

Asahi Kasei Corporation

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Board of Directors Meeting: May 8, 2007

May 8, 2007

**Consolidated Results for Fiscal Year 2006
April 1, 2006 – March 31, 2007**

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Summary of Consolidated Results

1. Results for fiscal year ended March 31, 2007

(1) Operating results (percent change from previous year in brackets)

Fiscal year ended March	2007	2006
Net sales	1,623,791 [+8.4%]	1,498,620 [+8.8%]
Operating profit	127,801 [+17.5%]	108,726 [-6.1%]
Ordinary profit	126,507 [+21.4%]	104,166 [-7.7%]
Net income	68,575 [+14.9%]	59,668 [+5.7%]
Net income per share*	49.00	42.46
Diluted net income per share*	—	—
Net income/shareholders' equity	11.1%	10.8%
Ordinary profit/total assets	8.9%	7.9%
Operating profit/net sales	7.9%	7.3%

* Yen

Note:

Equity in profit of unconsolidated subsidiaries and affiliates: ¥2,647 million;
during previous fiscal year, ¥536 million.

(2) Financial position

At fiscal year-end, March	2007	2006
Total assets	1,459,922	1,376,044
Net assets	653,510	594,211
Net worth/total assets	44.2%	43.2%
Net worth per share*	461.50	424.34

* Yen

Note:

Net assets at end of March 2006 does not include minority interests. Net worth at end of March 2006 is the same as shareholders' equity. Net worth at end of March 2007 comprises shareholders' equity and valuation, transition adjustment and others. Shareholders' equity as of March 2007 is ¥645,655 million.

(3) Cash flows

Fiscal year ended March	2007	2006
Cash flows from operating activities	128,432	108,620
Cash flows from investing activities	(81,347)	(60,373)
Cash flows from financing activities	(36,025)	(30,881)
Cash and cash equivalents at end of year	101,719	86,390

II. Cash Dividends

Fiscal year ending March	Cash dividends per share*			Dividends payment amount	Payout ratio (consolidated)	Cash dividends/net assets (consolidated)
	Interim	Year-end	Total annual			
2006	5.00	5.00	10.00	14,000	23.6%	2.5%
2007	5.00	7.00	12.00	16,793	24.5%	2.7%
2008 (estimate)	6.00	7.00	13.00	—	26.0%	—

* Yen

III. Estimate for Fiscal Year Ending March 31, 2008

	For semiannual period ending September 2007	For fiscal year
Net sales	802,000	1,682,000
Operating profit	50,000	126,000
Ordinary profit	49,500	123,500
Net income	25,500	70,000
Net income per share*	18.23	50.03

* Yen

Note:

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.

IV. Other Information

(1) Changes in scope of consolidation, application of equity method

No. of newly included consolidated subsidiaries: 6

No. of unconsolidated subsidiaries and affiliate companies for which the equity method is newly applied: 1

No. of unconsolidated subsidiaries and affiliate companies newly excluded from application of the equity method: 3

(2) Change in method of accounting:

(i) Change by revision of accounting standard: Yes

(a) Accounting Standard for Presentation on Net Assets in the Balance Sheet

(b) Accounting Standard for Directors' Bonus

(c) Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

(ii) Changes other than the above: No

(3) Number of shares outstanding

Fiscal year ended March	2007	2006
Number of shares outstanding at year end	1,402,616,332	1,442,616,332
Number of treasury stocks at year end	3,570,390	42,799,834

Note:

Average number of shares outstanding, which is the basis for calculation of consolidated net income per share: 1,399,461,935; during previous fiscal year, 1,400,108,810.

V. Summary of Non-Consolidated Results

1. Results for fiscal year ended March 31, 2007

(1) Operating results (percent change from previous year in brackets)

Fiscal year ended March	2007	2006
Net sales	42,758 [+0.3%]	42,649 [+40.7%]
Operating profit	28,216 [+2.9%]	27,410 [+37.4%]
Ordinary profit	29,069 [+7.6%]	27,013 [+32.9%]
Net income	28,867 [-0.5%]	29,010 [+59.7%]
Net income per share*	20.63	20.67
Diluted net income per share*	—	—

* Yen

(2) Financial position

At fiscal year-end, March	2007	2006
Total assets	706,186	706,371
Net assets	411,638	399,749
Net worth/total assets	58.3%	56.6%
Net worth per share*	294.18	285.52

* Yen

2. Estimate for fiscal year ending March 31, 2008

	For semiannual period ending September 2007	For fiscal year
Net sales	23,500	42,500
Operating profit	15,500	26,500
Ordinary profit	16,000	27,500
Net income	18,000	31,000
Net income per share*	12.86	22.15

* Yen

Note:

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.

