

Ishin-05 Initiative

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.

May/June 2005
Shiro Hiruta, President
Asahi Kasei Corporation

Achieving *Ishin-05* goals

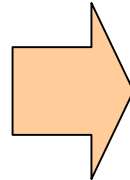
Seeking greater corporate value**Basic Credo of the
Asahi Kasei Group**

Basic tenets (excerpt)

Contribution to human life
and human livelihood.

Guiding precepts (excerpt)

Contribute to our shareholders,
as a high earnings enterprise.

***Ishin-05***

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

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

Selective diversification***Ishin-2000***

FY 1999–2001 (+2002)

Selectivity and focus**Disposal of
negative legacies*****Ishin-05***

FY 2003–2005

Selective diversification**Creation of cash flow*****The next phase***

FY 2006–2010

Shifting to growth**Strategic investment for
expansion****Action on underperforming businesses**

Viscose rayon, acrylic fiber, liquors, ...

Selective investment

Chemicals, LSIs, medical, ...

Elimination of unfunded liabilities

Retirement benefits accounting

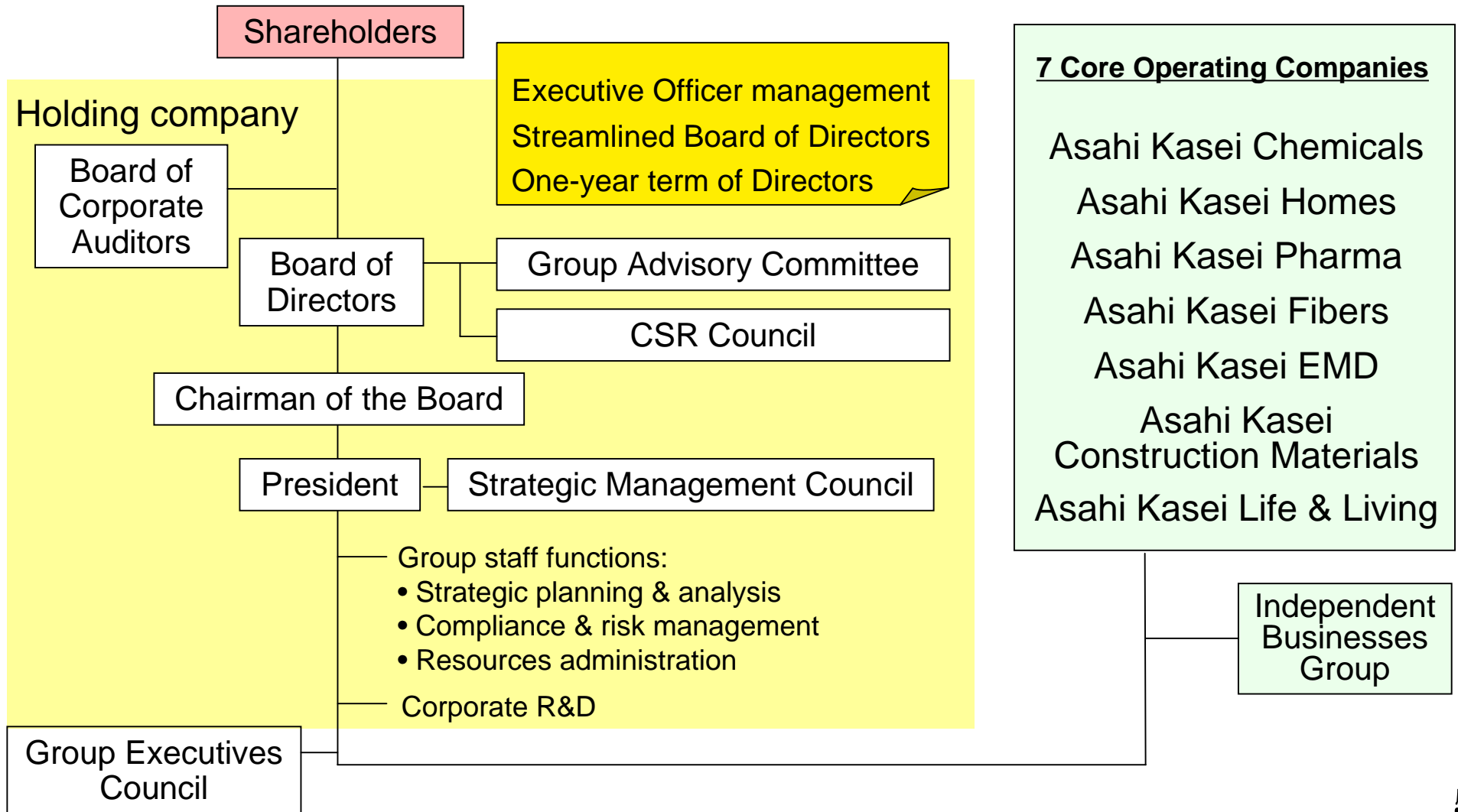
New management framework

- Enhanced corporate governance
- Management speed and autonomy

Building on strengths

- Expansion of high-earnings businesses
- Development of customer-value creating businesses
- Advancement of restructuring

Transition to holding company configuration (Oct. 03)



Speed and autonomy of core operating companies

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

- ✓ Transition to 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

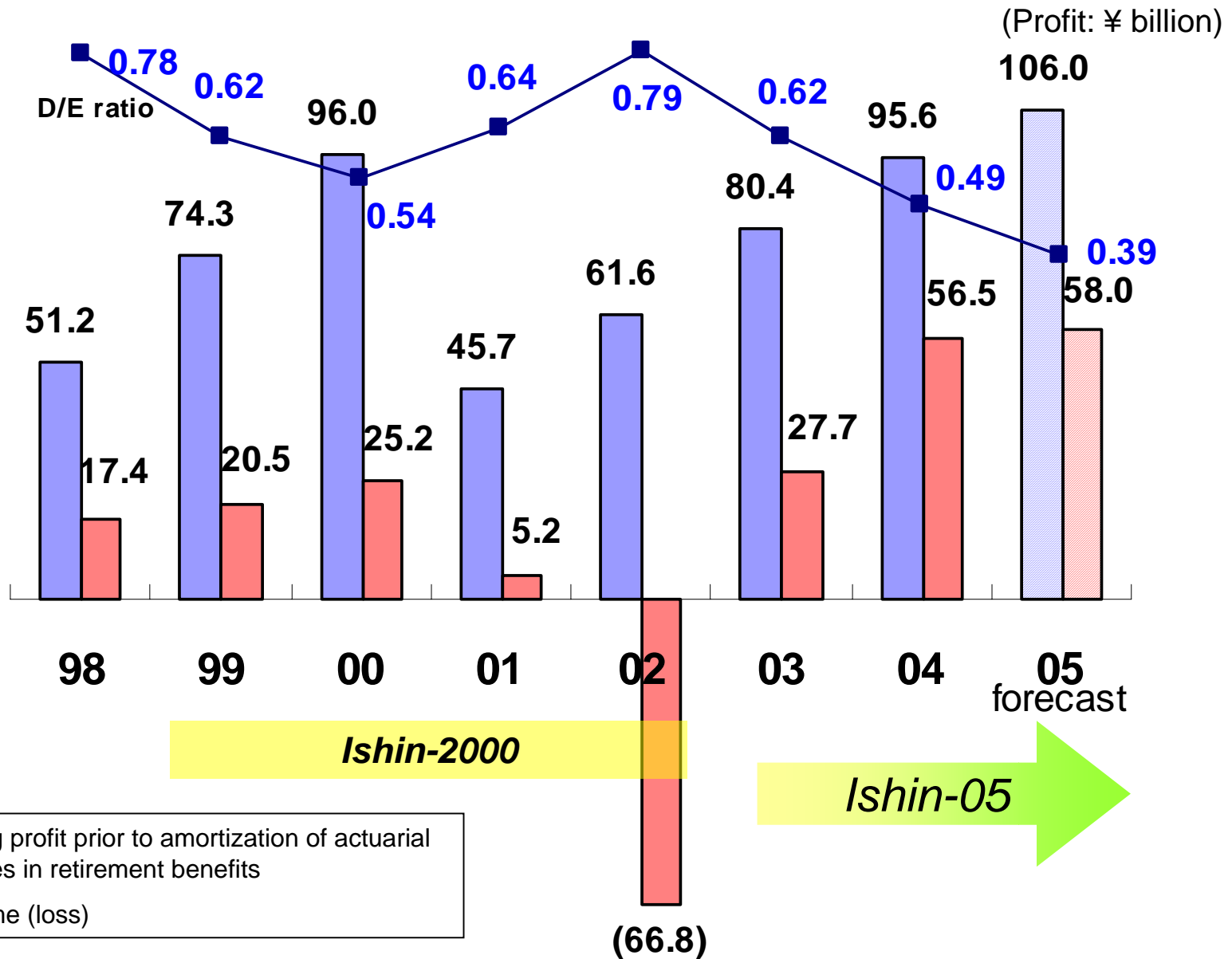
Higher capital efficiency, increased dividends

