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November 2, 2010

Consolidated Results for 1st and 2nd Quarters Fiscal 2010: April 1, 2010 – September 30, 2010

(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 2010	Q1–Q2 2009
Net sales	764,794 [+16.1%]	658,648 [−21.9%]
Operating income	63,521 [+253.6%]	17,964 [−55.2%]
Ordinary income	59,586 [+295.2%]	15,077 [−62.9%]
Net income	28,464 [+571.0%]	4,242 [−81.9%]
Net income per share*	20.36	3.03
Diluted net income per share*	—	—

* Yen

2. Financial position

At end of	September 2010	March 2010
Total assets	1,397,642	1,368,892
Net assets	653,033	644,688
Net worth/total assets	45.9%	46.3%
Net worth per share*	458.29	452.91

* Yen

Notes:
- Net worth consists of shareholders' equity and valuation and translation adjustments.
- Net worth as of September 30, 2010, was ¥640,852 million; as of March 31, 2010, ¥633,343 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2009	—	5.00	—	5.00	10.00
2010	—	5.00			
2010 (forecast)			—	5.00	10.00

* Yen

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

III. Forecasts for Fiscal 2010 (April 1, 2010 – March 31, 2011)

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

Net sales	1,608,000 [+12.2%]
Operating income	115,000 [+99.6%]
Ordinary income	110,500 [+96.0%]
Net income	58,500 [+131.3%]
Net income per share*	41.84

* Yen

2. Comparison of previous and revised fiscal 2010 forecasts

(billions of yen)

	Previous forecast	Revised forecast	Increase (decrease)	*cf.* fiscal 2009 results
Net sales	1,677.0	1,608.0	(69.0)	1,433.6
Operating income	80.0	115.0	35.0	57.6
Ordinary income	77.5	110.5	33.0	56.4
Net income	42.5	58.5	16.0	25.3

Notes:
- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for fiscal 2010 announced on May 10, 2010, has been revised.

IV. Other Information

1. Changes in significant subsidiaries: None.

2. Simplified accounting methods and special accounting methods

   1) Simplified accounting methods

   Method of calculating allowance for doubtful accounts: Because the rate of unrecoverable receivables as of September 30, 2010, 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, 2010, 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 noncurrent 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: When there is 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 is calculated based on the performance forecasts and tax planning used in the previous fiscal year. However, when there is 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 is calculated based on the performance forecasts and tax planning used in the previous fiscal year together with the effect of such significant change.

2) Special accounting methods

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. The amount shown as "income taxes" includes both "income taxes – current" and "income taxes – deferred."

3. Changes in accounting principles/procedures, changes in methods of presentation

1) Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24) have been applied beginning from the quarter ended June 30, 2010. This change had no effect on the consolidated quarterly financial statements.

2) Application of Accounting Standard for Asset Retirement Obligations

Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21) have been applied beginning from the quarter ended June 30, 2010. As a result, income before income taxes was ¥1,333 million lower than it would have been if the previous method had been used. The impact on operating income and ordinary income was immaterial. The change in asset retirement obligations due to the start of application of this accounting standard, etc., was ¥4,038 million.

3) Application of Accounting Standard for Business Combinations and related matters

Accounting Standard for Business Combinations (ASBJ Statement No. 21), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10) have been applied beginning from the quarter ended June 30, 2010. With the application of Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22), the evaluation method for assets and liabilities of consolidated subsidiaries changed from the partial fair value evaluation method to the full fair value evaluation method. The impact of this change on the consolidated financial statements was immaterial.

4. Number of shares outstanding

	Q1–Q2 2010	FY 2009
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	4,270,839	4,228,468
Average number of shares outstanding during period	1,398,361,882	1,398,501,222*

* Q1–Q2 2009

V. Overview of Consolidated Results

1. Consolidated group results

The global economy was marked by instability during the April–September period. Although economies in the Asian region showed strength with expanding domestic demand, particularly in China, broadening credit insecurity in Europe led to concerns of an economic slowdown.

Although there were signs of recovery, including solid exports to the Asian region, the outlook for the Japanese economy was once again obscure with corporate investment and consumer spending remaining sluggish as an effect of the surging value of the yen and diminished stock market prices.

