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

August 2, 2018

Consolidated Results for 1st Quarter Fiscal 2018: April 1, 2018 – June 30, 2018

(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 2018	Q1 2017
Net sales	489,770 [+9.1%]	448,736 [+5.4%]
Operating income	47,883 [+26.5%]	37,858 [+26.7%]
Ordinary income	51,773 [+25.7%]	41,203 [+45.7%]
Net income attributable to owners of the parent	36,414 [+21.1%]	30,064 [+24.8%]
Net income per share*	26.08	21.53
Diluted net income per share*	_	_

* Yer

Note: Comprehensive income was \(\frac{\pmathbf{4}}{4}\)5,340 million during Q1 2018, and \(\frac{\pmathbf{3}}{3}\)8,976 million during Q1 2017.

2. Financial position

At end of	June 2018	March 2018
Total assets	2,360,305	2,307,154
Net assets	1,322,127	1,305,214
Net worth/total assets	55.3%	55.8%
Net worth per share*	934.31	922.11

* Ver

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of June 30, 2018, was \(\pm\)1,304,412 million; as of March 31, 2018, \(\pm\)1,287,387 million.

II. Cash Dividends

Figaal waar		Casl	n dividends p	er share*	
Fiscal year	Q1	Q2	Q3	Q4	Total annual
2017		14.00	_	20.00	34.00
2018					
2018 (forecast)		17.00		17.00	34.00

* Yen

III. Forecast for Fiscal 2018 (April 1, 2018 – March 31, 2019)

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

	For Q1–Q2	For the fiscal year
Net sales	1,045,000 [+8.3%]	2,155,000 [+5.5%]
Operating income	97,000 [+4.7%]	190,000 [-4.3%]
Ordinary income	103,500 [+5.4%]	199,000 [-6.4%]
Net income attributable to owners of the parent	78,500 [+10.8%]	140,000 [-17.8%]
Net income per share*	56.23	100.28

* 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 2018 announced on May 11, 2018, will be revised at the end of the 2nd quarter of fiscal 2018.

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 difficult to distinguish from changes in accounting estimates: Change in method of depreciation of property, plant and equipment

Whereas Asahi Kasei and its subsidiaries in Japan had previously primarily applied the declining-balance method for depreciation of property, plant and equipment (except lease assets), this was changed to the straight-line method from the first quarter of the year ending March 31, 2019.

The Asahi Kasei Group has continued to acquire overseas companies in recent years, and since overseas subsidiaries apply the straight-line method for depreciation of property, plant and equipment, there is an increase in the proportion of property, plant and equipment depreciated by the straight-line method.

Furthermore, the Asahi Kasei Group is currently advancing investments to expand businesses with competitive superiority, as well as investments for modification and rationalization, based on the "Cs for Tomorrow 2018" three-year strategic management initiative. Large-scale expansions of domestic manufacturing plants are being implemented or planned, especially in the Material sector, during the year ending March 31, 2019, the final fiscal year of the three-year period. As such expansions of manufacturing plants are scheduled to successively start operation beginning from the year ending March 31, 2019, a change in the situation of domestic capital expenditure is foreseeable.

This changing situation surrounding property, plant and equipment presented an opportunity to reconsider the method of depreciation.

Long-term and stable operation of the property, plant and equipment of Asahi Kasei and its subsidiaries in Japan is expected to contribute to the achievement of stable earnings for Asahi Kasei and its subsidiaries in Japan. Therefore, it was determined that adoption of the straight-line method

of depreciation of property, plant and equipment in Japan as well would not only be a cost allocation method more accurately reflecting the state of use of property, plant and equipment, but also more appropriate for performance management of the Asahi Kasei Group.

Due to this change, operating income was \(\frac{\pmathbf{1}}{1}\),519 million higher, and ordinary income and income before income taxes were each \(\frac{\pmathbf{1}}{1}\),526 million higher than they would have been with the previous method.

