

Ishin-05 Initiative

progress report and strategic outlook

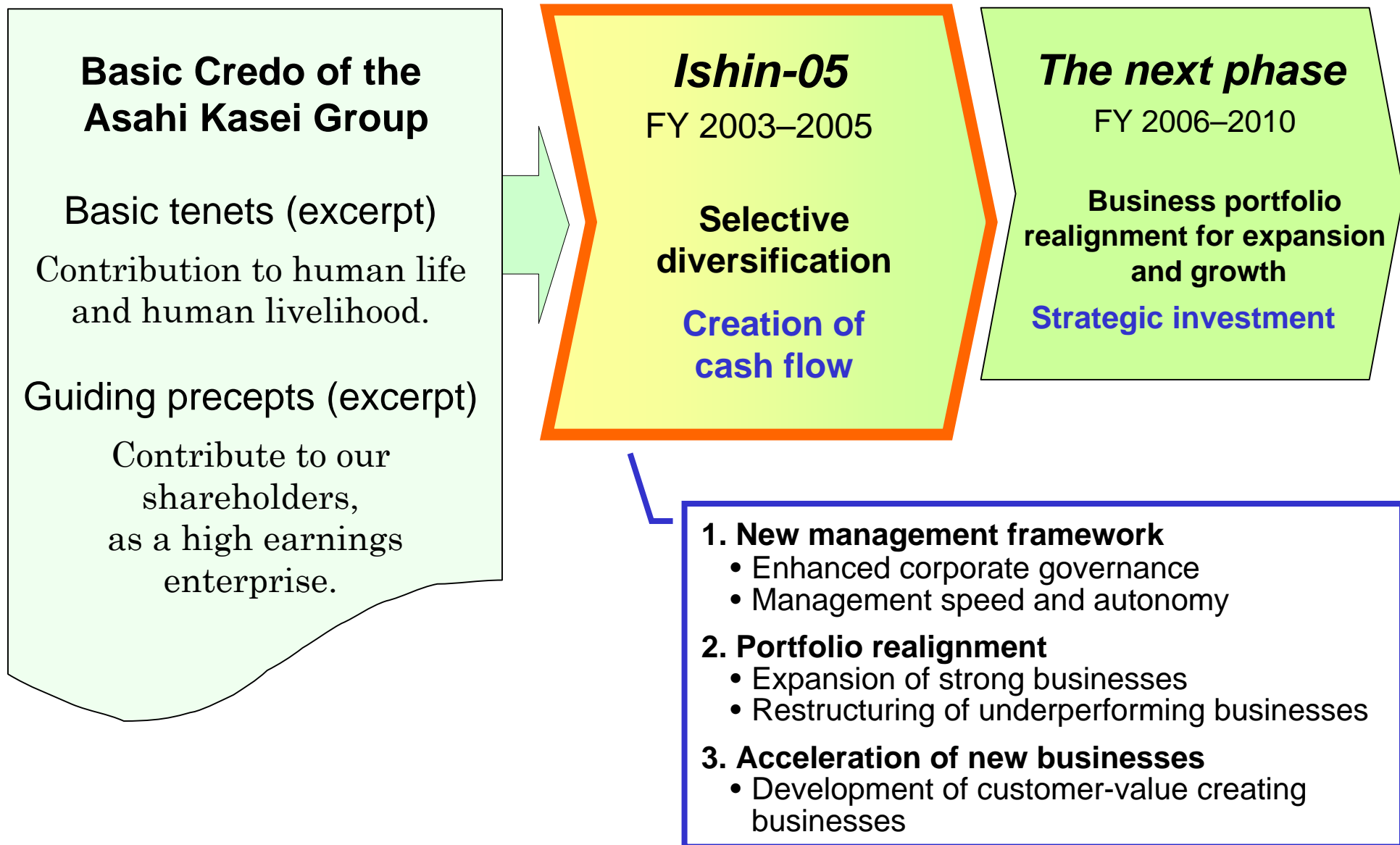
“Ishin” means “restoration” or “transformation,” as in *Meiji Ishin* for the Meiji Restoration.

Disclaimer:

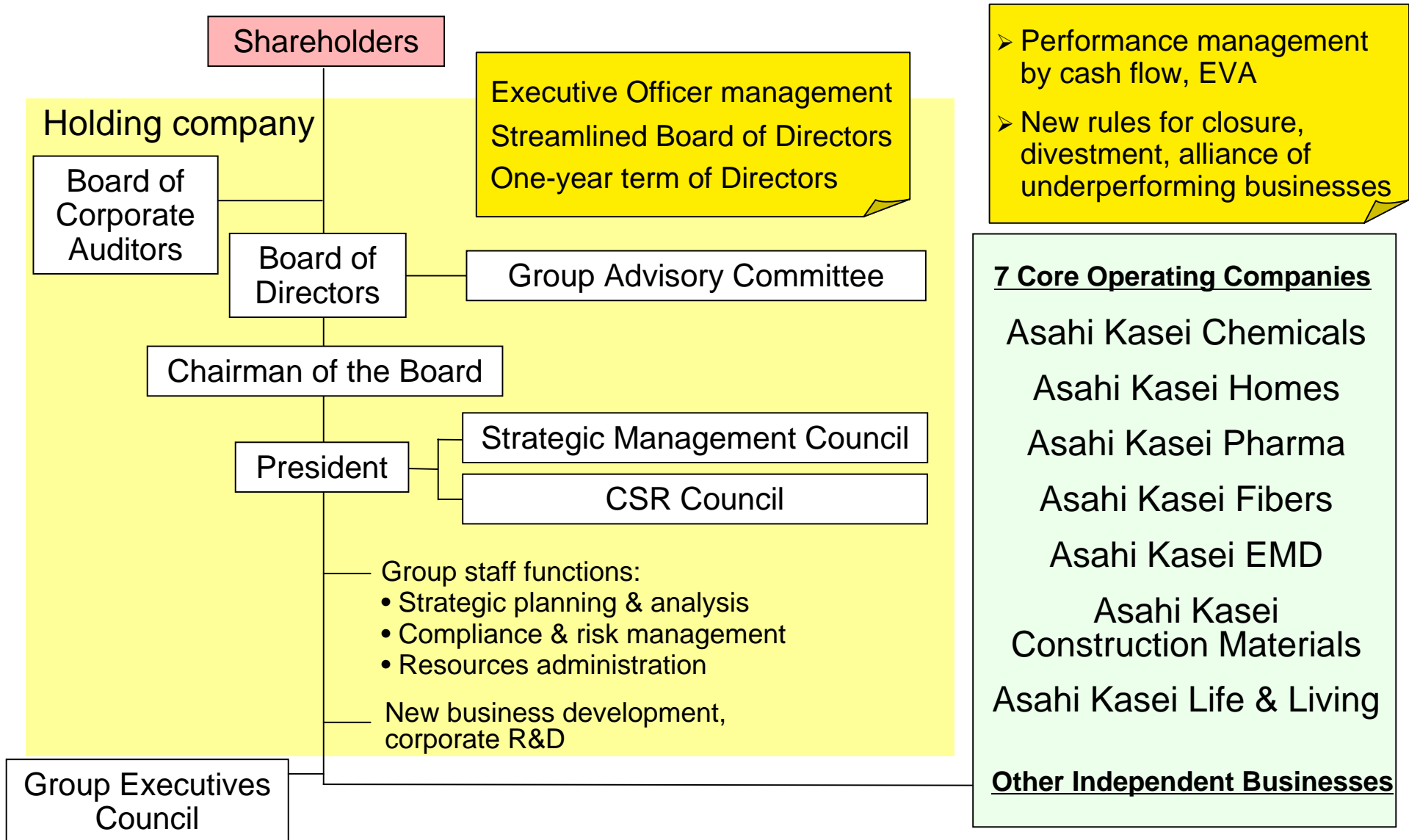
The forecasts and estimates shown in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.

November/December 2005
Shiro Hiruta, President
Asahi Kasei Corporation

Achieving *Ishin-05* goals



Transition to holding company configuration (Oct. 03)



2. Building on strengths – notable actions **AsahiKASEI**

Monomers

Acrylonitrile – plant expansion, world's No. 2 supplier

Styrene monomer – plant expansion, Asia's No. 1 supplier

High value added

Roica™ elastic polyurethane filament – new plant in Thailand completing four-country Asian production base; acquisition of EU/US production facilities, setting stage for global development

Acrylic sheet for light guides – establishment of Korean JV

Hipore™ Li-ion battery separator – plant expansion, 50% world share

Microza™ high-volume water filtration membranes – plant expansion

HDI based polyisocyanate – decision to establish new capacity in China

Electronics

Mixed-signal custom LSIs – capacity expansion

Dry film resist for PWBs – new plant in China, capacity expanded

Medical

APS™ hemodialyzers – capacity expansion, new assembly plant in China, marketing center in US, world's No.2 supplier

