

June 6, 2007

Notice of Convocation of Asahi Kasei Corporation Shareholders

Notice to Shareholders:

The 116th Ordinary General Meeting of Shareholders of Asahi Kasei Corporation will be convened as described below.

Time: Thursday June 28, 2007, 10:00 a.m.
Place: Rose Room, 9th floor, Tokyo Kaikan
2-1 Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan

Agenda

Reports:

Report of Operating Results for the fiscal year ended March 31, 2007
[Consolidated Balance Sheets as of March 31, 2007](#)
[Consolidated Statements of Income for the fiscal year ended March 31, 2007](#)
[Consolidated Statements of Changes in Net Assets for the fiscal year ended March 31, 2007](#)
Non-consolidated Balance Sheets as of March 31, 2007
Non-consolidated Statements of Income for the fiscal year ended March 31, 2007
Non-consolidated Statements of Changes in Net Assets for the fiscal year ended March 31, 2007

Proposals:

Proposal 1 Election of Directors (11 candidates for election)
Proposal 2 Election of Statutory Auditor (1 candidate for election)
Proposal 3 Election of Alternate Statutory Auditor (1 candidate for election)
Proposal 4 Election of Independent Auditors
Proposal 5 Grant of Retirement Bonus to Retiring Directors

Please read the attachment and exhibit accompanying this notice carefully. If you will be unable to attend, please exercise your voting right by filling in, signing, and returning the enclosed form by post. In order to be effective, forms to exercise voting rights by post must be received no later than 5:00 p.m. JST June 27, 2007.

Nobuo Yamaguchi
Representative Director, Chairman of the Board

Note: Translation of Japanese document, some notes and reference information omitted.

Attachment 1: Materials pertaining to items to be reported

1. Consolidated Balance Sheets as of March 31, 2007

(millions of yen, rounded to the nearest million)

Assets	
Current assets	722,995
Cash on hand and in banks	101,514
Notes and accounts receivable, trade	300,386
Marketable securities	400
Inventories	240,006
Deferred income taxes	26,650
Other current assets	55,831
Allowance for doubtful accounts	(1,791)
Fixed assets	736,927
Property, plant and equipment, net of accumulated depreciation	426,959
Buildings and structures	158,953
Machinery and equipment	174,775
Land	55,192
Construction in progress	21,935
Other	16,103
Intangible fixed assets	28,466
Goodwill	6,045
Others	22,421
Investments and other assets	281,502
Investment securities	241,696
Long-term receivables	4,636
Deferred income taxes	10,479
Other	24,768
Allowance for doubtful accounts	(78)
Total assets	1,459,922

Liabilities	806,412
Current liabilities	503,570
Notes and accounts payable, trade	186,900
Short-term borrowings	63,828
Current portion of bonds	24,000
Accrued income taxes	18,232
Accrued expenses	111,027
Advances received	48,874
Other current liabilities	50,709
Long-term liabilities	302,842
Bonds	60,000
Long-term borrowings	69,074
Deferred income taxes	26,210
Accrued pension and severance costs	125,364
Reserve for directors and statutory auditors retirement bonus	902
Customers' guarantee deposits	18,660
Other long-term liabilities	2,632
Net assets	653,510
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 gains on securities	79,823
Net deferred profit on hedges	58
Revaluation surplus	1,106
Cumulative translation adjustments	2,913
Minority interest in consolidated subsidiaries	7,855
Total liabilities and net assets	1,459,922

2. Consolidated Statements of Income for the fiscal year ended March 31, 2007

(millions of yen, rounded to the nearest million)

