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Consolidated Results for 1st and 2nd Quarters Fiscal 2008: April 1, 2008 – September 30, 2008

(Unaudited; 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 2008	Q1–Q2 2007
Net sales	843,185	830,757 [+8.0%]
Operating profit	40,139	63,689 [+25.6%]
Ordinary profit	40,665	63,145 [+29.5%]
Net income	23,415	38,019 [+31.3%]
Net income per share*	16.74	27.18
Diluted net income per share*	—	—

* Yen

Note: Percent change is omitted as quarterly accounting standards of the Accounting Standards Board of Japan (ASBJ) are newly applied in the current fiscal year.

2. Financial position

At end of	September 2008	March 2008
Total assets	1,491,299	1,425,367
Net assets	677,918	674,156
Net worth/total assets	44.9%	46.7%
Net worth per share*	479.31	476.39

* Yen

Notes:
- Net worth consists of shareholders' equity and valuation, translation adjustments, and others.
- Net worth as of September 30, 2008, was ¥670,256 million; as of March 31, 2008, ¥666,244 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2007	—	6.00	—	7.00	13.00
2008	—	7.00			14.00
2008 (forecast)			—	7.00	

* Yen

Note: No revision of cash dividend forecast during the period.

III. Forecasts for Fiscal 2008 (April 1, 2008 – March 31, 2009)

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

Net sales	1,739,000 [+2.5%]
Operating profit	95,000 [−25.6%]
Ordinary profit	95,000 [−21.1%]
Net income	55,000 [−21.4%]
Net income per share*	39.33

* Yen

2. Comparison of previous and fiscal 2008 forecasts

(billions of yen)

	Previous forecast	Revised forecast	Increase (decrease)	*cf.* fiscal 2007 results
Net sales	1,810.0	1,739.0	(71.0)	1,696.8
Operating profit	128.0	95.0	(33.0)	127.7
Ordinary profit	125.0	95.0	(30.0)	120.5
Net income	75.0	55.0	(20.0)	69.9

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 fiscal 2008 announced on May 8, 2008, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the six-month period ended September 30, 2008: None.

2. Adoption of simplified accounting methods and special accounting methods for preparation of quarterly consolidated financial statements.

   1) Simplified accounting methods

   Method of calculating allowance for doubtful accounts: Because the rate of unrecoverable receivables as of September 30, 2008, was not significantly different than that estimated at the end of the previous fiscal year, the rate of unrecoverable receivables as of the end of the previous fiscal year was used as a basis for estimating allowance for doubtful accounts.

   Valuation of inventories: No physical inventory as of September 30, 2008, was performed. Rather, the value of inventories is calculated using a reasonable method based on the physical inventory performed at the end of the previous fiscal year. The carrying amount of inventories is reduced to the estimated net sale price only where a decrease in profitability is apparent.

   Method of calculating depreciation of fixed assets: For assets depreciated using the declining-balance method, depreciation expenses for the fiscal year are calculated in proportion to the fiscal period.

   Method of calculating deferred tax assets and liabilities: Because there was no significant change in the operating environment or in the occurrence of temporary differences after the end of the previous fiscal year, collectibility of deferred tax assets was calculated based on the performance forecasts and tax planning used in the previous fiscal year.

2) Special accounting methods for presenting quarterly 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 principles/procedures, changes in methods of presentation in preparation of quarterly consolidated financial statements: Yes.

1) Application of Accounting Standard for Quarterly Financial Reporting and related guidance.

Accounting Standards for Quarterly Financial Reporting (ASBJ Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14) are applied beginning with the current fiscal year, ending March 31, 2009. Quarterly consolidated financial statements are prepared in accordance with Regulation for Quarterly Consolidated Financial Reporting.

2) Application of Accounting Standard for Measurement of Inventories.

Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9) is applied beginning with the first quarter ended June 30, 2008. Previously, inventories were stated at the lower of cost or market value (residential lots and dwellings of sale were stated at specifically identified costs). Now, inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. The effect is that operating profit is lower by ¥1,333 million and ordinary profit and income before income taxes and minority interests are lower by ¥1,016 million than they would have been using the previous method.

3) Application of Practical Solution on Unification of Accounting Polices Applied to Foreign Subsidiaries for Consolidated Financial Statements.