(¥ billion)

	FY 2002	FY 2003	FY 2004	FY 2005 forecast	<i>Ishin-05</i> target for FY 2005
Net sales	1,193.6	1,253.5	1,377.7	1,470.0	1,300.0
Operating profit	61.6	60.9	115.8	110.0	110.0
<i>absent amortization*</i>		80.4	95.6	106.0	
Net income	(66.8)	27.7	56.5	58.0	50.0
Dividends per share	¥6	¥6	¥8	¥10 (planned)	≥¥8
EPS	(47.6)	19.6	40.2	41.4	35.7
ROE	-14.8%	6.4%	11.7%	10.8%	≥10%
D/E ratio	0.79	0.62	0.49	0.39	≤0.7

* Prior to amortization of actuarial differences in retirement benefits.

Improvement in financial strength



Sales weighting trend

(¥ billion unless indicated)

	FY 1998	FY 2004	Multiple
Chemicals/L&L	393.1	616.5	1.6
Homes	318.0	375.8	1.2
Pharma	88.1	103.9	1.2
Fibers	148.3	104.3	0.7
Electronics Materials & Devices	66.2	93.0	1.4
Construction Materials	54.0	59.9	1.1
Others	103.5	24.2	0.2
Total	1,171.2	1,377.7	1.2
Jpn. nominal GDP (¥ trillion)	512	505	0.99

Active overseas
development

	Overseas sales	% of total
FY 98	162.4	13.9%
		↓
FY 04	309.8	22.5%
		(32.9% ex. Homes & Const. Mat.)

Strategic advances in FY 2004

Obtaining stable earnings in volume segments

- Expansion of competitively superior businesses
 - Acrylonitrile, styrene monomer
- More self-reliant, diverse feedstock supply
 - Utilization of Omega Process olefin conversion
 - Development of propane process for AN
- Global technology licensing
 - Polycarbonate (Russia), synthetic rubber (China)
- Divestiture and closure of underperforming businesses
 - BOPS sheet JV, NC closure, Indonesia fiber subsidiary closure

Shifting to higher added value

- Expansion and growth of competitively superior businesses
 - Roica™ spandex, Hipore™ Li-ion battery separator, Microza™ microfiltration membranes

Advancement toward development of new businesses

- Marketing center for packaging/display materials
- Water treatment systems
- Polyketone fiber

Advancement of Long Life Home strategy

- Greater product appeal
 - Market launch of Shindaichi™, Kazenoto™, Kugo™
 - Seismic damping system, geothermal heating/cooling system
- Strengthening housing-related businesses
 - Transformation of business model for renovation
 - Establishment of Asahi Kasei Mortgage
- Reform of logistics system for housing

Reforms for greater efficiency

- Discontinuation of production of precast concrete piles (transition to OEM supply)
- Discontinuation of Grande™ large-scale ALC panel line

Advancement of growth products

- Neoma™ foam insulation panels

Pharmaceuticals

- Market launch of Elcitonin™ disposable pre-filled syringe
- Increased sales of Flivas™ and Toledomin™
- Outsourcing of pharmaceutical logistics