Net sales	1,623,791
Cost of sales	1,224,041
Gross profit	399,750
Selling, general and administrative expenses	271,949
Operating profit	127,801
Non-operating income	13,081
Interest income	508
Dividend income	2,507
Equity in net earnings of unconsolidated subsidiaries and affiliates	2,647
Other	7,419
Non-operating expenses	14,376
Interest expense	4,118
Other	10,258
Ordinary profit	126,507
Special gains	3,091
Gain on sale of investment securities	1,516
Gain on sale of property, plant and equipment	919
Gain on change in equity	657
Special losses	14,715
Loss on write-down of investment securities	701
Loss on disposal of property, plant and equipment	9,073
Loss on impairment	189
Restructuring charges	4,751
Income before income taxes and minority interest	114,883
Current income taxes	(42,247)
Deferred income taxes	(3,553)
Minority interest in income of consolidated subsidiaries	(508)
Net income	68,575

3. Consolidated Statements of Changes in Net Assets
for the fiscal year ended March 31, 2007

(millions of yen, rounded to the nearest million)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	103,389	79,433	342,450	(17,311)	507,960
Changes during the fiscal year					
Year-end dividend			(6,999)		(6,999)
Interim dividend			(6,998)		(6,998)
Bonuses to directors and statutory auditors			(228)		(228)
Net income			68,575		68,575
Increase due to newly consolidated subsidiaries			22		22
Decrease due to newly consolidated subsidiaries			(1)		(1)
Increase due to unconsolidated subsidiaries and affiliates for which the equity method is newly applied			20		20
Purchase of treasury stock				(634)	(634)
Disposal of treasury stock		18		21	39
Cancellation of treasury stock		(55)	(16,325)	16,380	—
Net increase (decrease) in net assets other than shareholders' equity					
Total changes during the fiscal year	—	(37)	38,065	15,767	53,795
Balance at March 31, 2007	103,389	79,396	380,515	(1,544)	561,755

	Valuation, translation adjustment and others						Total net assets
	Net unrealized gain on securities	Net deferred profit on hedges	Revaluation surplus	Cumulative translation adjustments	Total valuation, translation adjustment and others	Minority interest in consolidated subsidiaries	
Balance at March 31, 2006	85,384	—	966	(99)	86,251	6,917	601,128
Changes during the fiscal year							
Year-end dividend							(6,999)
Interim dividend							(6,998)
Bonuses to directors and statutory auditors							(228)
Net income							68,575
Increase due to newly consolidated subsidiaries							22
Decrease due to newly consolidated subsidiaries							(1)
Increase due to unconsolidated subsidiaries and affiliates for which the equity method is newly applied							20
Purchase of treasury stock							(634)
Disposal of treasury stock							39
Cancellation of treasury stock							—
Net increase (decrease) in net assets other than shareholders' equity	(5,561)	58	140	3,012	(2,351)	938	(1,413)
Total changes during the fiscal year	(5,561)	58	140	3,012	(2,351)	938	52,382
Balance at March 31, 2007	79,823	58	1,106	2,913	83,900	7,855	653,510

4. Non-consolidated Balance Sheets as of March 31, 2007

(millions of yen, rounded to the nearest million)

Assets	
Current assets	178,148
Cash on hand and in banks	162
Supplies	60
Prepaid expenses	1,052
Deferred income taxes	1,609
Accounts receivable, other	20,816
Short-term loans	0
Short-term loans to group companies	104,509
Advances paid	52,017
Other current assets	174
Allowance for doubtful accounts	(2,251)
Fixed assets	528,039
Property, plant and equipment, net of accumulated depreciation	68,189
Buildings	13,645
Structures	2,548
Machinery and equipment	2,429
Vehicles	38
Tools, furniture and fixtures	2,100
Land	46,948
Construction in progress	480
Intangible fixed assets	4,850
Software	4,405
Patents rights and others	445
Investments and other assets	455,000
Investment securities	142,536
Investments in group companies	252,462
Sundry investments	39
Long-term receivables	46
Long-term receivables from group companies	57,303
Long-term prepaid expenses	145
Other	2,480
Allowance for doubtful accounts	(11)
Total assets	706,186

