%]
Net income attributable to owners of the parent	169,000 [+47.0%]
Net income per share*	121.03

* 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 2017 announced on November 7, 2017, 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. Changes in accounting policies, changes in accounting estimates, and retroactive restatement: None

4. Number of shares outstanding

	Q1–Q3 2017	FY 2016
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	6,487,788	5,958,904
Average number of shares outstanding during period	1,396,387,353	1,396,730,402*

* Q1–Q3 2016

V. Consolidated Financial Statements

1. Balance sheets

	At end of March 2017	At end of December 2017
Assets		
Current assets		
Cash and deposits	145,289	192,616
Notes and accounts receivable–trade	302,751	334,867
Merchandise and finished goods	159,395	166,279
Work in process	116,481	139,103
Raw materials and supplies	70,806	79,127
Deferred tax assets	20,279	21,032
Other	81,816	87,858
Allowance for doubtful accounts	(2,272)	(2,361)
Total current assets	894,545	1,018,521
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	508,713	522,353
Accumulated depreciation	(278,122)	(286,360)
Buildings and structures, net	230,590	235,993
Machinery, equipment and vehicles	1,376,029	1,410,274
Accumulated depreciation	(1,176,686)	(1,205,194)
Machinery, equipment and vehicles, net	199,343	205,080
Land	62,391	62,911
Lease assets	12,367	11,978
Accumulated depreciation	(11,381)	(11,084)
Lease assets, net	986	894
Construction in progress	45,958	42,838
Other	150,073	153,482
Accumulated depreciation	(132,460)	(135,349)
Other, net	17,613	18,133
Subtotal	556,881	565,848
Intangible assets		
Goodwill	285,622	274,040
Other	177,149	170,809
Subtotal	462,772	444,849
Investments and other assets		
Investment securities	284,137	330,561
Long-term loans receivable	18,918	27,967
Deferred tax assets	9,309	6,280
Other	28,154	28,704
Allowance for doubtful accounts	(215)	(214)
Subtotal	340,302	393,299
Total noncurrent assets	1,359,955	1,403,996
Total assets	2,254,500	2,422,516

	At end of March 2017	At end of December 2017
Liabilities		
Current liabilities		
Notes and accounts payable–trade	147,543	172,522
Short-term loans payable	113,475	113,119
Commercial paper	56,000	86,000
Current portion of bonds payable	20,000	—
Lease obligations	305	185
Accrued expenses	100,419	89,475
Income taxes payable	16,202	20,272
Advances received	72,882	85,065
Provision for periodic repairs	5,003	2,111
Provision for product warranties	2,461	2,704
Provision for removal cost of property, plant and equipment	1,800	824
Asset retirement obligations	572	524
Other	58,217	62,399
Total current liabilities	594,880	635,200
Noncurrent liabilities		
Bonds payable	20,000	20,000
Long-term loans payable	192,584	182,619
Lease obligations	467	422
Deferred tax liabilities	59,759	46,946
Provision for periodic repairs	165	2,527
Provision for removal cost of property, plant and equipment	4,390	3,367
Provision for loss on litigation	2,162	—
Net defined benefit liability	178,368	175,750
Asset retirement obligations	3,436	3,799
Long-term guarantee deposits	20,479	20,824
Other	9,695	12,429
Total noncurrent liabilities	491,506	468,684
Total liabilities	1,086,385	1,103,884
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,443	79,440
Retained earnings	850,532	952,039
Treasury stock	(3,242)	(3,924)
Total shareholders' equity	1,030,122	1,130,944
Accumulated other comprehensive income		
Net unrealized gain on other securities	113,475	134,163
Deferred gains or losses on hedges	55	18
Foreign currency translation adjustment	40,831	62,800
Remeasurements of defined benefit plans	(33,140)	(27,323)
Total accumulated other comprehensive income	121,222	169,658
Non-controlling interests	16,771	18,031
Total net assets	1,168,115	1,318,632
Total liabilities and net assets	2,254,500	2,422,516