Practical Solution on Unification of Accounting Polices Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18) is applied beginning with the first quarter ended June 30, 2008, and necessary modifications have been made for consolidation. The impact of this change is immaterial.

4) Application of Accounting Standard for Lease Transactions and related guidance.

Financial lease transactions without title transfer were formerly accounted for as operating leases. Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and Guidance on Accounting Standard for Lease Transaction (ASBJ Guidance No. 16) are applied voluntarily beginning with the first quarter ended June 30, 2008. The accounting standard requires that all financial leases be capitalized. Leased assets related to financial lease transactions without title transfer are depreciated on a straight-line basis, with their useful lives as the lease periods and no residual value. For financial lease transactions without title transfer whose transaction date precedes the application of the new standard and guidance, the previous method of accounting for lease transactions continues to be applied. The impact of this change is immaterial.

5) Change of standard for conversion of sales and costs at foreign subsidiaries, etc.

Beginning with the first fiscal quarter ended June 30, 2008, the standard for conversion of sales and costs at foreign subsidiaries, etc. to yen was changed from conversion at the spot foreign exchange value at the date of closing to conversion at the average market value during the fiscal period. This change was applied so that operating performance shown in yen more closely matches actual operating performance. The impact of this change is immaterial.

6) Change of evaluation standard and method of evaluation for other securities whose fair values are readily determinable.

Beginning with the first fiscal quarter ended June 30, 2008, the evaluation standard and method of evaluation for other securities whose fair values are readily determinable was changed from a method based on the average market value during the month preceding the date of closing to the conventional method based on the market value as of the date of closing. This change was applied so that the financial condition be shown more accurately. As a result, investment securities are lower by ¥5,299 million, deferred income tax liabilities are lower by ¥2,135 million, net unrealized gain on securities is lower by ¥3,112 million, and income before income taxes and minority interests is lower by ¥52 million than they would have been using the previous standard and method.

4. Additional Information

With regard to the cost of remediation work to restore deficient eave assembly specifications for certain order-built homes delivered by consolidated subsidiary Asahi Kasei Homes Corp. other than that attributable to the company, a memorandum has been concluded with the supplier of soffit panels, and expenses forecast to be incurred are seen to be recoverable.

Expenses forecast for remediation work including that attributable to the company are included in allowance for after-care of products in the consolidated balance sheets, and the amount to be recovered from the supplier is included in other under current assets and in other under investments and other assets in the consolidated balance sheets.

5. Number of shares outstanding

	Q1–Q2 2008	FY 2007
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	4,241,732	4,080,805
Average number of shares outstanding during period	1,398,467,549	1,398,863,847*

* Q1–Q2 2007

V. Overview of Consolidated Results

1. Consolidated group results

The global economic environment during the six-month period was challenging, with a slowdown in the US economy triggered by the rise in subprime mortgage defaults and signs of slowing growth in China. As the Japanese economy was also in a phase of slowing growth, with high feedstock and fuel prices, corporate earnings declining due to the softening US and Chinese economies, and weak domestic consumer spending, the operating climate for Asahi Kasei and its consolidated subsidiaries (the Asahi Kasei Group) was particularly challenging.

With higher product prices accompanying increased feedstock and fuel costs in the Chemicals segment and with licensing income in the Pharma segment, consolidated net sales for the period increased by ¥12.4 billion (1.5%) from a year ago to ¥843.2 billion. Operating profit decreased by ¥23.6 billion (37.0%) to ¥40.1 billion with increased feedstock and fuel costs and slack market conditions in many product fields. Ordinary profit was ¥40.7 billion, a decrease of ¥22.5 billion (35.6%). Net income was ¥23.4 billion, a decrease of ¥14.6 billion (38.4%).

2. Results by operating segment

CHEMICALS

Sales increased by ¥6.8 billion (1.5%) from a year ago to ¥453.2 billion and operating profit decreased by ¥17.7 billion (48.9%) to ¥18.5 billion.

In specialty products, sales of Hipore™ microporous membrane separator for Li-ion rechargeable batteries grew. Volume products, comprising chemicals/derivative products and polymer products, were sharply impacted by slack market conditions in Japan and overseas and by steep feedstock and fuel prices increases.

