Fiscal quarter ended June 2019
– supplementary financial summary –

August 2, 2019

Asahi Kasei Corporation

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Disclaimer
The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

Focus of Q1 2019 results and H1 2019 forecast

- In Q1 2019, firm performance in Homes and Health Care resulting in a 13% increase in operating income year-on-year for the two segments combined. In Material, impact of maintenance shutdown of naphtha cracker and plants of derivatives, lower market prices, and slowdown of Chinese economy as well as smartphone-related markets resulting in a 26% decrease in operating income year-on-year. Overall 14% decrease year-on-year but second highest consolidated operating income after Q1 2018.
- From Q1 to Q2, continued firm performance forecasted for Homes and Health Care. Improved operating income forecasted for Material due to absence of impact of maintenance shutdown, and increased shipments centered on Specialty Solutions.
- For H1, operating income forecast revised to ¥94.5 billion, 3% below the original forecast announced in May but still to be the second highest for H1 after H1 2018.

Outline of Q1 2019 results

Operating income results for Q1 2019 on a year-on-year basis

Firm performance in Homes and Health Care. In Material, impact of maintenance shutdown of naphtha cracker and plants of derivatives, lower market prices, slowdown of Chinese economy arising from US-China trade friction, and sluggish smartphone-related markets.

- Material

  Basic Materials: Impact of maintenance shutdown of naphtha cracker and plants of derivatives. Deteriorated terms of trade for MMA, polyethylene, polystyrene, etc. Operating income decrease.

  Performance Products: Consolidation of Sage Automotive Interiors, Inc. Impact of slowdown of Chinese economy for fiber products such as nonwovens. Operating income decrease.

  Specialty Solutions: Lower demand in ESS[1] applications for Li-ion battery separator. Impact of slowdown of smartphone market centered on electronic devices. Decreased shipments of ion-exchange membranes in China. Operating income decrease.

- Homes

  Increased deliveries of order-built homes. Higher average unit price due to greater deliveries of larger homes. Operating income increase.
  Highest ever sales and operating income for Q1 in Homes business category.

- Health Care

  Increased shipments of defibrillators for professional use. Operating income increase.

[1] Energy storage system

Outline of Q2 2019 forecast

Operating income forecast for Q2 2019 in comparison with Q1

Continued firm performance forecasted for Homes and Health Care. Improved operating income forecasted for Material due to absence of impact of maintenance shutdown of naphtha cracker and others, and increased shipments of ion-exchange membranes, Li-ion battery separator, electronic devices, etc.

- Material

  Basic Materials: Absence of impact of maintenance shutdown of naphtha cracker and others. Operating income increase.

  Performance Products: Absence of impact of maintenance shutdown of synthetic rubber plants in Q1. Increased shipments planned for Saran Wrap cling film. Operating income increase.

  Specialty Solutions: Shipments of ion-exchange membranes expected to concentrate in Q2. Recovery of demand in ESS applications and increased shipments for both consumer-electronics and automotive applications forecasted for Li-ion battery separator. Recovery of demand in smartphone-related applications expected for electronic devices. Operating income increase.

- Homes and Health Care

  Continued firm performance forecasted.

Outline of H1 2019 forecast

Operating income forecast for H1 2019 in comparison with forecast in May

- Material

  Impact of slowdown of Chinese economy as well as automotive-related and smartphone-related markets. Operating income forecast revised downward.

- Homes

  Each business to perform in line with the original forecast. Highest ever H1 sales and operating income for Homes business category.

- Health Care

  Firm performance forecasted in each business. Operating income forecast revised upward.

1. Consolidated results for fiscal quarter ended June 2019

Summary of financial results

(¥ billion, unless otherwise specified)

	Q1 2018	Q1 2019	Q1 2019 vs. Q1 2018	
			Increase (decrease)	% change
Net sales	489.8	502.1	12.3	+2.5%
Operating income	47.9	41.3	(6.5)	-13.7%
Ordinary income	51.8	44.0	(7.8)	-15.1%
Net income attributable to owners of the parent	36.4	24.4	(12.0)	-33.0%

Naphtha price (¥/kL, domestic)	48,700	45,400	(3,300)
¥/US$ exchange rate (market average)	109	110	1
¥/€ exchange rate (market average)	130	123	(7)

Statements of income

(¥ billion)