Planova™ virus removal filters – new hollow-fiber membrane plant

2. Building on strengths – eliminating weaknesses **AsahiKASEI**

Action on underperforming businesses

– Major restructuring complete –

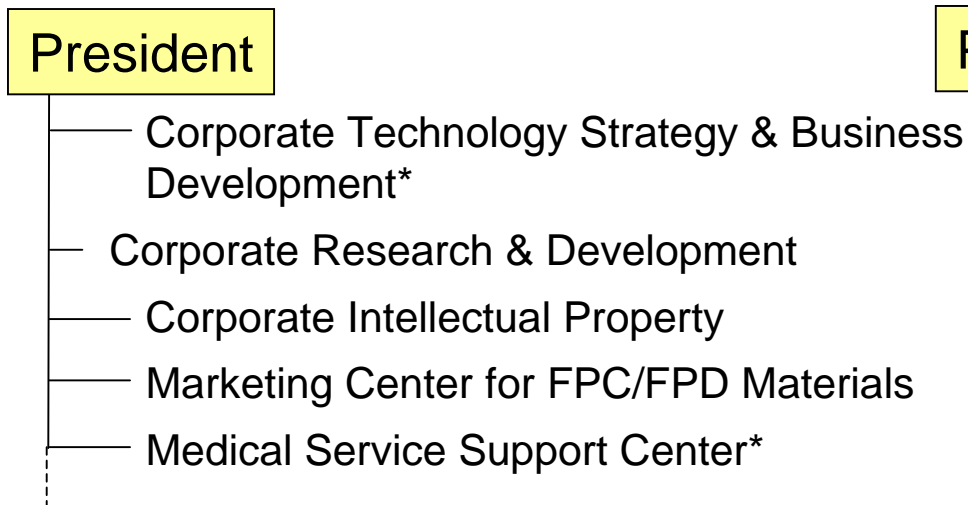
Closure	<ul style="list-style-type: none">• Viscose rayon (02/3)• Acrylic fiber (03/6)• Indonesia Asahi Kasei (04/12)• Large ALC panels (05/3)
Divestment	<ul style="list-style-type: none">• Liquors (03/7)• Salt (03/11)• Industrial nitrocellulose (03/9)• PC JV (04/3, 10% retained)• Chori (04/7)
Alliance	<ul style="list-style-type: none">• Aramid film JV (03/4)• BOPS sheet JV (04/10)• Precast concrete piles production closed, transition to OEM (04/12)

3. Enhanced new business development function **AsahiKASEI**

Establishment of New Business Development, office of CTO (05/8)

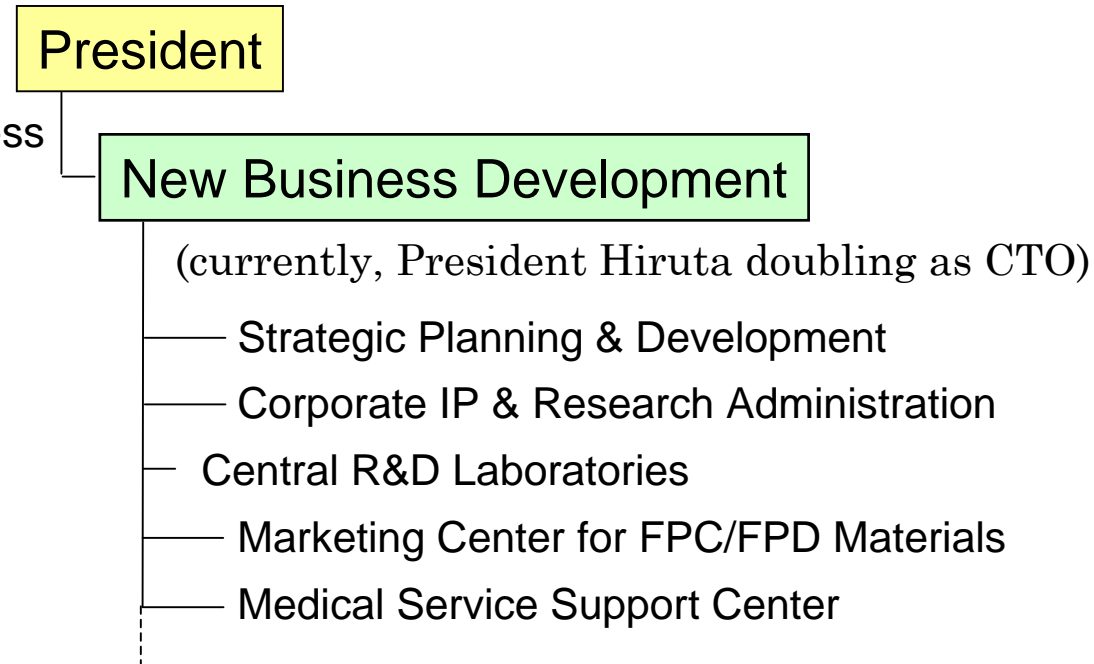
- **Unification of R&D function and new business development function**
- **Prioritized resource allocation, strategic action**

