

# Fiscal 2005 Financial Results

– supplementary financial summary –

May 9, 2006

Asahi Kasei Corporation

## Consolidated results for FY 2005

Summary of financial results	4–5
Statements of income	6
Balance sheets	7
Cash flows and primary investments	8
Financing activity	9
Special gains and losses	10
Sales and profit by segment	11–14

## Forecast for FY 2006

Consolidated operating performance	16
------------------------------------	----

Forecast by segment	17–19
---------------------	-------

## Appendix

Overview of results by segment	21–28
--------------------------------	-------

Primary investments by segment	29
--------------------------------	----

Major plant investments	30
-------------------------	----

Major subsidiaries	31
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Pharma	32–34
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Homes	35–38
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# Consolidated Results for Fiscal Year 2005

# Summary of financial results (i)

(¥ billion)

	FY 2004	FY 2005		FY2005 vs. FY2004		Actual vs. forecast	
		Actual	Forecast	Increase (decrease)	% change	Increase (decrease)	% change
Net sales	1,377.7	1,498.6	1,500.0	120.9	+8.8%	(1.4)	-0.1%
Operating profit	115.8	108.7	105.0	(7.1)	-6.1%	3.7	+3.5%
<i>absent amortization*</i>	<i>95.6</i>	<i>104.7</i>	<i>101.0</i>	<i>9.1</i>	<i>+9.5%</i>	<i>3.7</i>	<i>+3.7%</i>
Ordinary profit	112.9	104.2	103.0	(8.7)	-7.7%	1.2	+1.2%
Net income	56.5	59.7	59.0	3.2	+5.7%	0.7	+1.2%

\* Prior to amortization of actuarial differences in retirement benefits.

At closing	FY 2004	FY 2005	Increase (decrease)
Total assets	1,270.1	1,376.0	106.0
Shareholders' equity	511.7	594.2	82.5
Interest-bearing debt	248.8	235.8	(13.0)
Debt/equity ratio	0.49	0.40	

# Summary of financial results (ii)

	FY 2004	FY 2005
Dividends per share	¥8	¥10
Net income per share (EPS)	¥40.16	¥42.46
Net income per total assets (ROA)	4.5%	4.5%
Net income per shareholders' equity (ROE)	11.7%	10.8%
Shareholders' equity per share (BPS)	¥365.43	¥424.34

## Scope of consolidation

Number of consolidated subsidiaries	106	105
Number of unconsolidated subsidiaries and affiliate companies for which the equity method is applied	53	55

## Key operating factors

Naphtha price (¥/kL, domestic)	32,150	42,350
¥/US\$ exchange rate (market average)	108	113
Employees at year end	23,820	23,030

# Statements of income

AsahiKASEI

(¥ billion)

	FY 2004		FY 2005		Increase (decrease)	% change
		% of sales		% of sales		
Net sales	1,377.7	100.0%	1,498.6	100.0%	120.9	+8.8
Cost of sales	1,010.5	73.4%	1,127.5	75.2%	117.0	+11.6
Selling, general and administrative expenses	251.4	18.2%	262.4	17.5%	11.0	+4.4
Operating profit	115.8	8.4%	108.7	7.3%	(7.1)	-6.1
Non-operating expenses	(2.9)	/	(4.6)	/	(1.6)	/
of which,						
financing income and expense	(1.5)	/	(1.1)	/	0.4	/
equity in net earnings of unconsolidated subsidiaries and affiliates	2.6	/	0.5	/	(2.1)	/
Ordinary profit	112.9	8.2%	104.2	7.0%	(8.7)	-7.7
Special gains and losses	(21.7)	/	(9.7)	/	12.1	/
Income before income taxes and minority interest	91.1	6.6%	94.5	6.3%	3.3	+3.7
Income taxes	(34.0)	/	(34.5)	/	(0.5)	/
Minority interest in income of consolidated subsidiaries	(0.7)	/	(0.3)	/	0.4	/
Net income	56.5	4.1%	59.7	4.0%	3.2	+5.7

# Balance sheets

(¥ billion)

	FY 2004	FY 2005	Increase (decrease)		FY 2004	FY 2005	Increase (decrease)
Current assets	589.7	644.2	54.5	Liabilities	752.0	774.9	22.9
Cash on hand and in banks	68.3	86.4	18.1	Current liabilities	403.0	439.7	36.7
Notes and accounts receivable, trade	252.2	269.5	17.3	Long-term liabilities	349.0	335.2	(13.8)
Inventories	202.5	214.1	11.5	Minority interest in consolidated subsidiaries	6.4	6.9	0.6
Other current assets	66.7	74.2	7.5	Shareholders' equity	511.7	594.2	82.5
Fixed assets	680.3	731.9	51.5	Common stock	103.4	103.4	–
Property, plant and equipment	420.0	414.4	(5.6)	Capital surplus	79.4	79.4	0.0
Intangible fixed assets	36.4	33.1	(3.3)	Retained earnings	295.6	342.5	46.9
Investments and other assets	224.0	284.4	60.4	Others	50.3	86.3	36.0
				Treasury stock, at cost	(17.0)	(17.3)	(0.3)
Total assets	1,270.1	1,376.0	106.0	Total liabilities and shareholders' equity	1,270.1	1,376.0	106.0

# Cash flows and primary investments

## Cash flows

(¥ billion)

	FY 2004	FY 2005
a. Cash flows from operating activities	98.3	108.6
b. Cash flows from investing activities	(62.8)	(60.4)
c. Free cash flows [a+b]	35.5	48.2
d. Cash flows from financing activities	(39.6)	(30.9)
e. Effect of exchange rate changes on cash and cash equivalents	0.1	0.4
f. Net increase (decrease) in cash and cash equivalents [c+d+e]	(4.0)	17.8
g. Cash and cash equivalents at beginning of year	70.9	68.5
h. Cash and cash equivalents held by newly consolidated subsidiaries	1.5	0.1
I. Cash and cash equivalents at end of year [f+g+h]	68.5	86.4

## Primary investments

(¥ billion)

	FY 2004	FY 2005
Capital expenditures, fixed assets	62.1	59.1
Capital expenditures, intangible fixed assets	6.4	7.2
Depreciation and amortization	71.5	69.4
R&D expenditures	50.7	51.5

# Financing activity

## Financing income and expenses

(¥ billion)