Consolidated results of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) reflected substantially greater performance buoyed by higher market prices and increased overseas demand in the Chemicals segment as well as favorable performance in the Homes and Electronics segments. Net sales were ¥764.8 billion, an increase of ¥106.1 billion (16.1%) from a year ago. Operating income increased by ¥45.6 (253.6%) billion from a year ago to ¥63.5 billion. Ordinary income increased by ¥44.5 billion (295.2%) from a year ago to ¥59.6 billion. Net income increased by ¥24.2 billion (571.0%) to ¥28.5 billion.

2. Results by operating segment

Beginning from the quarter ended June 30, 2010, Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20) have been applied, resulting in six reporting segments: Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials.

In describing the state of the Asahi Kasei Group's businesses by major business classification, businesses not included in the above six reporting segments are categorized as "Others." The "Others" category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

The operating expenses of one consolidated subsidiary previously included in Services, Engineering and Others have been included in "corporate expenses and eliminations" beginning from the quarter ended June 30, 2010. The impact of this change is immaterial.

CHEMICALS

Sales increased by ¥71.7 billion (24.4%) from a year ago to ¥365.0 billion and operating income increased by ¥25.8 billion (224.9%) to ¥37.3 billion.

While chemicals and derivative products operations were impacted by a plant maintenance turnaround, terms of trade improved as overseas market prices for acrylonitrile (AN) and adipic acid increased substantially. In polymer products operations, a recovery of demand in automotive and electronics applications led to increased shipments, and plant operating rates improved. In specialty products operations, sales of home-use products such as Saran Wrap™ increased.

HOMES

Sales increased by ¥15.8 billion (10.0%) from a year ago to ¥173.5 billion and operating income increased by ¥6.0 billion (144.2%) to ¥10.1 billion. Orders for order-built homes increased by ¥27.2 billion to ¥181.7 billion

Operating income from order-built and pre-built homes increased with a steady recovery in deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings and with reduced operating costs. Real estate and other housing-related operations recorded steady performance.

HEALTH CARE

Sales increased by ¥1.4 billion (2.5%) from a year ago to ¥57.8 billion and operating income increased by ¥0.8 billion (22.8%) to ¥4.2 billion.

In pharmaceuticals operations, operating income from Recomodulin™ recombinant thrombomodulin increased substantially, and shipments of the Flivas™ agent for the treatment of benign prostatic hyperplasia increased although NHI price revisions had a negative impact on product prices. In devices-related operations, shipments of APS™ polysulfone-membrane artificial kidneys and therapeutic apheresis devices increased, but performance in Planova™ virus removal filters was sluggish and the strong yen had an impact on performance in each product category.

FIBERS

Sales increased by ¥5.9 billion (12.1%) from a year ago to ¥54.6 billion and operating income increased by ¥5.2 billion to ¥2.3 billion.

Operations were impacted by the strong yen and high feedstock costs. Shipments of Bemberg™ regenerated cellulose increased substantially both in Japan and overseas. Roica™ elastic polyurethane filament, Leona™ nylon 66 filament, and nonwovens including spunbond recorded favorable performance.

ELECTRONICS

Sales increased by ¥14.6 billion (21.4%) from a year ago to ¥83.2 billion and operating income increased by ¥7.9 billion (278.2%) to ¥10.7 billion.

In electronic devices operations, shipments of LSIs for cell phones and smartphones increased substantially. In electronic materials operations, shipments of Hipore™ Li-ion battery separator increased, and shipments of Sunfort™ dry film photoresist and Pimel™ photosensitive polyimide precursor also increased with a recovery of overseas market conditions for semiconductors and electronic hardware.

CONSTRUCTION MATERIALS

Sales decreased by ¥1.2 billion (4.7%) from a year ago to ¥23.4 billion but operating income increased by ¥0.5 billion (88.9%) to ¥1.1 billion.