Previous structure



* Under authority of Director for Corporate Strategy

Current structure



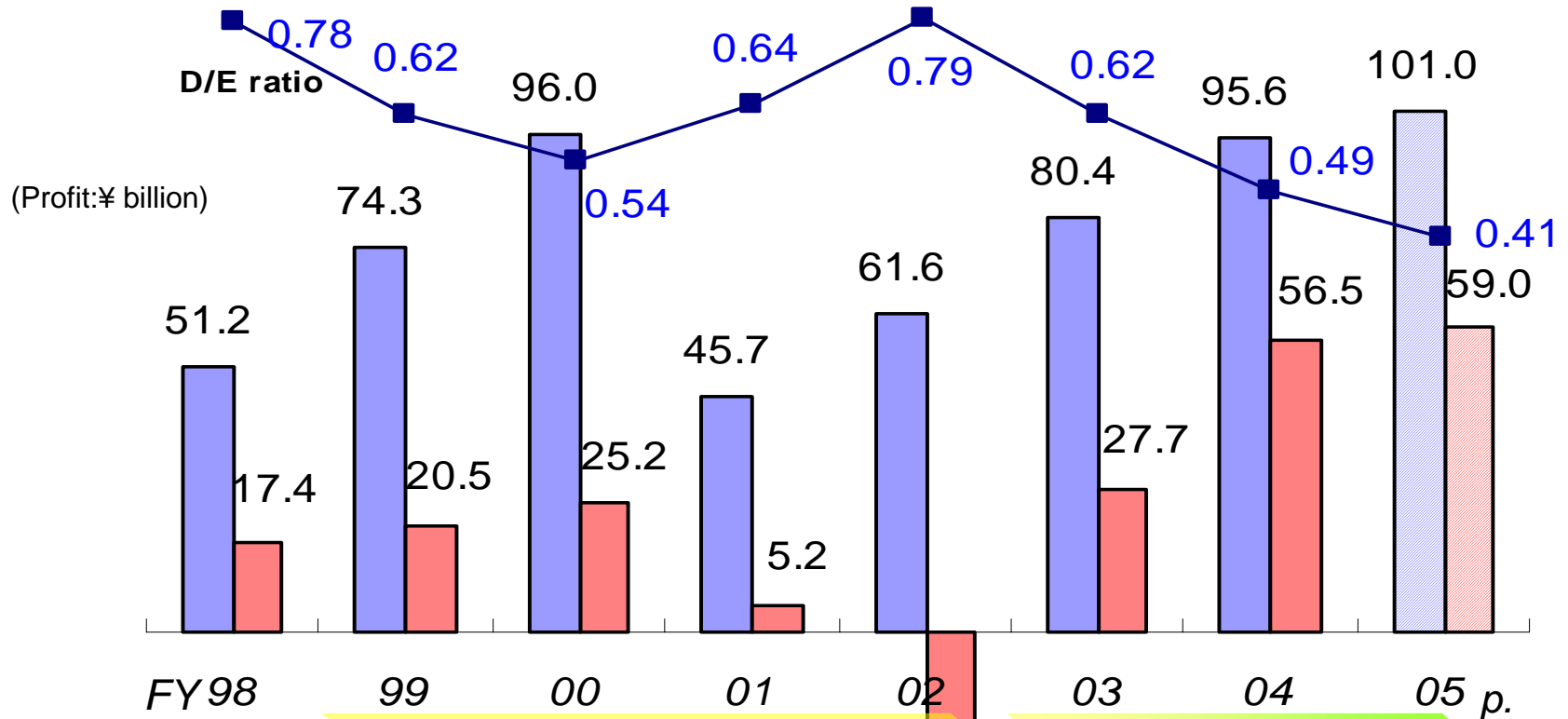
ROE over 10%, consecutive dividend increases

(¥ billion)

	FY 2002	<i>Ishin-05</i>			<i>Ishin-05</i> target for FY 2005
		FY 2003	FY 2004	FY 2005 forecast	
Net sales	1,193.6	1,253.5	1,377.7	1,500.0	1,300.0
Operating profit	61.6	60.9	115.8	105.0	110.0
<i>absent amortization*</i>		80.4	95.6	101.0	
Net income	(66.8)	27.7	56.5	59.0	50.0
Dividends per share	¥6	¥6	¥8	¥10 (planned)	≥¥8
EPS	(47.6)	19.6	40.2	42.1	35.7
ROE	-14.8%	6.4%	11.7%	11.0%	≥10%
D/E ratio	0.79	0.62	0.49	0.41	≤0.7

* Prior to amortization of actuarial differences in retirement benefits.

Four-year rise in underlying operating profit



Ishin-2000

Ishin-05

- Selectivity and focus
- Disposal of negative legacies
- Elimination of unfunded liabilities in retirement benefits accounting

■ Operating profit prior to amortization of actuarial differences in retirement benefits
■ Net income (loss)

Securing cash flow creation

(¥ billion)

	Operating CF	Investing CF	FCF	Dividends	FCF after dividends
FY00	69.5	(62.1)	7.4	(8.7)	(1.2)
FY01	70.0	(88.0)	(18.0)	(8.7)	(26.7)
FY02	84.4	(84.5)	(0.1)	(8.4)	(8.5)
FY03	122.1	(79.3)	42.8	(8.4)	34.4
FY04	98.3	(62.8)	35.5	(9.8)	25.6
FY05 forecast	110.2 *	(77.7)	32.5	(12.6)	19.9

* Excluding operating loans of Asahi Kasei Mortgage

Ishin-05 retrospective

- Enhanced corporate governance
- Established selectively diversified enterprise group
- Transformed operating structure for cash flow creation
- New record highs for consolidated net sales and net income two years running
- D/E ratio at 0.41
- Two consecutive dividend increases