	Q1 2018		Q1 2019		Increase (decrease)	% change
		% of sales		% of sales		
Net sales	489.8	100.0%	502.1	100.0%	12.3	+2.5%
Cost of sales	328.4	67.1%	339.4	67.6%	11.0	+3.3%
Gross profit	161.4	32.9%	162.7	32.4%	1.4	+0.8%
Selling, general and administrative expenses	113.5	23.2%	121.4	24.2%	7.9	+7.0%
Operating income	47.9	9.8%	41.3	8.2%	(6.5)	-13.7%
Net non-operating income (expenses)	3.9		2.6		(1.3)	
of which,						
net financing income (expense)	2.0		1.7		(0.3)	
net equity in earnings (losses) of affiliates	2.5		2.2		(0.4)	
foreign exchange gains (loss)	(0.5)		(0.9)		(0.4)	
Ordinary income	51.8	10.6%	44.0	8.8%	(7.8)	-15.1%
Net extraordinary income (loss)	6.0		(0.2)		(6.2)	
Income before income taxes	57.7	11.8%	43.8	8.7%	(14.0)	-24.2%
Income taxes	(20.8)		(18.8)		1.9	
Net income attributable to non-controlling interests	(0.6)		(0.5)		0.0	
Net income attributable to owners of the parent	36.4	7.4%	24.4	4.9%	(12.0)	-33.0%

Balance sheets

(¥ billion)

	At end of Mar. 2019	At end of Jun. 2019	Increase (decrease)
Current assets	1,051.4	1,014.4	(37.0)
Cash and deposits	193.9	171.7	(22.2)
Notes and accounts receivable–trade	350.7	328.0	(22.7)
Inventories	427.3	440.8	13.4
Other current assets	79.4	73.9	(5.5)
Noncurrent assets	1,523.8	1,509.2	(14.6)
Property, plant and equipment	621.4	634.0	12.7
Intangible assets	530.0	516.3	(13.7)
Investments and other assets	372.5	358.8	(13.6)
Total assets	2,575.2	2,523.5	(51.7)

	At end of Mar. 2019	At end of Jun. 2019	Increase (decrease)
Liabilities	1,172.5	1,157.1	(15.4)
Current liabilities	681.9	672.0	(9.8)
Noncurrent liabilities	490.6	485.1	(5.5)
Net assets	1,402.7	1,366.4	(36.3)
Shareholders' equity	1,256.7	1,248.1	(8.6)
Capital stock	103.4	103.4	–
Capital surplus	79.7	79.7	(0.0)
Retained earnings	1,077.6	1,079.0	1.4
Treasury stock	(3.9)	(13.9)	(10.0)
Accumulated other comprehensive income	124.7	97.5	(27.2)
Non-controlling interests	21.2	20.8	(0.4)
Total liabilities and net assets	2,575.2	2,523.5	(51.7)

Goodwill	319.9	311.9	(8.0)
Interest-bearing debt	424.9	455.6	30.7
D/E ratio	0.31	0.34	0.03

Cash flows

(¥ billion)

		Q1 2018	Q1 2019
a.	Net cash provided by (used in) operating activities	35.3	15.9
b.	Net cash used in investing activities	(11.3)	(16.4)
c.	Free cash flows [a+b]	24.0	(0.5)
d.	Net cash provided by (used in) financing activities	11.2	(5.3)
e.	Effect of exchange rate change on cash and cash equivalents	1.0	(4.3)
f.	Net increase (decrease) in cash and cash equivalents [c+d+e]	36.2	(10.1)

g.	Cash and cash equivalents at beginning of period	148.6	180.5
h.	Increase in cash and cash equivalents resulting from changes in scope of consolidation	1.0	0.1
i.	Cash and cash equivalents at end of period [f+g+h]	185.8	170.5

Sales and operating income increase/decrease by segment

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(¥ billion)

		Q1 2018	Q1 2019	Net Increase (decrease)	% change	Increase (decrease) due to: Sales volume	Sales prices	of which, due to foreign exchange	Others	Operating costs and others
Material[1]	Sales	280.2	271.4	(8.8)	-3.2%	(18.4)	(3.5)	(0.3)	13.1	—
	Operating income	34.9	25.9	(9.1)	-25.9%	(6.6)			—	1.0
Homes[2]	Sales	128.7	144.6	15.9	+12.3%	13.8	1.8	—	0.3	—
	Operating income	7.8	9.9	2.2	+27.8%	1.9			—	(1.6)
Health Care	Sales	76.3	82.7	6.4	+8.4%	6.3	0.1	(0.2)	(0.1)	—
	Operating income	12.3	12.6	0.4	+3.2%	2.8			—	(2.5)
Others	Sales	4.6	3.5	(1.1)	-24.3%	(1.1)	—	—	—	—
	Operating income	0.6	0.3	(0.3)	-47.2%	0.0			—	(0.3)
Corporate expenses and eliminations	Operating income	(7.6)	(7.4)	0.2	—	—	—	—	—	0.2
Consolidated	Sales	489.8	502.1	12.3	+2.5%	0.6	(1.6)	(0.4)	13.3	—
	Operating income	47.9	41.3	(6.5)	-13.7%	(1.9)			—	(3.1)

[1] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Material segment from Q3 2018.