Medical-related devices

- Expansion of artificial kidney operations
 - Additional hollow fiber plant in Japan under construction
 - New assembly plant in China under construction
 - Establishment of marketing center in US
- Growth of Cellsorba™ leukocytapheresis column
- Growth of Planova™ virus removal filter

Extension of business model for electronic devices

- Advancement into new application fields
- Hybrid devices combining ICs and sensors
 - Three-axis direction sensor, ...
- Preparation for expansion of LSI operations
 - Enhanced clean room, lower line-width process

Global expansion

- Increased DFR capacity in China
- Enhanced LSI marketing in China
- Establishment of pellicle sales company in Korea

New business development through product innovation

- Establishment of marketing center for packaging/display materials

Vision for FY 2010

Shifting to growth

Ishin-2000

FY 1999–2001 (+2002)

Selectivity and focus

**Disposal of
negative legacies**

Ishin-05

FY 2003–2005

Selective diversification

Creation of cash flow

The next phase

FY 2006–2010

Shifting to growth

**Strategic investment
for expansion**

AsahiKASEI Resources for strategic investment

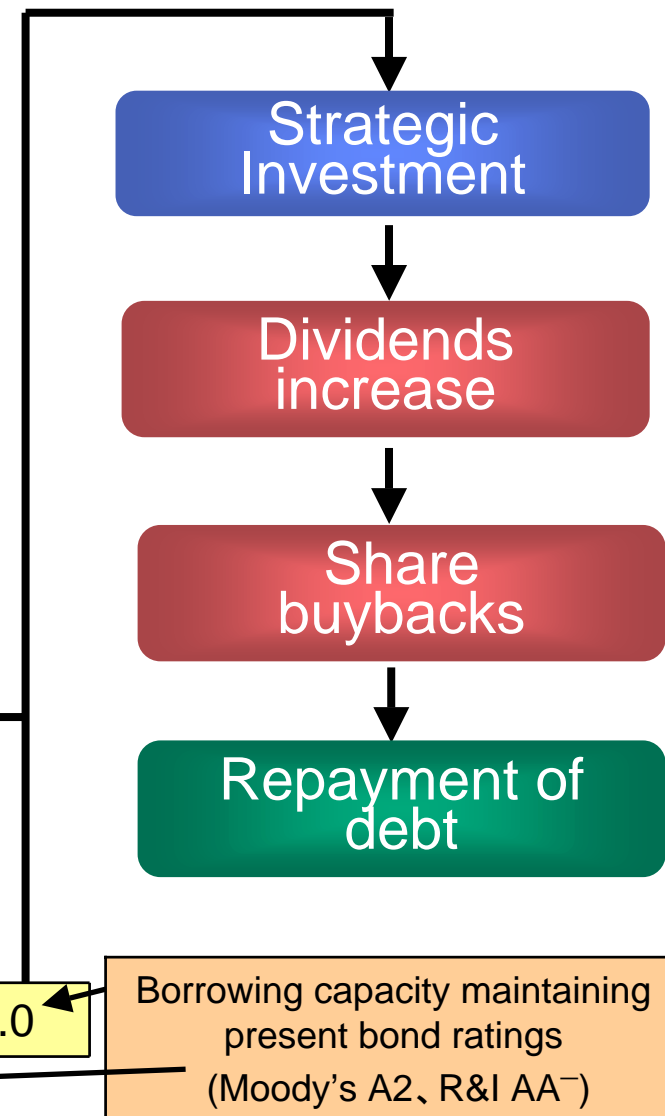
¥400 billion available

Assuming that operating profit of ¥110.0 billion and dividends of ¥10/share continues.