	FY 2004	FY 2005	Increase (decrease)
Interest expense	(3.6)	(3.6)	0.1
Interest income	0.3	0.4	0.1
Dividend income	2.0	2.2	0.3
Loss on sale of receivables, etc.	(0.1)	(0.2)	0.0
Total	(1.5)	(1.1)	0.4

## Interest-bearing debt

(¥ billion)

	FY 2004	FY 2005	Increase (decrease)
Short-term borrowings	31.4	56.2	24.9
Long-term borrowings	79.2	72.3	(6.9)
Bonds	138.0	107.0	(31.0)
Notes discounted	0.2	0.3	0.1
Total	248.8	235.8	(13.0)

# Special gains and losses

	(¥ billion)		
	FY 2004	FY 2005	Increase (decrease)
Special gains			
Gain on sales of investment securities	3.4	–	(3.4)
Gain on sales of property, plant and equipment	1.0	5.7	4.7
Reversal of allowance for doubtful accounts	0.4	0.2	(0.2)
<b>Total special gains</b>	<b>4.8</b>	<b>5.9</b>	<b>1.1</b>
Special losses			
Loss on sales of investment securities	–	0.9	0.9
Loss on write-down of investment securities	0.4	0.7	0.3
Loss on disposal of property, plant and equipment	8.6	7.0	(1.5)
Payment to settle litigation	2.6	–	(2.6)
Loss on impairment of assets	–	3.8	3.8
Restructuring charges	14.9	3.2	(11.8)
<b>Total special losses</b>	<b>26.5</b>	<b>15.6</b>	<b>(11.0)</b>
<b>Net special gains (losses)</b>	<b>(21.7)</b>	<b>(9.7)</b>	<b>12.1</b>

# FY 2005 vs. FY 2004 sales and profit\* by segment **AsahiKASEI**

(¥ billion)

	Sales			Profit*		
	FY 2004	FY 2005	Increase (decrease)	FY 2004	FY 2005	Increase (decrease)
Chemicals <sup>†</sup>	570.2	660.4	90.2	<sup>5.8</sup> 32.0	<sup>1.5</sup> 39.0	<sup>(4.3)</sup> 7.0
Homes	375.8	404.5	28.8	<sup>3.4</sup> 25.6	<sup>1.2</sup> 27.0	<sup>(2.2)</sup> 1.4
Pharma	103.9	105.8	1.9	<sup>2.4</sup> 11.0	<sup>0.2</sup> 10.8	<sup>(2.1)</sup> (0.2)
Fibers <sup>†</sup>	91.5	89.7	(1.8)	<sup>1.9</sup> 6.4	<sup>0.6</sup> 3.4	<sup>(1.3)</sup> (3.0)
Electronics Materials & Devices	93.0	102.9	9.8	<sup>1.1</sup> 16.5	<sup>(0.0)</sup> 19.3	<sup>(1.1)</sup> 2.9
Construction Materials	59.9	56.5	(3.4)	<sup>1.5</sup> 1.1	<sup>0.0</sup> 3.8	<sup>(1.5)</sup> 2.7
Life & Living	59.1	51.9	(7.2)	<sup>0.9</sup> 5.2	<sup>0.2</sup> 4.6	<sup>(0.6)</sup> (0.6)
Services, Engineering and Others	24.2	26.8	2.6	<sup>–</sup> 3.6	<sup>–</sup> 3.3	<sup>–</sup> (0.3)
Corporate Expenses and Eliminations	–	–	–	<sup>3.3</sup> (5.8)	<sup>0.3</sup> (6.6)	<sup>(3.0)</sup> (0.8)
<b>Total</b>	<b>1,377.7</b>	<b>1,498.6</b>	<b>120.9</b>	<sup>20.2</sup> <b>95.6</b>	<sup>4.0</sup> <b>104.7</b>	<sup>(16.2)</sup> <b>9.1</b>

\* Operating profit prior to amortization of actuarial differences in retirement benefits; effect of amortization of actuarial differences in retirement benefits shown at upper left.

† 2004 figures adjusted to reflect the April 2005 transfer of Leona™ filament operations from Fibers to Chemicals.

# Overseas sales by segment

(¥ billion)

	FY 2004			FY 2005			Increase (decrease)	
	Total sales	Overseas sales	% of total	Total sales	Overseas sales	% of total		% change
Chemicals*	570.2	227.9	40.0	660.4	281.8	42.7	53.9	+23.6
Homes	375.8	—	—	404.5	—	—	—	—
Pharma	103.9	20.0	19.3	105.8	21.7	20.5	1.7	+8.3
Fibers*	91.5	22.4	24.4	89.7	23.3	26.0	1.0	+4.4
Electronics Materials & Devices	93.0	34.4	37.0	102.9	39.2	38.1	4.7	+13.7
Construction Materials	59.9	—	—	56.5	—	—	—	—
Life & Living	59.1	4.3	7.3	51.9	4.9	9.4	0.6	+13.7
Services, Engineering and Others	24.2	0.8	3.2	26.8	2.3	8.4	1.5	+191.5
Total	1,377.7	309.8	22.5	1,498.6	373.2	24.9	63.4	+20.5
Sales to East Asia <sup>†</sup>		187.0	13.6		222.4	14.8	35.4	+18.9

Sales, excluding Homes and Construction Materials

942.0 309.8 32.9 1,037.6 373.2 36.0

\* 2004 figures adjusted to reflect the April 2005 transfer of Leona™ filament operations from fibers to Chemicals.

<sup>†</sup> China (including Hong Kong), Korea and Taiwan.

# Sales increases/decreases by segment

(¥ billion)

	Sales		Increase (decrease) due to:				Net increase (decrease)
	FY 2004	FY 2005	Sales volume	Sales prices	of which, due to foreign exchange	Others	
Chemicals*	570.2	660.4	39.7	32.3	9.9	18.2	90.2
Homes	375.8	404.5	1.5	13.9	—	13.4	28.8
Pharma	103.9	105.8	3.2	(1.4)	0.3	0.1	1.9
Fibers*	91.5	89.7	0.2	(0.9)	0.3	(1.1)	(1.8)
Electronics Materials & Devices	93.0	102.9	12.1	(2.3)	1.1	0.0	9.8
Construction Materials	59.9	56.5	0.8	1.6	—	(5.7)	(3.4)
Life & Living	59.1	51.9	0.2	0.2	0.0	(7.6)	(7.2)
Services, Engineering and Others	24.2	26.8	5.8	0.0	0.0	(3.2)	2.6
<b>Total</b>	<b>1,377.7</b>	<b>1,498.6</b>	<b>63.5</b>	<b>43.3</b>	<b>11.6</b>	<b>14.2</b>	<b>120.9</b>

\* 2004 figures adjusted to reflect the April 2005 transfer of Leona™ filament operations from Fibers to Chemicals.