Shipments of Hebel™ autoclaved aerated concrete (AAC) panels decreased substantially, especially in non-housing applications, due to a downturn in new construction starts. Shipments of Eazet™ and ATT Column™ small-scale piles increased with development of demand in applications other than homes and buildings. Shipments of Neoma™ high-performance foam insulation panels also increased, supported by government policies for energy conservation. Significant operating cost reductions were achieved.

OTHERS

Sales decreased by ¥2.2 billion (22.8%) from a year ago to ¥7.4 billion, and operating income decreased by ¥0.3 billion (24.6%) to ¥0.8 billion.

VI. Consolidated Balance Sheets

	At end of Sept. 2010	At end of March 2010
Assets		
Current assets		
Cash and deposits	94,201	93,928
Notes and accounts receivable, trade	262,466	238,931
Short-term investment securities	366	985
Merchandise and finished goods	130,901	124,557
Work in process	89,293	75,044
Raw materials and supplies	56,333	51,484
Deferred tax assets	24,142	23,106
Other	58,287	54,027
Allowance for doubtful accounts	(1,696)	(1,654)
Total current assets	714,292	660,408
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	408,870	404,974
Accumulated depreciation	(228,226)	(224,608)
Buildings and structures, net	180,643	180,366
Machinery, equipment and vehicles	1,183,121	1,169,979
Accumulated depreciation	(1,025,723)	(1,005,094)
Machinery, equipment and vehicles, net	157,398	164,885
Land	55,543	55,031
Lease assets	7,461	5,808
Accumulated depreciation	(2,390)	(1,132)
Lease assets, net	5,071	4,676
Construction in progress	21,551	27,380
Other	117,222	115,024
Accumulated depreciation	(102,471)	(99,867)
Other, net	14,751	15,158
Subtotal	434,957	447,497
Intangible assets		
Goodwill	5,472	5,927
Other	26,607	28,729
Subtotal	32,079	34,656
Investments and other assets		
Investment securities	160,767	175,059
Long-term loans receivable	5,528	6,074
Deferred tax assets	20,305	15,383
Other	29,947	29,962
Allowance for doubtful accounts	(234)	(147)
Subtotal	216,314	226,331
Total noncurrent assets	683,350	708,485
Total assets	1,397,642	1,368,892

	At end of Sept. 2010	At end of March 2010
Liabilities		
Current liabilities		
Notes and accounts payable, trade	137,354	121,409
Short-term loans payable	101,689	93,962
Commercial paper	21,000	19,000
Lease obligations	1,285	1,123
Income taxes payable	18,487	12,160
Accrued expenses	89,310	91,371
Advances received	53,866	37,815
Provision for repairs	2,256	8,191
Provision for product warranties	2,552	3,607
Asset retirement obligations	513	—
Other	42,249	46,189
Total current liabilities	470,560	434,827
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	107,688	121,921
Lease obligations	3,606	3,593
Deferred tax liabilities	5,038	7,597
Provision for retirement benefits	108,610	109,450
Provision for directors' retirement benefits	1,040	1,225
Provision for repairs	1,467	169
Asset retirement obligations	3,296	—
Long-term guarantee deposited	18,268	18,321
Other	36	2,101
Total noncurrent liabilities	274,049	289,378
Total liabilities	744,609	724,204
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,402	79,403
Retained earnings	453,850	432,114
Treasury stock	(2,037)	(2,017)
Total shareholders' equity	634,604	612,888
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	29,027	36,692
Deferred gains or losses on hedges	(56)	(109)
Foreign currency translation adjustment	(22,723)	(16,128)
Total valuation and translation adjustments	6,248	20,455
Minority interests	12,182	11,346
Total net assets	653,033	644,688
Total liabilities and net assets	1,397,642	1,368,892