Liabilities	294,548
Current liabilities	117,040
Notes payable	87
Short-term borrowings	9,000
Current portion of long-term borrowings	8,144
Current portion of bonds	24,000
Accounts payable, other	36,321
Income taxes payable	7,546
Accrued expenses	14,095
Advances received	49
Deposits received	3,747
Notes payable for group companies	6,825
Other current liabilities	7,227
Long-term liabilities	177,508
Bonds	60,000
Long-term borrowings	58,088
Deferred income taxes	42,762
Accrued pension and severance costs	16,106
Reserve for directors and statutory auditors retirement bonus	518
Customers' guarantee deposits	35
Net assets	411,638
Shareholders' equity	349,875
Common stock	103,389
Capital surplus	79,396
Additional paid-in capital	79,396
Retained earnings	168,479
Legal reserve	25,847
Other retained earnings	142,632
Reserve for special depreciation	1,103
Reserve for fixed assets reduction	10,789
Dividend equalization reserve	7,000
General reserve	82,000
Unappropriated retained earnings as of the end of the fiscal period	41,741
Treasury stock, at cost	(1,389)
Valuation, translation adjustment and others	61,762
Net unrealized gains on securities	61,762
Total liabilities and net assets	706,186

5. Non-consolidated Statements of Income for the fiscal year ended March 31, 2007

(millions of yen, rounded to the nearest million)

Revenue	42,758
Dividend income from group companies	33,845
Real estate lease income from group companies	8,913
Operating expenses	14,542
General administrative expenses	14,542
Operating profit	28,216
Non-operating income	4,436
Interest and dividend income	3,887
Other	549
Non-operating expenses	3,583
Interest expense	2,024
Other	1,560
Ordinary profit	29,069
Special gains	893
Gain on sale of investment securities	5
Gain on sale of property, plant and equipment	888
Special losses	2,402
Loss on write-down of investment securities	507
Loss on disposal of property, plant and equipment	1,871
Loss on impairment	25
Income before income taxes	27,560
Current income taxes	(3,104)
Deferred income taxes	1,797
Net income	28,867

6. Non-consolidated Statements of Changes in Net Assets
for the fiscal year ended March 31, 2007

(millions of yen, rounded to the nearest million)

	Shareholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Other retained earnings		
						Reserve for special depreciation	Reserve for fixed assets reduction	Dividend equalization reserve
Balance at March 31, 2006	103,389	79,396	37	79,433	25,847	1,876	10,758	7,000
Changes during the fiscal year								
Addition to reserve for special depreciation through appropriation of retained earnings						247		
Reversal of reserve for special depreciation through appropriation of retained earnings						(478)		
Reversal of reserve for special depreciation						(542)		
Addition to reserve for fixed assets reduction through appropriation of retained earnings							917	
Reversal of reserve for fixed assets reduction through appropriation of retained earnings							(634)	
Addition to reserve for fixed assets reduction							691	
Reversal of reserve for fixed assets reduction							(943)	
Year-end dividend								
Interim dividend								
Bonuses to directors and statutory auditors								
Net income								
Purchase of treasury stock								
Disposal of treasury stock			18	18				
Cancellation of treasury stock			(55)	(55)				
Net increase (decrease) in net assets other than shareholders' equity								
Total changes during the fiscal year	—	—	(37)	(37)	—	(774)	31	—
Balance at March 31, 2007	103,389	79,396	—	79,396	25,847	1,103	10,789	7,000