Additional information:

Application of Partial Amendments to Accounting Standard for Tax Effect Accounting:

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28) issued by the Accounting Standards Board of Japan is applied from the first quarter of the year ending March 31, 2019. Accordingly, all deferred tax assets are shown under investments and other assets, and all deferred tax liabilities are shown under noncurrent liabilities.

4. Number of shares outstanding

	Q1 2018	FY 2017
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	6,495,021	6,491,617
Average number of shares outstanding during period	1,396,123,154	1,396,648,051*

* O1 2017

V. Consolidated Financial Statements

1. Balance sheets

	At end of	At end of
	March 2018	June 2018
Assets		
Current assets		
Cash and deposits	156,318	187,047
Notes and accounts receivable-trade	341,396	326,376
Merchandise and finished goods	169,948	172,256
Work in process	109,486	130,243
Raw materials and supplies	80,253	83,944
Other	83,956	75,819
Allowance for doubtful accounts	(2,411)	(2,519)
Total current assets	938,947	973,166
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	517,562	523,063
Accumulated depreciation	(285,760)	(288,756)
Buildings and structures, net	231,802	234,307
Machinery, equipment and vehicles	1,399,081	1,410,022
Accumulated depreciation	(1,200,504)	(1,209,744)
Machinery, equipment and vehicles, net	198,577	200,278
Land	62,938	62,947
Lease assets	11,698	11,290
Accumulated depreciation	(10,901)	(10,436)
Lease assets, net	798	854
Construction in progress	50,502	56,128
Other	153,002	154,777
Accumulated depreciation	(135,571)	(136,468)
Other, net	17,431	18,309
Subtotal	562,048	572,824
Intangible assets	302,010	372,021
Goodwill	252,724	262,320
Other	161,898	165,311
Subtotal	414,621	427,630
Investments and other assets	117,021	127,030
Investment securities	314,830	308,789
Long-term loans receivable	27,793	25,625
Deferred tax assets	17,775	21,290
Other	31,406	31,244
Allowance for doubtful accounts	(266)	(264)
Subtotal	391,538	386,684
Total noncurrent assets		·
	1,368,207	1,387,139
Total assets	2,307,154	2,360,305