VII. Consolidated Statements of Income

	Q1–Q2 2009	Q1–Q2 2010
Net sales	658,648	764,794
Cost of sales	507,540	563,276
Gross profit	151,108	201,518
Selling, general and administrative expenses	133,144	137,997
Operating income	17,964	63,521
Non-operating income		
Interest income	616	524
Dividends income	1,248	1,193
Equity in earnings of affiliates	—	1,090
Other	1,471	1,742
Total non-operating income	3,336	4,549
Non-operating expenses		
Interest expense	1,904	1,738
Equity in losses of affiliates	189	—
Foreign exchange losses	2,193	3,571
Other	1,937	3,175
Total non-operating expenses	6,222	8,484
Ordinary income	15,077	59,586
Extraordinary income		
Gain on sales of investment securities	102	—
Gain on sales of noncurrent assets	24	13
Total extraordinary income	126	13
Extraordinary loss		
Loss on valuation of investment securities	727	406
Loss on disposal of noncurrent assets	1,294	2,273
Impairment loss	74	50
Environmental expenses	1,180	658
Loss on adjustment for changes of accounting for asset retirement obligations	—	1,240
Business structure improvement expenses	1,441	8,601
Total extraordinary loss	4,715	13,228
Income before income taxes	10,488	46,371
Income taxes	6,366	16,884
Income before minority interests	—	29,487
Minority interests in income (loss)	(120)	1,022
Net income	4,242	28,464

VIII. Cash flows

	Q1–Q2 2009	Q1–Q2 2010
Cash flows from operating activities:		
Income before income taxes	10,488	46,371
Depreciation and amortization	39,541	40,339
Impairment loss	74	50
Amortization of goodwill	525	531
Amortization of negative goodwill	(19)	(134)
Increase (decrease) in provision for repairs	991	(4,636)
Increase (decrease) in provision for product warranties	(3,217)	(1,055)
Increase (decrease) in provision for retirement benefits	(84)	(746)
Interest and dividend income	(1,865)	(1,717)
Interest expense	1,904	1,738
Equity in (earnings) losses of affiliates	189	(1,090)
Loss (gain) on sales of investment securities	(102)	—
Loss (gain) on valuation of investment securities	727	406
Loss (gain) on sales of noncurrent assets	(24)	(13)
Loss (gain) on disposal of noncurrent assets	1,294	2,273
Decrease (increase) in notes and accounts receivable, trade	(25,998)	(24,058)
Decrease (increase) in inventories	11,823	(23,845)
Increase (decrease) in notes and accounts payable, trade	(2,677)	13,954
Increase (decrease) in accrued expenses	(8,423)	(1,891)
Increase (decrease) in advances received	8,459	16,073
Other, net	11,464	(15)
Subtotal	45,069	62,536
Interest and dividend income, received	2,899	2,491
Interest expense, paid	(1,992)	(1,783)
Income taxes (paid) refund	6,630	(13,923)
Net cash provided by (used in) operating activities	52,607	49,321
Cash flows from investing activities:		
Purchase of property, plant and equipment	(46,887)	(32,894)
Proceeds from sales of property, plant and equipment	154	522
Purchase of intangible assets	(4,491)	(2,146)
Purchase of investment securities	(5,623)	(1,423)
Proceeds from sales of investment securities	5,147	329
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	1,106	—
Payments of loans receivable	(6,429)	(1,575)
Collection of loans receivable	4,946	1,925
Other, net	(1,644)	(2,160)
Net cash provided by (used in) investing activities	(53,720)	(37,422)

	Q1–Q2 2009	Q1–Q2 2010
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(1,166)	911
Increase (decrease) in commercial paper	9,000	2,000
Proceeds from long-term loans payable	4,792	251
Repayment of long-term loans payable	(13,794)	(7,027)
Redemption of bonds	(20,000)	—
Repayments of lease obligations	(363)	(629)
Purchase of treasury stock	(62)	(34)
Proceeds from disposal of treasury stock	21	12
Cash dividends paid	(4,196)	(6,992)
Cash dividends paid to minority shareholders	(268)	(361)
Other, net	63	(6)
Net cash provided by (used in) financing activities	(25,974)	(11,875)
Effect of exchange rate change on cash and cash equivalents	621	(2,091)
Net increase (decrease) in cash and cash equivalents	(26,466)	(2,067)
Cash and cash equivalents at beginning of period	98,092	93,125
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	360	876
Cash and cash equivalents at end of period	71,986	91,934

IX. Additional Information

Beginning from the quarter ended June 30, 2010, Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20) have been applied, resulting in six reporting segments: Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials.

