

June 7, 2006

Notice of Convocation of Asahi Kasei Corporation Shareholders

Notice to Shareholders:

The 115th Ordinary General Meeting of Shareholders of Asahi Kasei Corporation will be convened as described below.

Time: Thursday June 29, 2006, 10:00 a.m.
Place: 5th floor meeting room, Shin-Dai Building
2-6 Dojimahama 1-chome, Kita-ku, Osaka 530-8205, Japan

Agenda

Reports:

Report of Operating Results for the fiscal year ended March 31, 2006
[Consolidated Balance Sheets as of March 31, 2006](#)
[Consolidated Statements of Income for the fiscal year ended March 31, 2006](#)
[Non-consolidated Balance Sheets as of March 31, 2006](#)
[Non-consolidated Statements of Income for the fiscal year ended March 31, 2006](#)

Proposals:

Proposal 1 115th Appropriation of Retained Earnings
Proposal 2 Partial Amendment to Articles of Incorporation
Proposal 3 Election of Directors (8 candidates for election)
Proposal 4 Election of Alternate Statutory Auditors (2 candidates for election)
Proposal 5 Revision of Amount of Remuneration for Directors and Auditors

Please read the attachments 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 6:00 p.m. JST June 28, 2006.

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, 2006

(millions of yen, rounded to the nearest million)

| Assets | |
|--|------------------|
| Current assets | 644,192 |
| Cash on hand and in banks | 86,422 |
| Notes and accounts receivable, trade | 269,509 |
| Marketable securities | 446 |
| Inventories | 214,062 |
| Deferred income taxes | 29,385 |
| Other current assets | 45,828 |
| Allowance for doubtful accounts | (1,460) |
| Fixed assets | 731,852 |
| Property, plant and equipment, net of accumulated depreciation | 414,368 |
| Buildings and structures | 155,630 |
| Machinery and equipment | 170,364 |
| Land | 55,240 |
| Construction in progress | 18,108 |
| Other | 15,026 |
| Intangible fixed assets | 33,094 |
| Goodwill | 5,700 |
| Others | 27,394 |
| Investments and other assets | 284,390 |
| Investment securities | 248,617 |
| Long-term receivables | 3,043 |
| Deferred income taxes | 8,915 |
| Other | 24,680 |
| Allowance for doubtful accounts | (864) |
| Total assets | 1,376,044 |

| | |
|---|-----------|
| Liabilities | 774,916 |
| Current liabilities | 439,724 |
| Notes and accounts payable, trade | 132,980 |
| Short-term borrowings | 56,222 |
| Current portion of bonds | 23,000 |
| Accrued income taxes | 19,511 |
| Accrued expenses | 110,231 |
| Advances received | 48,878 |
| Other current liabilities | 48,902 |
| Long-term liabilities | 335,193 |
| Bonds | 84,000 |
| Long-term borrowings | 72,300 |
| Deferred income taxes | 27,781 |
| Accrued pension and severance costs | 131,617 |
| Reserve for directors and statutory auditors retirement bonus | 816 |
| Customers' guarantee deposits | 18,306 |
| Other long-term liabilities | 373 |
| Minority interest in consolidated subsidiaries | 6,917 |
| Shareholders' equity | 594,211 |
| Common stock | 103,389 |
| Capital surplus | 79,433 |
| Retained earnings | 342,450 |
| Revaluation surplus | 966 |
| Net unrealized gains on securities | 85,384 |
| Cumulative translation adjustments | (99) |
| Treasury stock, at cost | (17,311) |
| Total liabilities, minority interest and shareholders' equity | 1,376,044 |