Liabilities		At end of	At end of
Liabilities			
Notes and accounts payable—trade	Liabilities	1/14/10/12/10	2010
Notes and accounts payable			
Short-term loans payable 118,018 106,724 Commercial paper 20,000 75,000 Lease obligations 199 191 Accrued expenses 105,787 86,326 Income taxes payable 29,714 23,927 Advances received 70,142 83,093 Provision for grant of shares 28 28 Provision for periodic repairs 3,185 2,615 Provision for product warranties 2,730 2,929 Provision for product warranties 2,730 2,929 Provision for product warranties 2,730 2,929 Provision for product warranties 557 525 Other 64,948 64,273 Asset retirement obligations 557 525 Other 64,948 64,273 Noncurrent liabilities 20,000 20,000 Long-term loans payable 143,176 143,762 Lease obligations 352 321 Deferred tax liabilities 36,639 39,317 Provision for periodic		171.413	172,752
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Capital stock 103,389 103,389 Capital surplus 79,440 79,441 Retained earnings 981,934 990,504 Treasury stock (3,930) (3,935) Total shareholders' equity 1,160,833 1,169,399 Accumulated other comprehensive income 121,128 117,012 Deferred gains or losses on hedges 92 168 Foreign currency translation adjustment 28,676 39,728 Remeasurements of defined benefit plans (23,343) (21,894) Total accumulated other comprehensive income 126,553 135,014 Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127			
Capital surplus 79,440 79,441 Retained earnings 981,934 990,504 Treasury stock (3,930) (3,935) Total shareholders' equity 1,160,833 1,169,399 Accumulated other comprehensive income 121,128 117,012 Deferred gains or losses on hedges 92 168 Foreign currency translation adjustment 28,676 39,728 Remeasurements of defined benefit plans (23,343) (21,894) Total accumulated other comprehensive income 126,553 135,014 Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127		103 380	103 380
Retained earnings 981,934 990,504 Treasury stock (3,930) (3,935) Total shareholders' equity 1,160,833 1,169,399 Accumulated other comprehensive income 121,128 117,012 Deferred gains or losses on hedges 92 168 Foreign currency translation adjustment 28,676 39,728 Remeasurements of defined benefit plans (23,343) (21,894) Total accumulated other comprehensive income 126,553 135,014 Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127	*	· ·	
Treasury stock (3,930) (3,935) Total shareholders' equity 1,160,833 1,169,399 Accumulated other comprehensive income 121,128 117,012 Net unrealized gain on other securities 92 168 Foreign currency translation adjustment 28,676 39,728 Remeasurements of defined benefit plans (23,343) (21,894) Total accumulated other comprehensive income 126,553 135,014 Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127	-		
Total shareholders' equity Accumulated other comprehensive income Net unrealized gain on other securities Deferred gains or losses on hedges Foreign currency translation adjustment Remeasurements of defined benefit plans Total accumulated other comprehensive income Non-controlling interests 1,305,214 1,322,127	o o		
Accumulated other comprehensive income Net unrealized gain on other securities Deferred gains or losses on hedges Foreign currency translation adjustment Remeasurements of defined benefit plans Total accumulated other comprehensive income Non-controlling interests Total net assets 1,305,214 117,012			
Net unrealized gain on other securities121,128117,012Deferred gains or losses on hedges92168Foreign currency translation adjustment28,67639,728Remeasurements of defined benefit plans(23,343)(21,894)Total accumulated other comprehensive income126,553135,014Non-controlling interests17,82717,715Total net assets1,305,2141,322,127		1,100,633	1,109,399
Deferred gains or losses on hedges 92 168 Foreign currency translation adjustment 28,676 39,728 Remeasurements of defined benefit plans (23,343) (21,894) Total accumulated other comprehensive income 126,553 135,014 Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127		101 100	117.010
Foreign currency translation adjustment 28,676 39,728 Remeasurements of defined benefit plans (23,343) (21,894) Total accumulated other comprehensive income 126,553 135,014 Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127	<u> </u>		
Remeasurements of defined benefit plans(23,343)(21,894)Total accumulated other comprehensive income126,553135,014Non-controlling interests17,82717,715Total net assets1,305,2141,322,127			
Total accumulated other comprehensive income126,553135,014Non-controlling interests17,82717,715Total net assets1,305,2141,322,127			
Non-controlling interests 17,827 17,715 Total net assets 1,305,214 1,322,127	-		
Total net assets 1,305,214 1,322,127			
Total liabilities and net assets 2,307,154 2,360,305	Total net assets	1,305,214	1,322,127
	Total liabilities and net assets	2,307,154	2,360,305

2. Statements of income and statements of comprehensive income

1) Statements of income

	Q1 2017	Q1 2018
Net sales	448,736	489,770
Cost of sales	302,131	328,412
Gross profit	146,604	161,358
Selling, general and administrative expenses	108,746	113,475
Operating income	37,858	47,883
Non-operating income	<u> </u>	· · · · · · · · · · · · · · · · · · ·
Interest income	419	703
Dividends income	2,023	2,455
Equity in earnings of affiliates	2,596	2,520
Other	950	771
Total non-operating income	5,987	6,448
Non-operating expenses		
Interest expense	1,103	1,112
Foreign exchange loss	535	481
Other	1,003	965
Total non-operating expenses	2,642	2,557
Ordinary income	41,203	51,773
Extraordinary income		
Gain on sales of investment securities	5,541	6,811
Gain on sales of noncurrent assets	407	90
Total extraordinary income	5,948	6,901
Extraordinary loss		
Loss on valuation of investment securities	8	_
Loss on disposal of noncurrent assets	672	492
Impairment loss	513	174
Business structure improvement expenses	385	261
Total extraordinary loss	1,578	927
Income before income taxes	45,574	57,747
Total income taxes	14,999	20,775
Net income	30,575	36,972
Net income attributable to non-controlling interests	511	558
Net income attributable to owners of the parent	30,064	36,414