	Shareholders' equity					Valuation, translation adjustment and others		Total net assets
	Retained earnings			Treasury stock, at cost	Total shareholders' equity	Net unrealized gain on securities	Total valuation, translation adjustment and others	
	Other retained earnings		Total earned surplus					
	General reserve	Unappropriated retained earnings						
Balance at March 31, 2006	82,000	42,526	170,008	(17,301)	335,528	64,222	64,222	399,749
Changes during the fiscal year								
Addition to reserve for special depreciation through appropriation of retained earnings		(247)	—		—			—
Reversal of reserve for special depreciation through appropriation of retained earnings		478	—		—			—
Reversal of reserve for special depreciation		542	—		—			—
Addition to reserve for fixed assets reduction through appropriation of retained earnings		(917)	—		—			—
Reversal of reserve for fixed assets reduction through appropriation of retained earnings		634	—		—			—
Addition to reserve for fixed assets reduction		(691)	—		—			—
Reversal of reserve for fixed assets reduction		943	—		—			—
Year-end dividend		(6,999)	(6,999)		(6,999)			(6,999)
Interim dividend		(6,998)	(6,998)		(6,998)			(6,998)
Bonuses to directors and statutory auditors		(73)	(73)		(73)			(73)
Net income		28,867	28,867		28,867			28,867
Purchase of treasury stock				(488)	(488)			(488)
Disposal of treasury stock				21	39			39
Cancellation of treasury stock		(16,325)	(16,325)	16,380	—			—
Net increase (decrease) in net assets other than shareholders' equity						(2,459)	(2,459)	(2,459)
Total changes during the fiscal year	—	(785)	(1,528)	15,913	14,348	(2,459)	(2,459)	11,889
Balance at March 31, 2007	82,000	41,741	168,479	(1,389)	349,875	61,762	61,762	411,638

Exhibit 1: Reference Materials for the General Meeting of Shareholders

Proposal 1 Election of Directors

The term of office of the following eight Directors shall expire at the close of this Ordinary General Meeting of Shareholders: Nobuo Yamaguchi, Shiro Hiruta, Ichiro Itoh, Kunio Kohga, Kenichi Shibukawa, Shigeru Mizutani, Kageyasu Akashi, and Kiyoshi Tsujita.

The Board of Directors recommends that the following eleven candidates be elected Director:

Candidates Mr. Yuzo Seto and Mr. Yukiharu Kodama meet the requirements for Outside Director as stipulated in relevant law and regulation.

Candidate No.	Name, date of birth	Asahi Kasei shares held	Career summary
1	Nobuo Yamaguchi, December 23, 1924	55,000	<ul style="list-style-type: none">• April 1952: joined Asahi Kasei• June 1976: elected Director• November 1978: Managing Director• June 1981: Representative Director*• June 1981: Executive Vice President• April 1992: Chairman of the Board*
2	Shiro Hiruta, December 20, 1941	101,000	<ul style="list-style-type: none">• April 1964: joined Asahi Kasei• June 1997: elected Director• June 1999: Managing Director• June 2001: Senior Managing Director• June 2002: Executive Vice President• April 2003: President*• April 2003: Representative Director*• June 2003: Presidential Executive Officer*
3	Ichiro Itoh, July 6, 1942	29,000	<ul style="list-style-type: none">• April 1966: joined Asahi Kasei• June 2001: elected Director• February 2003: Managing Director• June 2003: Director*• April 2006: Vice-Presidential Executive Officer*
4	Kunio Kohga, October 17, 1943	42,000	<ul style="list-style-type: none">• April 1968: joined Asahi Kasei• June 1997: elected Director*• June 2003: Executive Officer• April 2006: Primary Executive Officer*
5	Katsuhiko Sato, September 15, 1944	70,000	<ul style="list-style-type: none">• April 1969: joined Asahi Kasei• October 2003: Asahi Kasei Homes Director• April 2006: Asahi Kasei Homes Vice-Presidential Executive Officer• April 2007: Senior Executive Officer*
6	Kiyoshi Tsujita, April 16, 1948	12,000	<ul style="list-style-type: none">• April 1971: joined Asahi Kasei• April 2004: Executive Officer• June 2005: elected Director*• April 2007: Senior Executive Officer*

