

Asahi Kasei Corporation

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Board of Directors Meeting: May 18, 2001

May 18, 2001

Consolidated Results for Fiscal Year Ended March 31, 2001

(All figures in millions of yen, fractions of one million omitted, unless otherwise specified)

I. Summary of Consolidated Results

1. Results for fiscal year ended March 31, 2001

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

Fiscal year ended March	2001	2000
Net sales	1,269,414 [+6.3%]	1,194,462 [+1.9%]
Operating profit	96,023 [+29.2%]	74,322 [+45.1%]
Ordinary profit	86,746 [+1.0%]	85,853 [+102.3%]
Net income	25,176 [+22.7%]	20,524 [+18.0%]
Net income per share (yen)	17.45	14.23
Diluted net income per share (yen)	17.35	14.21
Net income/shareholders' equity	5.1%	4.4%
Ordinary profit/total assets	7.2%	7.3%
Ordinary profit/net sales	6.8%	7.2%

Notes:

1. Equity in loss of unconsolidated subsidiaries and affiliates: ¥2,190 million (¥466 million during previous fiscal year)

2. Average shares outstanding (consolidated): 1,442,597,375 (1,442,604,962 during previous fiscal year)

3. Change in method of accounting: none

(2) Financial position

Fiscal year ended March	2001	2000
Total assets	1,240,007	1,180,372
Shareholders' equity	516,013	476,159
Shareholders' equity/total assets	41.6%	40.3%
Shareholders' equity per share (yen)	357.07	330.07

(3) Cash flows

Cash flows from operating activities	69,519
Cash flows from investing activities	(62,081)
Cash flows from financing activities	(26,179)
Cash and cash equivalents at end of year	86,721

(4) Scope of consolidation, application of equity method

No. of consolidated subsidiaries: 102

No. of unconsolidated subsidiaries for which the equity method is applied: 27

No. of affiliate companies for which the equity method is applied: 31

(5) Changes in scope of consolidation, application of equity method

No. of newly included consolidated subsidiaries: 12

No. of consolidated subsidiaries newly excluded: 3

No. of unconsolidated subsidiaries and affiliate companies for which the equity method is newly applied: 13

No. of unconsolidated subsidiaries and affiliate companies newly excluded from application of the equity method: 5

2. Estimate for fiscal year ending March 31, 2002

	For semiannual period ending September 2001	For fiscal year
Net Sales	630,000	1,300,000
Ordinary Profit	33,000	79,000
Net Income	9,000	26,000

Note: Net income per share: ¥18.02

II. Overview of Consolidated Results

1. Consolidated group results

Increasing exports to Asia and significant capital investments by the information technology industry contributed to moderate recovery in the Japanese economy during the first half of the fiscal year. Growth for the year, however, was negligible, largely due to the effects of the sharp economic slowdown in the US during the second fiscal half.

The Asahi Kasei Group performed well despite the unfavorable operating environment, with particularly strong results in chemicals, plastics, housing, and electronics-related operations. Net sales increased ¥74.9 billion to ¥1,269.4 billion, and operating profit increased ¥21.7 billion to ¥96.0 billion. Ordinary profit, at ¥86.7 billion, increased by only ¥0.8 largely due to the ¥23.9 billion gain on marketable securities realized during FY1999 to cover pension plan contribution for early amortization of past service costs. Net income increased ¥4.6 billion to ¥25.1 billion.

2. Results by operating sector

CHEMICALS AND PLASTICS

Sales for the sector increased ¥51.2 billion to ¥430.9 billion, with sales volumes generally growing. Operating profit increased ¥8.7 billion to ¥28.4 billion, largely due to cost reductions.

