

Ishin-05 Medium-term Business Plan
– progress report and strategic outlook –

Disclaimer:

The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

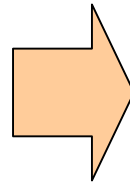
November/December 2004
Shiro Hiruta, President
Asahi Kasei Corporation

Seeking greater corporate value

**Basic Credo of the
Asahi Kasei Group**

Basic tenets (excerpt)
**Contribution to human life
and human livelihood.**

Guiding precepts (excerpt)
**Contribute to our shareholders,
as a high earnings enterprise.**



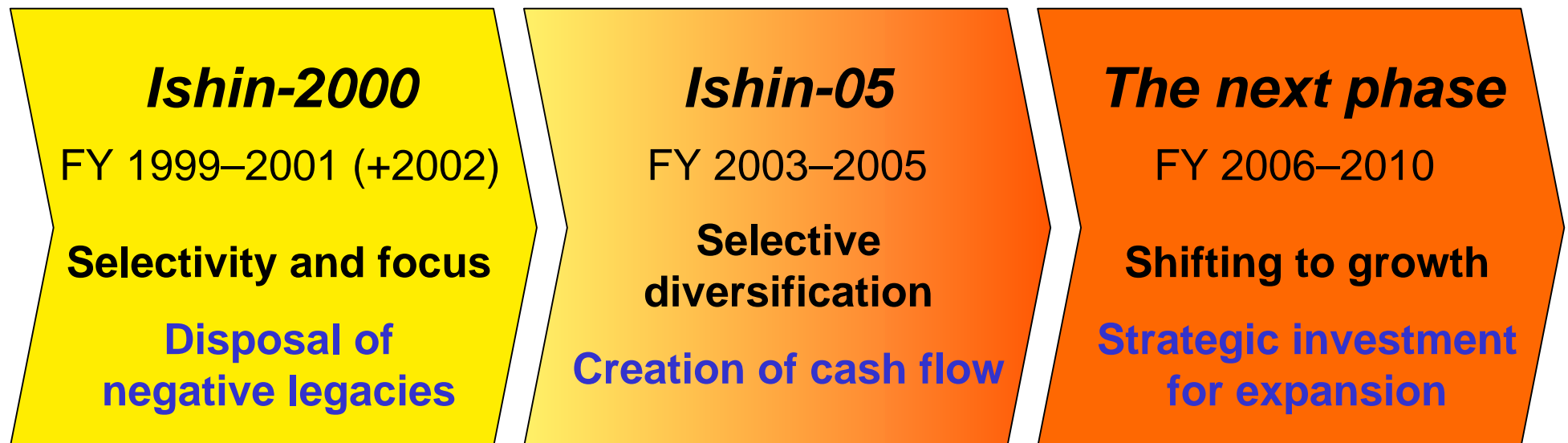
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**Creation of cash flow through
“selective diversification”**

- Disposal of remaining negative legacies
- Building on strengths
- Implementation of new management framework
- Strategic investment for growth

Transitioning to expansion and growth

– *Evolution and succession of corporate management strategy* –



October 2003 transition to holding company configuration

Sales weighting trend

(¥ billion unless indicated)

| | FY 1998 | FY 2004 forecast | Multiple |
|----------------------------------|---------|---------------------|----------|
| Chemicals/L&L | 393.1 | 614.0 | 1.6 |
| Homes | 318.0 | 383.0 | 1.2 |
| Pharma | 88.1 | 107.0 | 1.2 |
| Fibers | 148.3 | 106.0 | 0.7 |
| Electronics | 66.2 | 96.5 | 1.5 |
| Construction Materials | 54.0 | 56.5 | 1.0 |
| Others | 103.5 | 25.0 | 0.2 |
| Total | 1,171.2 | 1,388.0 | 1.2 |
| Jpn. nominal GDP (¥ trillion) | 512 | 502 | 0.98 |

Active overseas
development

| | Overseas sales | % of total |
|-------|-------------------|----------------------|
| FY 98 | 162.4 | 13.9% |
| | | ↓ |
| FY 03 | 242.2 | 19.3% |
| | | ↓ |
| 1H 04 | 152.0 | 23.0% |
| | | (34.7% ex. Homes) |