# Operating profit increases/decreases by segment **AsahiKASEI**

(¥ billion)

	Operating profit*		Increase (decrease) due to:				Subtotal	Amortization effect †	Net increase (decrease)
	FY 2004	FY 2005	Sales volume	Sales prices	of which, due to foreign exchange	Others			
Chemicals ‡	32.0	39.0	8.8	32.3	9.9	(34.1)	7.0	(4.3)	2.7
Homes	25.6	27.0	0.5	13.9	–	(13.0)	1.4	(2.2)	(0.8)
Pharma	11.0	10.8	2.3	(1.4)	0.3	(1.1)	(0.2)	(2.1)	(2.3)
Fibers ‡	6.4	3.4	0.1	(0.9)	0.3	(2.1)	(3.0)	(1.3)	(4.3)
Electronics Materials & Devices	16.5	19.3	5.1	(2.3)	1.1	0.1	2.9	(1.1)	1.7
Construction Materials	1.1	3.8	0.7	1.6	–	0.4	2.7	(1.5)	1.2
Life & Living	5.2	4.6	0.1	0.2	0.0	(0.9)	(0.6)	(0.6)	(1.2)
Services, Engineering and Others	3.6	3.3	0.7	0.0	0.0	(0.9)	(0.3)	–	(0.3)
Corporate expenses and eliminations	(5.8)	(6.6)	–	–	–	(0.8)	(0.8)	(3.0)	(3.9)
<b>Total</b>	<b>95.6</b>	<b>104.7</b>	<b>18.3</b>	<b>43.3</b>	<b>11.6</b>	<b>(52.5)</b>	<b>9.1</b>	<b>(16.2)</b>	<b>(7.1)</b>

\* Prior to amortization of actuarial differences in retirement benefits.

† Effect of amortization of actuarial differences in retirement benefits.

‡ 2004 figures adjusted to reflect the April 2005 transfer of Leona™ filament operations from Fibers to Chemicals.

# Forecast for fiscal year 2006

# Consolidated operating performance

(¥ billion)

	FY 2004	FY 2005			FY 2006 forecast			Increase (decrease)	FY 2008 target
		H1	H2	Total	H1	H2	Total		
Net sales	1,377.7	718.5	780.2	1,498.6	755.0	848.0	1,603.0	104.4	1,650.0
Operating profit	115.8	47.5	61.3	108.7	43.0	67.0	110.0	1.3	125.0
<i>Effect of amortization of actuarial differences in retirement benefits</i>	20.2	2.4	1.6	4.0	1.3	1.2	2.5	(1.6)	
Ordinary profit	112.9	47.2	56.9	104.2	41.5	65.5	107.0	2.8	
Net income	56.5	25.4	34.3	59.7	24.0	38.0	62.0	2.3	65.0

Note: Change from one-year to ten-year amortization of unrecognized actuarial differences arising in retirement allowances beginning in FY 2006.

Naphtha price (¥/kL, domestic)	32,150	38,000	46,700	42,350	50,000	50,000	50,000	7,650
¥/US\$ exchange rate (market average)	108	110	117	113	110	110	110	(3)

	FY 2004	FY 2005	FY 2006
Dividends per share	¥8	¥10	¥11 (planned)

# Sales forecast by segment

(¥ billion)

	FY 2005			FY 2006 forecast			Increase (decrease)
	H1	H2	Total	H1	H2	Total	
Chemicals	318.8	341.6	660.4	353.0	362.0	715.0	54.6
Homes	185.3	219.2	404.5	169.0	246.0	415.0	10.5
Pharma	53.6	52.3	105.8	53.0	55.0	108.0	2.1
Fibers	43.5	46.2	89.7	50.0	58.0	108.0	18.3
Electronics Materials & Devices	48.7	54.1	102.9	57.0	58.0	115.0	12.1
Construction Materials	28.4	28.1	56.5	29.0	30.0	59.0	2.5
Life & Living	26.7	25.2	51.9	27.0	27.0	54.0	2.1
Services, Engineering and Others	13.4	13.4	26.8	17.0	12.0	29.0	2.2
Consolidated	718.5	780.2	1,498.6	755.0	848.0	1,603.0	104.4

# Operating profit forecast by segment

(¥ billion)

	FY 2005			FY 2006 forecast			Increase (decrease)
	H1	H2	Total	H1	H2	Total	
Chemicals	20.2	20.3	40.5	16.5	20.5	37.0	(3.5)
Homes	8.4	19.8	28.2	7.5	25.5	33.0	4.8
Pharma	5.6	5.5	11.1	4.5	5.5	10.0	(1.1)
Fibers	2.3	1.7	4.0	1.5	2.5	4.0	0.0
Electronics Materials & Devices	8.4	11.0	19.3	10.5	10.5	21.0	1.7
Construction Materials	1.8	2.0	3.8	2.0	2.0	4.0	0.2
Life & Living	2.5	2.3	4.8	2.0	2.5	4.5	(0.3)
Services, Engineering and Others	1.3	2.0	3.3	2.0	1.5	3.5	0.2
Corporate Expenses and Eliminations	(3.0)	(3.3)	(6.3)	(3.5)	(3.5)	(7.0)	(0.7)
Consolidated	47.5	61.3	108.7	43.0	67.0	110.0	1.3

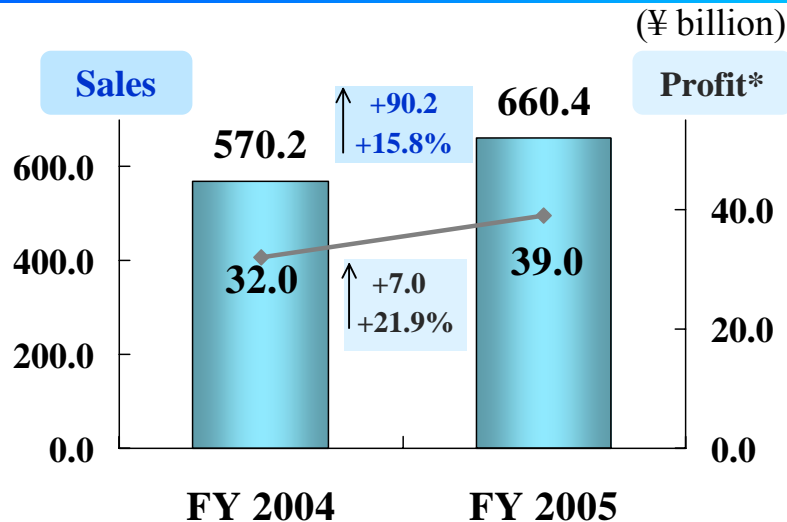
# For reference: Profit\* forecast by segment **AsahiKASEI**