7	Kageyasu Akashi, September 2, 1945	7,000	<ul style="list-style-type: none"> • April 1970: joined Asahi Kasei • May 2003: Asahi Kasei EMD Director • October 2003: Asahi Kasei EMD Executive Officer • April 2004: Asahi Kasei EMD Vice-Presidential Executive Officer • April 2004: Executive Officer* • June 2006: Director*
8	Koji Fujiwara, May 9, 1949	10,000	<ul style="list-style-type: none"> • April 1972: joined Asahi Kasei • April 2003: Asahi Kasei Homes Executive Officer • April 2004: Executive Officer*
9	Yuji Mizuno, April 3, 1952	8,000	<ul style="list-style-type: none"> • April 1975: joined Asahi Kasei • April 2007: Executive Officer*
10	Yuzo Seto, February 25, 1930	0	<ul style="list-style-type: none"> • April 1953: joined Asahi Breweries, Ltd. • March 1981: Director, Asahi Breweries • September 1992: President and Representative Director, Asahi Breweries • January 1999: Chairman and Representative Director, Asahi Breweries • January 2002: Advisory Director, Asahi Breweries • March 2003: Advisor to the Board, Asahi Breweries*
11	Yukiharu Kodama, May 9, 1934	0	<ul style="list-style-type: none"> • April 1957: joined Ministry of International Trade and Industry (MITI) • June 1989: MITI Administrative Vice-Minister • June 1991: retired from MITI • June 1993: President, Shoko Chukin Bank • July 2001: President, Japan Information Processing Development Corp.*

* Position held at present.

Notes:

- Mr. Yuzo Seto is a candidate for the position of Outside Director in accordance with relevant law and regulation. The Board of Directors recommends his election as Outside Director so that his wealth of business management experience and broad range of insight may be reflected in the Company's operations.
- Mr. Yukiharu Kodama is a candidate for the position of Outside Director in accordance with relevant law and regulation. The Board of Directors recommends his election as Outside Director so that his wealth of experience and broad range of insight into the world of business may be reflected in the Company's operations.
- In accordance with Article 427 Paragraph 1 of the Corporation Law, the Company plans to conclude agreements with Mr. Yuzo Seto and Mr. Yukiharu Kodama, if elected, which would limit their liability as specified in Article 423 Paragraph 1 of the Corporation Law, the amount of their individual liability being either ¥10 million or the minimum amount stipulated by law or ordinance, whichever is higher.

Proposal 2 Election of Statutory Auditor

The term of office of Mr. Yuichiro Miyake as Statutory Auditor shall expire at the close of this Ordinary General Meeting of Shareholders.

The Board of Directors recommends that the following candidate be elected Statutory Auditor:

Prior agreement of the Board of Statutory Auditors has been obtained regarding the submission of this proposal.

The candidate meets the requirements for External Statutory Auditor as stipulated in relevant law and regulation.

Candidate No.	Name, date of birth	Asahi Kasei shares held	Career summary
1	Kazuo Tezuka, April 7, 1941	0	<ul style="list-style-type: none">• March 1967: completion of course at Legal Training and Research Institute• April 1967: registered as Attorney at Law; joined Kaneko & Iwamatsu*• April 1991: Vice-Chairman, Daini Tokyo Bar Association• May 1995: member of Justice Ministry's Legislative Council Corporate Law Subcommittee

* Position held at present.

Notes:

- Mr. Kazuo Tezuka is retained by the Company as legal counsel.
- Mr. Kazuo Tezuka is a candidate for the position of External Statutory Auditor in accordance with relevant law and regulation. The Board of Directors recommends his election as External Statutory Auditor as his wealth of experience related to corporate legal affairs and broad range of insight would enable him to effectively perform the duties of this office.
- In accordance with Article 427 Paragraph 1 of the Corporation Law, the Company plans to conclude an agreement with Mr. Kazuo Tezuka, if elected, which would limit his liability as specified in Article 423 Paragraph 1 of the Corporation Law, the amount of his liability being either ¥10 million or the minimum amount stipulated by law or ordinance, whichever is higher.