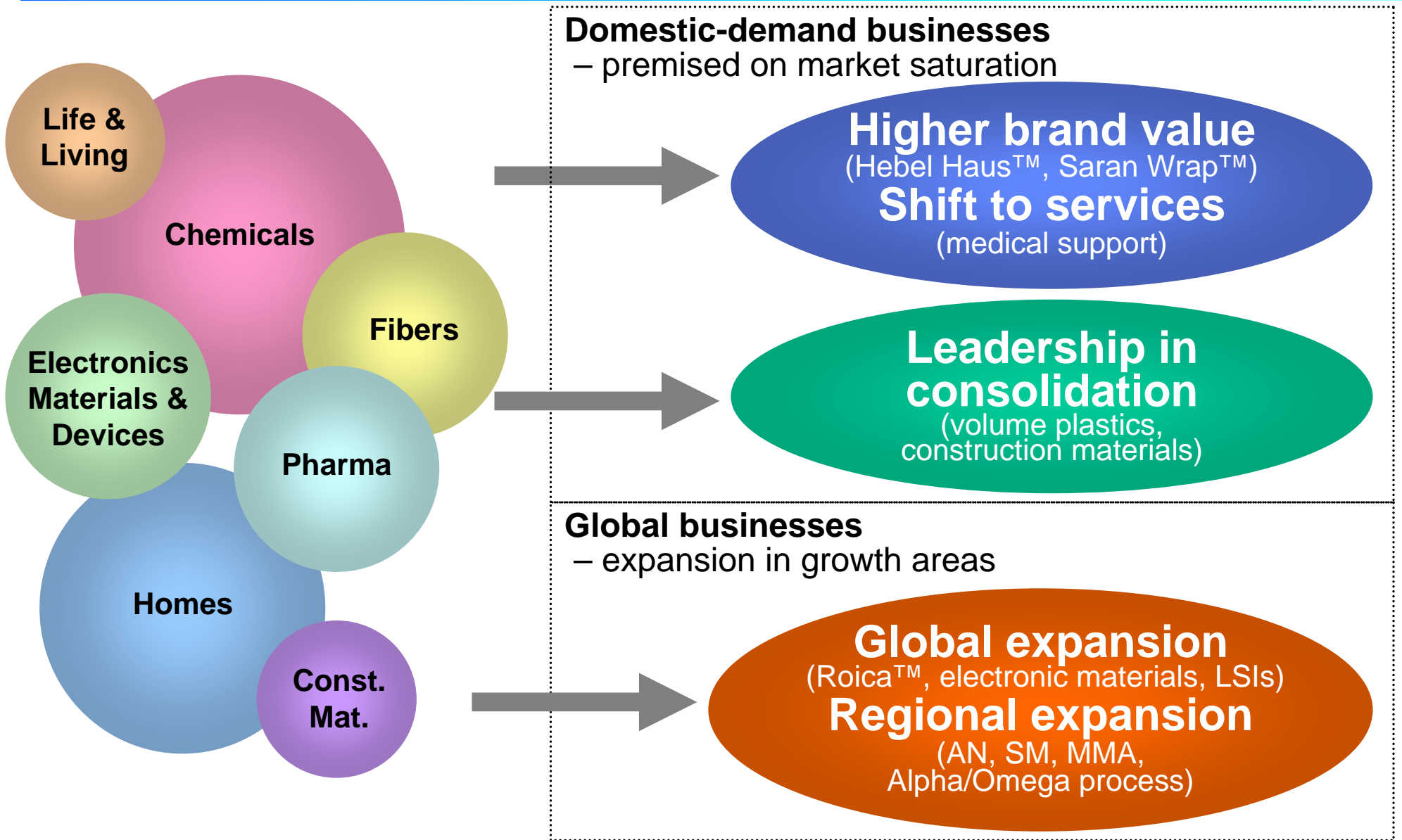
(¥ billion)

	Annual	FY 2006–FY 2010
Net income	55.0	/
Depreciation	75.0	
Ordinary Investment	85.0	
FCF before dividends	45.0	225.0
Dividends (¥10/share)	(14.0)	(70.0)
FCF after dividends	31.0	155.0

	FY 2004	FY 2010
Shareholders' equity	511.7	700.0
Interest-bearing debt	248.8	490.0
D/E ratio	0.49	0.7