VI. Overview of Consolidated Results

1. Consolidated group results

Although consumer spending remained moderate, the Japanese economy grew with strong corporate earnings, an improved employment outlook, and increased private-sector capital investment. The operating climate nevertheless remained challenging, with persistently elevated prices for petroleum and petrochemical feedstocks such as naphtha necessitating cost-cutting measures and sales price increases.

Consolidated net sales grew by ¥125.2 billion from a year ago to ¥1,623.8 billion, an 8.4% increase. Sales growth was greatest in chemicals operations, with product prices rising to compensate for increased feedstock costs. Operating profit grew by ¥19.1 billion to ¥127.8 billion, a 17.5% increase. Operating profit growth was greatest in chemicals operations, with strong overseas market conditions, pharmaceuticals operations, with significant licensing income, and in electronics operations, with strong demand in consumer electronics applications. Ordinary profit grew by ¥22.3 billion to ¥126.5 billion, a 21.4% increase. Net income grew by ¥8.9 billion to ¥68.6 billion, a 14.9% increase.

2. Results by operating segment

CHEMICALS

Sales for the segment grew by ¥92.2 billion to ¥752.6 billion, a 14.0% increase. Operating profit grew by ¥11.5 billion to ¥52.0 billion, a 28.3% increase.

Sales and operating profit in volume products, comprising chemicals/derivative products and polymer products, increased. Product price increases and strong overseas demand helped to overcome higher feedstock costs. In chemicals and derivative products, operating profit increased with strong overseas demand for acrylonitrile and styrene, and with a sharp rise in the market price of adipic acid due to a tight market balance. In polymer products, profitability of Leona™ nylon 66 resin and filament increased.

Sales and operating profit in specialty products grew with increased shipments of Hipore™ Li-ion rechargeable battery separators following plant expansion, export of membrane-process chlor-alkali electrolyzers to China, and increased shipments of ion-exchange membranes for chlor-alkali.

HOMES

Sales for the segment grew by ¥1.2 billion to ¥405.7 billion, a 0.3% increase. Operating profit decreased by ¥0.7 billion to ¥27.5 billion, a 2.5% decline.

Unit prices of order-built homes increased, but the number of deliveries of both order-built homes and condominiums declined, and sales and operating profit in housing operations decreased. Marketing efforts for order-built homes were focused on eliciting demand for rebuilding, but new orders worth ¥303.4 billion received during the period were ¥10.0 billion less than a year ago.

Sales and operating profit in housing-related operations increased. Real estate operations had rising income from rentals. Remodeling operations also grew.

PHARMA

Sales for the segment decreased by ¥1.4 billion to ¥104.5 billion, a 1.3% decline. Operating profit grew by ¥2.8 billion to ¥13.9 billion, a 25.5% increase.

Sales in pharmaceuticals operations decreased with reimbursement price cuts and decreased shipments of pharmaceutical intermediates. Operating profit grew with licensing income for fasudil hydrochloride *rho*-kinase inhibitor.

Sales and operating profit in devices grew with increased shipments of APS™

polysulfone-membrane artificial kidneys and Planova™ virus removal filters, and with measures to reduce operating costs.

FIBERS

Sales for the segment grew by ¥16.9 billion to ¥106.6 billion, an 18.9% increase.

Operating profit grew by ¥0.1 billion to ¥4.2 billion, a 3.4% increase.

Sales of elastic polyurethane filament grew with increased shipments of Roica™, improved market conditions, and the inclusion of the Dorlastan™ business acquired from Lanxess, but operating profit decreased as the Dorlastan™ business operated at a loss. Roica™ production equipment is being installed at the Dorlastan™ plants in the US and Europe, and the business is forecast to become profitable in fiscal year 2007.

Sales and operating profit in Bemberg™ cupro grew with increased exports. Nonwovens operations were impacted by the effect of elevated feedstock costs, but sales and operating profit grew with increased shipments of Lamous™ artificial suede in car seat applications.

ELECTRONICS MATERIALS AND DEVICES

Sales for the segment grew by ¥9.2 billion to ¥112.1 billion, a 9.0% increase.

