

SEMIANNUAL REPORT

April 1 to September 30, 2002

2002

ASAHI KASEI CORPORATION

CONSOLIDATED FINANCIAL HIGHLIGHTS

Asahi Kasei Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2002 and 2001 (unaudited)

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Net sales	¥ 577,412	¥ 600,057	\$4,694,407
Chemical and Chemical-related	229,109	223,645	1,862,675
Housing and Construction Materials	179,949	203,629	1,463,000
Fibers and Textiles	56,302	64,380	457,740
Electronics	37,633	32,047	305,959
Health Care	52,137	49,040	423,878
Liquors, Services and Others	22,282	27,316	181,155
Net income (loss)	(40,281)	3,062	(327,488)
Total assets	1,223,692	1,208,876	9,948,715
Shareholders' equity	443,786	512,066	3,608,016
		Yen	U.S. dollars
Net income (loss) per share	¥(28.71)	¥2.12	\$(0.23)
Interim dividend per share	¥ 3.00	¥3.00	\$ 0.02

Note: The U.S. dollar amounts included herein are translated, for convenience only, at the rate of ¥123=US\$1, the approximate exchange rate prevailing on September 30, 2002.

MESSAGE FROM THE MANAGEMENT

Though export markets showed some signs of recovery during the first part of the period, the challenging domestic Japanese operating environment continued throughout the term, with capital investment and residential construction remaining slack, the problem of nonperforming loans coming to the fore, and a persistent share price decline. During the latter part of the period, apprehension regarding near-term economic prospects in the US and worldwide grew.

Consolidated results for the Asahi Kasei Group in the first half of the fiscal year were mixed. In CHEMICAL AND CHEMICAL-RELATED operations, sales and operating profit increased from the year-ago period, largely due to improved market conditions for monomers. In ELECTRONICS operations, inventories normalized during the first part of the period, and markets showed renewed signs of activity. In HEALTH CARE operations, increased sales of new pharmaceuticals contributed to improved results, and artificial kidneys continued to perform well. In FIBERS AND TEXTILES operations, however, sales and operating profit decreased from the year-ago period due to weak demand and the effects of the Leona Plant fire. Sales and operating profit in HOUSING AND CONSTRUCTION MATERIALS also decreased, reflecting the severe operating environment.

Net sales decreased ¥22.6 billion to ¥577.4 billion, operating profit increased ¥1.0 billion to ¥24.7 billion, and ordinary profit increased ¥0.3 billion to ¥21.0 billion. In relation to retirement benefits, a special gain of ¥56.1 billion was recorded due to the reversion of proxy execution of a portion of the national pension, while the ¥126.0 billion of unrecognized actuarial differences accumulated at the beginning of the period was charged as a one-time special loss to facilitate the transition to one-year amortization of unrecognized actuarial differences. A net loss of ¥40.3 billion, a decrease of ¥43.3 billion from the net income of a year ago, was largely the result of these extraordinary items.

In accordance with our standing policy for the long-term maintenance of stable dividends, an interim dividend of ¥3 per share has been announced. A share buyback program was also implemented from October 2001 to May 2002 to return value to shareholders.

RESULTS BY SECTOR

Sales for the CHEMICAL AND CHEMICAL-RELATED sector increased ¥5.5 billion to ¥229.1 billion and operating profit increased ¥2.3 billion to ¥10.0 billion with rising overseas demand, especially

in China. Operating profit in basic chemicals such as acrylonitrile and styrene monomer increased as market conditions recovered, with especially strong demand in China. Operating profit in commodity plastics such as polyethylene decreased due to weak sales prices. In performance chemicals, adipic acid operations were affected by the Leona Plant fire, but expanded sales both in Japan and overseas enabled operating profit to remain on par with a year ago. In performance plastics, including Tenac™ polyacetal, Xyron™ modified PPE, and Leona™ nylon 66, operating profit increased with continuing strong demand in automotive applications and particularly strong growth in electronics applications such as computer peripherals. Operating profit in consumable products increased. Domestic sales of Saran Wrap™ and Ziploc™ expanded, and sales of food wrap film in China increased. Operating profit in industrial membranes increased as demand grew for Microza™ hollow fiber filtration membranes for water treatment applications in the US and Europe, and demand recovered for Hipore™ fine porous membranes for use in lithium-ion rechargeable batteries for cellular phones. Operating profit in ion-exchange decreased despite concerted efforts to expand sales of membrane-process salt electrolysis systems in Europe and China.