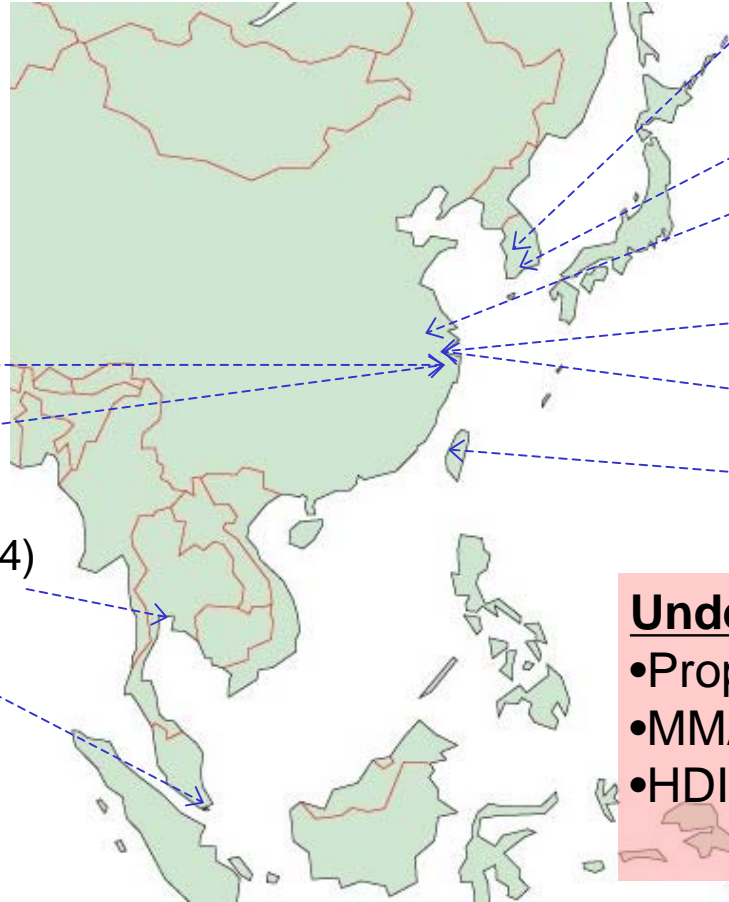


The path for growth



AsahiKASEI Development of global operations

Drawing on growth in Asia



■ Spandex, China (Apr. 04)

■ Hemodialyzer assembly, China (Oct. 05)

■ Spandex, Thailand (Dec. 04)

■ Modified PPE, Singapore (Dec. 02)

■ PMMA sheet for light-guide plates, Korea (Nov. 03)

■ Acrylonitrile, Korea (Mar. 03)

■ Polystyrene JV, China (Nov. 02)

■ Polyacetal JV, China (Aug. 04)

■ Dry film resist, China (May. 03)

■ Spandex, Taiwan (Aug. 01)

Under planning and study

- Propane-process AN
- MMA monomer
- HDI-based polyisocyanate
- ... others

Growth by strategic investment

Development of new operations by combining diverse business fields and developing new materials