HOMES

Sales increased by ¥3.4 billion (2.0%) from a year ago to ¥170.3 billion and operating profit decreased by ¥1.8 billion (37.3%) to ¥3.0 billion. Orders for order-built homes increased by ¥3.5 billion (2.3%) to ¥157.1 billion.

In housing-related operations, remodeling operations performed well with increased maintenance work. Order-built home operations were impacted by a decrease in deliveries of Hebel Haus™ unit homes and higher prices for materials.

PHARMA

Sales increased by ¥8.0 billion (14.5%) from a year ago to ¥62.8 billion and operating profit increased by ¥2.4 billion (31.2%) to ¥10.2 billion.

Both pharmaceuticals and medical devices operations were impacted by reimbursement price reductions. Pharmaceuticals operations had licensing income for the Famvir™ antiviral for herpes zoster. Devices operations had increased sales of APS™ polysulfone-membrane artificial kidneys and Sepacell™ leukocyte reduction filters.

FIBERS

Sales decreased by ¥1.1 billion (1.9%) from a year ago to ¥55.9 billion and operating profit decreased by ¥1.8 billion (52.1%) to ¥1.7 billion.

Roica™ elastic polyurethane filament operations were impacted by slack overseas market conditions and a higher yen exchange value. Bemberg™ regenerated cellulose fiber operations and spunbond and other nonwovens operations were sharply impacted by high feedstock and fuel costs.

ELECTRONICS MATERIALS & DEVICES

Sales decreased by ¥1.9 billion (3.2%) from a year ago to ¥55.8 billion and operating profit decreased by ¥3.2 billion (28.2%) to ¥8.2 billion.

Sales of Sunfort™ dry film photoresist grew, particularly in China, where local production capacity was expanded. Operations throughout both the electronics materials and electronics devices product lineups were impacted by slack market conditions and a higher yen exchange value.

CONSTRUCTION MATERIALS

Sales increased by ¥1.4 billion (4.6%) from a year ago to ¥31.3 billion and operating profit decreased by ¥1.3 billion (60.5%) to ¥0.8 billion.

Foundation systems operations performed well with the development of demand in new applications. Sales of Hebel™ autoclaved lightweight concrete (ALC) panels decreased with sluggish demand as an effect of the economic slowdown. Both Hebel™ ALC operations and Neoma™ high-performance phenolic foam insulation panel operations were sharply impacted by high feedstock and fuel costs.

SERVICES, ENGINEERING AND OTHERS

Sales decreased by ¥4.2 billion (23.1%) from a year ago to ¥13.9 billion and operating profit increased by ¥0.3 billion (12.1%) to ¥3.1 billion.

In engineering, overseas plant engineering decreased with the completion of a major phase of work, while business related to the provision of services for Asahi Kasei Group operations performed well.

VI. Consolidated Balance Sheets

	At end of Sept. 2008	At end of March 2008
Assets		
Current assets	774,264	740,075
Cash on hand and in banks	59,819	82,903
Notes and accounts receivable, trade	305,790	298,788
Marketable securities	508	303
Merchandise and finished goods	147,780	131,505
Work in progress	108,378	93,597
Raw materials and supplies	53,265	47,269
Deferred income taxes	25,002	26,130
Other	75,241	61,239
Allowance for doubtful accounts	(1,518)	(1,660)
Fixed assets	717,035	685,292
Property, plant and equipment, net of accumulated depreciation	438,728	424,193
Buildings	385,873	377,385
Less: Accumulated depreciation	(220,289)	(217,434)
Buildings – net	165,584	159,951
Machinery and equipment	1,144,386	1,123,378
Less: Accumulated depreciation	(974,178)	(958,159)
Machinery and equipment – net	170,208	165,220
Land	53,974	54,096
Leased assets	785	–
Less: Accumulated depreciation	(54)	–
Leased assets – net	730	–
Construction in progress	31,110	29,339
Other	108,104	103,908
Less: Accumulated depreciation	(90,980)	(88,320)
Other – net	17,123	15,588
Intangible fixed assets	36,802	26,226
Goodwill	5,449	5,707
Other	31,353	20,519
Investments and other assets	241,505	234,873
Investment securities	190,235	190,991
Long-term receivables	4,290	4,703
Deferred income taxes	14,212	12,777
Other	32,929	26,514
Allowance for doubtful accounts	(161)	(113)
Total assets	1,491,299	1,425,367

