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Consolidated Results for 1st and 2nd Quarter Fiscal 2017: April 1, 2017 – September 30, 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–Q2 2017 | Q1–Q2 2016 |
|---|-----------------|-----------------|
| Net sales | 964,749 [+8.3%] | 890,723 [–7.0%] |
| Operating income | 92,652 [+30.9%] | 70,765 [–16.2%] |
| Ordinary income | 98,172 [+40.5%] | 69,864 [–14.2%] |
| Net income attributable to owners of the parent | 70,868 [+33.9%] | 52,914 [+12.2%] |
| Net income per share* | 50.75 | 37.88 |
| Diluted net income per share* | — | — |

* Yen

Note: Comprehensive income was ¥101,719 million during Q2 2017, and ¥(7,021) million during Q2 2016.

2. Financial position

| At end of | September 2017 | March 2017 |
|------------------------|----------------|------------|
| Total assets | 2,334,885 | 2,254,500 |
| Net assets | 1,249,288 | 1,168,115 |
| Net worth/total assets | 52.8% | 51.1% |
| Net worth per share* | 882.26 | 824.36 |

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of September 30, 2017, was ¥1,231,751 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 | 2,000,000 [+6.2%] |
| Operating income | 183,000 [+14.9%] |
| Ordinary income | 192,000 [+19.5%] |
| Net income attributable to owners of the parent | 140,000 [+21.7%] |
| Net income per share* | 100.25 |

* 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 May 11, 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

| | Q2 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 | 6,482,630 | 5,958,904 |
| Average number of shares outstanding during period | 1,396,515,455 | 1,396,740,661* |

* Q2 2016

V. Consolidated Financial Statements

1. Balance sheets

| | At end of March 2017 | At end of September 2017 |
|---|-------------------------|-----------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 145,289 | 163,336 |
| Notes and accounts receivable–trade | 302,751 | 321,878 |
| Merchandise and finished goods | 159,395 | 166,040 |
| Work in process | 116,481 | 126,481 |
| Raw materials and supplies | 70,806 | 71,733 |
| Deferred tax assets | 20,279 | 20,826 |
| Other | 81,816 | 82,377 |
| Allowance for doubtful accounts | (2,272) | (2,288) |
| Total current assets | 894,545 | 950,382 |
| Noncurrent assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 508,713 | 517,200 |
| Accumulated depreciation | (278,122) | (282,814) |
| Buildings and structures, net | 230,590 | 234,386 |
| Machinery, equipment and vehicles | 1,376,029 | 1,395,684 |
| Accumulated depreciation | (1,176,686) | (1,194,295) |
| Machinery, equipment and vehicles, net | 199,343 | 201,388 |
| Land | 62,391 | 63,018 |
| Lease assets | 12,367 | 12,178 |
| Accumulated depreciation | (11,381) | (11,261) |
| Lease assets, net | 986 | 916 |
| Construction in progress | 45,958 | 44,273 |
| Other | 150,073 | 152,585 |
| Accumulated depreciation | (132,460) | (134,290) |
| Other, net | 17,613 | 18,296 |
| Subtotal | 556,881 | 562,278 |
| Intangible assets | | |
| Goodwill | 285,622 | 277,925 |
| Other | 177,149 | 171,130 |
| Subtotal | 462,772 | 449,055 |
| Investments and other assets | | |
| Investment securities | 284,137 | 315,453 |
| Long-term loans receivable | 18,918 | 27,575 |
| Deferred tax assets | 9,309 | 2,941 |
| Other | 28,154 | 27,408 |
| Allowance for doubtful accounts | (215) | (207) |
| Subtotal | 340,302 | 373,170 |
| Total noncurrent assets | 1,359,955 | 1,384,503 |
| Total assets | 2,254,500 | 2,334,885 |