[2] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes segment from Q4 2018.

2. Forecast for first half fiscal 2019

Consolidated operating performance forecast

(¥ billion)

	FY 2018			H1 2019 forecast			Increase (decrease)	% change	H1 2019 forecast in May	Increase (decrease)
	Q1	Q2	Total a	Q1	Q2 forecast	Total b	b-a		c	b-c
Net sales	489.8	551.7	1,041.5	502.1	568.9	1,071.0	29.5	+2.8%	1,088.0	(17.0)
Operating income	47.9	56.4	104.3	41.3	53.2	94.5	(9.8)	-9.4%	97.5	(3.0)
Ordinary income	51.8	58.5	110.3	44.0	54.0	98.0	(12.3)	-11.1%	102.0	(4.0)
Net income attributable to owners of the parent	36.4	42.5	78.9	24.4	45.6	70.0	(8.9)	-11.3%	67.0	3.0

Key operating factors

Naphtha price (¥/kL, domestic)	51,100	45,400	41,000	43,200	(7,900)	47,000	(3,800)
¥/US$ exchange rate (market average)	110	110	110	110	(0)	110	(0)
¥/€ exchange rate (market average)	130	123	120	122	(8)	125	(3)

Dividends per share	¥17	¥18 (forecast)

Sales and operating income forecast by segment

Sales forecast

(¥ billion)

	H1 2018			H1 2019 forecast			Increase (decrease)	% change	H1 2019 forecast in May	Increase (decrease)
	Q1	Q2	Total a	Q1	Q2 forecast	Total b	b-a		c	b-c
Material[1]	280.2	297.9	578.1	271.4	296.6	568.0	(10.1)	-1.7%	588.0	(20.0)
Homes[2]	128.7	170.0	298.7	144.6	185.4	330.0	31.3	+10.5%	330.0	–
Health Care	76.3	78.2	154.5	82.7	82.3	165.0	10.5	+6.8%	162.0	3.0
Others	4.6	5.6	10.2	3.5	4.5	8.0	(2.2)	-21.6%	8.0	–
Consolidated	489.8	551.7	1,041.5	502.1	568.9	1,071.0	29.5	+2.8%	1,088.0	(17.0)

Operating income forecast

(¥ billion)

	H1 2018			H1 2019 forecast			Increase (decrease)	% change	H1 2019 forecast in May	Increase (decrease)
	Q1	Q2	Total a	Q1	Q2 forecast	Total b	b-a		c	b-c
Material[1]	34.9	37.2	72.1	25.9	30.6	56.5	(15.6)	-21.7%	61.0	(4.5)
Homes[2]	7.8	18.3	26.0	9.9	19.6	29.5	3.5	+13.3%	29.5	–
Health Care	12.3	9.7	22.0	12.6	10.9	23.5	1.5	+6.8%	22.0	1.5
Others	0.6	0.6	1.2	0.3	0.7	1.0	(0.2)	-17.8%	1.0	–
Corporate expenses and eliminations	(7.6)	(9.5)	(17.1)	(7.4)	(8.6)	(16.0)	1.1	–	(16.0)	–
Consolidated	47.9	56.4	104.3	41.3	53.2	94.5	(9.8)	-9.4%	97.5	(3.0)

[1] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Material segment from Q3 2018.

[2] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes segment from Q4 2018.

3. Appendix

Sales and operating income increase/decrease by business category[1] (i)

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(¥ billion)

		Q1 2018	Q1 2019	Net Increase (decrease)	% change	Increase (decrease) due to:				
						Sales volume	Sales prices	of which, due to foreign exchange	Others	Operating costs and others
Basic Materials	Sales	97.7	84.3	(13.4)	-13.7%	(6.5)	(4.9)	0.2	(2.0)	–
	Operating income	14.6	8.8	(5.9)	-40.2%	(1.5)			–	0.5
Performance Products[2]	Sales	104.3	112.3	7.9	+7.6%	(6.3)	0.9	(0.3)	13.4	–
	Operating income	12.0	10.4	(1.6)	-13.2%	(1.8)			–	(0.7)
Specialty Solutions	Sales	76.7	72.2	(4.5)	-5.9%	(5.7)	0.5	(0.2)	0.6	–
	Operating income	9.2	5.4	(3.8)	-41.1%	(3.3)			–	(1.0)
Others in Material	Sales	1.5	2.6	1.1	+75.2%	–	–	–	1.1	–
	Operating income	(0.9)	1.3	2.2	–	–			–	2.2
Homes[3]	Sales	115.7	130.6	14.8	+12.8%	12.8	1.7	–	0.3	–
	Operating income	7.1	8.8	1.7	+24.1%	1.4			–	(1.4)
Construction Materials	Sales	13.0	14.0	1.1	+8.1%	1.0	0.1	–	–	–
	Operating income	0.8	1.3	0.5	+56.7%	0.5			–	(0.1)

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.” Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

[2] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Performance Products business category from Q3 2018.