Sales for the HOUSING AND CONSTRUCTION MATERIALS sector decreased ¥23.7 billion to ¥179.9 billion, and operating profit decreased ¥5.1 billion to ¥2.5 billion. The number of housing units sold decreased as prospective home buyers remained apprehensive about job security and economic prospects. Markets for construction materials continued to be lethargic. Marketing efforts in housing were focused on advancing the “long life home” product concept. A new ecologically efficient home, the Hebel Haus sorakara™, was introduced in July 2002 to appeal to environment-conscious home buyers. Innovative mortgage and insurance schemes were also developed to make home buying more attractive. Housing-related operations including urban renewal, remodeling, and real estate continued to grow. These positive contributions, however, could not fully overcome the underlying weakness of the market, and operating profit in housing operations decreased. Markets for construction materials remained slack. Operating cost reductions were implemented, but operating profit decreased nevertheless.

Sales for the FIBERS AND TEXTILES sector decreased ¥8.1 billion to ¥56.3 billion, and operating profit was on par with a year ago at ¥0.2 billion. In both apparel and non-apparel fields, the domestic market continued to be marked by weak demand and

fierce competition from imports from China and other Asian countries. This sector also bore the greatest effects of the Leona Plant fire, as nylon 66 filament production was suspended throughout the period. Operating profit in Bemberg™ cuprammonium rayon increased, with demand in lining applications continuing to recover both in Japan and overseas. Sales volumes for Roica™ elastic polyurethane filament grew with rising demand, and operating profit increased.

Sales for the ELECTRONICS sector increased ¥5.6 billion to ¥37.6 billion, and operating profit increased ¥3.8 billion to ¥5.8 billion. As production of cellular phones, personal computers, and computer peripherals recovered, demand for electronic devices such as LSIs and for electronic materials increased sharply during the first part of the period and then steadied during the latter part of the period.

Sales for the HEALTH CARE sector increased ¥3.1 billion to ¥52.1 billion, and operating profit increased ¥1.0 billion to ¥7.6 billion. Pharmaceutical operations were significantly affected by reductions in medical reimbursement prices but operating profit nevertheless increased as sales of Flivas™ therapy for benign prostatic hypoplasia and Toledomin™ antidepressant continued to grow. Overseas demand for Planova™ virus removal filters grew. Operating profit in medical devices also increased with sales of APS™ polysulfone artificial kidneys and Sepacell™ leukocyte reduction filters continuing to grow, and with a growing contribution from Cellsorba™ leukocyte adsorption columns for ulcerative colitis which went on sale in October 2001.

Sales for the LIQUORS, SERVICES AND OTHERS sector, which includes salt, engineering, and information systems operations, decreased ¥5.0 billion to ¥22.3 billion, and the operating loss increased ¥1.1 billion to ¥1.5 billion. In liquors, demand for sake remained poor and fierce price competition continued in the market for *shochu* fizz products. In service-related operations such as plant engineering, operating profit decreased with slack private sector capital investment.

LOOKING AHEAD

As a strategic program for dynamic reformation and development of corporate and group configuration, management, and operations in fiscal 2003 to 2005, we have formulated the *Ishin-05* management initiative. It incorporates and advances the basic concepts and objectives of the *Ishin2000* program completed in March of this year. Its implementation will

accelerate the transformation to a high-earnings business portfolio, create business operations providing new value to the customer, and complete the transformation of the corporate management configuration from that of a single division-based corporation to that of a holding company and constituent corporations — a selectively diversified multi-member enterprise of highly independent, high-earning businesses.

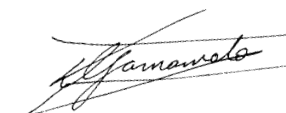
For the remainder of the fiscal year, the outlook for the Japanese economy remains obscure. A heightened nonperforming loan problem and a flagging stock market together with a slowing US economy are exacerbating deflationary pressures. While the operating environment will be challenging, reduced operating expenses due to one-time amortization of unrecognized actuarial differences related to retirement benefits will result in improved operating profit. For fiscal year 2002, ending March 31, 2003, we forecast net sales of ¥1,200.0 billion, operating profit of ¥54.0 billion, ordinary profit of ¥45.0 billion, and a net loss of ¥46.0 billion.

Throughout the work that lies ahead, the Basic Credo of the Asahi Kasei Group — contributing to human life and livelihood, through innovation and application of science and the human intellect — provides a firm foundation for the development of selectively diversified, high-earning operations which create new value for the customer.