A recovery in market conditions and increased sales at Tongsuh Petrochemical contributed to a

large increase in operating profit for basic chemicals such as acrylonitrile. Sales volume of commodity plastics such as Stylac™ ABS and Suntec™ polyethylene increased, but operating profit decreased as sale prices failed to keep pace with increased raw materials costs. Results for high performance plastics such as Xyron™ modified polyphenylene ether and Leona nylon 66 were strong during the first fiscal half, supported by growing demand in Asia for use in home electronics and office equipment applications; demand decreased sharply during the second fiscal half, however, resulting in decreased operating profit despite increased sales for the year. Operating profit in specialty chemicals increased, with strong demand for high performance paints leading to increased sales of coating materials and latexes. Operating profit in fabricated home products increased, with growing sales of Ziploc™ food storage bags and Suntec™-S film.

HOUSING AND CONSTRUCTION MATERIALS

Sales for the sector increased ¥20.4 billion to ¥433.4 billion, and operating profit increased ¥2.7 billion to ¥25.1 billion, as the number of finished housing units for the year increased and sales of construction materials grew.

Sales and operating profit in housing increased as a result of growth in orders during the previous year. Despite the favorable customer reaction to the Long Life Home™ marketing strategy, persistently low interest rates, and a continuation of preferential tax treatment such as home loan deductions, housing orders during the year under review decreased from a year ago as insecurity about the economic outlook dampened demand for new homes. Market prices for construction materials remained low, but sales volume increased, particularly for large construction projects such as shopping centers and urban redevelopment, and profitability was improved.

FIBERS AND TEXTILES

Sales for the sector decreased ¥4.3 billion to ¥134.7 billion, with domestic demand for apparel remaining weak. Cost-saving effects from restructuring enabled a sharp increase in raw materials costs to be absorbed, resulting in operating profit on par with the previous year at ¥2.1 billion.

Operating profit in functional products was largely unchanged: Roica™ elastic polyurethane filament was affected by slack consumption in Japan, but exports were strong, and sales of Eltas™ spunbond increased.

SPECIAL PRODUCTS AND SERVICES

Sales for the sector increased ¥7.5 billion to ¥270.2 billion, and operating profit increased ¥10.2 billion to ¥40.2 billion. Results were particularly strong in electronic materials, electronics related products, and membranes and systems.

Strong demand in electronics-related markets, particularly during the first fiscal half, led to increased sales of mixed-signal LSIs for mobile phones and personal computers, Sunfort™ photosensitive dry film resist and glass fiber fabric for printed circuit boards, and Pimel™ photosensitive polyimide for LSIs. As a result, both sales and operating profit for the segment grew sharply.

Sales for membranes and systems increased, with growing sales volume of Hipore™ fine porous membranes for lithium-ion rechargeable batteries. Operating profit in both industrial membranes and ion-exchange membranes increased.

Sales and operating profit for biotechnology and medical products increased. Sales of the Flivas™ therapy for benign prostatic hypoplasia grew, and Toledomin™, Japan's first serotonin-noradrenalin reuptake inhibitor (SNRI), went on sale during the year, contributing to increased sales of pharmaceuticals. Sales of APS™ polysulfone artificial kidneys and Sepacell™ leukocyte reduction filters continued to grow.

New items were added to the liquors product lineup, but competition in the low alcohol market segment was severe, and sales volume of Hi-Liki™, the flagship *shochu* fizz drink, decreased. As a result, sales of liquors products decreased, and operating loss increased.

III. Consolidated Statements of Income

	Year ended March 2001	Year ended March 2000	Increase (decrease)	Percent change
Net sales	1,269,414	1,194,462	74,952	+6.3
Cost of sales	896,504	850,147	46,357	+5.5
Selling and general administrative expenses	276,885	269,992	6,893	+2.6
Operating profit	96,023	74,322	21,701	+29.2
Non-operating income	8,526	32,332	(23,806)	
Non-operating expenses	17,803	20,802	(2,999)	
Ordinary profit	86,746	85,853	893	+1.0
Special gains	52,816	31,794	21,022	
Special losses	89,245	78,032	11,213	
Income before income taxes and minority interests	50,318	39,615	10,703	+27.0
Net income	25,176	20,524	4,652	+22.7