[3] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes business category from Q4 2018.

Sales and operating income increase/decrease by business category[1] (ii)

AsahiKASEI

(¥ billion)

		Q1 2018	Q1 2019	Net Increase (decrease)	% change	Increase (decrease) due to:				
						Sales volume	Sales prices	of which, due to foreign exchange	Others	Operating costs and others
Health Care	Sales	34.7	34.3	(0.4)	-1.0%	0.3	(0.3)	0.0	(0.4)	–
	Operating income	7.2	6.8	(0.4)	-5.4%	(0.3)			–	0.3
Critical Care	Sales	41.7	48.4	6.7	+16.2%	6.0	0.4	(0.2)	0.3	–
	Operating income	5.1	5.9	0.8	+15.3%	3.1			–	(2.8)
Others	Sales	4.6	3.5	(1.1)	-24.3%	(1.1)	–	–	–	–
	Operating income	0.6	0.3	(0.3)	-47.2%	0.0			–	(0.3)
Corporate expenses and eliminations	Operating income	(7.8)	(7.5)	0.2	–	–	–	–	–	0.2
Consolidated	Sales	489.8	502.1	12.3	+2.5%	0.6	(1.6)	(0.4)	13.3	–
	Operating income	47.9	41.3	(6.5)	-13.7%	(1.9)			–	(3.1)

[1] Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

Sales forecast by business category[1]

(¥ billion)

	H1 2018			H1 2019 forecast			Increase (decrease)	% change	H1 2019 forecast in May	Increase (decrease)
	Q1	Q2	Total a	Q1	Q2 forecast	Total b	b-a		c	b-c
Basic Materials	97.7	107.8	205.5	84.3	86.7	171.0	(34.5)	-16.8%	173.0	(2.0)
Performance Products[2]	104.3	109.9	214.2	112.3	120.7	233.0	18.8	+8.8%	245.0	(12.0)
Specialty Solutions	76.7	81.5	158.2	72.2	90.8	163.0	4.8	+3.0%	169.0	(6.0)
Others in Material	1.5	(1.3)	0.2	2.6	(1.6)	1.0	0.8	–	1.0	–
Homes[3]	115.7	156.1	271.8	130.6	171.4	302.0	30.2	+11.1%	302.0	–
Construction Materials	13.0	13.9	26.9	14.0	14.0	28.0	1.1	+4.2%	28.0	–
Health Care	34.7	33.8	68.4	34.3	35.7	70.0	1.6	+2.3%	70.0	–
Critical Care	41.7	44.4	86.0	48.4	46.6	95.0	9.0	+10.4%	92.0	3.0
Others	4.6	5.6	10.2	3.5	4.5	8.0	(2.2)	-21.6%	8.0	–
Consolidated	489.8	551.7	1,041.5	502.1	568.9	1,071.0	29.5	+2.8%	1,088.0	(17.0)

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.”

[2] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Performance Products business category from Q3 2018.

[3] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes business category from Q4 2018.

Operating income forecast by business category[1]

(¥ billion)

	H1 2018			H1 2019 forecast			Increase (decrease)	% change	H1 2019 forecast in May	Increase (decrease)
	Q1	Q2	Total a	Q1	Q2 forecast	Total b	b-a		c	b-c
Basic Materials	14.6	18.1	32.8	8.8	10.2	19.0	(13.8)	-42.0%	20.0	(1.0)
Performance Products[2]	12.0	10.7	22.7	10.4	11.6	22.0	(0.7)	-3.2%	24.0	(2.0)
Specialty Solutions	9.2	9.7	18.9	5.4	9.1	14.5	(4.4)	-23.3%	16.5	(2.0)
Others in Material	(0.9)	(1.3)	(2.3)	1.3	(0.3)	1.0	3.3	–	0.5	0.5
Homes[3]	7.1	17.2	24.3	8.8	18.7	27.5	3.2	+13.2%	27.5	–
Construction Materials	0.8	1.1	1.9	1.3	0.7	2.0	0.1	+7.8%	2.0	–
Health Care	7.2	3.5	10.6	6.8	4.7	11.5	0.9	+8.0%	10.5	1.0
Critical Care	5.1	6.3	11.4	5.9	6.1	12.0	0.6	+5.6%	11.5	0.5
Others	0.6	0.6	1.2	0.3	0.7	1.0	(0.2)	-17.8%	1.0	–
Corporate expenses and eliminations	(7.8)	(9.4)	(17.2)	(7.5)	(8.5)	(16.0)	1.2	–	(16.0)	–
Consolidated	47.9	56.4	104.3	41.3	53.2	94.5	(9.8)	-9.4%	97.5	(3.0)

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.” Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

[2] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Performance Products business category from Q3 2018.