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1-Q3 2016	Q1-Q3 2017
Net sales	1,356,844	1,484,549
Cost of sales	928,669	1,002,514
Gross profit	428,175	482,035
Selling, general and administrative expenses	314,041	332,847
Operating income	114,134	149,189
Non-operating income		
Interest income	1,012	1,497
Dividends income	4,053	5,573
Equity in earnings of affiliates	2,603	9,118
Foreign exchange gains	303	—
Other	2,694	3,649
Total non-operating income	10,664	19,837
Non-operating expenses		
Interest expense	3,287	3,399
Foreign exchange loss	—	1,527
Other	3,121	3,553
Total non-operating expenses	6,408	8,480
Ordinary income	118,391	160,546
Extraordinary income		
Gain on sales of investment securities	9,865	15,087
Gain on sales of noncurrent assets	63	530
Total extraordinary income	9,928	15,617
Extraordinary loss		
Loss on valuation of investment securities	45	5
Loss on disposal of noncurrent assets	2,295	2,864
Impairment loss	53	854
Business structure improvement expenses	3,818	1,062
Business integration expense	681	—
Total extraordinary loss	6,892	4,785
Income before income taxes	121,426	171,378
Total income taxes	30,446	29,482
Net income	90,980	141,896
Net income attributable to non-controlling interests	1,326	1,569
Net income attributable to owners of the parent	89,654	140,328

2) Statements of comprehensive income

	Q1-Q3 2016	Q1-Q3 2017
Net income	90,980	141,896
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	16,567	20,645
Deferred gains or losses on hedges	187	(37)
Foreign currency translation adjustment	8,229	20,879
Remeasurements of defined benefit plans	6,304	5,879
Share of other comprehensive income of affiliates accounted for using equity method	317	1,529
Total other comprehensive income	31,604	48,895
Comprehensive income	122,584	190,791
Comprehensive income attributable to:		
Owners of the parent	121,061	188,741
Non-controlling interests	1,523	2,050

3. Statements of cash flows

	Q1–Q3 2016	Q1–Q3 2017
Cash flows from operating activities		
Income before income taxes	121,426	171,378
Depreciation and amortization	66,802	70,426
Impairment loss	53	854
Amortization of goodwill	13,113	13,636
Amortization of negative goodwill	(119)	(119)
Decrease in provision for periodic repairs	(168)	(529)
Increase in provision for product warranties	61	242
Decrease in provision for removal cost of property, plant and equipment	(2,701)	(1,999)
Decrease in provision for loss on litigation	—	(2,153)
Decrease in net defined benefit liability	(5,211)	(2,804)
Interest and dividend income	(5,065)	(7,070)
Interest expense	3,287	3,399
Equity in earnings of affiliates	(2,603)	(9,118)
Gain on sales of investment securities	(9,865)	(15,087)
Loss on valuation of investment securities	45	5
Gain on sale of property, plant and equipment	(63)	(530)
Loss on disposal of noncurrent assets	2,295	2,864
Increase in notes and accounts receivable–trade	(25,784)	(27,060)
Increase in inventories	(22,189)	(33,593)
Increase in notes and accounts payable–trade	36,082	20,186
Decrease in accrued expenses	(14,333)	(12,095)
Increase in advances received	9,903	12,131
Other, net	(1,038)	11,284
Subtotal	163,930	194,249
Interest and dividend income, received	6,537	8,757
Interest expense paid	(2,697)	(2,970)
Income taxes paid	(44,104)	(45,993)
Net cash provided by operating activities	123,666	154,043
Cash flows from investing activities		
Payments into time deposits	(3,492)	(2,247)
Proceeds from withdrawal of time deposits	4,574	2,246
Purchase of property, plant and equipment	(59,181)	(58,958)
Proceeds from sales of property, plant and equipment	2,572	1,696
Purchase of intangible assets	(6,876)	(9,601)
Purchase of investment securities	(8,022)	(9,989)
Proceeds from sales of investment securities	11,687	16,656
Payments of loans receivable	(5,054)	(40,540)
Collection of loans receivable	1,815	31,773
Other, net	(1,134)	(97)
Net cash used in investing activities	(63,110)	(69,061)

	Q1–Q3 2016	Q1–Q3 2017
Cash flows from financing activities		
Net decrease in short-term loans payable	(181,107)	(14,643)
Increase in commercial paper	91,000	30,000
Proceeds from long-term loans payable	127,251	15,295
Repayment of long-term loans payable	(21,204)	(12,316)
Redemption of bonds	—	(20,000)
Repayments of lease obligations	(798)	(279)
Purchase of treasury stock	(65)	(683)
Proceeds from disposal of treasury stock	1	1
Cash dividends paid	(27,935)	(39,106)
Cash dividends paid to non-controlling interests	(696)	(1,456)
Other, net	109	69
Net cash used in financing activities	(13,444)	(43,117)
Effect of exchange rate change on cash and cash equivalents	(5,101)	5,123
Net increase in cash and cash equivalents	42,011	46,987
Cash and cash equivalents at beginning of period	145,307	144,077
Increase in cash and cash equivalents resulting from changes in scope of consolidation	443	272
Cash and cash equivalents at end of period	187,761	191,336