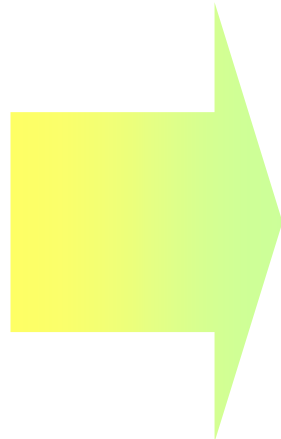
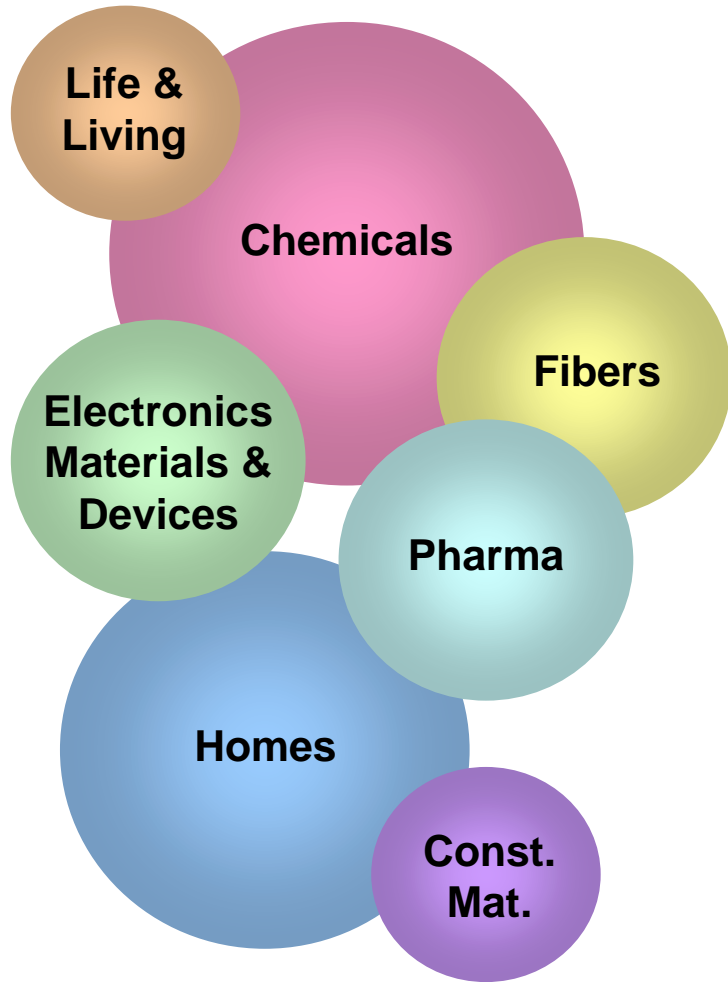
Development of new operations through market-oriented R&D

Expansion of operations through M&A based on strong business models

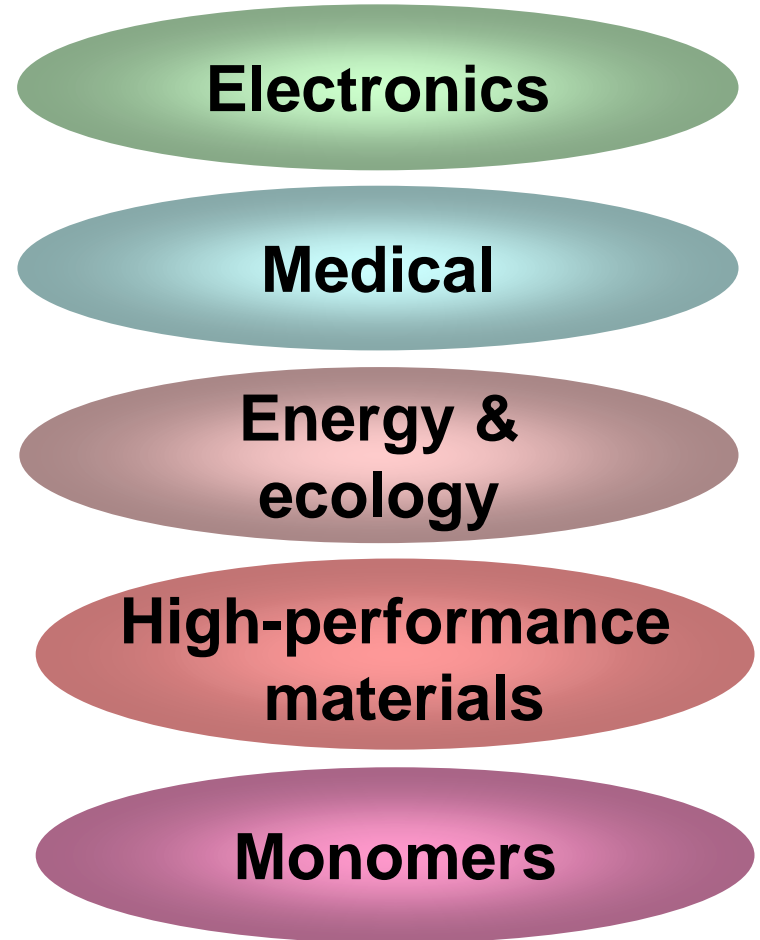
Key Examples

- Establishment of marketing center for packaging/display materials (Oct. 04)
- Establishment of medical service support center (Nov. 04)
- Transfer of fuel-cell membrane business to Chemicals (Apr. 05)