[3] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes business category from Q4 2018.

Quarterly sales by segment[1]

(¥ billion)

	FY 2018				FY 2019	FY 2019
	Q1	Q2	Q3	Q4	Q1	Q2 forecast
Material segment	280.2	297.9	311.3	286.9	271.4	296.6
Basic Materials	97.7	107.8	101.0	93.2	84.3	86.7
Performance Products[2]	104.3	109.9	123.0	119.9	112.3	120.7
Specialty Solutions	76.7	81.5	86.3	76.3	72.2	90.8
Others	1.5	(1.3)	0.9	(2.6)	2.6	(1.6)
Homes segment	128.7	170.0	148.1	212.9	144.6	185.4
Homes[3]	115.7	156.1	132.8	200.1	130.6	171.4
Construction Materials	13.0	13.9	15.4	12.8	14.0	14.0
Health Care segment	76.3	78.2	81.5	80.2	82.7	82.3
Health Care	34.7	33.8	35.6	31.5	34.3	35.7
Critical Care	41.7	44.4	45.9	48.7	48.4	46.6
Others	4.6	5.6	4.4	3.7	3.5	4.5
Consolidated	489.8	551.7	545.3	583.7	502.1	568.9

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.”

[2] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Performance Products business category from Q3 2018.

[3] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes business category from Q4 2018.

Quarterly operating income by segment[1]

(¥ billion)

	FY 2018				FY 2019	FY 2019
	Q1	Q2	Q3	Q4	Q1	Q2 forecast
Material segment	34.9	37.2	34.3	23.2	25.9	30.6
Basic Materials	14.6	18.1	12.5	7.9	8.8	10.2
Performance Products[2]	12.0	10.7	13.0	11.6	10.4	11.6
Specialty Solutions	9.2	9.7	10.2	3.8	5.4	9.1
Others	(0.9)	(1.3)	(1.5)	(0.1)	1.3	(0.3)
Homes segment	7.8	18.3	12.7	29.4	9.9	19.6
Homes[3]	7.1	17.2	11.1	28.1	8.8	18.7
Construction Materials	0.8	1.1	1.9	0.9	1.3	0.7
Health Care segment	12.3	9.7	12.1	7.7	12.6	10.9
Health Care	7.2	3.5	6.5	1.2	6.8	4.7
Critical Care	5.1	6.3	5.6	6.5	5.9	6.1
Others	0.6	0.6	0.4	0.8	0.3	0.7
Corporate expenses and eliminations	(7.6)	(9.5)	(7.0)	(8.2)	(7.4)	(8.6)
Consolidated	47.9	56.4	52.4	52.9	41.3	53.2

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.” Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

[2] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Performance Products business category from Q3 2018.

[3] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes business category from Q4 2018.

Material segment[1] (i)

(¥ billion)

	Sales[1]			
	Q1 2018	Q1 2019	Increase (decrease)	% change
Material segment	280.2	271.4	(8.8)	-3.2%
Basic Materials	97.7	84.3	(13.4)	-13.7%
Performance Products[2]	104.3	112.3	7.9	+7.6%
Specialty Solutions	76.7	72.2	(4.5)	-5.9%
Others	1.5	2.6	1.1	+75.2%

	Operating income[1]			
	Q1 2018	Q1 2019	Increase (decrease)	% change
Material segment	34.9	25.9	(9.1)	-25.9%
Basic Materials	14.6	8.8	(5.9)	-40.2%
Performance Products[2]	12.0	10.4	(1.6)	-13.2%
Specialty Solutions	9.2	5.4	(3.8)	-41.1%
Others	(0.9)	1.3	2.2	—

Basic Materials

Operating income decrease:

(+) Improved terms of trade for acrylonitrile

(–) Decreased shipments and increased fixed costs due to maintenance shutdown of naphtha cracker and plants for derivatives

(–) Deteriorated terms of trade for certain products due to lower market prices

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.” Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

[2] Results of Sage Automotive Interiors, Inc. and its consolidated subsidiaries, acquired on September 27, 2018 (US Eastern time), are included in the Performance Products business category from Q3 2018.

Material segment (ii)

Performance Products

Operating income decrease:

(+) Consolidation of Sage Automotive Interiors, Inc.