The next phase
– Vision for 2010 –

Toward 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

FY 2003–2005

**Selective
diversification**

**Creation of
cash flow**

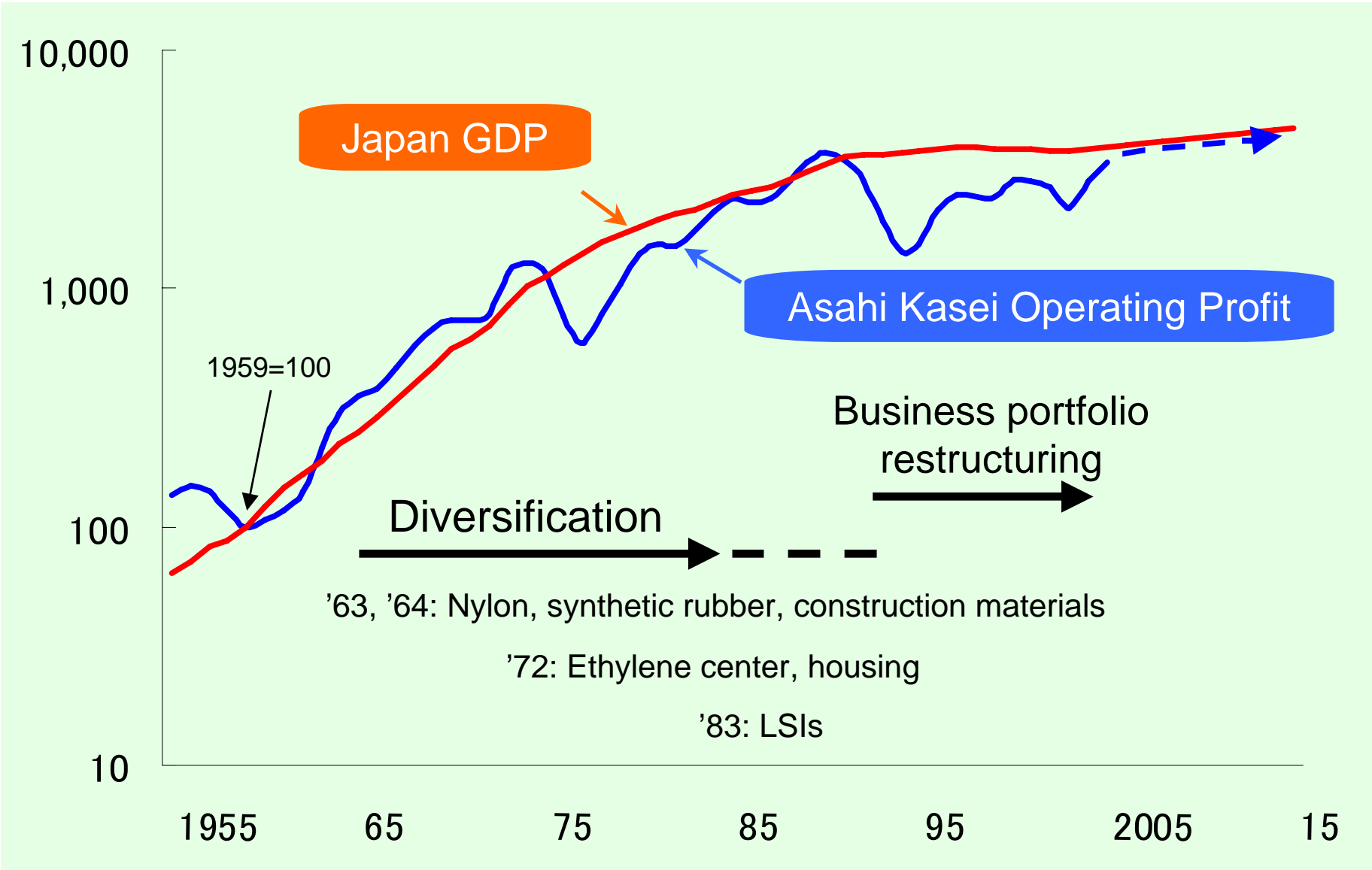
The next phase

FY 2006–2010

**Business portfolio
realignment for
expansion and growth**

Strategic investment

Limits to domestic-oriented diversification **AsahiKASEI**



Strategic investments

Business portfolio transformation for expansion and growth

1. Development drive in global businesses

- 1) Global development of strong businesses
- 2) Development of new businesses with global potential

2. Transformation to higher added value and services in domestic businesses

Global development of strong businesses (1) AsahiKASEI

Sales weighting trend

(¥ billion unless indicated)