2) Statements of comprehensive income

	Q1 2017	Q1 2018
Net income	30,575	36,972
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	2,061	(4,089)
Deferred gains or losses on hedges	(66)	76
Foreign currency translation adjustment	4,256	11,616
Remeasurements of defined benefit plans	2,135	1,472
Share of other comprehensive income of affiliates accounted for using equity method	15	(706)
Total other comprehensive income	8,401	8,368
Comprehensive income	38,976	45,340
Comprehensive income attributable to:		
Owners of the parent	38,068	44,874
Non-controlling interests	907	467

3. Statements of cash flows

Cash flows from operating activities Income before income taxes 45,574 57,747 1 10,574 1		Q1 2017	Q1 2018
Depreciation and amortization 22,460 19,574 Impairment loss 513 174 Amortization of goodwill 4,532 4,404 Amortization of negative goodwill (40) (40) Decrease in provision for periodic repairs (541) (125) Increase in provision for periodic repairs (541) (125) Increase in provision for periodic warranties 183 191 Decrease in provision for removal cost of property, plant and equipment (1,461) (3,77) Decrease in net defined benefit liability (1,219) (786) Interest and dividend income (2,441) (3,157) Interest expense 1,103 1,112 Equity in earnings of affiliates (2,596) (2,520) Gain on sales of investment securities (5,541) (6,811) Loss on valuation of investment securities (407) (90) Loss on valuation of investment securities (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) (731) Decrease in accrued expenses (19,209) (20,945) Increase in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (500) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities Payments into time deposits 486 7,085 Purchase of property, plant and equipment 908 318 Purchase of investment securities (773) (830) Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Potentian of loans receivable (35,179) (1,970) Collection of loans receivable (36,496 9,245 Other, net (176) (464)	Cash flows from operating activities		
Impairment loss	Income before income taxes	45,574	57,747
Amortization of goodwill 4,532 4,404 Amortization of negative goodwill (40) (40) Decrease in provision for periodic repairs (541) (125) Increase in provision for periodic repairs 183 191 Decrease in provision for product warranties 183 191 Decrease in provision for removal cost of property, plant and equipment (1,461) (377) Decrease in net defined benefit liability (1,219) (786) Interest and dividend income (2,441) (3,157) Interest expense 1,103 1,112 Equity in earnings of affiliates (2,596) (2,520) Gain on sales of investment securities 8 — Gain on sales of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 <td>Depreciation and amortization</td> <td>22,460</td> <td>19,574</td>	Depreciation and amortization	22,460	19,574
Amortization of negative goodwill (40) (40) Decrease in provision for periodic repairs (541) (125) Increase in provision for product warranties 183 191 Decrease in provision for removal cost of property, plant and equipment (1,461) (377) Decrease in net defined benefit liability (1,219) (786) Interest and dividend income (2,441) (3,157) Interest expense 1,103 1,112 Equity in earnings of affiliates (2,596) (2,520) Gain on sales of investment securities 8 — Gain on sales of property, plant and equipment (407) (90) Loss on valuation of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209)	Impairment loss	513	174
Decrease in provision for periodic repairs 183 191	Amortization of goodwill	4,532	4,404
Increase in provision for product warranties 183 191 Decrease in provision for removal cost of property, plant and equipment (1,461) (377) Decrease in net defined benefit liability (1,219) (786) Interest and dividend income (2,441) (3,157) Interest expense 1,103 1,112 Equity in earnings of affiliates (2,596) (2,520) Gain on sales of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on valuation of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in inventories (11,884) (26,074) (Decrease) increase in inotes and accounts payable-trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable-trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 36,968 35,275		(40)	(40)
Decrease in provision for removal cost of property, plant and equipment (1,461) (377)	Decrease in provision for periodic repairs	(541)	(125)
Decrease in net defined benefit liability	Increase in provision for product warranties	183	191
Captiment Decrease in net defined benefit liability (1,219) (786)	Decrease in provision for removal cost of property, plant and	(1.461)	(277)
Interest and dividend income	equipment	(1,401)	(377)
Interest expense	Decrease in net defined benefit liability	(1,219)	(786)