(¥ billion)

	FY 2005						FY 2006 forecast						Increase (decrease)	
	H1		H2		Total		H1		H2		Total			
Chemicals	0.9	19.3	0.6	19.7	1.5	39.0	0.4	16.1	0.4	20.1	0.8	36.2	(0.7)	(2.8)
Homes	0.6	7.8	0.6	19.3	1.2	27.0	0.2	7.3	0.2	25.3	0.4	32.6	(0.8)	5.6
Pharma	0.1	5.5	0.1	5.4	0.2	10.8	0.2	4.3	0.2	5.3	0.4	9.7	0.1	(1.2)
Fibers	0.3	1.9	0.3	1.5	0.6	3.4	0.1	1.4	0.1	2.4	0.3	3.7	(0.3)	0.3
Electronics Materials & Devices	0.0	8.3	(0.0)	11.0	(0.0)	19.3	0.1	10.5	0.1	10.4	0.1	20.9	0.1	1.5
Construction Materials	0.0	1.8	0.0	2.0	0.0	3.8	0.1	1.9	0.1	1.9	0.2	3.8	0.1	0.1
Life & Living	0.1	2.4	0.1	2.2	0.2	4.6	0.1	1.9	0.1	2.4	0.1	4.4	(0.1)	(0.2)
Services, Engineering and Others	-	1.3	-	2.0	-	3.3	-	2.0	-	1.5	-	3.5	-	0.2
Corporate Expenses and Eliminations	0.1	(3.2)	0.1	(3.5)	0.3	(6.6)	0.1	(3.6)	0.1	(3.6)	0.3	(7.3)	0.0	(0.7)
Consolidated	2.4	45.1	1.6	59.6	4.0	104.7	1.3	41.7	1.2	65.8	2.5	107.5	(1.6)	2.8

\* Operating profit prior to amortization of actuarial differences in retirement benefits; effect of amortization of actuarial differences in retirement benefits shown at upper left.

# Appendix



## Review of operations

High feedstock costs. Sales and profit increase with increased shipments of specialty products and licensing income.

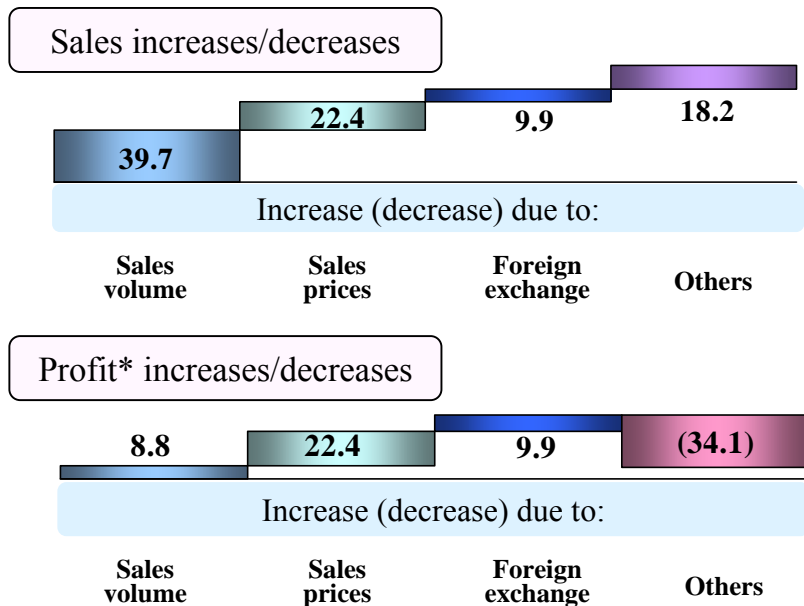
### Volume products:

Strong overseas demand. High feedstock costs. Profit decrease.

- Monomers and basic chemicals  
Feedstock cost rises for acrylonitrile and styrene. Profit decrease.
- Polymers and elastomers  
Improved market conditions for modified polyphenylene ether and other engineering resins. Profit increase.

### Specialty products and systems:

Sales growth of Hipore™ Li-ion rechargeable battery separators with strong demand. Sales growth both of membrane-process salt electrolysis systems and their ion-exchange membranes in China. Profit increase.



\* Operating profit prior to amortization of actuarial differences in retirement benefits.

Results of specialty products & systems\*

(¥ billion)

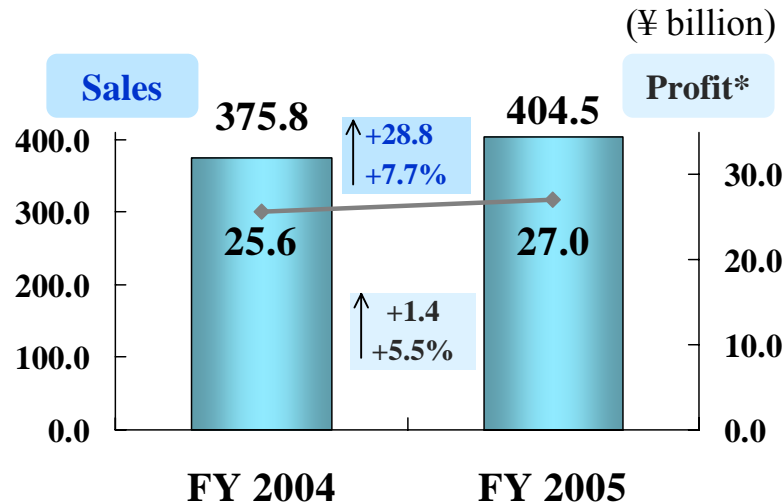
	FY 2004		FY 2005	
	Sales	Profit†	Sales	Profit†
Chemicals total	570.2	32.0	660.4	39.0
Of which, specialty products & systems	96.5	15.2	107.2	19.1

\* Unaudited.