Action on underperforming businesses

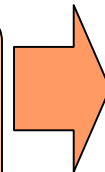
| | |
|-------------------|--|
| Closure | Viscose rayon (02/3) Acrylic fiber (03/6) Indonesia Asahi Kasei (04/12) Large ALC panels (05/3) |
| Divestment | Liquors (03/7) Salt (03/11) Industrial nitrocellulose (03/9) PC JV (04/3, 10% retained) Chori (04/7) |
| Alliance | Aramid film JV (03/4) BOPS sheet JV (04/10) Concrete piles OEM (04/12) PS Japan (04/10, DIC added) |

Elimination of unfunded liabilities

- Full disposal of unrecognized post-employment liabilities (FY 02, ¥126.0 billion special loss)
- Reversion of proxy execution of portion of national pension (FY 02, ¥59.5 billion special gain)
- One-year amortization of unrecognized actuarial differences in retirement benefits accounting (from FY 02)

New rules for underperforming businesses (FY 03)

If a business's EVA is negative for 2 consecutive years with no prospect for EVA recovery. . .



Holding company management takes the lead in planning for closure, divestment, or alliance

Strengthening of chemicals business**Capacity expansion in Japan**

- Acrylonitrile (04/11)
- Styrene monomer (04/2)
- Cyclohexanol (02/12)
- MMA (02/12)
- Elastomers (02/10)

Global development of operations

- Polyacetal JV, China (04/10)
- Adipic acid capacity right, Korea (03/4)
- Acrylonitrile expansion, Korea (03/3)
- Modified PPE, Singapore (02/12)
- Polystyrene JV, China (02/11)

Advancement of “long life home” strategy

- Heightened value throughout service life
- Leadership in Japan’s urban home segment
- More efficient operation, cost reduction
- Expansion of remodeling/real estate operations
- Expansion of urban renewal operations

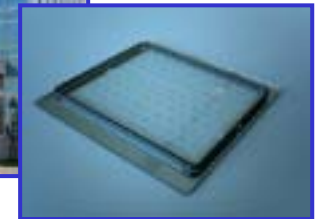


Investment in growth businesses**Electronics-related**

- Li-ion battery separator expansion (04/12, 06/1)
- Mixed-signal LSIs expansion (04/9)
- Large pellicles new plant (04/5)
- PMMA sheet for light-guide plates Korea JV (03/11)
- Dry film resist China plant (03/4)

Medical-related

- Polysulfone hollow-fiber expansion (05/4)
- Hemodialyzer assembly China plant (06/1)