November 2002



Nobuo Yamaguchi
Chairman of the Board



Kazumoto Yamamoto
President

CONSOLIDATED BALANCE SHEETS

Asahi Kasei Corporation and Consolidated Subsidiaries
As of September 30, 2002 and 2001 (unaudited)

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Current assets:			
Cash on hand and in banks	¥ 108,720	¥ 72,046	\$ 883,902
Notes and accounts receivable, trade	225,622	251,880	1,834,325
Marketable securities	262	9,548	2,130
Inventories	187,486	195,850	1,524,277
Deferred income taxes	20,333	16,246	165,309
Other current assets	39,933	38,095	324,659
Allowance for doubtful accounts	(3,049)	(4,542)	(24,789)
Total current assets	579,307	579,123	4,709,813
Fixed assets:			
Property, plant and equipment, net of accumulated depreciation —			
Buildings	157,669	156,288	1,281,862
Machinery and equipment	152,976	159,256	1,243,707
Land	62,840	63,605	510,894
Construction in progress	35,131	29,950	285,618
Other	15,459	15,744	125,683
	424,075	424,843	3,447,764
Intangible fixed assets	34,963	27,481	284,252
Investments and other assets —			
Investment securities	131,402	145,076	1,068,309
Long-term receivables	3,342	1,890	27,171
Deferred income taxes	24,787	4,486	201,520
Other	28,371	27,899	230,658
Allowance for doubtful accounts	(2,555)	(1,922)	(20,772)
	185,347	177,429	1,506,886
Total fixed assets	644,385	629,753	5,238,902
Total assets	¥1,223,692	¥1,208,876	\$9,948,715

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
LIABILITIES:			
Current liabilities —			
Notes and accounts payable, trade	¥ 116,844	¥ 130,828	\$ 949,951
Short-term borrowings	111,609	79,352	907,390
Accrued income taxes	8,932	4,538	72,618
Accrued expenses	69,080	76,566	561,626
Advances received	41,562	37,244	337,902
Other current liabilities	47,072	48,695	382,700
Total current liabilities	395,099	377,223	3,212,187
Long-term liabilities —			
Long-term debt	238,470	224,043	1,938,780
Deferred income taxes	1,625	22,710	13,211
Accrued pension and severance costs	114,102	41,988	927,659
Customers' guarantee deposits	18,674	18,604	151,821
Other long-term liabilities	542	572	4,407
Total long-term liabilities	373,413	307,917	3,035,878
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES:	11,394	11,670	92,634
SHAREHOLDERS' EQUITY:			
Common stock —			
Authorized — 4,000,000,000 shares			
Issued and outstanding — 1,442,616,332 shares	103,389	103,389	840,561
Additional paid-in capital	79,396	79,396	645,496
Retained earnings	261,010	307,779	2,122,033
Revaluation surplus	971	873	7,894
Net unrealized gains on securities	21,571	29,527	175,374
Cumulative translation adjustments	(6,363)	(8,897)	(51,732)
	459,974	512,067	3,739,626
Treasury stock, at cost	(16,188)	(1)	(131,610)
Total shareholders' equity	443,786	512,066	3,608,016
Total liabilities and shareholders' equity	¥1,223,692	¥1,208,876	\$9,948,715

