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

November 1, 2012

Consolidated Results for 1st and 2nd Quarter Fiscal 2012: April 1, 2012 – September 30, 2012

(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 2012	Q1−Q2 2011
Net sales	787,508 [+0.4%]	784,446 [+5.3%]
Operating income	38,305 [−39.9%]	63,768 [+0.4%]
Ordinary income	35,866 [−42.3%]	62,136 [+4.3%]
Net income	20,613 [−46.1%]	38,214 [+34.3%]
Net income per share*	14.75	27.33
Diluted net income per share*	—	—

* Yen

Note: Comprehensive income was ¥2,145 million during Q1−Q2 2012, and ¥40,765 million during Q1−Q2 2011.

2. Financial position

At end of	September 2012	March 2012
Total assets	1,692,407	1,410,568
Net assets	718,923	719,285
Net worth/total assets	41.8%	50.1%
Net worth per share*	506.09	505.72

* Yen

Notes:
- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of September 30, 2012, was ¥707,342 million; as of March 31, 2012, ¥706,846 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2011	—	7.00	—	7.00	14.00
2012	—	7.00			
2012 (forecast)			—	7.00	14.00

* Yen

Note: No revision of cash dividend forecast was made subsequent to the latest announced forecast.

III. Forecasts for Fiscal 2012 (April 1, 2012 – March 31, 2013)

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

Net sales	1,685,000 [+7.1%]
Operating income	96,000 [−7.9%]
Ordinary income	93,000 [−13.5%]
Net income	50,500 [−9.4%]
Net income per share*	36.13

* Yen

2. Comparison of previous and revised fiscal 2012 forecasts

(billions of yen)

	Previous forecast	Revised forecast	Increase (decrease)	*cf.* fiscal 2011 results
Net sales	1,781.0	1,685.0	(96.0)	1,573.2
Operating income	112.0	96.0	(16.0)	104.3
Ordinary income	115.0	93.0	(22.0)	107.6
Net income	66.5	50.5	(16.0)	55.8

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 the first half of fiscal 2012 announced on May 9, 2012, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period

   Addition of two new subsidiaries: ZOLL Medical Corporation and Asahi Kasei Holdings US, Inc.

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

   1) Change in accounting policy for naphtha resale transactions

   Asahi Kasei Chemicals Corp., a consolidated subsidiary of Asahi Kasei Corp., resells a portion of the naphtha it has originally purchased and subsequently purchases other naphtha for use, in order to improve raw material quality as well as save production costs. Through the third quarter of the fiscal year ended March 31, 2012, the naphtha resale amount was included in net sales, and the cost for purchased naphtha was included in cost of sales. During the fourth quarter of the fiscal year ended March 31, 2012, the Company changed its accounting policy for naphtha resale transactions to charging or crediting to cost of sales the net difference between sales and cost of sales for resold naphtha.

   This new accounting policy has also been applied to results for the first and second quarter of fiscal 2011 in the consolidated financial statements of this report. Results for the first and second quarter of fiscal 2011 shown herein therefore differ from those previously announced.

2) Change in accounting policy related to depreciation method

In accordance with an amendment to the Corporation Tax Act, Asahi Kasei Corp. and its consolidated subsidiaries located in Japan changed the method of depreciation of property, plant and equipment acquired on April 1, 2012, or later. This change took effect beginning with the first quarter of fiscal 2012. The impact of this change on operating income, ordinary income, and income before income taxes in the first half of fiscal 2012 is immaterial.

4. Number of shares outstanding

	Q1−Q2 2012	FY 2011
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	4,963,186	4,925,730
Average number of shares outstanding during period	1,397,673,890	1,398,020,612*

* Q1−Q2 2011

V. Overview of Consolidated Results

1. Consolidated group results

The global economic situation became increasingly obscure during the April–September period of 2012, with continuing effects of the European sovereign debt crisis and slowing growth in emerging economies. Although reconstruction demand following the Great East Japan Earthquake was a positive factor for the Japanese economy, the overall outlook remained uncertain due to the persistent strength of the yen and downside risk in the global economy.

Consolidated net sales of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) increased by ¥3.1 billion (0.4%) from a year ago to ¥787.5 billion, with strong performance in the Homes and Health Care segments as well as the addition of the Critical Care segment. Operating income, however, decreased by ¥25.5 billion (39.9%) to ¥38.3 billion with deteriorating market conditions in the Chemicals and Electronics segments. Ordinary income decreased by ¥26.3 billion (42.3%) to ¥35.9 billion. Net income decreased by ¥17.6 billion (46.1%) to ¥20.6 billion.