† Operating profit prior to amortization of actuarial differences in retirement benefits.

## Highlights

- Capacity expansion for Microza™ microfiltration membrane in Nov.
- Microza™ membrane bioreactor selected for two petrochemical complexes in China in Aug.
- Microza™ microfiltration selected for Singapore's largest wastewater treatment plant in Dec.
- Capacity expansion for Hipore™ Li-ion rechargeable battery membrane separator under construction; completion in Aug. 06.
- New plant for propylene by Omega Process in Mar.
- Capacity expansion for benzene by Alpha Process in Mar.
- Decision to construct new plant in China for Duranate™ hexamethylene diisocyanate in Nov.
- License of cyclohexanol technology to Chinese producer in Nov.
- Decision to construct new plant in Korea for extruded sheet for light diffusion plates in Jan.
- Orders for chlor-alkali plants using Asahi Kasei ion-exchange membrane process surpassing 10 million tons capacity in Jan.
- Okochi Memorial Foundation Award for non-phosgene polycarbonate process in Feb.
- Basic agreement with PTT of Thailand in Feb. to advance studies for joint production of acrylonitrile, methyl methacrylate, and polymethyl methacrylate.



Results by product category†

	FY 2004		FY 2005		Increase (decrease)	
	Sales	Profit*	Sales	Profit*	Sales	Profit*
Order-built homes	310.7		319.4		8.7	
Pre-built homes	20.1		33.6		13.5	
Total homes	330.8	23.9	353.0	23.1	22.2	(0.8)
Housing-related	45.0	1.7	51.5	3.9	6.5	2.2
Total	375.8	25.6	404.5	27.0	28.8	1.4

\* Operating profit prior to amortization of actuarial differences in retirement benefits.

† Product category division unaudited.

## Review of operations

- Higher unit prices for order-built homes. Increased sales of pre-built homes. Growth for housing-related operations. Sales and profit increase.
- Intensive focus on market for home rebuilding. Value of new orders increased 3.8% year-on-year.

### Order-built and pre-built homes:

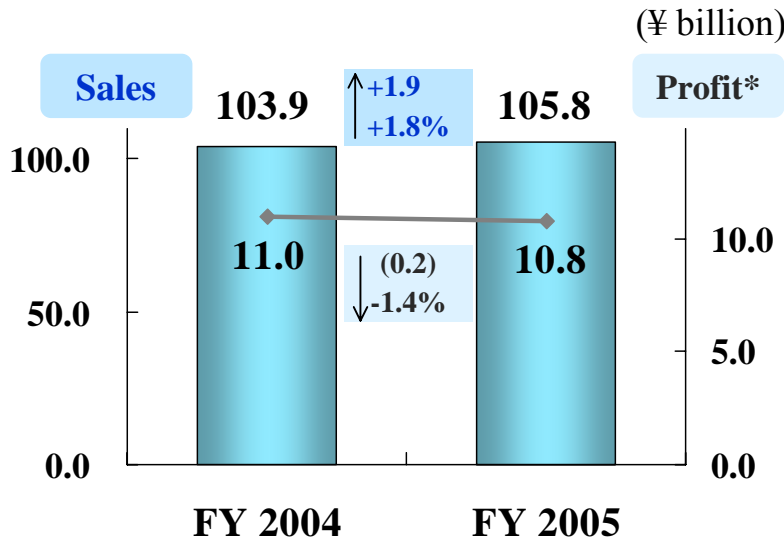
Sales increase with higher unit price of order-built homes and the completion of large condominium reconstruction projects in pre-built home operations. Higher costs for materials and investment for enhanced logistical/construction system. Profit decrease.

### Housing-related operations:

Real estate operations had rising income from rentals. Remodeling operations had increased maintenance work. Profit increase.

## Highlights

- New products market launch
  - Hebel Haus™ Long Life two-generation homes in Apr.
  - Two-story Hebel Maison Court Villa™ apartments in Sep.
- Up-front lump-sum 30-year leasing system for multi-dwelling homes launched in Feb.



## Review of operations

Sales growth for pharmaceuticals and hemodialyzers. Elevated capital depreciation following hemodialyzer plant expansions. Profit on par with previous year.

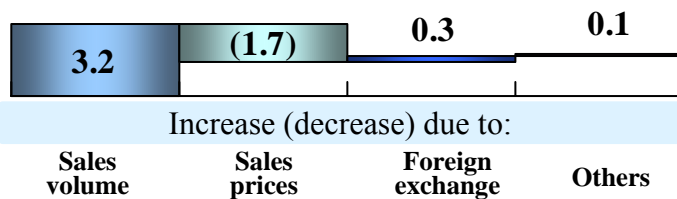
### Pharmaceuticals:

Sales growth for Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant. Cost reductions. Profit increase.

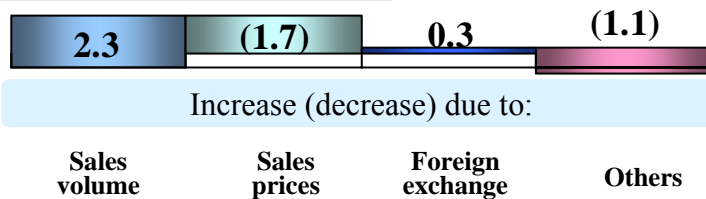
### Medical devices:

Increased shipments of APS™ polysulfone-membrane hemodialyzers both in Japan and overseas. Elevated capital depreciation following plant expansions. Profit decrease.