Operating profit grew by ¥3.3 billion to ¥22.6 billion, a 17.0% increase.

Sales and operating profit in electronic devices grew as shipments of LSIs and magnetic sensors increased with strong demand in cell phone and home electronics applications.

Sales and operating profit in electronic materials grew as shipments of Sunfort™ photosensitive dry film resist increased following a large expansion of production capacity and shipments of ultra-thin grades of glass fabric for printed circuit boards increased.

CONSTRUCTION MATERIALS

Sales for the segment grew by ¥4.3 billion to ¥60.8 billion, a 7.6% increase. Operating profit grew by ¥1.2 billion to ¥5.0 billion, a 32.0% increase.

Building materials and housing materials operations were affected by high feedstock and fuel costs for production of Hebel™ autoclaved lightweight concrete (ALC) panels, but sales and operating profit grew with measures to reduce operating costs and higher sales prices.

Sales and operating profit in foundation systems grew with an expansion of new applications for Eazet™ and ATT Column™ piles for small-scale construction. Sales and operating profit in insulation materials grew with a successful expansion of the user base for Neoma™ high-performance phenolic foam panels resulting in increased shipments.

LIFE & LIVING

Sales for the segment grew by ¥0.6 billion to ¥52.6 billion, a 1.2% increase. Operating profit decreased by ¥0.2 billion to ¥4.6 billion, a 5.0% decline.

Sales of home-use products grew with increased shipments of Saran Wrap™ cling film and Saran™ fiber, but operating profit decreased with higher feedstock and packaging costs and increased advertising expenses.

Sales of packaging materials were on par with a year ago, but operating profit decreased as a result of the impact of elevated feedstock costs.

SERVICES, ENGINEERING AND OTHERS

Sales for the segment grew by ¥2.1 billion to ¥28.9 billion, a 7.7% increase. Operating profit grew by ¥0.6 billion to ¥3.9 billion, a 17.4% increase.

Sales and operating profit in engineering operations grew with strong business in overseas plant engineering. Sales of personnel staffing and placement operations increased with growing demand, and operating profit was on par with a year ago.

VII. Consolidated Balance Sheets

	At end of Mar. 2007	At end of Mar. 2006	Increase (decrease)
Assets			
Current assets	722,995	644,192	78,803
Fixed assets	736,927	731,852	5,075
Property, plant and equipment	426,959	414,368	12,591
Intangible fixed assets	28,466	33,094	(4,628)
Investments and other assets	281,502	284,390	(2,888)
Total assets	1,459,922	1,376,044	83,878
Liabilities			
Current liabilities	503,570	439,724	63,846
Long-term liabilities	302,842	335,193	(32,351)
Total liabilities	806,412	774,916	31,496
Net assets			
Shareholders' equity	561,755	—	—
Common stock	103,389	—	—
Capital surplus	79,396	—	—
Retained earnings	380,515	—	—
Treasury stock, at cost	(1,544)	—	—
Valuation, translation adjustment and others	83,900	—	—
Net unrealized gain on securities	79,823	—	—
Deferred profit on hedges	58	—	—
Revaluation surplus	1,106	—	—
Foreign currency translation adjustment	2,913	—	—
Minority interest in consolidated subsidiaries	7,855	—	—
Total net assets	653,510	—	—
Total liabilities, and net assets	1,459,922	—	—
Minority interest in consolidated subsidiaries	—	6,917	—
Shareholders' equity	—	594,211	—
Issued and outstanding	—	103,389	—
Capital surplus	—	79,433	—
Retained earnings	—	342,450	—
Revaluation surplus	—	966	—
Net unrealized gain on securities	—	85,384	—
Foreign currency translation adjustment	—	(99)	—
Common stock in treasury, at cost	—	(17,311)	—
Total liabilities, minority interest and shareholders' equity	—	1,376,044	—

VIII. Consolidated Statements of Income

	Year ended March 2007	Year ended March 2006	Increase (decrease)	Percent change
Net sales	1,623,791	1,498,620	125,171	+8.4%
Cost of sales	1,224,041	1,127,530	96,511	+8.6%
Gross profit	399,750	371,090	28,660	+7.7%
Selling, general and administrative expenses	271,949	262,364	9,585	+3.7%
Operating profit	127,801	108,726	19,075	+17.5%
Non-operating income	13,081	7,416	5,665	
Non-operating expenses	14,376	11,976	2,400	
Ordinary profit	126,507	104,166	22,341	+21.4%
Special gains	3,091	5,880	(2,789)	
Special losses	14,715	15,565	(850)	
Income before income taxes and minority interests	114,883	94,481	20,402	+21.6%
Net income	68,575	59,668	8,907	+14.9%