2. Results by operating segment

The Asahi Kasei Group’s operations are described by major business classification: seven reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, Construction Materials, and Critical Care, together with an “Others” category. Critical Care is a new segment added beginning with the first quarter of fiscal 2012, in which results of ZOLL Medical Corporation of the US and its subsidiaries, acquired on April 26, 2012, US Eastern time, are reported.

CHEMICALS

Sales decreased by ¥27.8 billion (7.7%) from a year ago to ¥332.3 billion, and operating income decreased by ¥19.6 billion (57.3%) to ¥14.6 billion.

In chemicals and derivative products operations, terms of trade deteriorated significantly as market conditions for acrylonitrile and adipic acid declined due to an economic slowdown in China. In polymer products operations, engineering plastics for automotive applications and synthetic rubber for tires performed well. In specialty products operations, ion-exchange membranes were impacted by the economic slowdown in China, while coating materials and functional chemicals for pharmaceutical manufacture performed well.

HOMES

Sales increased by ¥13.1 billion (6.5%) from a year ago to ¥213.0 billion, and operating income increased by ¥0.9 billion (5.3%) to ¥18.8 billion. Orders for order-built homes increased by ¥18.1 billion (9.5%) to ¥207.5 billion.

In order-built homes operations, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. Deliveries of condominiums in real-estate operations decreased, but remodeling operations performed well with solar panel installation and other renovation work.

HEALTH CARE

Sales increased by ¥4.8 billion (8.1%) from a year ago to ¥64.8 billion, and operating income increased by ¥1.9 billion (33.4%) to ¥7.5 billion.

Pharmaceuticals operations were impacted by reduced reimbursement prices, and R&D expenses increased. Teribone™, a new osteoporosis drug launched in November 2011, marked strong sales growth, while sales of Recomodulin™ recombinant thrombomodulin continued to grow steadily. Devices-related operations were impacted by the strong yen, but polysulfone-membrane artificial kidneys and other blood purification products for overseas markets were firm.

FIBERS

Sales decreased by ¥2.3 billion (4.0%) from a year ago to ¥53.9 billion, and operating income decreased by ¥0.4 billion (17.8%) to ¥1.7 billion.

Sales of Bemberg™ regenerated cellulose were strong in markets for linings and ethnic garments. Leona™ nylon 66 filament performed well in airbag applications. Roica™ elastic polyurethane filament was impacted by decreased exports and the strong yen.

ELECTRONICS

Sales decreased by ¥10.6 billion (13.7%) from a year ago to ¥66.9 billion, and operating income decreased ¥7.0 billion (99.9%) to ¥0.0 billion.

In electronic devices operations, shipments of mixed-signal LSIs for smartphones increased, but each product category was impacted by a general deterioration in market conditions across the electronics industry. In electronic materials operations, shipment volumes of Hipore™ Li-ion battery separator continued to recover from the second half of the previous fiscal year, and Sunfort™ dry film photoresist performed well in smartphone and tablet PC applications. Sales prices in electronic materials also declined.

CONSTRUCTION MATERIALS

Sales increased by ¥2.5 billion (11.4%) from a year ago to ¥24.8 billion, and operating income increased by ¥0.8 billion (109.7%) to ¥1.6 billion.

Sales of Hebel™ autoclaved aerated concrete panels remained strong. Insulation materials such as Neoma™ high-performance phenolic foam insulation panels, foundation systems, and structural materials all performed well.

CRITICAL CARE

Sales were ¥22.9 billion, and an operating loss of ¥1.1 billion was recorded.

Operating income from LifeVest™ wearable defibrillators increased steadily, while defibrillators for professional use and other products performed well. An operating loss resulted as an effect of amortization of goodwill and other intangible assets.