2. Consolidated Statements of Income for the Fiscal Year ended March 31, 2006

(millions of yen, rounded to the nearest million)

| | |
|--|-----------|
| Revenue | 1,498,620 |
| Sales | 1,498,620 |
| Operating expenses | 1,389,894 |
| Cost of sales | 1,127,530 |
| Selling, general and administrative expenses | 262,364 |
| Operating profit | 108,726 |
| Non-operating income | 7,416 |
| Interest and dividend income | 2,653 |
| Equity in net earnings of unconsolidated subsidiaries and affiliates | 536 |
| Other | 4,227 |
| Non-operating expenses | 11,976 |
| Interest expense | 3,570 |
| Other | 8,406 |
| Ordinary profit | 104,166 |
| Special gains | 5,880 |
| Gain on sale of property, plant and equipment | 5,670 |
| Reversal of allowance for doubtful accounts | 210 |
| Special losses | 15,565 |
| Loss on sale of investment securities | 854 |
| Loss on write-down of investment securities | 703 |
| Loss on disposal of property, plant and equipment | 7,039 |
| Loss on impairment | 3,799 |
| Restructuring charges | 3,171 |
| Income before income taxes and minority interest | 94,481 |
| Current income taxes | (38,963) |
| Deferred income taxes | 4,417 |
| Minority interest in income of consolidated subsidiaries | (267) |
| Net income | 59,668 |

3. Non-consolidated Balance Sheets as of March 31, 2006

(millions of yen, rounded to the nearest million)

| Assets | |
|--|----------------|
| Current assets | 155,551 |
| Cash on hand and in banks | 252 |
| Supplies | 57 |
| Prepaid expenses | 940 |
| Deferred income taxes | 1,809 |
| Accounts receivable, other | 14,595 |
| Short-term loans | 2 |
| Short-term loans to group companies | 96,392 |
| Advances paid | 43,468 |
| Other current assets | 102 |
| Allowance for doubtful accounts | (2,066) |
| Fixed assets | 550,820 |
| Property, plant and equipment, net of accumulated depreciation | 67,536 |
| Buildings | 13,865 |
| Structures | 2,314 |
| Machinery and equipment | 938 |
| Vehicles | 32 |
| Tools, furniture and fixtures | 1,810 |
| Land | 47,840 |
| Construction in progress | 737 |
| Intangible fixed assets | 6,882 |
| Software | 6,401 |
| Patents rights and others | 481 |
| Investments and other assets | 476,402 |
| Investment securities | 146,069 |
| Investments in group companies | 252,548 |
| Sundry investments | 39 |
| Long-term receivables | 46 |
| Long-term receivables from group companies | 74,913 |
| Long-term prepaid expenses | 83 |
| Other | 2,806 |
| Allowance for doubtful accounts | (103) |
| Total assets | 706,371 |

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|---|----------------|
| Liabilities | 306,621 |
| Current liabilities | 102,695 |
| Notes payable | 39 |
| Short-term borrowings | 9,000 |
| Current portion of long-term borrowings | 5,164 |
| Current portion of bonds | 23,000 |
| Accounts payable, other | 26,583 |
| Income taxes payable | 10,291 |
| Accrued expenses | 13,863 |
| Advances received | 32 |
| Deposits received | 3,850 |
| Notes payable for group companies | 5,546 |
| Other current liabilities | 5,326 |
| Long-term liabilities | 203,927 |
| Bonds | 84,000 |
| Long-term borrowings | 58,732 |
| Deferred income taxes | 42,852 |
| Accrued pension and severance costs | 17,855 |
| Reserve for directors and statutory auditors retirement bonus | 452 |
| Customers' guarantee deposits | 35 |
| Shareholders' equity | 399,749 |
| Common stock | 103,389 |
| Capital surplus | 79,433 |
| Additional paid-in capital | 79,396 |
| Other capital surplus | 37 |
| Gain on disposal of treasury stock | 37 |
| Earned surplus | 170,008 |
| Legal reserve | 25,847 |
| Voluntary reserve | 101,634 |
| Reserve for special depreciation | 1,876 |
| Reserve for fixed assets reduction | 10,758 |
| Dividend equalization reserve | 7,000 |
| General reserve | 82,000 |
| Unappropriated retained earnings as of the end of the fiscal period | 42,526 |
| Net unrealized gains on securities | 64,222 |
| Treasury stock, at cost | (17,301) |
| Liabilities and shareholders' equity | 706,371 |

