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Consolidated Results for 1st Quarter Fiscal 2004: April 1, 2004 – June 30, 2004

(Unaudited; all figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Conditions for Preparation of Quarterly Statements

1. Change in scope of consolidation, application of equity method

Increase in No. of consolidated subsidiaries: 4.

Decrease in No. of equity method companies: 4.

II. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	Q1 2004	Q1 2003	cf. FY 2003
Net sales	294,800 [+13.7%]	259,248	1,253,534
Operating profit	18,188 [+312.0%]	4,415	60,932
Ordinary profit	19,176 [+480.2%]	3,305	53,643
Net income	12,004	560	27,672
Net income per share*	8.57	0.40	19.62
Diluted net income per share*	—	—	—

* Yen

2. Financial position

	At end of June 2004	At end of June 2003	cf. At end of March 2004
Total assets	1,266,066	1,234,688	1,249,206
Shareholders' equity	468,506	407,957	450,451
Shareholders' equity/total assets	37.0%	33.0%	36.1%
Shareholders' equity per share*	334.45	291.14	321.41

* Yen

3. Cash flows

	Q1 2004	<i>cf.</i> FY 2003
Cash flows from operating activities	(8,109)	122,147
Cash flows from investing activities	(16,582)	(79,323)
Cash flows from financing activities	10,710	(50,637)
Cash and cash equivalents at end of period	57,895	70,898

III. Forecast for First Half Fiscal 2004 (April 1, 2004 – September 30, 2004)

Net sales	657,000
Ordinary profit	42,000
Net income	21,000
Net income per share*	14.99

* Yen

Note: Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.

IV. Overview of Consolidated Results

1. Consolidated group results

The domestic economy was marked by a recovery in corporate earnings on the strength of exports and demand for digital electronics, although feedstock prices remained elevated during the quarter.

For the Asahi Kasei Group, consolidated net sales for the quarter were ¥294.8 billion, an increase of ¥35.6 billion from a year ago, operating profit was ¥18.2 billion, an increase of ¥13.8 billion, ordinary profit was ¥19.2 billion, an increase of ¥15.9 billion, and net income was ¥12.0 billion, an increase of ¥11.4 billion.

2. Results by operating segment

Our operating segments have been realigned in accordance with the holding company configuration adopted in October 2003, with seven segments corresponding to the new core operating companies and an eighth segment comprising the remainder of operations. For purposes of comparison, results for the year-ago period have been recalculated in accordance with the new operating segment alignment.

The ¥13.8 billion increase in operating profit from the first quarter of the previous fiscal year includes a ¥7.9 billion increase due to amortization of actuarial differences in retirement benefit accounts. Operating profit figures by operating segment are those resulting after this amortization; amounts of amortization by operating segment are shown on p. 6.

CHEMICALS

Sales increased by ¥16.1 billion from the first quarter a year ago to ¥120.4 billion and operating profit increased by ¥3.2 billion to ¥5.6 billion. Profitability was constrained by higher naphtha prices and an increased yen exchange value. In volume products operations, sales increases resulted from higher prices for

acrylonitrile, styrene, and other monomers, and for polyethylene, ABS, and other polymers, and from higher sales volumes of acrylonitrile and styrene following production capacity increases. Increased shipments and prices were nevertheless insufficient to overcome a broad increase in the cost of key feedstocks such as benzene. Sales and operating profit in high value-added products operations increased, notably from greater sales of Hipore™ Li-ion rechargeable battery separator membranes following capacity expansion.

HOMES

Sales increased by ¥18.9 billion from the first quarter a year ago to ¥66.2 billion and the operating loss was ¥0.5 billion, a ¥4.7 billion improvement. While the market in this segment is characterized by sales peaks in the second and fourth quarters, results improved from a year ago due to the overall rise in orders obtained through the successful development of the Long Life Home product concept to overcome weak underlying demand. The value of orders received again increased from a year ago.

PHARMA

Sales decreased by ¥1.3 billion from the first quarter a year ago to ¥26.6 billion and operating profit increased by ¥0.1 billion to ¥4.5 billion. In pharmaceuticals, sales of Flivas™ therapy for benign prostatic hypoplasia and Toledomin™ antidepressant continued to grow, but competing products gained share on the calcitonin formulation Elcitonin™. In medical devices, the addition of rheumatoid arthritis as an indication for the Cellsorba™ leukocyte adsorption column contributed to sales, but reduced reimbursement prices for artificial kidneys resulted in a sales decrease. Sales of Planova™ virus removal filters grew with continuing strong demand overseas.