Equity in earnings of affiliates (2,596) (2,520) Gain on sales of investment securities (5,541) (6,811) Loss on valuation of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities Payments into time deposits (486) (515) <t< td=""><td>Interest and dividend income</td><td>(2,441)</td><td>(3,157)</td></t<>	Interest and dividend income	(2,441)	(3,157)
Gain on sales of investment securities (5,541) (6,811) Loss on valuation of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 8 Payments into time deposits (486) (515) Proceeds from investing activities (486) (515) Proceeds from sales of property, plant and equipment (19,413)	Interest expense	1,103	1,112
Loss on valuation of investment securities 8 — Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 486 7,085 Payments into time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipmen		(2,596)	(2,520)
Gain on sale of property, plant and equipment (407) (90) Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 486 (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible	Gain on sales of investment securities	(5,541)	(6,811)
Loss on disposal of noncurrent assets 672 492 Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securitie	Loss on valuation of investment securities	8	
Decrease in notes and accounts receivable—trade 18,978 17,042 Increase in inventories (11,884) (26,074) (Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 7,085 Payments into time deposits (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Collection of loans receivable (35,179) (1,970) Collection of loans receivable (26,496 9,245 Other, net (176) (464)	Gain on sale of property, plant and equipment	(407)	(90)
Increase in inventories	Loss on disposal of noncurrent assets	672	492
(Decrease) increase in notes and accounts payable—trade (21,992) 731 Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 486 7,085 Payments into time deposits (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Payments of loans receivable	Decrease in notes and accounts receivable–trade	18,978	17,042
Decrease in accrued expenses (19,209) (20,945) Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities (486) (515) Payments into time deposits (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Payments of loans receivable	Increase in inventories	(11,884)	(26,074)
Increase in advances received 11,401 12,633 Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 486 (515) Payments into time deposits (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Payments of loans receivable (35,179) (1,970) Collection of loans receivable	(Decrease) increase in notes and accounts payable–trade	(21,992)	731
Other, net 7,849 3,677 Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 486 7,085 Payments into time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation — (5,233) Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)	Decrease in accrued expenses	(19,209)	(20,945)
Subtotal 45,942 56,853 Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities 486 (515) Payments into time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) (5,233) Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)	Increase in advances received	11,401	12,633
Interest and dividend income, received 3,755 4,477 Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities Payments into time deposits (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)	Other, net	7,849	3,677
Interest expense paid (650) (643) Income taxes paid (12,079) (25,412) Net cash provided by operating activities 36,968 35,275 Cash flows from investing activities (486) (515) Payments into time deposits (486) (515) Proceeds from withdrawal of time deposits 486 7,085 Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)	Subtotal	45,942	56,853
Income taxes paid(12,079)(25,412)Net cash provided by operating activities36,96835,275Cash flows from investing activities(486)(515)Payments into time deposits(486)(515)Proceeds from withdrawal of time deposits4867,085Purchase of property, plant and equipment(19,413)(23,577)Proceeds from sales of property, plant and equipment908318Purchase of intangible assets(2,731)(2,726)Purchase of investment securities(773)(830)Proceeds from sales of investment securities5,9537,352Purchase of shares in subsidiaries resulting in change in scope of consolidation(5,233)Payments of loans receivable(35,179)(1,970)Collection of loans receivable26,4969,245Other, net(176)(464)	Interest and dividend income, received	3,755	4,477