| | At end of March 2017 | At end of September 2017 |
|---|-------------------------|-----------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable–trade | 147,543 | 162,099 |
| Short-term loans payable | 113,475 | 113,700 |
| Commercial paper | 56,000 | 60,000 |
| Current portion of bonds payable | 20,000 | — |
| Lease obligations | 305 | 202 |
| Accrued expenses | 100,419 | 97,018 |
| Income taxes payable | 16,202 | 20,341 |
| Advances received | 72,882 | 82,287 |
| Provision for periodic repairs | 5,003 | 1,808 |
| Provision for product warranties | 2,461 | 2,684 |
| Provision for removal cost of property, plant and equipment | 1,800 | 951 |
| Asset retirement obligations | 572 | 548 |
| Other | 58,217 | 62,800 |
| Total current liabilities | 594,880 | 604,438 |
| Noncurrent liabilities | | |
| Bonds payable | 20,000 | 20,000 |
| Long-term loans payable | 192,584 | 183,861 |
| Lease obligations | 467 | 444 |
| Deferred tax liabilities | 59,759 | 58,165 |
| Provision for periodic repairs | 165 | 898 |
| Provision for removal cost of property, plant and equipment | 4,390 | 3,290 |
| Provision for loss on litigation | 2,162 | 2,175 |
| Net defined benefit liability | 178,368 | 176,762 |
| Asset retirement obligations | 3,436 | 3,731 |
| Long-term guarantee deposits | 20,479 | 20,621 |
| Other | 9,695 | 11,211 |
| Total noncurrent liabilities | 491,506 | 481,158 |
| Total liabilities | 1,086,385 | 1,085,597 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 103,389 | 103,389 |
| Capital surplus | 79,443 | 79,440 |
| Retained earnings | 850,532 | 902,132 |
| Treasury stock | (3,242) | (3,917) |
| Total shareholders' equity | 1,030,122 | 1,081,044 |
| Accumulated other comprehensive income | | |
| Net unrealized gain on other securities | 113,475 | 126,045 |
| Deferred gains or losses on hedges | 55 | (30) |
| Foreign currency translation adjustment | 40,831 | 53,953 |
| Remeasurements of defined benefit plans | (33,140) | (29,262) |
| Total accumulated other comprehensive income | 121,222 | 150,707 |
| Non-controlling interests | 16,771 | 17,538 |
| Total net assets | 1,168,115 | 1,249,288 |
| Total liabilities and net assets | 2,254,500 | 2,334,885 |

2. Statements of income and statements of comprehensive income

1) Statements of income

| | Q1-Q2 2016 | Q1-Q2 2017 |
|--|------------|------------|
| Net sales | 890,723 | 964,749 |
| Cost of sales | 610,899 | 651,543 |
| Gross profit | 279,824 | 313,206 |
| Selling, general and administrative expenses | 209,059 | 220,554 |
| Operating income | 70,765 | 92,652 |
| Non-operating income | | |
| Interest income | 625 | 960 |
| Dividends income | 2,657 | 2,841 |
| Equity in earnings of affiliates | 1,318 | 5,349 |
| Other | 2,155 | 1,646 |
| Total non-operating income | 6,755 | 10,795 |
| Non-operating expenses | | |
| Interest expense | 2,133 | 2,298 |
| Foreign exchange loss | 3,297 | 923 |
| Other | 2,227 | 2,054 |
| Total non-operating expenses | 7,657 | 5,275 |
| Ordinary income | 69,864 | 98,172 |
| Extraordinary income | | |
| Gain on sales of investment securities | 3,887 | 5,845 |
| Gain on sales of noncurrent assets | 18 | 416 |
| Total extraordinary income | 3,905 | 6,261 |
| Extraordinary loss | | |
| Loss on disposal of noncurrent assets | 1,339 | 1,477 |
| Impairment loss | 46 | 567 |
| Business structure improvement expenses | 1,016 | 699 |
| Business integration expense | 658 | — |
| Total extraordinary loss | 3,059 | 2,743 |
| Income before income taxes | 70,710 | 101,690 |
| Total income taxes | 16,967 | 29,736 |
| Net income | 53,743 | 71,954 |
| Net income attributable to non-controlling interests | 829 | 1,086 |
| Net income attributable to owners of the parent | 52,914 | 70,868 |

2) Statements of comprehensive income

| | Q1-Q2 2016 | Q1-Q2 2017 |
|---|------------|------------|
| Net income | 53,743 | 71,954 |
| Other comprehensive income | | |
| Net increase (decrease) in unrealized gain on other securities | 695 | 12,613 |
| Deferred gains or losses on hedges | (84) | (85) |
| Foreign currency translation adjustment | (63,955) | 12,542 |
| Remeasurements of defined benefit plans | 4,421 | 3,919 |
| Share of other comprehensive income of affiliates accounted for using equity method | (1,841) | 776 |
| Total other comprehensive income | (60,764) | 29,765 |
| Comprehensive income | (7,021) | 101,719 |
| Comprehensive income attributable to: | | |
| Owners of the parent | (7,228) | 100,330 |
| Non-controlling interests | 207 | 1,389 |