	At end of Sept. 2008	At end of March 2008
Liabilities		
Current liabilities	592,066	513,413
Notes and accounts payable, trade	174,326	155,120
Short-term borrowings	47,088	43,220
Commercial paper	95,000	55,000
Current portion of corporate bonds	25,000	25,000
Short-term lease obligations	146	–
Accrued income taxes	15,091	9,730
Deferred tax liabilities	5	58
Accrued expenses	98,327	108,947
Advanced received	65,211	49,718
Allowance for repairs	2,069	4,716
Allowance for after-care of products	12,403	6,018
Other current liabilities	57,400	55,885
Long-term liabilities	221,315	237,798
Corporate bonds	5,000	25,000
Long-term borrowings	68,472	63,187
Deferred tax liabilities	8,712	9,155
Long-term lease obligations	586	–
Accrued pension and severance costs	113,865	117,130
Allowance for repairs	3,372	2,078
Advanced received	18,966	18,935
Other long-term liabilities	2,311	2,314
Total liabilities	813,381	751,211
Net assets		
Shareholders' equity	627,453	613,042
Common stock	103,389	103,389
Capital surplus	79,432	79,427
Retained earnings	446,743	432,246
Treasury stock, at cost	(2,111)	(2,019)
Valuation, translation adjustments, and others	42,804	53,201
Net unrealized gain on securities	47,240	51,091
Net deferred profit on hedges	221	11
Revaluation surplus	–	873
Cumulative translation adjustments	(4,658)	1,226
Minority interest in consolidated subsidiaries	7,662	7,912
Total net assets	677,918	674,156
Total liabilities and net assets	1,491,299	1,425,367

VII. Consolidated Statements of Income

	Q1–Q2 2008
Net sales	843,185
Cost of sales	657,996
Gross profit	185,189
Selling, general and administrative expenses	145,050
Operating profit	40,139
Non-operating income	4,906
Interest income	607
Dividend income	1,607
Equity in net earnings of unconsolidated subsidiaries and affiliates	590
Other	2,102
Non-operating expenses	4,381
Interest expense	2,135
Other	2,246
Ordinary profit	40,665
Special gains	70
Gain on sale of investment securities	12
Gain on sale of property, plant and equipment	58
Special losses	1,427
Loss on devaluation of investment securities	178
Loss on disposal of property, plant and equipment	1,033
Impairment loss	216
Income before income taxes and minority interest	39,307
Income taxes	15,398
Minority interest in income of consolidated subsidiaries	495
Net income	23,415

VIII. Cash flows

	Q1–Q2 2008
Cash flows from operating activities:	
Income before income taxes and minority interest	39,307
Depreciation and amortization	37,507
Impairment loss	216
Amortization of goodwill	262
Amortization of negative goodwill	(46)
Decrease in allowance for repairs	(1,353)
Increase in allowance for after-care of products	6,385
Decrease in accrued pension and severance costs	(3,139)
Interest and dividend income	(2,214)
Interest expense	2,135
Equity in net earnings of unconsolidated subsidiaries and affiliates	(590)
Gain on sale of investment securities	(12)
Loss on devaluation of investment securities	178
Gain on sale of property, plant and equipment	(58)
Loss on disposal of property, plant and equipment	1,033
Increase in notes and accounts receivable, trade	(9,239)
Increase in inventories	(38,398)
Increase in notes and accounts payable, trade	20,804
Decrease in accrued expenses	(10,421)
Increase in advances received	15,489
Other	(21,866)
Subtotal	35,980
Interest and dividend income, received	3,690
Interest expense, paid	(2,225)
Income taxes, paid	(10,237)
Net cash provided by operating activities	27,209
Cash flows from investing activities:	
Payments for acquisition of property, plant and equipment	(45,847)
Proceeds from sale of property, plant and equipment	788
Payments for acquisition of intangible fixed assets	(16,310)
Payments for purchase of marketable securities	(5,973)
Proceeds from sale of marketable securities	125
Payments for loan receivables	(3,475)
Collections of loan receivables	3,485
Other	(810)
Net cash used in investing activities	(68,016)
Cash flows from financing activities:	
Proceeds from short-term borrowings	1,251
Proceeds from issuance of commercial paper	40,000
Proceeds from long-term loans	10,700
Repayment of long-term loans	(1,329)
Repayment of bonds	(20,000)
Payments for purchase of treasury stock	(154)
Proceeds from sale of treasury stock	64
Dividends paid by parent company	(9,791)
Dividends paid to minority interests in consolidated subsidiaries	(298)
Other	(190)
Net cash used provided by financing activities	20,254
Effect of exchange rate changes on cash and cash equivalents	(2,334)
Net increase in cash and cash equivalents	(22,887)
Cash and cash equivalents at beginning of period	83,033
Cash and cash equivalents at end of period	60,146