### Sales increases/decreases



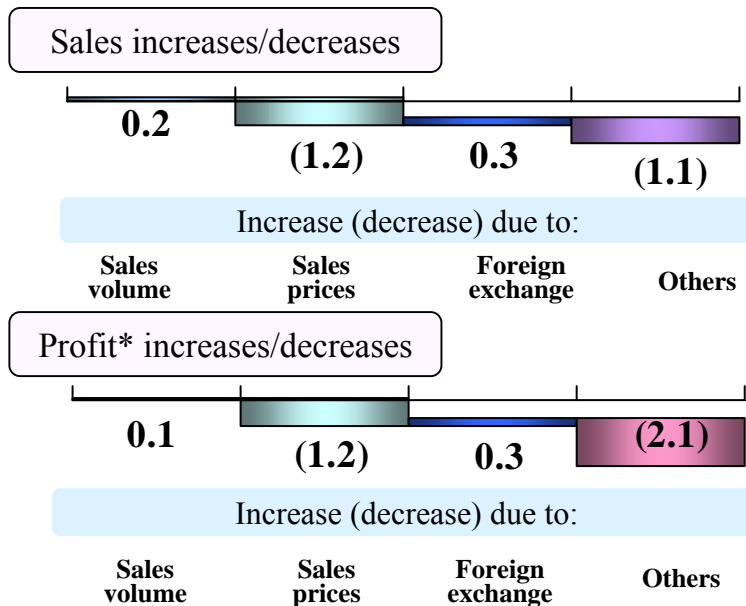
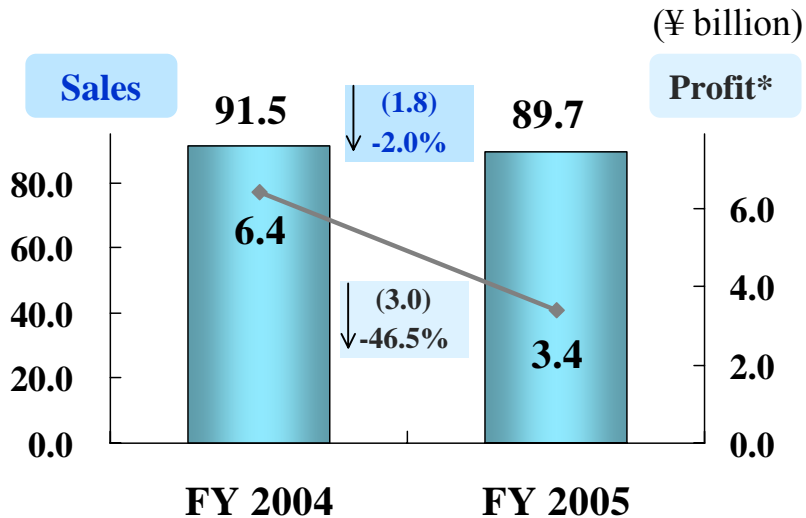
### Profit\* increases/decreases



## Highlights

- Decision to rationalize pharmaceutical plants in Jun.; closure of Kamishima Plant and transfer of its production to Nagoya Plant.
- Co-promotion for Voltaren™ nonsteroidal anti-inflammatory drug of Novartis Pharma begun in Jun.
- Capacity expansions for polysulfone hemodialyzer membrane in Apr. and Oct.
- New plant in China for hemodialyzer assembly in Nov.
- Grant of exclusive rights to promote Eril™ Rho-kinase inhibitor in China to Eisai in Mar.

\* Operating profit prior to amortization of actuarial differences in retirement benefits.



## Review of operations

Strong overseas sales of Bemberg™ cupro filament. High feedstock costs. Lower sales prices for Roica™ elastic polyurethane filament due to intensified competition. Sales and profit decrease.

Roica™ elastic polyurethane filament:

High feedstock costs and lower sales prices due to intensified competition. Profit decrease.

Bemberg™ cupro filament:

Strong overseas sales. Profit increase.

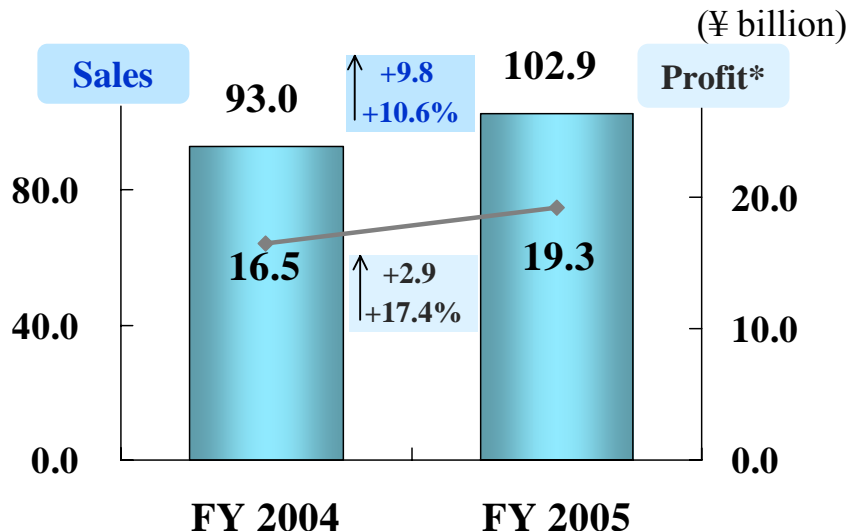
Nonwovens:

Increased sales of Eltas™ spunbond in diaper and hand-warmer applications. High feedstock costs. Profit decrease.

## Highlights

- Acquisition of spandex business from Lanxess in Mar.

\* Operating profit prior to amortization of actuarial differences in retirement benefits.



## Review of operations

Sales volume increase in both electronics devices and electronics materials with strong market conditions. Sales and profit increase.

Electronics devices:

Strong demand in cell phone, DVD recorder, and other home electronics applications. Profit increase.

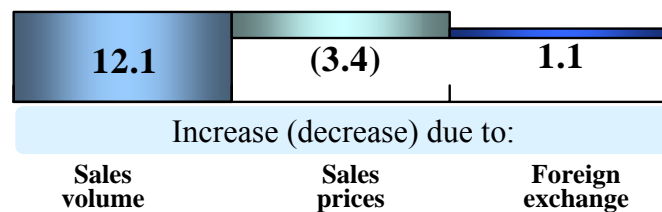
Electronics materials:

Increased sales of Sunfort™ dry film resist for printed wiring board production following expansion of capacity in China. Profit increase.

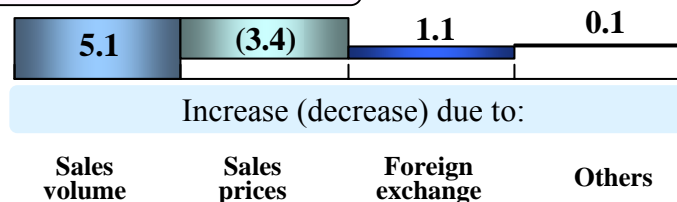
## Highlights

- Capacity expansion of large LCD pellicle plant in May.
- Sample shipments of contact-free rotation angle sensor begun in Nov.
- World's smallest and thinnest 6-axis electronic compass, for GPS pedestrian navigation systems in cell phones, announced in Mar.