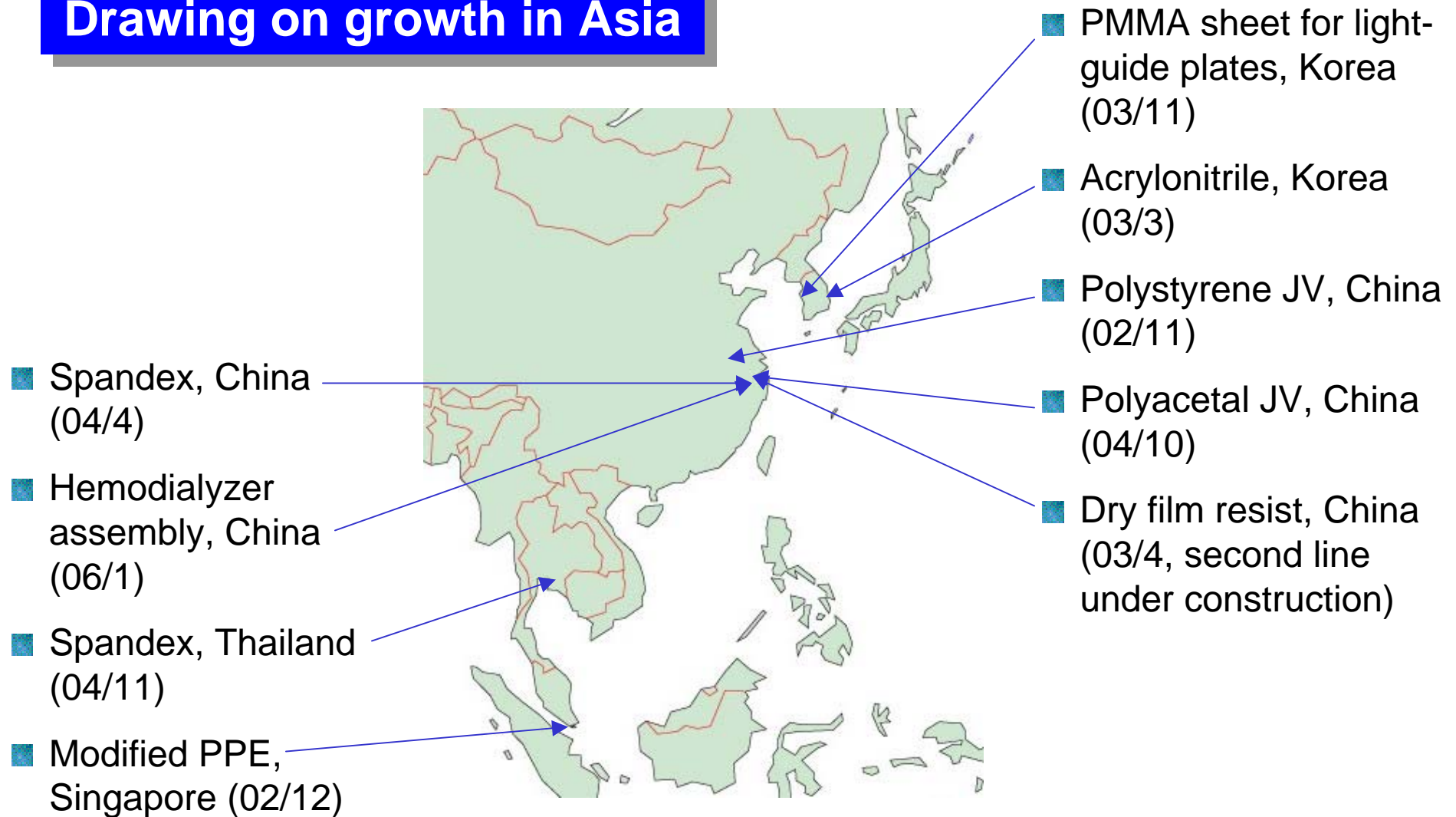
Strategic global expansion

- Development and expansion of global no. 1 or no. 2 position