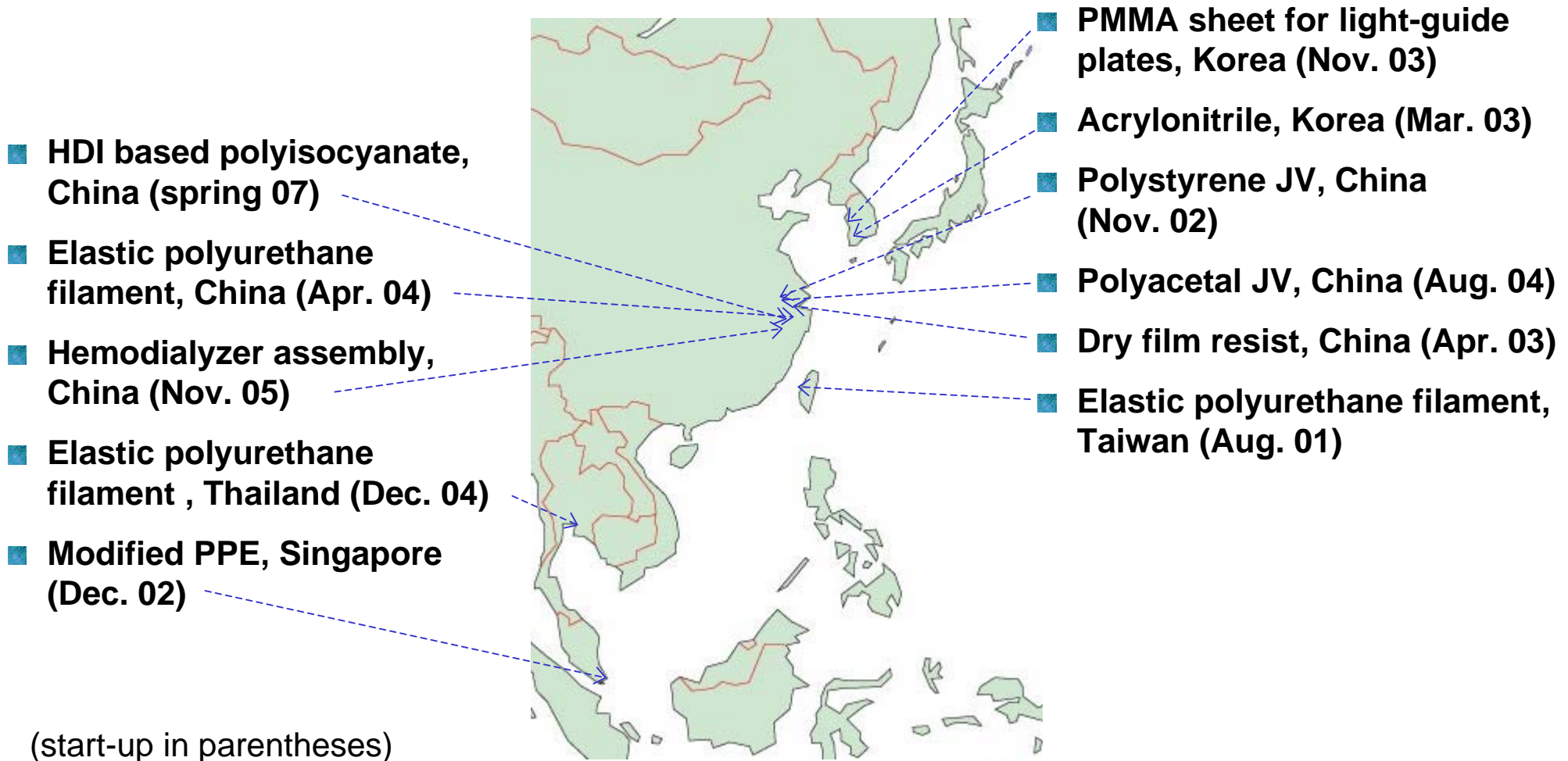
	FY 1998		FY 2005 forecast		Multiple	
	Sales	Operating profit	Sales	Operating profit*	Sales	Operating profit
Chemicals/L&L	393.1	16.6	713.0	41.3	1.8	2.5
Homes	318.0	13.3	400.0	27.8	1.3	2.1
Pharma	88.1	9.9	110.0	11.3	1.2	1.1
Fibers	148.3	2.0	94.0	3.9	0.6	2.0
Electronics Materials & Devices	66.2	4.3	100.0	17.5	1.5	4.1
Construction Materials	54.0	0.3	58.0	3.5	1.1	11.7
Others	103.5	4.8	25.0	-7.3	0.2	-
Total	1,171.2	51.2	1,500.0	101.0	1.3	2.0
Jpn. nominal GDP (¥ trillion)	512		512		1.0	

* Prior to amortization of actuarial differences in retirement benefits.

Expansion of overseas sales

	Overseas sales	% of total
FY '98	162.4	13.9%
		↓
FY '04	309.8	22.5%
		↓
H1 '05	176.3	23.1%
		(34.9% ex. Homes & Const. Mat.)