FIBERS

Sales decreased by ¥0.1 billion from the first quarter a year ago to ¥24.9 billion and operating profit increased by ¥0.7 billion to ¥1.3 billion. Increased sales in all major product lines roughly made up for the shortfall from the June 2003 termination of acrylic fiber sales. Shipments of Eltas™ spunbond grew for both diaper and construction material applications. Lamous™ artificial suede business performed well. Shipments of Roica™ elastic polyurethane filament grew with strong demand in China and other Asian markets. Bemberg™ cuprammonium rayon business performed well. Shipments of Leona™ nylon 66 filament grew following the recovery of full operation at the reconstructed plant.

ELECTRONICS MATERIALS & DEVICES

Sales increased by ¥4.6 billion from the first quarter a year ago to ¥24.3 billion and operating profit increased by ¥1.9 billion to ¥5.7 billion. In electronics devices, strong demand in digital electronics applications brought a broad increase in sales. Shipments of electronics materials also grew. Demand for Sunfort™ dry film resist, rising sharply in China, outstripped supply capacity.

CONSTRUCTION MATERIALS

Sales decreased by ¥0.2 billion from the first quarter a year ago to ¥13.8 billion and operating profit recovered to ¥0.3 billion, a ¥1.3 billion turnaround. Sales of Hebel™ autoclaved lightweight concrete panels were focused on higher-value market segments, and profitability improved even as sales decreased. Sales of ordinary concrete piles decreased as the challenging operating climate for piles continued, but sales of specialized piles for small-scale construction such as Eazet™ and ATT Column™ grew. Operating profit from Neoma™ high-performance foam insulation panels grew with continuing expansion of sales volume.

LIFE & LIVING

Sales increased by ¥1.3 billion from the first quarter a year ago to ¥14.7 billion and operating profit increased by ¥0.3 billion to ¥1.5 billion. Sales of home-use products grew, with redesigned packaging for Saran Wrap™ cling film and increased exports of Saran™ fiber. Sales of packaging products grew with strong demand for Suntec Foam™ and MEF™ cushioning material for shipment of LCD panels, and with price increases for OPS™ biaxially oriented polystyrene sheet to cover increased feedstock costs.

SERVICES, ENGINEERING AND OTHERS

Sales decreased by ¥3.8 billion from the first quarter a year ago to ¥4.0 billion but operating profit recovered to ¥0.3 billion, a ¥0.5 billion turnaround. The sales decrease and recovery of profitability resulted from the divestment of liquors and salt operations.

V. Consolidated Statements of Income

	Q1 2004	Q1 2003	Increase (decrease)	Percent change	<i>cf.</i> FY 2003
Net sales	294,800	259,248	35,552	+13.7	1,253,534
Cost of sales	213,804	189,650	24,154	+12.7	924,206
Selling, general and administrative expenses	62,809	65,184	(2,375)	-3.6	268,396
Operating profit	18,188	4,415	13,773	+312.0	60,932
Non-operating income	2,726	1,352	1,374	+101.6	5,523
Non-operating expenses	1,738	2,462	(724)	-29.4	12,812
Ordinary profit	19,176	3,305	15,871	+480.2	53,643
Special gains	237	1,331	(1,094)	-82.2	10,665
Special losses	716	2,631	(1,915)	-72.8	9,488
Income before income taxes and minority interests	18,697	2,004	16,693	+833.0	54,820
Net income	12,004	560	11,444	—	27,672