- Rapid global development of medical and electronics operations
- Drawing on growth in Asia

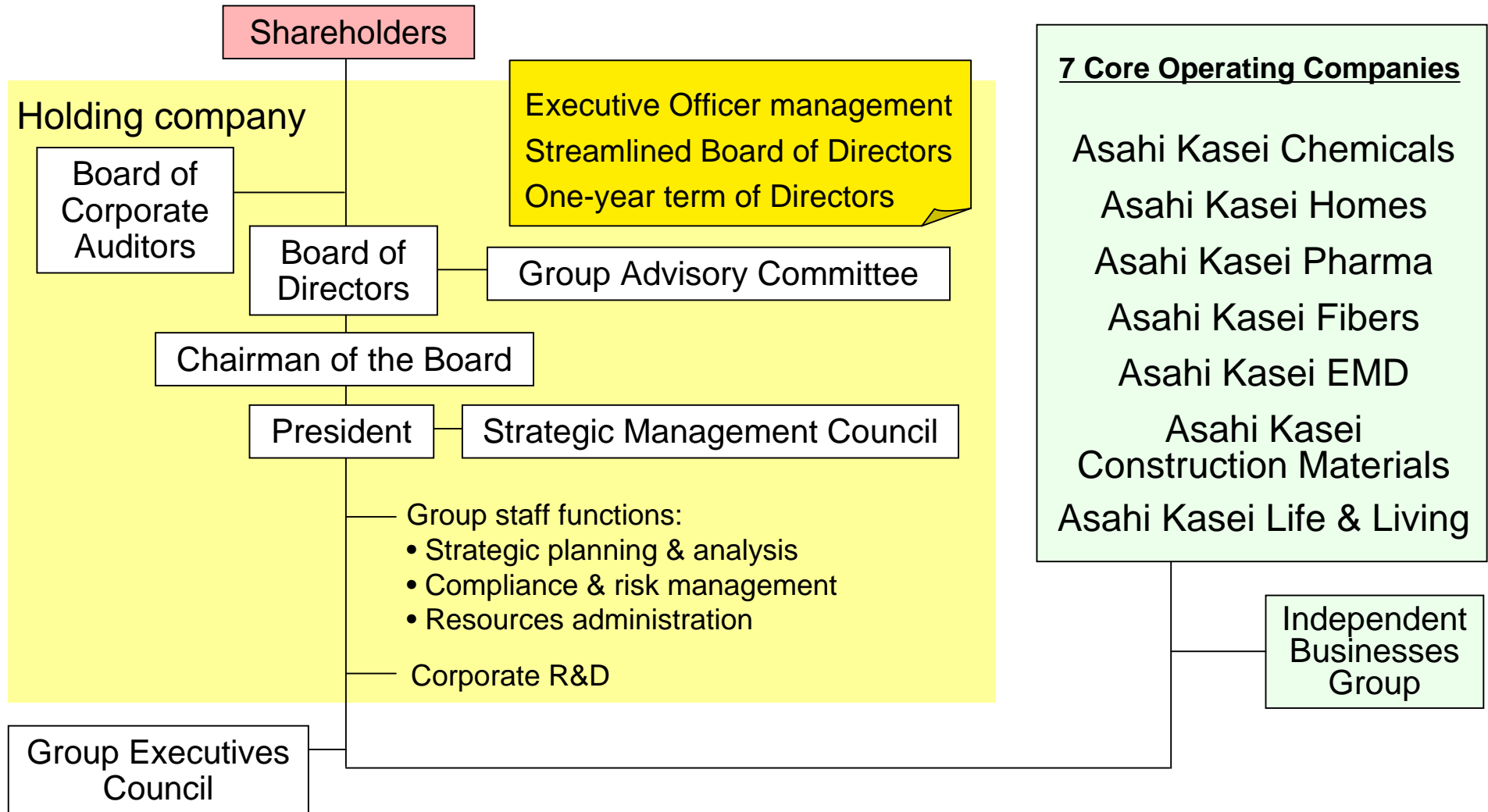
Key examples:

- ✓ Acrylonitrile capacity raised to 770,000 tons with new plant in Korea and debottlenecking in Japan
 - Growth toward 1 million tons, closing the gap with the leader
- ✓ Production bases for Roica™ established in Taiwan, China, and Thailand
 - Developing global spandex supply infrastructure
- ✓ Expanding domestic capacity for hemodialyzer membranes, establishing assembly plant in China, established marketing office in the US
 - Achieve global no. 2 position in artificial kidneys
- ✓ Established dry film resist slitting facilities in Taiwan and Hong Kong, expanding capacity at new DFR plant in China
 - Rapid development of Asian DFR operations

Drawing on growth in Asia



Transition to holding company configuration (03/10)



Speed and autonomy of core operating companies

- Devolution of authority
- Discipline with parent company equity
- Performance management with cash flow and EVA
- New rules for underperforming businesses
- One-year term for corporate officers

- ✓ Independent, autonomous management
- ✓ Swift response to changes in operating climate

Optimal allocation of group resources

- Presidential oversight of core operating company performance
- Enhanced strategic planning function
- Enhanced administration of group resources
- Development of management talent

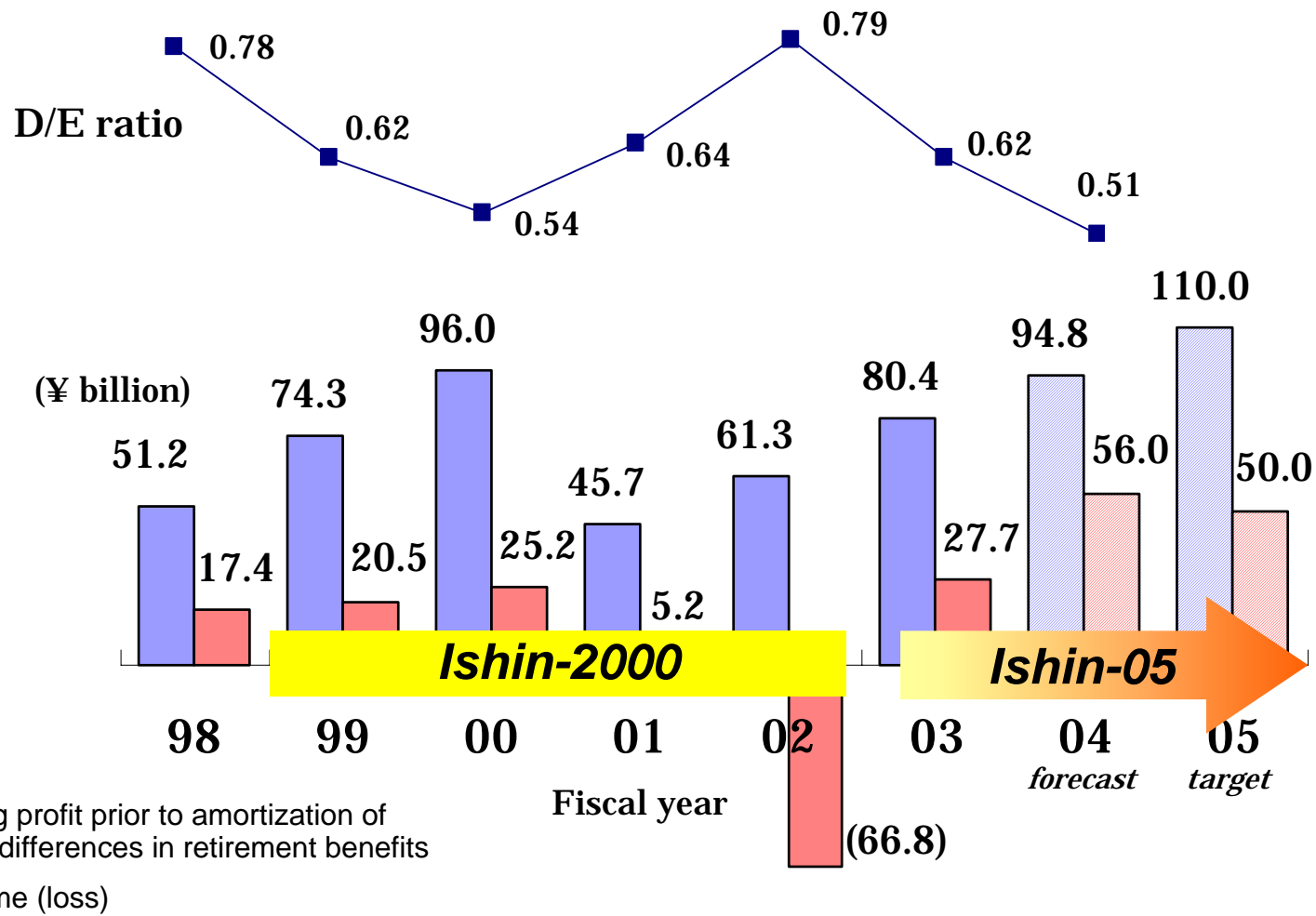
- ✓ Building on strengths
- ✓ Strategic investment for expansion

Profit growth through portfolio realignment

Operating profit, ¥ billion

| | FY 2003 | FY 2004 forecast | FY 2005 target |
|---|-------------|---------------------|-------------------|
| Chemicals | 22.3 | 31.0 | 32.0 |
| Homes | 23.5 | 29.2 | 35.0 |
| Pharma | 15.7 | 11.6 | 15.0 |
| Fibers | 3.1 | 3.8 | 6.5 |
| Electronics Materials & Devices | 16.1 | 16.8 | 20.0 |
| Construction Materials | (0.7) | 0.5 | 3.5 |
| Life & Living | 6.1 | 5.6 | 6.5 |
| Services, Engineering and Others | 2.3 | 2.5 | 1.0 |
| Corporate expenses and eliminations | (8.0) | (6.3) | (9.5) |
| Effective operating profit | 80.3 | 94.8 | 110.0 |
| Amortization of actuarial differences in retirement benefits | (19.4) | 20.2 | — |
| Consolidated | 60.9 | 115.0 | 110.0 |