IX. Cash Flows

	Year ended March 2007	Year ended March 2006	Increase (decrease)
Cash flows from operating activities	128,432	108,620	19,812
Cash flows from investing activities	(81,347)	(60,373)	(20,974)
Cash flows from financing activities	(36,025)	(30,881)	(5,144)
Effect of exchange rate changes on cash and cash equivalents	643	426	217
Net decrease in cash and cash equivalents	11,703	17,792	(6,089)
Cash and cash equivalents at beginning of year	86,390	68,456	17,934
Cash and cash equivalents held by newly consolidated subsidiaries	3,625	142	3,483
Cash and cash equivalents at end of year	101,719	86,390	15,329

X. Segment Information

1. Industry segments

(1) Fiscal year ended March 31, 2007

	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate Expenses, Assets, and Eliminations*	Consolidated
Sales											
Customers	752,632	405,695	104,474	106,639	112,094	60,818	52,558	28,881	1,623,791	—	1,623,791
Intersegment	16,589	315	8	1,870	1,210	12,465	3,875	29,305	65,638	(65,638)	—
Total	769,222	406,011	104,483	108,509	113,303	73,283	56,433	58,186	1,689,429	(65,638)	1,623,791
Operating expenses	717,255	378,502	90,610	104,356	90,682	68,246	51,848	54,331	1,555,829	(59,839)	1,495,990
Operating profit (loss)	51,967	27,509	13,873	4,153	22,622	5,037	4,585	3,855	133,599	(5,799)	127,801
Identifiable assets, depreciation and amortization, impairment loss, and capital expenditure											
Identifiable assets	594,205	212,739	120,926	115,575	123,764	55,141	49,473	317,537	1,589,360	(129,438)	1,459,922
Depreciation and amortization	31,934	2,383	6,553	5,302	13,357	3,040	4,152	735	67,455	4,191	71,646
Impairment loss	164	—	1,659	—	—	—	—	—	1,823	25	1,848
Capital expenditure	42,569	2,701	5,722	6,362	16,234	2,301	3,455	760	80,104	4,308	84,413

* Includes corporate operating expenses of ¥14,325 million (mainly expenses for basic research and group management), and corporate assets of ¥433,000 million, such as surplus funds (cash on hand and in banks), long-term-investment funds (investment securities, etc.), and land, etc.

(2) Fiscal year ended March 31, 2006

	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate Expenses, Assets, and Eliminations*	Consolidated
Sales											
Customers	660,402	404,539	105,842	89,704	102,859	56,512	51,942	26,821	1,498,620	—	1,498,620
Intersegment	16,659	111	19	2,262	991	11,595	3,624	27,247	62,510	(62,510)	—
Total	677,061	404,650	105,861	91,966	103,850	68,107	55,566	54,068	1,561,130	(62,510)	1,498,620
Operating expenses	636,549	376,432	94,803	87,950	84,517	64,292	50,740	50,785	1,446,068	(56,174)	1,389,894
Operating profit (loss)	40,512	28,218	11,058	4,016	19,333	3,815	4,826	3,283	115,062	(6,336)	108,726
Identifiable assets, depreciation and amortization, impairment loss, and capital expenditure											
Identifiable assets	529,100	200,066	118,721	105,718	114,743	49,557	50,970	317,171	1,486,046	(110,002)	1,376,044
Depreciation and amortization	31,281	2,448	6,364	5,337	12,052	3,129	4,352	715	65,677	3,722	69,399
Impairment loss	—	251	—	—	—	—	—	—	251	3,548	3,799
Capital expenditure	26,632	3,583	4,897	5,417	14,960	2,313	4,655	1,038	63,495	2,815	66,310

* Includes corporate operating expenses of ¥15,209 million (mainly expenses for basic research and group management), and corporate assets of ¥447,076 million, such as surplus funds (cash on hand and in banks), long-term-investment funds (investment securities, etc.), and land, etc.