OTHERS

Sales in “Others” increased by ¥0.4 billion (4.6%) from a year ago to ¥8.9 billion, and operating income was unchanged at ¥1.2 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2012	At end of Sept. 2012
Assets		
Current assets		
Cash and deposits	102,875	119,227
Notes and accounts receivable—trade	266,056	288,963
Short-term investment securities	360	975
Merchandise and finished goods	138,133	141,807
Work in process	87,450	108,982
Raw materials and supplies	53,623	61,007
Deferred tax assets	19,454	24,893
Other	54,835	68,937
Allowance for doubtful accounts	(1,017)	(1,168)
Total current assets	721,770	813,622
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	410,057	419,037
Accumulated depreciation	(235,060)	(239,049)
Buildings and structures, net	174,997	179,989
Machinery, equipment and vehicles	1,203,905	1,231,344
Accumulated depreciation	(1,075,668)	(1,093,587)
Machinery, equipment and vehicles, net	128,237	137,757
Land	55,667	55,530
Lease assets	11,694	13,585
Accumulated depreciation	(4,804)	(5,933)
Lease assets, net	6,890	7,652
Construction in progress	37,787	43,921
Other	122,426	126,033
Accumulated depreciation	(109,884)	(112,250)
Other, net	12,542	13,783
Subtotal	416,119	438,632
Intangible assets		
Goodwill	8,502	113,820
Other	36,687	101,557
Subtotal	45,189	215,377
Investments and other assets		
Investment securities	177,513	176,099
Long-term loans receivable	5,559	5,302
Deferred tax assets	18,965	18,755
Other	25,692	24,864
Allowance for doubtful accounts	(240)	(245)
Subtotal	227,489	224,776
Total noncurrent assets	688,798	878,785
Total assets	1,410,568	1,692,407

	At end of March 2012	At end of Sept. 2012
Liabilities		
Current liabilities		
Notes and accounts payable—trade	143,194	160,476
Short-term loans payable	74,490	110,548
Commercial paper	15,000	117,000
Lease obligations	2,207	2,478
Accrued expenses	92,663	85,089
Income taxes payable	8,380	11,315
Advances received	49,950	64,258
Provision for periodic repairs	6,045	2,432
Provision for product warranties	2,151	2,066
Provision for removal cost of property, plant and equipment	1,818	1,306
Asset retirement obligations	460	462
Other	53,242	58,409
Total current liabilities	449,600	615,839
Noncurrent liabilities		
Bonds payable	25,000	45,000
Long-term loans payable	62,710	137,049
Lease obligations	4,707	4,795
Deferred tax liabilities	11,402	31,381
Provision for retirement benefits	106,277	107,346
Provision for directors' retirement benefits	806	662
Provision for periodic repairs	1,977	3,166
Provision for removal cost of property, plant and equipment	4,204	3,390
Asset retirement obligations	3,242	3,198
Long-term guarantee deposited	18,286	18,188
Other	3,072	3,471
Total noncurrent liabilities	241,683	357,646
Total liabilities	691,283	973,484
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,404	79,403
Retained earnings	516,401	530,242
Treasury stock	(2,388)	(2,404)
Total shareholders' equity	696,805	710,630
Accumulated other comprehensive income		
Net unrealized gain on other securities	40,148	35,825
Deferred gains or losses on hedges	(1,734)	(116)
Foreign currency translation adjustments	(28,374)	(38,997)
Total accumulated other comprehensive income	10,040	(3,288)
Minority interests	12,439	11,581
Total net assets	719,285	718,923
Total liabilities and net assets	1,410,568	1,692,407

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1−Q2 2011	Q1−Q2 2012
Net sales	784,446	787,508
Cost of sales	578,177	585,213
Gross profit	206,269	202,295
Selling, general and administrative expenses	142,501	163,990
Operating income	63,768	38,305
Non−operating income		
Interest income	692	756
Dividends income	1,474	1,585
Equity in earnings of affiliates	914	26
Other	1,734	1,682
Total non-operating income	4,815	4,049
Non−operating expenses		
Interest expense	1,442	1,560
Foreign exchange loss	2,511	1,689
Other	2,494	3,240
Total non-operating expenses	6,447	6,489
Ordinary income	62,136	35,866
Extraordinary income		
Gain on sales of investment securities	94	—
Gain on sales of noncurrent assets	331	38
Total extraordinary income	425	38
Extraordinary loss		
Loss on valuation of investment securities	485	53
Loss on disposal of noncurrent assets	1,356	1,585
Impairment loss	160	511
Loss on disaster	864	—
Business structure improvement expenses	636	969
Total extraordinary loss	3,502	3,118
Income before income taxes and minority interests	59,059	32,786
Total income taxes	20,001	11,750
Income before minority interests	39,058	21,036
Minority interests in income	844	422
Net income	38,214	20,613