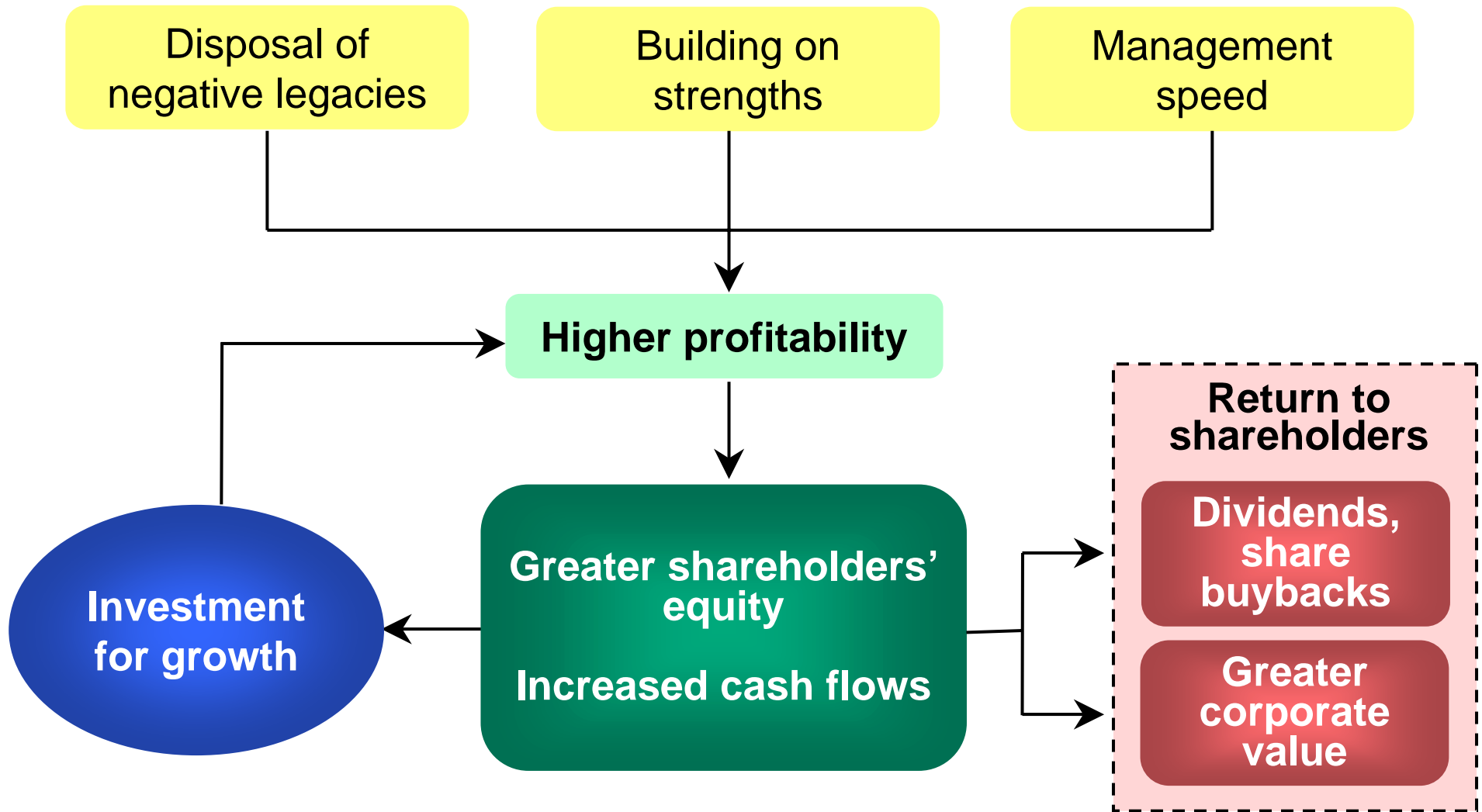
Existing segments



Areas of Focus



Greater shareholder return



AsahiKASEI Targeted company configuration

Trustworthy and reliable corporate brand