(+) Improved terms of trade for Leona polyamide 66 resin

(–) Decreased shipments of fiber products such as nonwovens

(–) Lower operating rate for synthetic rubber

(–) Decreased shipments of engineering plastics for automotive and home appliances

Highlights

- May, announcement of receipt of certification for eco-friendly green material for Tenac-C Z4520 polyacetal resin in China
- July, announcement of decision to expand production capacity for Lamous artificial suede

Specialty Solutions

Operating income decrease:

(–) Decreased shipments of Celgard Li-ion battery separator due to impact of energy storage system (ESS) fires

(–) Decreased shipments of ion-exchange membranes in China

(–) Decreased shipments of electronic devices due to slowdown of smartphone-related markets and Chinese economy

Homes segment (i)

(¥ billion)

	Sales			
	Q1 2018	Q1 2019	Increase (decrease)	% change
Homes segment	128.7	144.6	15.9	+12.3%
Homes	115.7	130.6	14.8	+12.8%
Order-built homes, etc. (Asahi Kasei Homes)	68.9	79.5	10.6	+15.4%
Real estate (Asahi Kasei Realty & Residence)	34.1	31.7	(2.3)	-6.8%
Remodeling (Asahi Kasei Reform)	12.3	13.7	1.4	+11.3%
Other housing-related, etc.[1]	0.5	5.6	5.1	—
Construction Materials	13.0	14.0	1.1	+8.1%

	Operating income[2]			
	Q1 2018	Q1 2019	Increase (decrease)	% change
Homes segment	7.8	9.9	2.2	+27.8%
Homes	7.1	8.8	1.7	+24.1%
Order-built homes, etc. (Asahi Kasei Homes)	1.6	3.7	2.1	+126.5%
Real estate (Asahi Kasei Realty & Residence)	4.2	3.6	(0.5)	-13.0%
Remodeling (Asahi Kasei Reform)	0.9	1.3	0.3	+32.5%
Other housing-related, etc.[1]	0.3	0.2	(0.1)	-38.7%
Construction Materials	0.8	1.3	0.5	+56.7%

[1] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included from Q4 2018.

[2] Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

Operating income increase:

(+) Increased deliveries of order-built homes

(–) Increased fixed costs such as outsourcing expenses in Homes business category

- Home order trend

  Year-on-year 7.0% decrease in value of new orders for order-built homes. Firm orders for multi-dwelling homes. Decreased orders for unit homes.

Highlights

- April, launch of housing with home-care services provided for the elderly in need of care
- April, launch of a series of semi-custom package designs for order-built unit homes
- June, receipt of the 18th Green and Sustainable Chemistry Award for insulation materials such as Neoma phenolic foam insulation panels for contribution to decreased environmental burden

Homes segment (ii)

(¥ billion, % indicates year-on-year comparison)

		Value of new orders during the term		Sales of order-built homes, etc.[1]		Sales of real estate[1]				Sales of remodeling	Other sales[2]	Consolidated		Order backlog
						Pre-built homes	Rental housing	Other	Total					
FY15	H1	217.3	(-0.2%)	183.8	(-2.2%)	10.4	33.5	1.7	45.6	27.8	0.9	258.0	(+0.8%)	554.6
	H2	183.1	(-12.0%)	227.7	(+5.3%)	27.7	39.0	1.8	68.4	28.1	0.7	325.0	(+9.9%)	513.1
	annual	400.4	(-5.9%)	411.5	(+1.8%)	38.1	72.5	3.5	114.1	55.9	1.6	583.0	(+5.7%)	
FY16	H1	206.6	(-4.9%)	183.5	(-0.1%)	11.8	41.2	1.8	54.8	27.0	(0.5)	264.8	(+2.6%)	538.8
	H2	194.3	(+6.1%)	220.8	(-3.1%)	9.5	43.5	1.6	54.6	29.1	0.8	305.3	(-6.1%)	515.8
	annual	400.9	(+0.1%)	404.3	(-1.8%)	21.3	84.7	3.4	109.4	56.1	0.4	570.2	(-2.2%)	
FY17	H1	193.1	(-6.5%)	182.7	(-0.4%)	12.0	45.3	1.6	59.0	26.8	1.1	269.6	(+1.8%)	528.9
	H2	212.5	(+9.4%)	224.1	(+1.5%)	14.7	47.8	2.5	65.1	28.4	1.1	318.7	(+4.4%)	520.9
	annual	405.6	(+1.2%)	406.8	(+0.6%)	26.8	93.2	4.2	124.1	55.2	2.2	588.3	(+3.2%)	
FY18	Q1	98.1	(+7.0%)	68.9	(-4.7%)	8.7	24.6	0.8	34.1	12.3	0.5	115.7	(+0.1%)	551.1
	Q2	112.0	(+10.5%)	106.6	(-3.5%)	8.1	25.1	0.9	34.0	14.9	0.6	156.1	(+1.4%)	557.8
	H1	210.1	(+8.8%)	175.5	(-4.0%)	16.8	49.7	1.6	68.1	27.2	1.0	271.8	(+0.8%)	
	H2	241.5	(+13.6%)	228.2	(+1.8%)	13.2	52.1	2.1	67.4	31.2	6.1	332.9	(+4.5%)	575.0
	annual	451.6	(+11.3%)	403.7	(-0.8%)	29.9	101.8	3.7	135.4	58.4	7.1	604.7	(+2.8%)	
FY19	Q1	91.2	(-7.0%)	79.5	(+15.4%)	3.5	26.9	1.3	31.7	13.7	5.6	130.6	(+12.8%)	590.8
	Q2 forcast	112.0	(–)	116.1	(+9.0%)	4.0	27.2	1.6	32.9	17.3	5.1	171.4	(+9.8%)	590.5
	H1 forecast	203.2	(-3.3%)	195.7	(+11.5%)	7.6	54.1	2.9	64.6	31.0	10.7	302.0	(+11.1%)	