IV. Consolidated Balance Sheets

	Year ended March 2001	Year ended March 2000	Increase (decrease)
Assets section			
Current assets	622,867	605,559	17,308
Fixed assets	617,140	562,004	55,136
Tangible fixed assets	419,168	416,881	2,287
Intangible fixed assets	21,794	18,110	3,684
Investments and other assets	176,176	127,012	49,164
Foreign currency translation adjustment	—	12,808	(12,808)
Total assets	1,240,007	1,180,372	59,635
Liabilities section			
Current liabilities	414,066	397,046	17,020
Long-term liabilities	295,320	292,683	2,637
Minority interest in consolidated subsidiaries	14,607	14,482	125
Shareholders' equity			
Issued and outstanding	103,388	103,388	—
Additional paid-in capital	79,396	79,396	—
Revaluation surplus	872	872	—
Retained earnings	309,254	292,509	16,745
Net unrealized gains on securities	32,675	—	32,675
Foreign currency translation adjustment	(9,560)	—	(9,560)
Common stock in treasury, at cost	(14)	(8)	(6)
Liabilities, minority interest and shareholders' equity	1,240,007	1,180,372	59,635

V. Cash Flows

Cash flows from operating activities	69,519
Cash flows from investing activities	(62,081)
Cash flows from financing activities	(26,179)
Effect of exchange rate changes on cash and cash equivalents	384
Net increase in cash and cash equivalents	(18,357)
Cash and cash equivalents at beginning of year	104,967
Cash and cash equivalents held by newly consolidated subsidiaries	111
Cash and cash equivalents at end of year	86,721

VI. Segment Information

1. Industry segments

(1) Fiscal year ended March 31, 2001

	Chemicals and Plastics	Housing and Construction Materials	Fibers and Textiles	Special Products and Services	Combined	Corporate assets and eliminations	Consolidated
Sales							
Customers	430,934	433,439	134,790	270,249	1,269,414	—	1,269,414
Intersegment	12,458	44	2,077	19,876	34,456	(34,456)	—
Total	443,393	433,483	136,868	290,126	1,303,871	(34,456)	1,269,414
Operating expenses	414,959	408,293	134,739	249,854	1,207,846	(34,456)	1,173,390
Operating profit	28,434	25,189	2,128	40,271	96,024	(0)	96,023
Identifiable assets, depreciation and amortization, and capital expenditure							
Identifiable assets	407,207	178,788	153,059	295,312	1,034,367	205,640	1,240,007
Depreciation and amortization	23,391	6,840	9,382	19,370	58,985	3,237	62,222
Capital expenditure	21,921	10,263	10,687	22,040	64,914	4,274	69,188

(2) Fiscal year ended March 31, 2000

	Chemicals and Plastics	Housing and Construction Materials	Fibers and Textiles	Special Products and Services	Combined	Corporate assets and eliminations	Consolidated
Sales							
Customers	379,677	412,954	139,181	262,650	1,194,462	—	1,194,462
Intersegment	11,693	43	4,697	16,160	32,593	(32,593)	—
Total	391,370	412,997	143,878	278,810	1,227,055	(32,593)	1,194,462
Operating expenses	371,664	390,589	141,714	248,810	1,152,777	(32,637)	1,120,139
Operating profit	19,706	22,408	2,164	30,000	74,278	44	74,322
Identifiable assets, depreciation and amortization, and capital expenditure							
Identifiable assets	368,160	172,858	158,035	285,231	984,286	196,085	1,180,372
Depreciation and amortization	25,816	6,833	10,424	17,280	60,353	3,275	63,628
Capital expenditure	20,469	6,937	9,986	22,192	59,584	3,629	63,213

2. Geographic segments

(1) Fiscal year ended March 31, 2001

Information by geographic segment is omitted because operations based in Japan accounted for over 90% of total sales and assets.