2. Geographic information

(1) Fiscal year ended March 31, 2007

Segment information is not shown because over 90% of total sales were from operations domiciled in Japan and over 90% of total assets were located in Japan.

(2) Fiscal year ended March 31, 2006

Segment information is not shown because over 90% of total sales were from operations domiciled in Japan and over 90% of total assets were located in Japan.

3. Overseas sales

(1) Fiscal year ended March 31, 2007

	East Asia*	Other regions	Total
Overseas sales	245,276	182,764	428,040
Consolidated net sales	—	—	1,623,791
Overseas sales/ consolidated net sales	15.1%	11.3%	26.4%

* China (including Hong Kong), Korea, and Taiwan.

(2) Fiscal year ended March 31, 2006

	East Asia*	Other regions	Total
Overseas sales	222,377	150,789	373,166
Consolidated net sales	—	—	1,498,620
Overseas sales/ consolidated net sales	14.8%	10.1%	24.9%

* China (including Hong Kong), Korea, and Taiwan.

XI. Overview of Operating Segments

1. Consolidated net sales by operating segment

	Year ended March 2007		Year ended March 2006		Increase (decrease)	Percent change
	Net sales	% of total	Net sales	% of total		
Chemicals	752,632	46.4	660,402	44.1	92,230	+14.0
Homes	405,695	25.0	404,539	27.0	1,156	+0.3
Pharma	104,474	6.4	105,842	7.0	(1,368)	-1.3
Fibers	106,639	6.6	89,704	6.0	16,935	+18.9
Electronics Materials and Devices	112,094	6.9	102,859	6.9	9,235	+9.0
Construction Materials	60,818	3.7	56,512	3.8	4,306	+7.6
Life & Living	52,558	3.2	51,942	3.4	616	+1.2
Services, Engineering and Others	28,881	1.8	26,821	1.8	2,060	+7.7
Total	1,623,791	100.0	1,498,620	100.0	125,171	+8.4

2. Major products, by operating segment

Chemicals

Chemicals and derivative products

- Ammonia
- Nitric acid
- Caustic soda
- Acrylonitrile (AN)
- Styrene
- Adipic acid
- Methyl methacrylate (MMA)
- Polymethyl methacrylate (PMMA)

Polymer products

- Suntec™ polyethylene (PE)
- Stylac™-AS styrene-acrylonitrile
- Stylac™-ABS acrylonitrile-butadiene-styrene
- Synthetic rubber and elastomer
- Tenac™ polyacetal
- Xyron™ modified polyphenylene ether (mPPE)
- Leona™ nylon 66 polymer and filament

Specialty products

- Coating materials
- Latex
- Ceolus™ microcrystalline cellulose
- Explosives
- Explosion-bonded metal clad
- APR™ photosensitive resin, AFP™ photosensitive plates, and printing plate making systems
- Microza™ UF and MF membranes and systems
- Hipore™ microporous membrane
- Ion-exchange membranes and electrolysis systems

Homes

- Hebel Haus™ houses
- Hebel Maison™ apartments
- Condominiums
- Remodeling
- Real estate
- Residential land development
- Home financing

Pharma

- Elcitonin™, Bredinin™, Flivas™, Toledomin™, and other pharmaceuticals
- Pharmaceutical intermediates
- Functional food additives
- Diagnostic reagents
- APS™ artificial kidneys
- Sepacell™ leukocyte reduction filters
- CellSORBA™ leukocyte adsorption columns
- Planova™ virus removal filters
- Contact lenses

Fibers

- Roica™ elastic polyurethane filament
- Eltas™ spunbond, Lamous™ artificial suede, and other nonwovens
- Bemberg™ cuprammonium rayon
- Polyester filament

Electronics Materials and Devices

- Pimel™ photosensitive polyimide precursor (PSPI)
- Sunfort™ photosensitive dry film resist (DFR)
- Photomask pellicles
- Luminous™ plastic optical fiber (POF)
- LSIs
- Hall elements
- Glass fabric

Construction Materials

- Hebel™ autoclaved lightweight concrete (ALC) panels
- Steel-frame structural components
- Piles and foundation systems
- Neoma™ foam insulation panels
- Artificial fish reefs and marine structures

Life & Living

- Saran Wrap™ cling film
- Ziploc™ storage bags
- Film
- Sheet
- Foam

Services, Engineering and Others

- Plant engineering
- Environmental engineering
- Personnel staffing and placement
- Think tank services