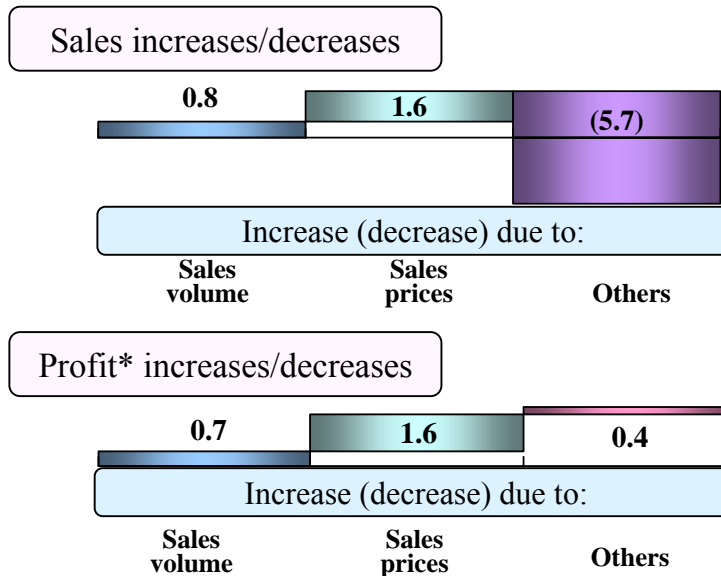
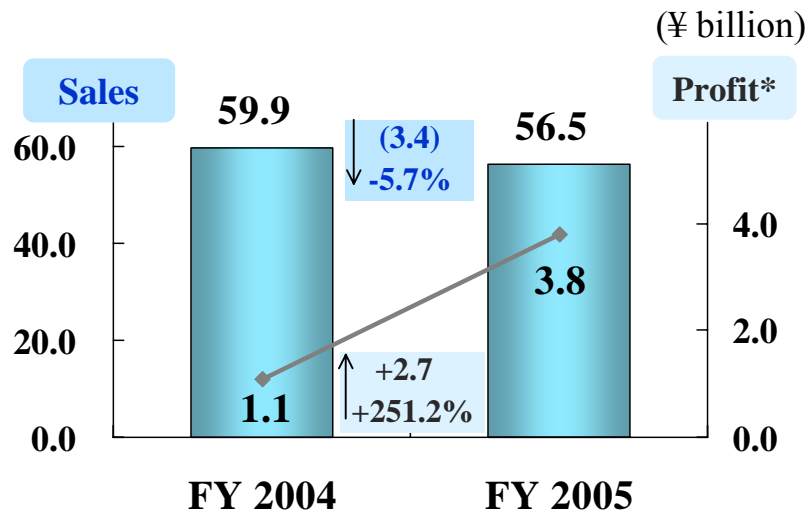
### Sales increases/decreases



### Profit\* increases/decreases



\* Operating profit prior to amortization of actuarial differences in retirement benefits.



## Review of operations

Sales decrease due to discontinuation of the Grande™ line of large autoclaved lightweight concrete (ALC) panels and fewer orders for pre-cast concrete piles. Profit increase due to firm demand for building and housing materials.

### Building and housing materials:

Growing sales of Hebel™ ALC panels in large retail outlets and factories. Growing sales of Hebel Powerboard™ ALC panels in new market segments. Cost reductions. Profit increase.

### Insulation materials:

Elevated feedstock costs and lower demand for Neoma™ high-performance foam insulation panels due to downturn in wood-frame home construction. Profit decrease.

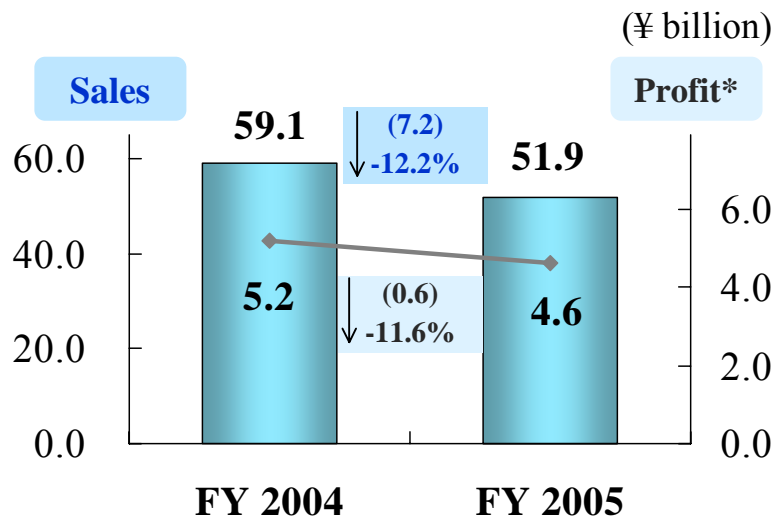
### Foundation systems:

Decreased sales of pre-cast concrete piles. Growing sales of piles for small scale construction. Profit increase.

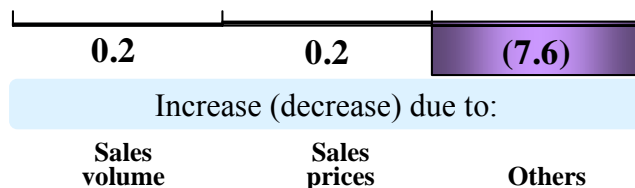
## Highlights

- Market launch of Nanorooft™ fiber-reinforced cement roofing tiles in Nov.
- Market launch of E-coupler™ weld-free coupling device for steel columns in Jan.

\* Operating profit prior to amortization of actuarial differences in retirement benefits.

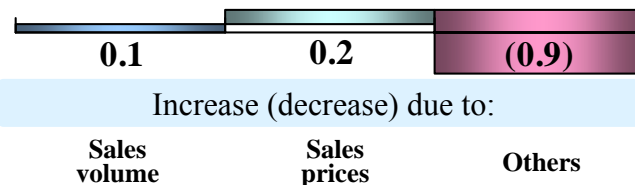


### Sales increases/decreases



Increase (decrease) due to:

### Profit\* increases/decreases



Increase (decrease) due to:

\* Operating profit prior to amortization of actuarial differences in retirement benefits.

## Review of operations

Sales decrease due to transfer of biaxially oriented polystyrene sheet operations to a joint venture with Dainippon Ink and Chemicals, Inc. Large impact of high feedstock costs for packaging products. Profit decrease.