3. Statements of cash flows

| | Q1–Q2 2016 | Q1–Q2 2017 |
|---|------------|------------|
| Cash flows from operating activities | | |
| Income before income taxes | 70,710 | 101,690 |
| Depreciation and amortization | 43,672 | 45,817 |
| Impairment loss | 46 | 567 |
| Amortization of goodwill | 8,627 | 9,063 |
| Amortization of negative goodwill | (79) | (79) |
| Decrease in provision for periodic repairs | (732) | (2,463) |
| Increase in provision for product warranties | 46 | 223 |
| Decrease in provision for removal cost of property, plant and equipment | (2,254) | (1,949) |
| Increase in provision for loss on litigation | — | 2 |
| Decrease in net defined benefit liability | (3,003) | (1,765) |
| Interest and dividend income | (3,282) | (3,801) |
| Interest expense | 2,133 | 2,298 |
| Equity in earnings of affiliates | (1,318) | (5,349) |
| Gain on sales of investment securities | (3,887) | (5,845) |
| Gain on sale of property, plant and equipment | (18) | (416) |
| Loss on disposal of noncurrent assets | 1,339 | 1,477 |
| Decrease (increase) in notes and accounts receivable–trade | 2,303 | (16,156) |
| Increase in inventories | (6,916) | (15,206) |
| Increase in notes and accounts payable–trade | 7,473 | 12,517 |
| Decrease in accrued expenses | (5,637) | (3,834) |
| Increase in advances received | 5,324 | 9,380 |
| Other, net | 0 | 14,012 |
| Subtotal | 114,547 | 140,183 |
| Interest and dividend income, received | 4,510 | 5,229 |
| Interest expense paid | (2,073) | (2,437) |
| Income taxes paid | (26,564) | (27,966) |
| Net cash provided by operating activities | 90,420 | 115,009 |
| Cash flows from investing activities | | |
| Payments into time deposits | (3,024) | (1,725) |
| Proceeds from withdrawal of time deposits | 2,236 | 1,232 |
| Purchase of property, plant and equipment | (43,065) | (36,822) |
| Proceeds from sales of property, plant and equipment | 2,198 | 1,010 |
| Purchase of intangible assets | (3,910) | (4,785) |
| Purchase of investment securities | (6,588) | (9,166) |
| Proceeds from sales of investment securities | 4,478 | 6,306 |
| Payments of loans receivable | (3,772) | (36,663) |
| Collection of loans receivable | 1,541 | 27,936 |
| Other, net | (642) | (279) |
| Net cash used in investing activities | (50,548) | (52,956) |

| | Q1-Q2 2016 | Q1-Q2 2017 |
|--|------------|------------|
| Cash flows from financing activities | | |
| Net decrease in short-term loans payable | (178,354) | (2,435) |
| Increase in commercial paper | 34,000 | 4,000 |
| Proceeds from long-term loans payable | 127,234 | 5,676 |
| Repayment of long-term loans payable | (11,069) | (12,064) |
| Redemption of bonds | — | (20,000) |
| Repayments of lease obligations | (569) | (211) |
| Purchase of treasury stock | (26) | (675) |
| Proceeds from disposal of treasury stock | 1 | 1 |
| Cash dividends paid | (13,968) | (19,553) |
| Cash dividends paid to non-controlling interests | (627) | (680) |
| Other, net | 25 | 3 |
| Net cash used in financing activities | (43,353) | (45,937) |
| Effect of exchange rate change on cash and cash equivalents | (9,954) | 1,121 |
| Net (decrease) increase in cash and cash equivalents | (13,435) | 17,237 |
| 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 | 132,315 | 161,586 |

4. Notes to consolidated financial statements

Consolidated balance sheets

Contingent liabilities

In October 2015 Asahi Kasei Corp. disclosed that Asahi Kasei Construction Materials Corp., a consolidated subsidiary of Asahi Kasei Corp., which performed pile installation work as secondary subcontractor for the construction of a condominium complex in Yokohama, Kanagawa, Japan, submitted incorrect data in the pile installation report for the precast concrete piles installed for this project. There was manipulation of ammeter data and flowmeter data for the installation of piles.

Asahi Kasei Corp. established a task force and an internal fact-finding committee as well as an independent commission to advance investigation, and on October 22, 2015, Asahi Kasei Construction Materials Corp. reported its record of similar pile installation work over the past 10 years to Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

On November 24, 2015, Asahi Kasei Construction Materials Corp. completed all possible investigation of whether or not there was manipulation of data regarding the installation of precast concrete piles, and reported the results to the MLIT. Out of the 3,052 projects subject to investigation, manipulation of data was found for 360 projects.

Regarding projects where manipulation of data was found, Asahi Kasei Construction Materials is cooperating with the prime contractors and the owners of the buildings in efforts to confirm safety based on instructions from the MLIT. Regarding projects where a Specific Administrative Agency has confirmed safety, the Specific Administrative Agency has issued a report to the MLIT (at a meeting of the House of Councillors Committee on Land and Transport held on April 5, 2016, it was reported that the safety of 357 of the 360 projects had been confirmed).

Although there is a possibility that an effect on the consolidated results of Asahi Kasei Corp. may emerge such as the recording of an additional reserve, etc., no such effect is reflected in the consolidated financial statements due to the difficulty of making a rational estimate of the amount of financial impact from this matter as of the time of preparation of the consolidated financial statements.