Improvement in financial strength



Higher capital efficiency, increased dividends

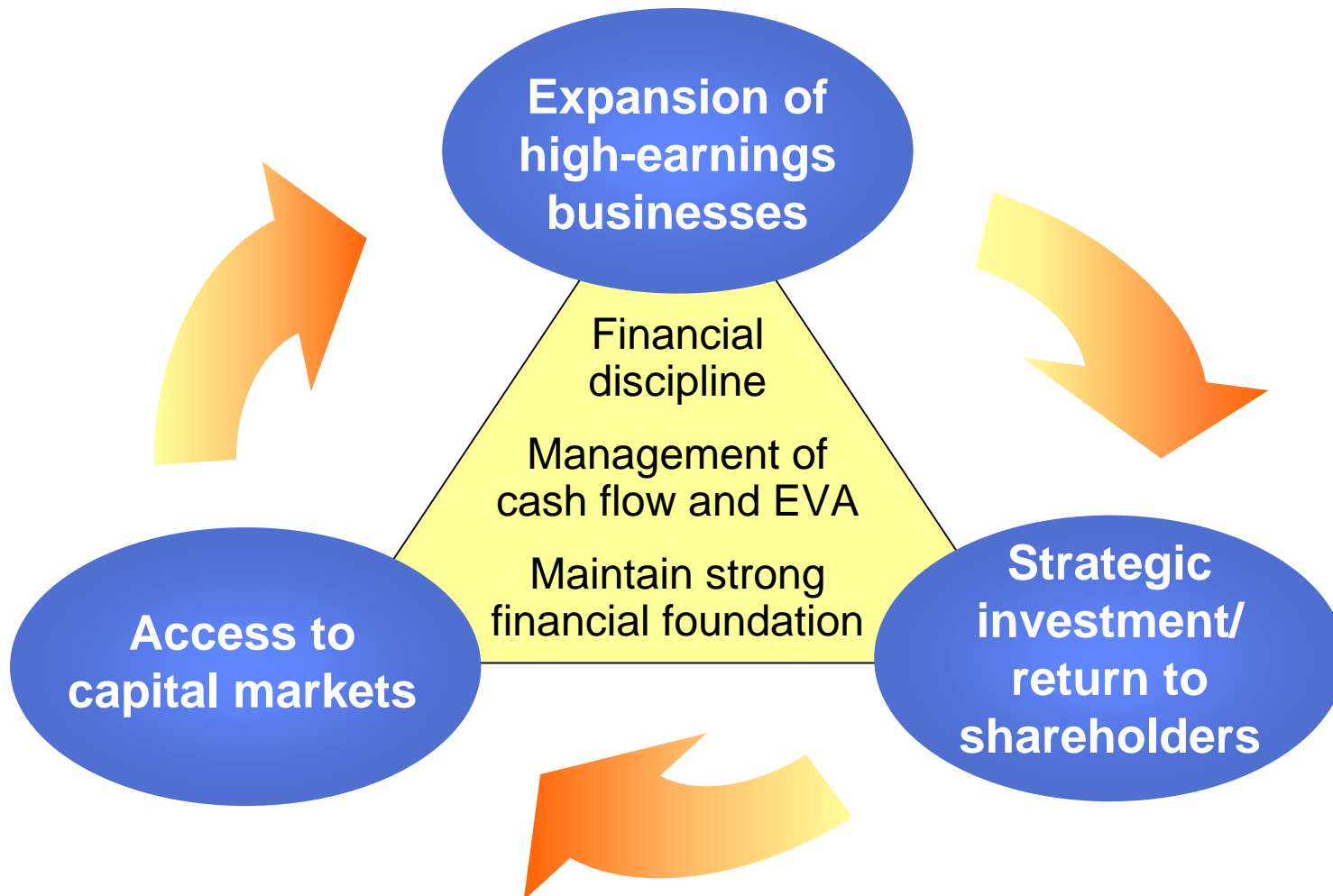
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(¥ billion unless indicated)

| | FY 2002 | FY 2003 | FY 2004 forecast | FY 2005 target |
|------------------|---------|-----------------|---------------------|-------------------|
| Net sales | 1,193.6 | 1,253.5 | 1,388.0 | 1,300.0 |
| Operating profit | 61.6 | 60.9 [80.4]† | 115.0 [94.8]† | 110.0† |
| Net income | (66.8) | 27.7 | 56.0 | 50.0 |
| Dividends | ¥6 | ¥6 | ¥8 | >¥8 |
| EPS | (¥47.6) | ¥19.62 | ¥39.97 | ¥35.69 |
| ROE | — | 6.4% | 11.1% | ≥10% |
| D/E ratio | 0.79 | 0.62 | 0.51 | ≤0.7 |

† Prior to amortization of actuarial differences in retirement benefits, shown for comparison purposes.