IX. Operating Segment Information

1. Consolidated net sales

(billions of yen)

	Q1–Q2 2007	Q1–Q2 2008	Increase (decrease)	Fiscal 2008 forecast
Chemicals	446.4	453.2	6.8	879.0
Homes	166.9	170.3	3.4	412.0
Pharma	54.8	62.8	8.0	125.0
Fibers	56.9	55.9	(1.1)	115.0
Electronics Materials & Devices	57.7	55.8	(1.9)	118.0
Construction Materials	29.9	31.3	1.4	62.0
Services, Engineering and Others	18.1	13.9	(4.2)	28.0
Total	830.8	843.2	12.4	1,739.0

2. Consolidated operating profit (loss)

(billions of yen)

	Q1–Q2 2007	Q1–Q2 2008	Increase (decrease)	Fiscal 2008 forecast
Chemicals	36.2	18.5	(17.7)	43.5
Homes	4.8	3.0	(1.8)	23.0
Pharma	7.7	10.2	2.4	15.0
Fibers	3.5	1.7	(1.8)	2.0
Electronics Materials & Devices	11.5	8.2	(3.2)	14.0
Construction Materials	2.1	0.8	(1.3)	1.5
Services, Engineering and Others	2.7	3.1	0.3	5.0
Combined	68.6	45.5	(23.1)	104.0
Corporate expenses and eliminations	(4.9)	(5.3)	(0.5)	(9.0)
Consolidated	63.7	40.1	(23.6)	95.0

3. Operating profit increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:				Net increase (decrease)
	Sales volume	Sales prices [*of which,*	*due to foreign exchange*]	Operating costs and others	
Chemicals	(2.3)	21.6	*(10.0)*	(37.0)	(17.7)
Homes	(0.4)	1.4	—	(2.8)	(1.8)
Pharma	3.5	(2.9)	*(0.3)*	1.8	2.4
Fibers	(0.2)	0.3	*(1.2)*	(1.9)	(1.8)
Electronics Materials & Devices	0.6	(3.8)	*(1.6)*	(0.0)	(3.2)
Construction Materials	0.3	0.3	—	(1.9)	(1.3)
Services, Engineering and Others	0.3	0.0	*0.0*	0.0	0.3
Corporate expenses and eliminations	—	—	—	(0.5)	(0.5)
Consolidated	2.0	16.8	*(13.1)*	(42.4)	(23.6)

4. Contract trends for home construction operations

	Q1–Q2 2007	Q1–Q2 2008	Increase (decrease)	Fiscal 2008 forecast
No. of orders received (home units)	6,604	6,412	(192)	13,300
Value of orders received (¥ billion)	153.6	157.1	3.5	318.0
Backlog of orders (¥ billion)	312.3	326.6	14.3	308.8
No. of sales (home units)	5,450	5,148	(302)	12,720
Value of sales (¥ billion)	131.2	129.4	(1.8)	308.0

5. Key operating factors

	Q1–Q2 2007	Q1–Q2 2008	Increase (decrease)	Fiscal 2008 forecast
Naphtha price (yen/kL, domestic)	58,750	78,350	19,600	66,675
Yen/US$ exchange rate (market average)	119	106	(13)	103
Yen/€ exchange rate (market average)	162	163	1	147

6. Interest-bearing debt

(billions of yen)

	At end of March 2008	At end of Sept. 2008	Increase (decrease)	Fiscal 2008 forecast
Short-term borrowings	43.2	47.1	3.9	
Commercial paper	55.0	95.0	40.0	
Corporate bonds	50.0	30.0	(20.0)	
Long-term debt	63.2	68.5	5.3	
Lease obligations	—	0.7	0.7	
Total	211.4	241.3	29.9	290.0