Net cash provided by operating activities36,96835,275Cash flows from investing activities(486)(515)Payments into time deposits(486)(515)Proceeds from withdrawal of time deposits4867,085Purchase of property, plant and equipment(19,413)(23,577)Proceeds from sales of property, plant and equipment908318Purchase of intangible assets(2,731)(2,726)Purchase of investment securities(773)(830)Proceeds from sales of investment securities5,9537,352Purchase of shares in subsidiaries resulting in change in scope of consolidation—(5,233)Payments of loans receivable(35,179)(1,970)Collection of loans receivable26,4969,245Other, net(176)(464)	Interest expense paid	(650)	(643)
Net cash provided by operating activities36,96835,275Cash flows from investing activities(486)(515)Payments into time deposits(486)(515)Proceeds from withdrawal of time deposits4867,085Purchase of property, plant and equipment(19,413)(23,577)Proceeds from sales of property, plant and equipment908318Purchase of intangible assets(2,731)(2,726)Purchase of investment securities(773)(830)Proceeds from sales of investment securities5,9537,352Purchase of shares in subsidiaries resulting in change in scope of consolidation—(5,233)Payments of loans receivable(35,179)(1,970)Collection of loans receivable26,4969,245Other, net(176)(464)	Income taxes paid	(12,079)	(25,412)
Cash flows from investing activities Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Proceeds from sales of property, plant and equipment Purchase of intangible assets Purchase of investment securities Purchase of investment securities Proceeds from sales of investment securities Proceeds from sales of investment securities Proceeds from sales of investment securities Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable Collection of loans receivable Other, net (486) (19,413) (23,577) (27,726) (2,731) (2,726) (773) (830) (5,233) (5,233)	Net cash provided by operating activities	36,968	
Payments into time deposits Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Purchase of intangible assets Purchase of intengible assets Purchase of investment securities Purchase of investment securities Purchase of investment securities Purchase of investment securities Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable Collection of loans receivable Other, net (486) (515) (486) (515) (486) (798) (23,577) (23,577) (27,726) (27,726) (27,726) (27,727) (27,727) (· · · · · · · · · · · · · · · · · · ·	· · · · · · · · · · · · · · · · · · ·
Proceeds from withdrawal of time deposits Purchase of property, plant and equipment Proceeds from sales of property, plant and equipment Purchase of intangible assets Purchase of investment securities Purchase of investment securities Proceeds from sales of investment securities Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable Collection of loans receivable Other, net 486 7,085 (23,577) (23,577) (2,726) (2,731) (2,726) (773) (830) (773) (830) (5,233) (5,233)		(486)	(515)
Purchase of property, plant and equipment (19,413) (23,577) Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)			. ,
Proceeds from sales of property, plant and equipment 908 318 Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation (5,233) Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)			
Purchase of intangible assets (2,731) (2,726) Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)			
Purchase of investment securities (773) (830) Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)			
Proceeds from sales of investment securities 5,953 7,352 Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)			
Purchase of shares in subsidiaries resulting in change in scope of consolidation Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)		` /	
of consolidation — (3,253) Payments of loans receivable (35,179) (1,970) Collection of loans receivable 26,496 9,245 Other, net (176) (464)			<u> </u>
Collection of loans receivable 26,496 9,245 Other, net (176) (464)			(5,233)
Collection of loans receivable 26,496 9,245 Other, net (176) (464)	Payments of loans receivable	(35,179)	(1,970)
Other, net (176) (464)	•		
	Other, net		
	Net cash used in investing activities	(24,915)	(11,314)

	Q1 2017	Q1 2018
Cash flows from financing activities		
Net decrease in short-term loans payable	(2,308)	(15,233)
Increase in commercial paper	13,000	55,000
Repayment of long-term loans payable	(273)	(202)
Repayments of lease obligations	(129)	(57)
Purchase of treasury stock	(26)	(5)
Proceeds from disposal of treasury stock	0	0
Cash dividends paid	(19,553)	(27,932)
Cash dividends paid to non-controlling interests	(915)	(674)
Other, net	259	310
Net cash (used in) provided by financing activities	(9,944)	11,207
Effect of exchange rate change on cash and cash equivalents	5,603	1,005
Net increase in cash and cash equivalents	7,712	36,172
Cash and cash equivalents at beginning of period	144,077	148,596
Increase in cash and cash equivalents resulting from changes in scope of consolidation	272	1,043
Cash and cash equivalents at end of period	152,061	185,812

August 2, 2018