**Investment for growth with strong cash flow
and solid financial position**



Resources for strategic investment

Strategic investment
FY 04–10
¥400 billion

Implement strategic investment while maintaining:

- D/E ratio of 0.7 or less
- Present bond ratings (Moody's A2, R&I AA–)

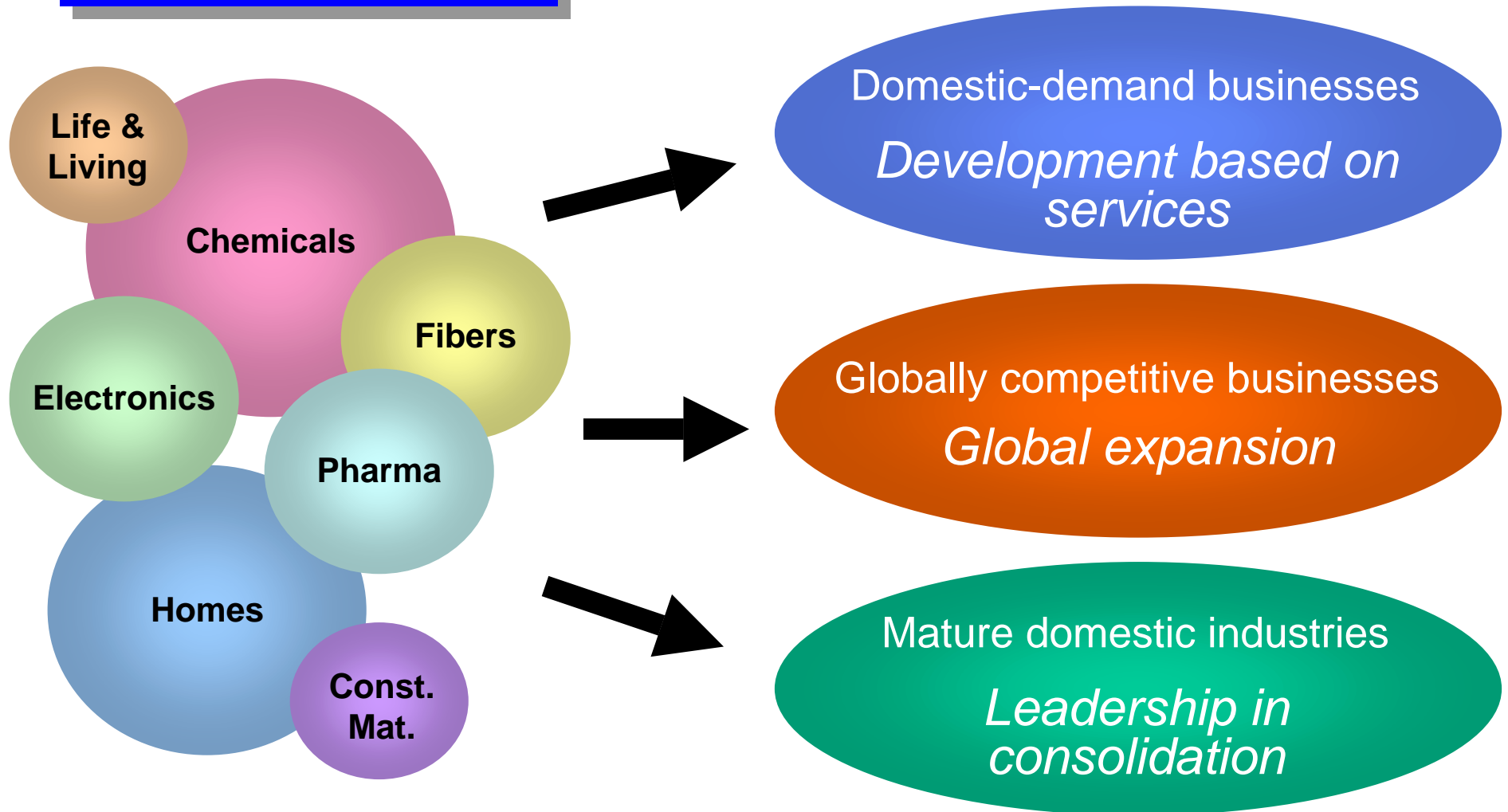
**Scale of investment**

FY 04–05:
¥100 billion

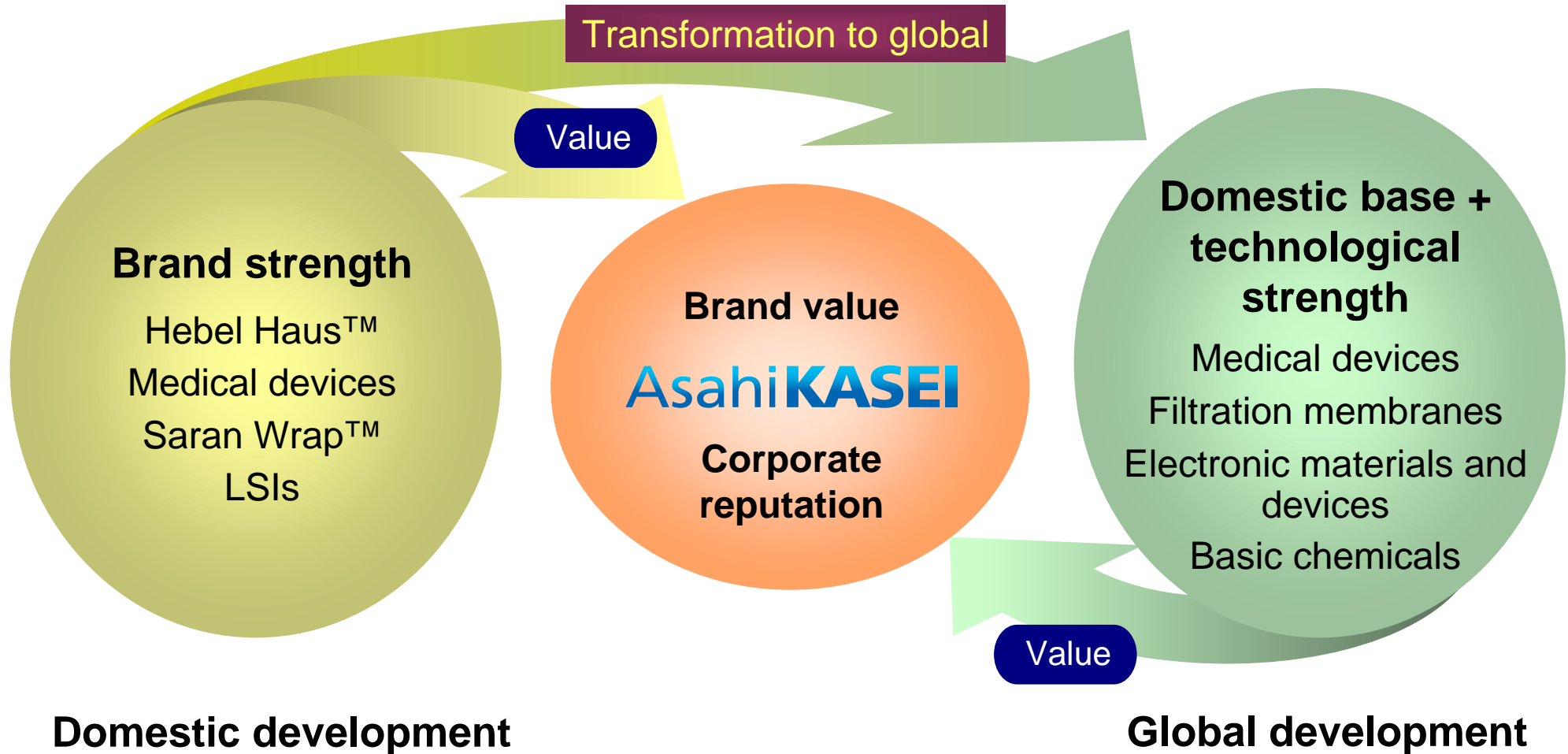
FY 06–10:
¥300 billion

Funded by cash flow and increased debt

Growth scenario



Trustworthy and reliable corporate brand



Asahi Kasei Group growth strategy

- Development of new operations combining diverse business fields
- Market-oriented R&D
- Strategic resource allocation

Priority business fields

- Electronics
- Medical
- Energy & ecology
- High value-added functional materials
- Feedstocks for chemicals operations

Key examples:

Establishment of marketing center for flexible printed circuit and flat panel display materials (04/10)

Establishment of medical service support center (04/11)