VI. Consolidated Balance Sheets

	At end of June 2004	At end of March 2004	Increase (decrease)
Assets section			
Current assets	560,406	554,404	6,002
Fixed assets	705,660	694,802	10,858
Tangible fixed assets	432,678	428,302	4,376
Intangible fixed assets	38,443	39,675	(1,232)
Investments and other assets	234,539	226,825	7,714
Total assets	1,266,066	1,249,206	16,860
Liabilities section			
Current liabilities	404,584	390,428	14,156
Long-term liabilities	387,059	402,350	(15,291)
Total liabilities	791,643	792,778	(1,135)
Minority interest in consolidated subsidiaries	5,917	5,977	(60)
Shareholders' equity			
Issued and outstanding	103,389	103,389	—
Capital surplus	79,396	79,396	—
Retained earnings	257,447	249,820	7,627
Others	44,971	34,506	10,465
Common stock in treasury, at cost	(16,697)	(16,660)	(37)
Total shareholders' equity	468,506	450,451	18,055
Total liabilities, minority interest and shareholders' equity	1,266,066	1,249,206	16,860

VII. Cash flows

	Q1 2004	cf. FY 2003
Cash flows from operating activities	(8,109)	122,147
Cash flows from investing activities	(16,582)	(79,323)
Cash flows from financing activities	10,710	(50,637)
Effect of exchange rate changes on cash and cash equivalents	(18)	(753)
Net decrease in cash and cash equivalents	(13,999)	(8,566)
Cash and cash equivalents at beginning of term	70,898	79,291
Cash and cash equivalents held by newly consolidated subsidiaries	995	172
Cash and cash equivalents at end of term	57,895	70,898

VIII. Operating Segment Information

1. Consolidated net sales

(billions of yen)

	Q1 2004	Q1 2003	Increase (decrease)	First half FY 2004 forecast
Chemicals	120.4	104.2	16.1	260.0
Homes	66.2	47.3	18.9	168.0
Pharma	26.6	27.9	(1.3)	54.0
Fibers	24.9	25.0	(0.1)	51.0
Electronics Materials & Devices	24.3	19.7	4.6	50.0
Construction Materials	13.8	14.1	(0.2)	29.0
Life & Living	14.7	13.3	1.3	31.0
Services, Engineering and Others	4.0	7.8	(3.8)	14.0
Total	294.8	259.2	35.6	657.0

2. Consolidated operating profit (loss)*

(billions of yen)

	Q1 2004		Q1 2003		Increase (decrease)		First half FY 2004 forecast	
Chemicals	[+0.8]	5.6	[-1.2]	2.4	[+2.0]	3.2	[+2.4]	13.0
Homes	[+0.8]	(0.5)	[-0.4]	(5.1)	[+1.2]	4.7	[+1.6]	10.5
Pharma	[+0.5]	4.5	[-0.6]	4.4	[+1.1]	0.1	[+1.0]	7.0
Fibers	[+0.3]	1.3	[-0.5]	0.7	[+0.8]	0.7	[+0.9]	2.0
Electronics Materials & Devices	[+0.2]	5.7	[-0.3]	3.8	[+0.5]	1.9	[+0.5]	10.0
Construction Materials	[+0.2]	0.3	[-0.3]	(1.0)	[+0.6]	1.3	[+0.7]	1.0
Life & Living	[+0.1]	1.5	[-0.1]	1.2	[+0.3]	0.3	[+0.4]	3.0
Services, Engineering and Others	[+0.0]	0.3	[-0.0]	(0.2)	[+0.0]	0.5	[+0.0]	1.0
Combined	[+3.0]	18.8	[-3.5]	6.1	[+6.4]	12.7	[+7.5]	47.5
Corporate expenses and eliminations	[+0.8]	(0.6)	[-0.6]	(1.7)	[+1.5]	1.1	[+1.5]	(2.5)
Consolidated	[+3.8]	18.2	[-4.1]	4.4	[+7.9]	13.8	[+9.0]	45.0

* Bracketed figures are amounts of amortization of actuarial differences arising in retirement allowances.

3. Contract trends for home construction operations

	Q1 2004	Q1 2003	Increase (decrease)	First half FY 2004 forecast
Value of orders received (¥ billion)	79.6	78.9	0.7	164.8
No. of orders received (home units)	3,647	3,861	(214)	7,617
Backlog of orders (¥ billion)	345.2	324.0	21.2	345.9
No. of sales (home units)	2,829	1,722	1,107	6,748
Value of sales (¥ billion)	53.4	36.9	16.5	138.0

4. Key operating factors

	Q1 2004	First half FY 2004 forecast
Naphtha price (yen/kL, domestic)	29,100	29,800
Yen/US\$ exchange rate (market average)	109	110