4. Non-consolidated Statements of Income for the Fiscal Year ended March 31, 2006

(millions of yen, rounded to the nearest million)

| | |
|---|---------|
| Revenue | 42,649 |
| Dividend income from group companies | 33,691 |
| Real estate lease income from group companies | 8,958 |
| Operating expenses | 15,239 |
| General administrative expenses | 15,239 |
| Operating profit | 27,410 |
| Non-operating income | 4,412 |
| Interest and dividend income | 3,950 |
| Other | 462 |
| Non-operating expenses | 4,809 |
| Interest expense | 2,105 |
| Other | 2,704 |
| Ordinary profit | 27,013 |
| Special gains | 5,928 |
| Gain on sale of investment securities | 194 |
| Gain on sale of property, plant and equipment | 5,734 |
| Special losses | 6,332 |
| Loss on write-down of investment securities | 240 |
| Loss on disposal of property, plant and equipment | 2,444 |
| Loss on impairment | 3,648 |
| Income before income taxes | 26,609 |
| Current income taxes | (2,050) |
| Deferred income taxes | (351) |
| Net income | 29,010 |
| Unappropriated retained earnings brought forward from previous period | 20,516 |
| Interim dividends | 7,001 |
| Unappropriated retained earnings as of the end of the fiscal period | 42,526 |

Attachment 2: Statement pertaining to Proposal 1

Proposed Appropriation of Retained Earnings

(yen)

| | |
|---|---------------------------------|
| Unappropriated retained earnings as of the end of the fiscal period | 42,526,137,584 |
| Reversal of reserve for special depreciation | 231,414,842 |
| Total | 42,757,552,426 |
| To be appropriated to: | |
| Cash dividends (Ordinary dividend per share: 5) | 6,999,221,380 |
| Bonuses to directors and statutory auditors <i>Of which, bonuses to statutory auditors</i> | 72,680,000 <i>18,300,000</i> |
| Reserve for fixed assets reduction | 283,218,117 |
| Total | 7,355,119,497 |
| Unappropriated retained earnings carried forward to the next period | 35,402,432,929 |

Note: Interim dividends aggregating ¥7,000,713,300 (¥5 per share) were paid.

Exhibit 1: Reference Materials for the General Meeting of Shareholders

Proposal 1 Appropriation of Retained Earnings

The Board of Directors recommends that retained earnings be appropriated as shown in the statement of *Proposed Appropriation of Retained Earnings* (see [Attachment 2](#)). With consideration given to the results for the period, the operating environment, and the strengthened corporate constitution, it has been determined that ¥5 per share is the appropriate dividend for the term. (An interim dividend of ¥5 per share was implemented; this proposal would bring the total dividend for the fiscal year to ¥10 per share.)

Proposed bonuses to seven Directors and four Statutory Auditors total ¥72,680,000 (¥54,380,000 for Directors, ¥18,300,000 for Statutory Auditors).

Proposal 2 Partial Amendment to Articles of Incorporation

The Board of Directors recommends that the Articles of Incorporation be amended as shown in *Proposed Amendment to Articles of Incorporation* (below).

Reasons for Amendment

The following revisions are made pursuant to the May 1, 2006 enforcement of Law No. 86 of 2005, referred to as the "Corporation Law," and the related ordinances of the Ministry of Justice, No. 12 and No. 13 of 2006.

- The new Article 8 is added to elucidate the rights related to fractional unit shares.
- The new Article 15 is added to enable provision of information related to Reference Materials for General Meetings to be performed through the internet.
- The new Article 24 is added to enable the Board of Directors to adopt resolutions in writing or through electromagnetic media.
- Clause 2 is added to the new Article 35 (the present Article 31-2) to enable the conclusion of agreements between the company and External Statutory Auditors concerning indemnity from liability.
- The new Article 37 is added to enable dividends to be determined by the Board of Directors.
- Other additions, deletions, and revisions related to the company's regulatory status of an "Open Corporation" as defined in the Corporation Law.