[1] As the rental management operation of Asahi Kasei Homes was transferred to Asahi Kasei Realty & Residence, the corresponding sales previously included in order-built homes, etc., are combined with rental housing under real estate beginning with H2 2015.

[2] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included from Q4 2018.

Health Care segment (i)

(¥ billion)

	Sales			
	Q1 2018	Q1 2019	Increase (decrease)	% change
Health Care segment	76.3	82.7	6.4	+8.4%
Health Care	34.7	34.3	(0.4)	-1.0%
Critical Care	41.7	48.4	6.7	+16.2%

	Operating income[1]			
	Q1 2018	Q1 2019	Increase (decrease)	% change
Health Care segment	12.3	12.6	0.4	+3.2%
Health Care	7.2	6.8	(0.4)	-5.4%
Critical Care	5.1	5.9	0.8	+15.3%

[1] Figures for operating income by business category include intrasegment transactions which are eliminated from the segment totals.

Operating income increase:

(+) Increased shipments of defibrillators for professional use

(–) Decreased shipments of Planova virus removal filters

Highlights

- June, agreement for acquisition of Cardiac Science Corp., a US manufacturer of medical devices, by ZOLL

Health Care segment (ii)

Sales of Health Care business category

(¥ billion)

	FY 2018		FY 2019
	Q1	H1	Q1
Domestic pharmaceuticals	14.7	29.4	14.4
Others	1.5	2.8	1.4
Asahi Kasei Pharma consolidated	16.2	32.2	15.8
Devices[1]	18.5	36.3	18.5
Total	34.7	68.4	34.3

[1]Asahi Kasei Medical and its affiliate companies.

Main pharmaceuticals domestic sales

(¥ billion)

	FY 2018		FY 2019
	Q1	H1	Q1
Teribone	7.2	14.4	6.4
Recomodulin	2.9	6.0	2.9
Kevzara	0.1	0.3	0.8
Flivas	0.9	1.8	0.7
Bredinin	0.8	1.6	0.7
Elcitonin	0.7	1.2	0.5
Reclast	0.4	0.7	0.4

Health Care segment (iii)

Financial performance of Critical Care business category in US dollars

($ million)

	FY 2018				FY 2019		Q1 2018 vs Q1 2019	% change
	Q1	H1	H2	total	Q1	H1 forecast		
Net sales	382	780	848	1,629	440	865	58	+15.3%
Gross operating income before PPA[1] impact	77	163	170	333	84	174	8	+10.0%
Amortization/depreciation from PPA[1] revaluation	(30)	(60)	(62)	(122)	(31)	(63)	(1)	
Goodwill	(19)	(37)	(38)	(75)	(20)	(41)	(1)	
Other intangible assets, etc.	(11)	(23)	(24)	(47)	(11)	(22)	0	
Consolidated operating income	47	103	108	211	53	110	7	+14.4%

[1] Purchase price allocation

Health Care segment (iv)

Pharmaceutical pipeline

Development stage	Code name, form, generic name	Classifications	Indication	Region	Origin	Remarks
Pending approval	MN-10-T, autoinjection, teriparatide acetate	Osteoporosis drug	Osteoporosis with high risk of fracture	Japan	In-house	New formulation; new dose
Phase III	AK1820, injection/ capsule, isavuconazole	Antifungal agent	Invasive fungal infections	Japan	Licensed	
Phase II	ART-123, injection, recombinant thrombomodulin alfa	Anticoagulant	Chemotherapy-induced peripheral neuropathy (CIPN)	Japan	In-house	Additional indication
Pending approval (overseas)	Flivas, tablet, naftopidil	Dysuria treatment	Benign prostatic hyperplasia	China	In-house	
Phase III (overseas)	ART-123, injection, recombinant thrombomodulin alfa	Anticoagulant	Severe sepsis with coagulopathy	United States, Europe, etc.	In-house	
	HE-69, tablet, mizoribine	Immunosuppressant	Lupus nephritis, nephrotic syndrome	China	In-house	Additional indication