Concentrated expansion in Asia



Expansion of global businesses advancing

Monomers

Acrylonitrile – propane-process verification; large investment in Asia under study

Methyl methacrylate – large investment in Asia under study

High value added

Roica™ elastic polyurethane filament – acquisition of EU/US production facilities

HDI based polyisocyanate – decision on construction of new plant in China

Microza™ high-volume water filtration membranes – plant in China under study

Electronics

Dry film resist for PWBs – capacity expansion in China under study

Mixed-signal custom LSIs – stronger marketing force in China

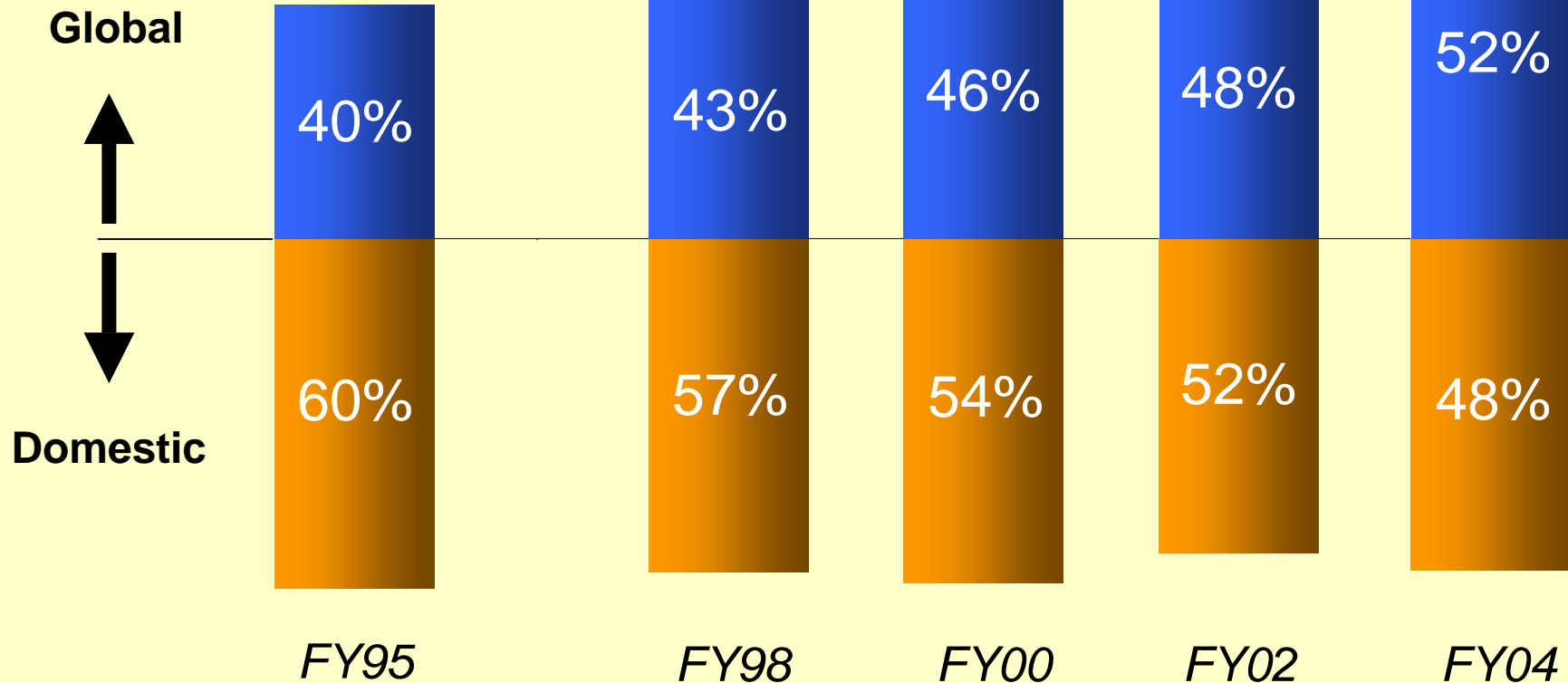
Medical

APS™ hemodialyzers – stronger marketing network in US
– new assembly plant in China ready to start

Extracorporeal therapy – expansion in leukocytapheresis and plasmapheresis

Expansion of global businesses

Sales composition trend



Priority resource allocation and strategic action

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)
 - ✓ Trial marketing of 2-layer FCCL; volume production in H1 2006.
 - ✓ Swift development of LCD materials, polarization plates, and new functional materials
- Establishment of medical service support center (Nov. 04)
 - ✓ Development of dialysis center management support system, etc.
- Transfer of fuel-cell membrane project to Asahi Kasei Chemicals (Apr. 05)
 - ✓ Battery related businesses to be conducted by Chemicals collectively

Homes

Heightened brand value
“Hebel Haus™”