The new Article 5 (the present Article 4) is revised to enable public notice to be performed through the internet. Other articles have been renumbered or deleted to accommodate these revisions, and minor revisions for clarity and style have also been made.

Proposed Amendment to Articles of Incorporation

(changes underlined)

| Excerpts from Articles of Incorporation (as of June 29, 2005) | To be amended as below: |
|---|--|
| Article 4 (Method of Public Notice) All public notices by the Company shall <u>appear</u> in the Nihon Keizai Shinbun. | Article 5 (Method of Public Notice) All public notices by the Company shall <u>be made through the internet. However, if, due to malfunction or other unavoidable reason, public notices cannot be made through the internet, public notices shall be placed</u> in the Nihon Keizai Shinbun. |

| | |
|--|---|
| <p><i>[no corresponding article]</i></p> | <p><u>Article 8 (Rights Related to Fractional Unit Shares)</u></p> <p><u>Shareholders of the Company (including beneficial shareholders, hereinafter collectively “shareholders”) may not exercise any rights with respect to fractional unit shares held except the following.</u></p> <ol style="list-style-type: none"> <u>1) The rights enumerated in Article 189 Paragraph 2 of the Corporation Law.</u> <u>2) The right to place a request in accordance with the provisions of Article 166 Paragraph 1 of the Corporation Law.</u> <u>3) The right to receive allocation of shares for subscription and of reservations for new shares in proportion to the number of shares held by the shareholder.</u> <u>4) The right to place a request as provided in Article 9.</u> |
| <p><i>[no corresponding article]</i></p> | <p><u>Article 15 (Provision of Reference Materials, Etc., Pertaining to General Meeting of Shareholders by Internet Disclosure)</u></p> <p><u>As set forth in relevant ordinances of the Ministry of Justice, information pertaining to items required to be recorded or disclosed in Reference Materials for the General Meeting of Shareholders, Report of Operating Results, non-consolidated account statements, and consolidated account statements when convening a General Meeting of Shareholders may be deemed to be provided to shareholders by disclosure through the use of the internet.</u></p> |
| <p><i>[no corresponding article]</i></p> | <p><u>Article 24 (Board of Directors Resolution without Meeting)</u></p> <p><u>A resolution may be deemed to be adopted by a meeting of the Board of Directors where the conditions of Article 370 of the Corporation Law are satisfied.</u></p> |

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|--|---|
| <p>Article <u>31-2</u> (Indemnity of Auditors from Liability)</p> <p>The Company may, by resolution of the Board of Directors, indemnify Auditors from liability in accord with the minimum exclusion from indemnification stipulated by law or ordinance.</p> | <p>Article <u>35</u> (Indemnity of Auditors from Liability)</p> <p>(1) The Company may, <u>in accordance with Article 426 Paragraph 1 of the Corporation Law</u>, by resolution of the Board of Directors, indemnify Auditors from liability <u>arising in relation to nonperformance of duties</u>, in accord with the minimum exclusion from indemnification stipulated by law or ordinance.</p> <p>(2) <u>The Company may, in accordance with Article 427 Paragraph 1 of the Corporation Law, conclude an agreement with an outside Auditor limiting the outside Auditor's liability arising in relation to nonperformance of duties. The amount of the outside Auditor's liability based on such an agreement shall be an amount stipulated in advance of at least 10 million yen, or the minimum amount stipulated by law or ordinance, whichever is higher.</u></p> |
| <p><i>[no corresponding article]</i></p> | <p>Article <u>37</u> (<u>Institution to Determine Distribution of Retained Earnings</u>)</p> <p><u>Distribution of retained earnings and other items as set forth in the provisions of Article 459 Paragraph 1 of the Corporation Law shall be determined by resolution of the Board of Directors without resolution of a General Meeting of Shareholders, except as otherwise provided by law or ordinance.</u></p> |

Article 33 (Dividends)

Dividend shall be paid to shareholders or their registered pledgees recorded in the Registers of Shareholders and Beneficial Shareholders as of the last day of each business term.