(2) Statements of comprehensive income

	Q1−Q2 2011	Q1−Q2 2012
Income before minority interests	39,058	21,036
Other comprehensive income		
Net increase or decrease in unrealized gain on other securities	1,375	(4,261)
Deferred gains or losses on hedges	328	1,570
Foreign currency translation adjustment	455	(14,764)
Share of other comprehensive income of affiliates accounted for using equity method	(451)	(1,435)
Total other comprehensive income (loss)	1,707	(18,890)
Comprehensive income	40,765	2,145
Comprehensive income attributable to:		
Owners of the parent	40,202	1,979
Minority interests	564	166

3. Statements of cash flows

	Q1−Q2 2011	Q1−Q2 2012
Cash flows from operating activities		
Income before income taxes and minority interests	59,059	32,786
Depreciation and amortization	37,756	37,382
Impairment loss	160	511
Amortization of goodwill	537	3,173
Amortization of negative goodwill	(116)	(116)
Increase (decrease) in provision for periodic repairs	986	(2,424)
Decrease in provision for product warranties	(339)	(218)
Decrease in provision for removal cost of property, plant and equipment	(779)	(1,326)
(Decrease) increase in provision for retirement benefits	(183)	1,158
Interest and dividend income	(2,166)	(2,341)
Interest expense	1,442	1,560
Equity in earnings of affiliates	(914)	(26)
Gain on sales of investment securities	(94)	—
Loss on valuation of investment securities	485	53
Gain on sale of property, plant and equipment	(331)	(38)
Loss on disposal of noncurrent assets	1,356	1,585
Decrease (increase) in notes and accounts receivable—trade	14,460	(12,422)
Increase in inventories	(33,839)	(30,126)
Increase in notes and accounts payable—trade	5,254	15,665
Decrease in accrued expenses	(5,657)	(11,713)
Increase in advances received	8,290	12,890
Other, net	3,570	(10,241)
Subtotal	88,937	35,773
Interest and dividend income, received	3,001	3,147
Interest expense paid	(1,534)	(1,754)
Income taxes paid	(27,308)	(7,246)
Net cash provided by operating activities	63,096	29,920
Cash flows from investing activities		
Payments into time deposits	(10,224)	(5,560)
Proceeds from withdrawal of time deposits	6,488	5,560
Purchase of property, plant and equipment	(30,684)	(41,061)
Proceeds from sales of property, plant and equipment	307	155
Purchase of intangible assets	(3,065)	(7,469)
Purchase of investment securities	(538)	(1,553)
Proceeds from sales of investment securities	378	503
Purchase of investments in subsidiaries resulting in change in scope of consolidation	—	(174,308)
Additional purchase of investments in consolidated subsidiaries	—	(1,310)
Payments of loans receivable	(3,481)	(6,631)
Collection of loans receivable	3,158	4,285
Other, net	(928)	(1,186)
Net cash used in investing activities	(38,588)	(228,576)

	Q1−Q2 2011	Q1−Q2 2012
Cash flows from financing activities		
(Decrease) increase in short-term loans payable	(32,783)	32,130
(Decrease) increase in commercial paper	(9,000)	102,000
Proceeds from long-term loans payable	1,371	85,528
Repayment of long-term loans payable	(19,260)	(6,431)
Proceeds from issuance of bonds	—	20,000
Repayments of lease obligations	(876)	(1,242)
Purchase of treasury stock	(265)	(20)
Proceeds from disposal of treasury stock	15	3
Cash dividends paid	(8,389)	(9,784)
Cash dividends paid to minority shareholders	(626)	(673)
Other, net	(166)	(88)
Net cash (used in) provided by financing activities	(69,980)	221,423
Effect of exchange rate change on cash and cash equivalents	339	(5,659)
Net (decrease) increase in cash and cash equivalents	(45,133)	17,108
Cash and cash equivalents at beginning of period	134,450	96,351
Increase in cash and cash equivalents resulting from changes of scope of consolidation	1,528	102
Effect of change in the reporting period of consolidated subsidiaries and affiliates	469	(5,327)
Cash and cash equivalents at end of period	91,314	108,235

VII. Additional Information

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

Note: Beginning with the first quarter of fiscal 2012, Critical Care is added as a new operating segment, in which results of ZOLL Medical Corporation of the US, acquired on April 26, 2012, US Eastern time, are reported.