CONSOLIDATED STATEMENTS OF INCOME

Asahi Kasei Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2002 and 2001 (unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Net sales	¥577,412	¥600,057	\$4,694,407
Cost of sales	417,460	435,096	3,393,984
Gross profit	159,952	164,961	1,300,423
Selling, general and administrative expenses	135,233	141,246	1,099,456
Operating profit	24,719	23,715	200,967
Non-operating income:			
Interest and dividend income	1,182	1,476	9,610
Equity in net earnings of unconsolidated subsidiaries and affiliates	—	299	—
Other	1,372	1,642	11,154
Total non-operating income	2,554	3,417	20,764
Non-operating expenses:			
Interest expense	2,825	2,898	22,967
Equity in net losses of unconsolidated subsidiaries and affiliates	158	—	1,285
Other	3,317	3,579	26,967
Total non-operating expenses	6,300	6,477	51,219
Ordinary profit	20,973	20,655	170,512
Special gains:			
Gain on sale of investment securities	2,047	465	16,642
Gain on sale of property, plant and equipment	278	160	2,260
Gain on return of substituted portion of the governmental welfare pension program	56,076	—	455,903
Other	—	140	—
Total special gains	58,401	765	474,805
Special losses:			
Loss on write-down of investment securities	581	955	4,724
Loss on disposal of property, plant and equipment	1,791	921	14,561
Lump-sum recognition of prior years' actuarial differences	126,000	—	1,024,390
Amortization of net transition amount for employee retirement benefits	8,642	9,179	70,260
Loss related to the fire of plant facilities	1,425	—	11,585
Restructuring charges	8,478	2,168	68,927
Total special losses	146,917	13,223	1,194,447
Income (loss) before income taxes and minority interest	(67,543)	8,197	(549,130)
Income taxes:			
Current	(10,015)	(6,018)	(81,423)
Deferred	37,145	782	301,992
	27,130	(5,236)	220,569
Minority interest in loss of consolidated subsidiaries	132	101	1,073
Net income (loss)	¥ (40,281)	¥ 3,062	\$ (327,488)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Kasei Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2002 and 2001 (unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2002	2001	2002
Cash flows from operating activities:			
Income (loss) before income taxes and minority interest	¥(67,543)	¥ 8,197	\$(549,130)
Depreciation and amortization	28,910	29,349	235,041
Amortization of goodwill	337	320	2,740
Amortization of net transition amount for employee retirement benefits	8,642	9,179	70,260
Increase in allowance for employee retirement benefits	62,706	127	509,805
Interest and dividend income	(1,182)	(1,476)	(9,610)
Interest expense	2,825	2,898	22,967
Equity in net losses (earnings) of unconsolidated subsidiaries and affiliates	157	(299)	1,276
Gain on sale of investment securities	(2,047)	(465)	(16,642)
Loss on write-down of investment securities	581	955	4,724
Loss on disposal of property, plant and equipment	1,791	921	14,561
Decrease in notes and accounts receivable, trade	16,771	27,633	136,350
(Increase) decrease in inventories	(6,234)	585	(50,683)
Decrease in notes and accounts payable, trade	(814)	(16,658)	(6,618)
Decrease in accrued expenses	(11,435)	(11,110)	(92,967)
Increase (decrease) in advances received	10,735	(3,525)	87,276
Other	(2,844)	(1,872)	(23,122)
Sub total	41,356	44,759	336,228
Interest and dividend income, received	1,799	2,493	14,626
Interest expense, paid	(2,954)	(3,091)	(24,016)
Contribution to pension plan for amortization of prior service costs, paid	—	(7,569)	—
Income taxes, paid	(3,805)	(20,901)	(30,936)
Net cash provided by operating activities	36,396	15,691	295,902
Cash flows from investing activities:			
Decrease in time deposits	380	868	3,089
Decrease in marketable securities	10	1,902	81
Payments for acquisition of property, plant and equipment	(35,013)	(35,075)	(284,659)
Proceeds from sales of property, plant and equipment	1,171	532	9,520
Payments for acquisition of intangible fixed assets	(6,178)	(5,064)	(50,228)
Payments for purchases of investment securities	(3,960)	(9,640)	(32,195)
Proceeds from sales of investment securities	5,098	1,156	41,447
Decrease in loan receivables	1,357	2,338	11,033
Other	(401)	416	(3,259)
Net cash used in investing activities	(37,536)	(42,567)	(305,171)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings	(5,147)	6,526	(41,846)
(Decrease) increase in commercial paper	(10,000)	15,000	(81,301)
Proceeds from long-term loans	14,904	5,050	121,171
Repayment of long-term loans	(2,172)	(3,866)	(17,659)
Proceeds from issue of bonds	30,000	15,000	243,902
Repayment of bonds	—	(14,109)	—
Payments for purchases of treasury stock	(2,077)	(6)	(16,886)
Dividends paid by parent company	(4,221)	(4,327)	(34,317)
Other	(49)	(1,514)	(397)
Net cash provided by financing activities	21,238	17,754	172,667
Effect of exchange rate changes on cash and cash equivalents	(607)	(17)	(4,935)
Net increase (decrease) in cash and cash equivalents	19,491	(9,139)	158,463
Cash and cash equivalents at beginning of year	83,948	86,722	682,504
Cash and cash equivalents held by newly consolidated subsidiaries	4,953	63	40,269
Cash and cash equivalents at end of half-year	¥108,392	¥ 77,646	\$ 881,236

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

The semiannual consolidated financial statements are prepared in accordance with the same accounting principles as those listed in the Notes to Consolidated Financial Statements for the fiscal year ended March 31, 2002.

Beginning with the six-month period ended September 30, 2002, the period of amortization of unrecognized actuarial differences arising in retirement allowances was changed from ten years to one year.

2. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts are included solely for convenience. The approximate current rate prevailing on September 30, 2002, ¥123=US\$1, has been used.

3. CONSOLIDATION AND INVESTMENTS IN AFFILIATED COMPANIES

The consolidated financial statements consist of the accounts of the parent company and 101 subsidiaries. Unconsolidated subsidiaries and 20% to 50% owned companies for which the equity method is applied totaled 53 as of September 30, 2002.

INVESTOR INFORMATION

(As of September 30, 2002)

ESTABLISHED: May 21, 1931

PAID-IN CAPITAL: ¥103,388,521,767

OUTSTANDING SHARES: 1,442,616,332

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Shanghai Office

N.V. Asahi Kasei Europe S.A.

Asahi Kasei Deutschland GmbH

Asahi Kasei America Inc.

Asahikasei Asia Pte. Ltd.

Asahi Chemical (H.K.) Ltd.

OVERSEAS STOCK INFORMATION:

Frankfurt: The stocks are listed on the Frankfurt Stock Exchange in the form of Global Bearer Certificates.

Luxembourg: The stocks are listed on the Luxembourg Stock Exchange in the form of Bearer Depositary Receipts.

WEB SITE:

<http://www.asahi-kasei.co.jp/>