(2) Fiscal year ended March 31, 2000

Information by geographic segment is omitted because operations based in Japan accounted for over 90% of total sales and assets.

3. Overseas sales

(1) Fiscal year ended March 31, 2001

Overseas sales	183,196
Consolidated net sales	1,269,414
Overseas sales/ consolidated net sales	14.4%

Information by geographic segment is omitted because no overseas geographical segment accounted for 10% or more of total sales.

(2) Fiscal year ended March 31, 2000

Overseas sales	149,832
Consolidated net sales	1,194,462
Overseas sales/ consolidated net sales	12.5%

Information by geographic segment is omitted because no overseas geographical segment accounted for 10% or more of total sales.

VII. Overview of Operating Sectors

1. Consolidated net sales by operating sector

	Year ended March 2001		Year ended March 2000		Increase (decrease)	Percent change
	Net sales	% of total	Net sales	% of total		
Chemicals and Plastics	430,934	34.0	379,677	31.8	51,257	13.5
Housing and Construction Materials	433,439	34.1	412,954	34.6	20,485	5.0
Fibers and Textiles	134,790	10.6	139,181	11.6	(4,391)	(3.2)
Special Products and Services	270,249	21.3	262,650	22.0	7,599	2.9
Electronics	96,228	7.6	80,653	6.8	15,575	19.3
Membranes and Systems	18,306	1.4	17,967	1.5	339	1.9
Biotechnology and Medical Products	95,481	7.5	93,460	7.8	2,021	2.2
Engineering and Others	60,234	4.8	70,570	5.9	(10,336)	(14.6)
Total	1,269,414	100.0	1,194,462	100.0	74,952	6.3

2. Major products, by operating sector

Chemicals and Plastics

Ammonia, nitric acid, caustic soda, acrylonitrile (AN), styrene monomer, methyl methacrylate (MMA) monomer, adipic acid, industrial cleaning agents, high-compound fertilizers. Suntec™ polyethylene (PE), polystyrene (PS), Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, latexes, polymethyl methacrylate, synthetic rubber, thermoplastic elastomers (TPEs). Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), Leona™ nylon 66, molding machine purging agent. Saran Wrap™ food wrapping films, Ziploc™ food storage bags, films, sheets, foams. Coating materials, stencil paper, Avicel™ microcrystalline cellulose, explosives, metal cladding, APR™ photosensitive resins, printing plate making systems.

Housing and Construction Materials

Hebel Haus™, Hebel Mezon™, apartments, condominiums, remodeling, real estate, residential land development. Hebel™ autoclaved lightweight concrete (ALC) panels, piles, Neoma™ foam insulating materials, artificial fish reefs.

Fibers and Textiles

Cashmilon™ acrylic staple, Pewlon™ acrylic filament, Leona™ nylon 66 filament, polyester filament. Bemberg™ cuprammonium rayon, viscose rayon. Roica™ elastic polyurethane filament, Eltas™ spunbond, Bemliese™, Lamous™ and other non woven fabrics.

Special Products and Services

Electronics

Sunfort™ photosensitive dry film resist (DFR), glass fiber fabric. Pimel™ Photosensitive polyimide, pellicles. LSIs, Hall elements.

Membranes and Systems

Microza™ ultrafiltration and microfiltration membranes and systems. Hipore™ fine porous membranes, ion-exchange membranes, electrolysis and electro dialysis systems.

Biotechnology and Medical Products

Elcitonin™, Bredinin™, and other pharmaceuticals. Pharmaceutical intermediates, feed additives, diagnostic reagents. Artificial kidneys, Sepacell™ leukocyte reduction filters, blood and plasma filters. Contact lenses.

Engineering and Others

Plant, equipment, process engineering. Fukumusume™ and other sake, shochu, Hi-Liki™ and other shochu fizz, salt.