**Long life
home
strategy**

Growth of order-built home business

Growth in urban homes – new emphasis in rebuilding market

Heightened efficiency of logistical/construction systems

Growth in services

Growth in housing-related operations
– remodeling and real estate

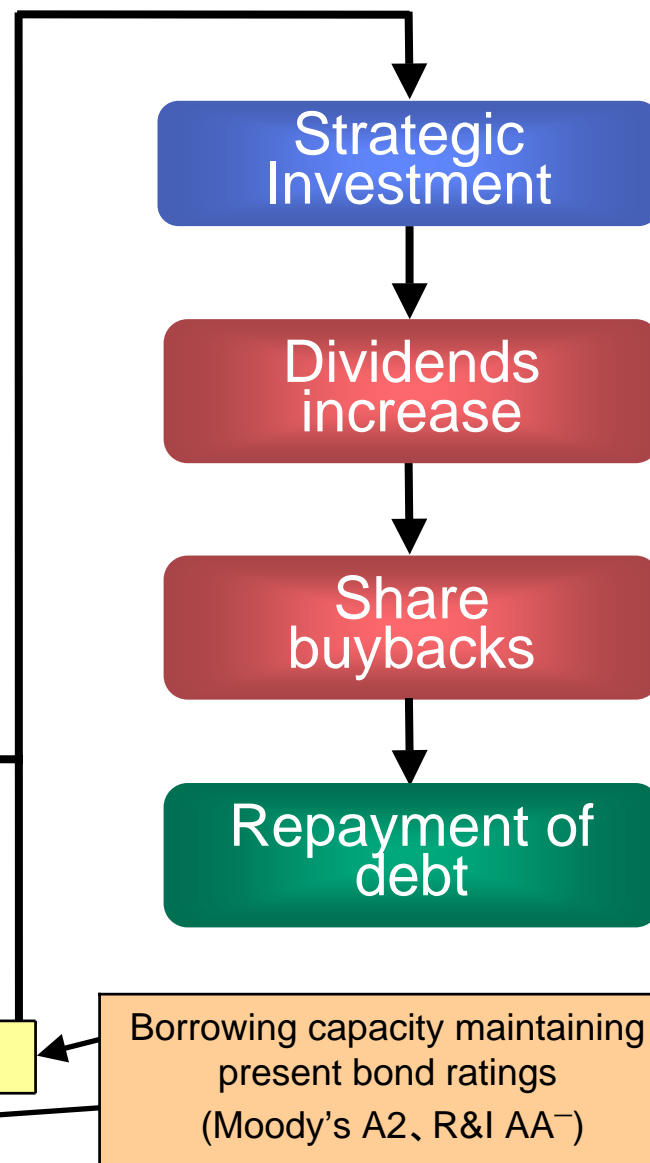
Financial services – securitized loans and reverse mortgages

¥400 billion available

Assuming dividends of ¥10/share (¥ billion)

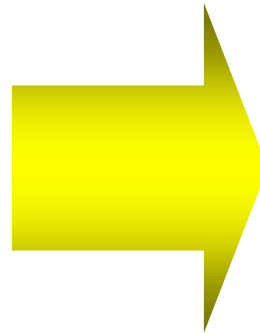
	Annual	FY 2006– FY 2010
Net income	60.0	/
Depreciation	80.0	
Working Capital	-20.0	
Ordinary Investment	-85.0	
FCF before dividends	35.0	175.0
Dividends (¥10/share)	(14.0)	(70.0)
FCF after dividends	21.0	105.0

	FY 2005	FY 2010
Shareholders' equity	565.8	750.0
Interest-bearing debt	232.2	525.0
D/E ratio	0.41	0.7

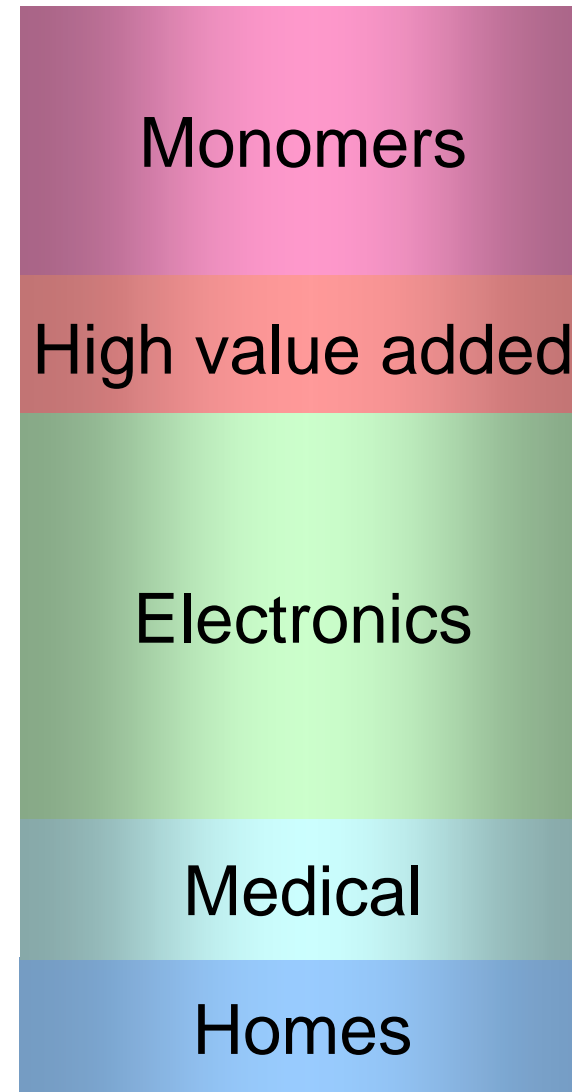


Strategic investment for growth

¥400 billion
available for
strategic
investment in FY
2006–10



Hypothetical proportioning of investment



Enterprise group of sustained growth

- Two-thirds of operations in global sectors
- Heightened ROA
- Continuous earnings increase,
continuous dividends increase