The "Others" category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

The operating expenses of one consolidated subsidiary previously included in Services, Engineering and Others have been included in "corporate expenses and eliminations" beginning from the quarter ended June 30, 2010. The impact of this change is immaterial.

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

1) Consolidated net sales

(billions of yen)

	Q1–Q2 2009	Q1–Q2 2010	Increase (decrease)	Fiscal 2010 forecast
Chemicals	293.3	365.0	71.7	741.0
Homes	157.7	173.5	15.8	413.0
Health Care	56.3	57.8	1.4	117.0
Fibers	48.7	54.6	5.9	107.0
Electronics	68.5	83.2	14.6	166.0
Construction Materials	24.6	23.4	(1.2)	49.0
Others	9.6	7.4	(2.2)	15.0
Total	658.6	764.8	106.1	1,608.0

2) Consolidated operating income (loss)

(billions of yen)

	Q1–Q2 2009	Q1–Q2 2010	Increase (decrease)	Fiscal 2010 forecast
Chemicals	11.5	37.3	25.8	59.0
Homes	4.1	10.1	6.0	33.0
Health Care	3.4	4.2	0.8	7.5
Fibers	(2.9)	2.3	5.2	3.5
Electronics	2.8	10.7	7.9	15.5
Construction Materials	0.6	1.1	0.5	2.0
Others	1.0	0.8	(0.3)	1.5
Combined	20.6	66.5	45.9	122.0
Corporate expenses and eliminations	(2.6)	(3.0)	(0.4)	(7.0)
Consolidated	18.0	63.5	45.6	115.0

2. Operating income 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	5.0	34.5	*(5.0)*	(13.7)	25.8
Homes	2.6	2.0	—	1.3	6.0
Health Care	1.7	(2.7)	*(1.1)*	1.8	0.8
Fibers	2.5	0.2	*(0.9)*	2.5	5.2
Electronics	12.7	(9.9)	*(1.3)*	5.1	7.9
Construction Materials	(0.1)	(0.4)	—	1.0	0.5
Others	(0.1)	0.0	*0.0*	(0.1)	(0.3)
Corporate expenses and eliminations	—	—	—	(0.4)	(0.4)
Consolidated	24.3	23.7	*(8.3)*	(2.5)	45.6

3. Major financial metrics (consolidated)

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

	Q1–Q2 2009	Q1–Q2 2010	Fiscal 2010 forecast
Capital expenditure (tangible)	43.2	30.1	69.0
Capital expenditure (intangible)	3.9	2.1	6.0
Purchase of investment securities	5.6	1.4	5.0
Depreciation and amortization	39.5	40.9	90.0
Balance of payments	(0.1)	(0.0)	(0.3)
of which, dividends received	*1.2*	*1.2*	*2.1*
R&D expenses	30.1	30.7	65.0
Employees at end of period	25,076	25,150	
D/E ratio	0.49	0.41	

4. Contract trends for home construction operations

	Q1–Q2 2009	Q1–Q2 2010	Increase (decrease)	Fiscal 2010 forecast
No. of orders received (home units)	6,680	7,927	1,247	15,190
Value of orders received (¥ billion)	154.6	181.7	27.2	344.0
Backlog of orders (¥ billion)	321.3	363.4	42.0	348.1
No. of sales (home units)	4,687	5,009	322	13,180
Value of sales (¥ billion)	115.8	125.5	9.7	303.0

5. Key operating factors

		Q1–Q2 2009	Q1–Q2 2010	Increase (decrease)	Fiscal 2010 forecast
Naphtha price (yen/kL, domestic)		37,250	46,200	8,950	45,600
Exchange rates (market average)	Yen/US$	95	89	(7)	85
	Yen/€	133	114	(19)	115

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2010	At end of Sept. 2010	Increase (decrease)
Short-term loans payable	94.0	101.7	7.7
Commercial paper	19.0	21.0	2.0
Long-term loans payable	121.9	107.7	(14.2)
Bonds payable	25.0	25.0	—
Lease obligations	4.7	4.9	0.2
Total	264.6	260.3	(4.3)