Overseas sales by business category[1]

(¥ billion)

	Q1 2018			Q1 2019			Increase (decrease)	% change
	Total sales	Overseas sales	% of total	Total sales	Overseas sales	% of total		
Basic Materials	97.7	42.0	43.0%	84.3	40.8	48.4%	(1.2)	-2.8%
Performance Products[2]	104.3	55.7	53.4%	112.3	65.1	58.0%	9.5	+17.1%
Specialty Solutions	76.7	51.2	66.7%	72.2	47.3	65.5%	(3.9)	-7.6%
Others in Material	1.5	0.3	23.1%	2.6	0.2	5.8%	(0.2)	-55.9%
Homes[3]	115.7	—	—	130.6	5.1	3.9%	5.1	—
Construction Materials	13.0	0.0	0.1%	14.0	—	—	(0.0)	-100.0%
Health Care	34.7	11.6	33.5%	34.3	11.8	34.3%	0.2	+1.3%
Critical Care	41.7	41.2	99.0%	48.4	47.9	99.0%	6.7	+16.2%
Others	4.6	0.6	12.5%	3.5	0.4	10.8%	(0.2)	-34.5%
Total	489.8	202.7	41.4%	502.1	218.6	43.5%	15.9	+7.8%

Asia		119.3	24.4%		111.7	22.2%	(7.7)	-6.4%
of which, sales to China		52.5	10.7%		48.1	9.6%	(4.4)	-8.4%
The Americas		55.0	11.2%		73.5	14.6%	18.5	+33.6%
Europe		23.5	4.8%		28.0	5.6%	4.5	+19.2%
Other countries		4.8	1.0%		5.4	1.1%	0.6	+12.3%
Sales, excluding Homes and Construction Materials	361.1	202.6	56.1%	357.5	213.5	59.7%		

[1] Beginning with FY 2019, the business categories in the Material segment are reclassified as shown on P33, “Revision of business categories.”
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[3] Results of Erickson Framing Operations LLC and its consolidated subsidiaries, acquired on November 30, 2018 (US Eastern time), are included in the Homes business category from Q4 2018.

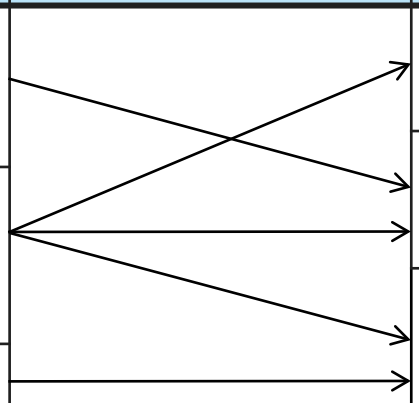
Extraordinary income and loss

(¥ billion)

	Q1 2018	Q1 2019	Increase (decrease)
Gain on sales of investment securities	6.8	0.5	(6.3)
Gain on sales of noncurrent assets	0.1	0.4	0.3
Total extraordinary income	6.9	0.9	(6.0)
Loss on disposal of noncurrent assets	0.5	1.0	0.5
Impairment losses	0.2	0.0	(0.2)
Business structure improvement expenses	0.3	0.1	(0.2)
Total extraordinary loss	0.9	1.1	0.2
Net extraordinary income (loss)	6.0	(0.2)	(6.2)

Revision of business categories

Beginning with FY 2019, the business categories in the Material segment are reclassified from the former Fibers, Chemicals, and Electronics, into Basic Materials, Performance Products, and Specialty Solutions.

Segments	Business categories		
	Former		New
Material	**Fibers**		**Basic Materials** (Former petrochemicals)
	Chemicals (Petrochemicals, performance polymers, performance materials and consumables)		**Performance Products** (Former Fibers, performance polymers, consumables)
			Specialty Solutions (Former performance materials, separators, electronic devices)
	Electronics (Separators, electronic devices)		**Others**
Homes	No change		
Health Care			
Others			
Corporate expenses and eliminations			

FY 2018 results in this presentation material are recalculated in accordance with the new classifications.

Creating for Tomorrow

The commitment of the Asahi Kasei Group:
To do all that we can in every era to help the people of the world
make the most of life and attain fulfillment in living.
Since our founding, we have always been deeply committed
to contributing to the development of society,
boldly anticipating the emergence of new needs.
This is what we mean by “Creating for Tomorrow.”

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