Proposal 3 Election of Alternate Statutory Auditor

The Board of Directors recommends the election of an Alternate Statutory Auditor to assume the office of Statutory Auditor in the event of vacancy. Prior agreement of the Board of Statutory Auditors has been obtained regarding the submission of this proposal.

The Board of Directors recommends that the following candidate be elected Alternate Statutory Auditor:

The candidate meets the requirements for External Statutory Auditor as stipulated in relevant law and regulation.

Candidate No.	Name, date of birth	Asahi Kasei shares held	Career summary
1	Hiroshi Honma, February 21, 1937	1,000	<ul style="list-style-type: none">• March 1959: joined Nippon Light Metal Co., Ltd.• December 1962: passed Certified Public Accountant examination• August 1978: registered Certified Public Accountant• June 1990: Director, Nippon Light Metal Co., Ltd.• June 1993: Standing Auditor, Nippon Light Metal Co., Ltd.• June 2001: Adviser, Nippon Light Metal Co., Ltd.*• June 2006: Alternate Statutory Auditor*

* Position held at present.

Notes:

- Mr. Hiroshi Honma is a candidate for the position of Alternate External Statutory Auditor. The Board of Directors recommends his election as Alternate External Statutory Auditor as his wealth of experience related to corporate management and broad range of insight would enable him to effectively perform the duties of the office of External Statutory Auditor.
- In accordance with Article 427 Paragraph 1 of the Corporation Law, the Company plans to conclude an agreement with Mr. Hiroshi Honma, if elected, which would limit his liability as specified in Article 423 Paragraph 1 of the Corporation Law, the amount of his liability being either ¥10 million or the minimum amount stipulated by law or ordinance, whichever is higher.

Proposal 4 Election of Independent Auditors

The firm which had served as the Company's Independent Auditors, ChuoAoyama PricewaterhouseCoopers, was sanctioned by the Financial Services Agency on May 10, 2006 with a two-month suspension of auditing services pursuant to the Securities and Exchange Law and the Corporation Law, from July 1, 2006 to August 31, 2006. ChuoAoyama PricewaterhouseCoopers thus lost standing to serve as the Company's Independent Auditors on July 1, 2006. The Board of Statutory Auditors met on July 1, 2006 and appointed PricewaterhouseCoopers Aarata as Interim Independent Auditors in accordance with the provisions of Paragraphs 4 and 6 of Article 346 of the Corporation Law.

In recognition of the fair and exacting auditing services it has performed for the Company, the Board of Directors recommends the election of PricewaterhouseCoopers Aarata to serve as Independent Auditors.

Prior agreement of the Board of Statutory Auditors has been obtained regarding the submission of this proposal.

The candidate for election as Independent Auditors is as follows:

Name of firm	PricewaterhouseCoopers Aarata
Main office	13th floor, East Tower, Sumitomo Fudosan Mita Twin Building, 4-2-8 Shibaura, Minato-ku, Tokyo 108-0023
Chronology	June 1, 2006: Establishment July 1, 2006: Commencement of operation
Paid-in capital	¥514 million
Employees	1,149 (as of March 31, 2007)

Proposal 5 Grant of Retirement Bonus to Retiring Directors

The term of office of Mr. Kenichi Shibukawa and Mr. Shigeru Mizutani as Director shall expire at the close of this Ordinary General Meeting of Shareholders. In recognition of the services they performed in the office of Director, the Board of Directors recommends that retirement bonuses be granted to them in appropriate amounts in accord with the Company's standards. It is proposed that determination of the specific amounts, times and methods of these grants be entrusted to the Board of Directors.

Name	Career summary
Kenichi Shibukawa	• June 2004: elected Director*
Shigeru Mizutani	• June 2004: elected Director*

* Position held at present.