Article 38 (Date of Record for Distribution of Retained Earnings)

- (1) The date of record for the Company's end-of-term dividend shall be March 31 each year.
- (2) The date of record for the Company's interim dividend shall be September 30 each year.
- (3) In addition to the above, the Company may distribute retained earnings based on a separately determined date of record.

Proposal 3 Election of Directors

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

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

| 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 | 93,000 | <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 Ito, July 6, 1942 | 24,000 | <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 | 38,000 | <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 | Kenichi Shibukawa September 7, 1943 | 39,000 | <ul style="list-style-type: none">• April 1967: joined Asahi Kasei• June 1998: elected Director• May 2003: Asahi Kasei Chemicals Director• June 2003: retired as Director• June 2003: Executive Officer• September 2003: retired as Executive Officer• October 2003: Asahi Kasei Chemicals Primary Executive Officer• April 2004: Senior Executive Officer*• June 2004: elected Director* |
| 6 | Shigeru Mizutani October 26, 1946 | 14,000 | <ul style="list-style-type: none">• April 1971: joined Asahi Kasei• May 2003: Asahi Kasei Chemicals Director• October 2003: Asahi Kasei Chemicals Executive Officer• April 2004: Executive Officer*• June 2004: elected Director* |

| | | | |
|---|--------------------------------------|--------|--|
| 7 | Kageyasu Akashi September 2, 1945 | 5,000 | <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* |
| 8 | Kiyoshi Tsujita April 16, 1948 | 11,000 | <ul style="list-style-type: none"> • April 1971: joined Asahi Kasei • April 2004: Executive Officer* • June 2005: elected Director* |

* Position held at present.

Proposal 4 Election of Alternate Statutory Auditors

The Board of Directors recommends the election of Alternate Statutory Auditors 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 two candidates be elected Alternate Statutory Auditor:

Note: If elected, Mr. Hiroshi Honma would be alternate to Mr. Katsuo Wajiki, and Mr. Yuichiro Miyake would be alternate to Mr. Hidefumi Sakamoto. Both candidates meet the requirements for External Statutory Auditor as stipulated in Paragraph 16 of Article 2 of the Corporation Law.

| 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">• April 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: Advisor, Nippon Light Metal Co., Ltd.* |
| 2 | Yuichiro Miyake August 8, 1947 | 11,412 | <ul style="list-style-type: none">• April 1972: completion of course at Legal Training and Research Institute• April 1972: registered as Attorney at Law; joined Miyake & Partners Attorney at Law* |

* Position held at present.

Note: Mr. Yuichiro Miyake is retained by the company as legal counsel and is pursuing litigation on behalf of the company.

Proposal 5 Revision of Amount of Remuneration for Directors and Statutory Auditors

Presently, remuneration for Directors is ¥30 million or less per month as approved at the 112th Ordinary General Meeting of Shareholders held June 27, 2003, and remuneration for Statutory Auditors is ¥10 million or less per month as approved at the 103rd Ordinary General Meeting of Shareholders held June 29, 1994. The Board of Directors recommends revising these amounts to ¥500 million or less per year and ¥150 million or less per year, respectively, effecting a transition from a month-based standard to a year-based standard, and improving the correlation between the maximum total amounts and the maximum numbers of Directors and Statutory Auditors.

The revised remuneration amounts are inclusive of bonuses. As before, for persons serving as both Director and employee, remuneration for service as Director is not inclusive of remuneration for duties performed in the capacity of employee.

Currently there are seven Directors and four Statutory Auditors; adoption of Proposal 3 would raise the number of Directors to eight.

The Articles of Incorporation provide for a maximum of twelve Directors and seven Statutory Auditors.