1) Consolidated net sales by segment

(billions of yen)

	Q1−Q2 2011	Q1−Q2 2012	Increase (decrease)	Fiscal 2012 forecast
Chemicals*	360.1	332.3	(27.8)	700.0
Homes	200.0	213.0	13.1	486.0
Health Care	60.0	64.8	4.8	133.0
Fibers	56.1	53.9	(2.3)	110.0
Electronics	77.5	66.9	(10.6)	136.0
Construction Materials	22.2	24.8	2.5	53.0
Critical Care	—	22.9	22.9	49.0
Others	8.5	8.9	0.4	18.0
Total	784.4	787.5	3.1	1,685.0

* Q1−Q2 2011 sales in the Chemicals segment are ¥17.7 billion lower than previously reported due to a change in the accounting policy for naphtha resale.

2) Consolidated operating income (loss) by segment

(billions of yen)

	Q1–Q2 2011	Q1–Q2 2012	Increase (decrease)	Fiscal 2012 forecast
Chemicals	34.1	14.6	(19.6)	31.0
Homes	17.9	18.8	0.9	52.0
Health Care	5.6	7.5	1.9	16.0
Fibers	2.1	1.7	(0.4)	4.0
Electronics	7.0	0.0	(7.0)	2.5
Construction Materials	0.8	1.6	0.8	3.5
Critical Care	—	(1.1)	(1.1)	(4.0)
Others	1.2	1.2	(0.0)	2.0
Combined	68.7	44.3	(24.5)	107.0
Corporate expenses and eliminations	(5.0)	(6.0)	(1.0)	(11.0)
Consolidated	63.8	38.3	(25.5)	96.0

2. Operating income increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:				
	Sales volume	Sales prices [*of which, due to foreign exchange*]		Operating costs and others	Net increase (decrease)
Chemicals	(4.1)	(12.2)	*(0.3)*	(3.3)	(19.6)
Homes	4.8	2.0	—	(5.8)	0.9
Health Care	6.7	(2.3)	*(0.7)*	(2.5)	1.9
Fibers	(0.4)	(0.8)	*(0.7)*	0.8	(0.4)
Electronics	(1.3)	(5.3)	*(0.2)*	(0.5)	(7.0)
Construction Materials	0.4	0.2	—	0.2	0.8
Critical Care	—	—	—	(1.1)	(1.1)
Others	0.0	—	—	(0.1)	(0.0)
Subtotal	6.1	(18.3)	*(1.9)*	(12.3)	(24.5)
Corporate expenses and eliminations	—	—	—	(1.0)	(1.0)
Consolidated	6.1	(18.3)	*(1.9)*	(13.3)	(25.5)

3. Major financial metrics (consolidated)

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

	Q1–Q2 2011	Q1–Q2 2012	Fiscal 2012 Forecast
Capital expenditure (tangible)	34.1	46.4	99.0
Capital expenditure (intangible)	3.5	8.5	16.0
Depreciation and amortization*	37.8	37.4	82.0
Balance of payments	0.7	0.7	0.6
of which, dividends received	*1.5*	*1.6*	*2.5*
R&D expenses	32.0	35.1	73.0
Employees at end of period	25,283	28,433	
D/E ratio	0.28	0.59	

* Excluding amortization of goodwill.

4. Contract trends for home construction operations

	Q1−Q2 2011	Q1−Q2 2012	Increase (decrease)	Fiscal 2012 forecast
No. of orders received (home units)	8,236	9,251	1,015	17,715
Value of orders received (¥ billion)	189.4	207.5	18.1	399.5
Backlog of orders (¥ billion)	403.0	441.5	38.5	434.3
No. of sales (home units)	5,916	6,528	612	15,185
Value of sales (¥ billion)	145.9	157.8	11.9	357.0

5. Key operating factors

		Q1−Q2 2011	Q1−Q2 2012	Increase (decrease)	Fiscal 2012 forecast
Naphtha price (yen/kL, domestic)		56,950	55,200	(1,750)	55,100
Exchange rates (market average)	Yen/US$	80	79	(0)	79
	Yen/€	114	101	(13)	102

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2012	At end of Sept. 2012	Increase (decrease)
Short-term loans payable	74.5	110.5	36.1
Commercial paper	15.0	117.0	102.0
Long-term loans payable	62.7	137.0	74.3
Bonds payable	25.0	45.0	20.0
Lease obligations	6.9	7.3	0.4
Total	184.1	416.9	232.8