### Home-use products:

High feedstock costs. Higher sales of Saran Wrap™ cling film and increased exports of Saran™ fiber. Profit increase.

### Packaging products:

Higher feedstock costs. Profit decrease despite sales price rising.

## Highlights

- Market launch of Ziploc™ containers with twist-sealing lids, Mar.

# Primary investments by segment

(¥ billion)

	Capital expenditures			Depreciation and amortization			R&D expenditures		
	FY 2004	FY 2005	FY 2006 forecast	FY 2004	FY 2005	FY 2006 forecast	FY 2004	FY 2005	FY 2006 forecast
Chemicals*	25.1	26.6		31.6	31.3		14.8	14.8	
Homes	3.4	3.6		2.3	2.4		1.4	1.5	
Pharma	8.3	4.9		6.4	6.4		14.2	13.5	
Fibers*	4.9	5.4		5.2	5.3		2.0	2.1	
Electronics Materials & Devices	16.4	15.0		13.3	12.1		8.5	9.7	
Construction Materials	2.2	2.3		3.8	3.1		0.9	0.8	
Life & Living	4.3	4.7		4.5	4.4		2.1	2.5	
Services, Engineering and Others	1.4	1.0		1.2	0.7		0.1	0.1	
Corporate assets and eliminations	2.4	2.8		3.3	3.7		6.7	6.5	
<b>Total</b>	<b>68.5</b>	<b>66.3</b>	<b>81.0</b>	<b>71.5</b>	<b>69.4</b>	<b>74.5</b>	<b>50.7</b>	<b>51.5</b>	<b>56.0</b>

\* 2004 figures adjusted to reflect the April 2005 transfer of Leona™ filament operations from Fibers to Chemicals.

## Completed in FY 2005

- Large LCD pellicles – capacity increase in Nobeoka, May 05.
- Bemliese™, cupro nonwovens – capacity increase in Nobeoka, Jun. 05.
- Polysulfone hollow-fiber membrane for APS™ hemodialyzers – at Asahi Kasei Medical in Nobeoka: 6 million module/year capacity increase, Apr. and Oct. 05.
- APS™ polysulfone-membrane hemodialyzers – new 3.6 million module/year assembly plant at Asahi Kasei Medical (Hangzhou) in Hangzhou, China, Nov. 05.
- Microza™, microfiltration membranes – capacity increase from 20 thousand to 30 thousand modules/year in Fuji, Nov. 05.
- Propylene – 50 kt/year capacity increase by Omega Process plant in Mizushima, Mar. 06.
- Benzene – 60 kt/year capacity increase by Alpha Process in Mizushima, Mar. 06.

## Under construction at FY 2005 year-end

- Hipore™ Li-ion rechargeable battery separator – 36 million m<sup>2</sup>/y capacity increase in Moriyama, Aug. 06.\*
- Microza™ microfiltration membranes – new 30 thousand module/year plant in Hangzhou, China, Aug. 06.
- LSIs – plant expansions at Asahi Kasei Microsystems in Nobeoka, Jul. 06.\*
- LSIs – finer process plant at Asahi Kasei Microsystems in Nobeoka, Jul. 06.\*
- Extruded sheet for light diffusion plates – new plant in Korea, Sep. 06.
- Acrylonitrile – propane-process plant at Tong Suh Petrochemicals in Korea, Dec. 06.

\* Investment of ¥3 billion or more.

# Major subsidiaries

	FY 2005 results				FY 2006 forecast		
	Sales (¥ billion)		Operating profit		Sales	Operating profit	
Asahi Kasei Medical	40.1	<u>increase</u>	<u>profit</u>	<u>decrease</u>	<u>increase</u>	<u>profit</u>	<u>increase</u>
Asahi Kasei Microsystems	52.4	<u>increase</u>	<u>profit</u>	<u>increase</u>	<u>increase</u>	<u>profit</u>	increase
Asahi Kasei Electronics	10-15	increase	<u>profit</u>	increase	increase	<u>profit</u>	increase
Asahi-Schwebel	10-15	flat	profit	decrease	<u>increase</u>	<u>profit</u>	increase

Notes:

- Increase/decrease on previous fiscal year underlined if ¥1 billion or more.
- Profit/loss underlined if ¥1 billion or more.
- For comparison, FY 2004 results for Asahi Kasei Electronics were revised to reflect the April 2005 transfer of pellicle operations to Asahi Kasei EMD.

## Asahi Kasei Medical

**FY 05:** Sales increase with increased shipments of APST<sup>TM</sup> hemodialyzers both in Japan and overseas. Elevated capital depreciation following plant expansions. Profit decrease.

**FY 06 forecast:** Sales and profit increase with higher shipments of hemodialyzers overseas and cost reductions.

## Asahi Kasei Microsystems

**FY 05:** Increased sales and profit with strong demand in cell phone and DVD recorder applications.

**FY 06 forecast:** Sales and profit increase with development of new products and application areas, and expansion of overseas sales.

## Asahi Kasei Electronics

**FY 05:** Fewer Hall element shipments in PC-related applications due to increased use of sensor-less motors, but sales and profit increase with growth in new Hall IC applications, such as automatic backlight switches in cell phones.

**FY 06 forecast:** Sales and profit increase with growth in new fields and automotive applications.

## Asahi-Schwebel, including Asahi-Schwebel Taiwan

**FY 05:** Increased profit in Japan with shift to higher value grades, but overall profit decrease with slow increase of overseas prices.

**FY 06 forecast:** Sales and profit increase through cost reductions and further shift to higher value grades.

## Sales of Asahi Kasei Pharma Corporation

(¥ billion)

		FY 2004			FY 2005		
		H1	H2		H1	H2	
	Pharmaceuticals	23.8	24.2	47.9	24.7	23.8	48.5
	Others	7.0	6.7	13.6	7.6	5.1	12.7
Non-consolidated		30.8	30.8	61.6	32.2	28.9	61.1
Asahi Kasei Medical		19.4	18.2	37.6	19.0	21.0	40.1
Others		2.7	2.2	4.8	2.4	2.2	4.6
Consolidated		52.8	51.2	103.9	53.7	52.2	105.8

## Main pharmaceuticals domestic sales

(¥ billion)

	FY 2004			FY 2005		
	H1	H2		H1	H2	
Elcitonin™	8.4	7.7	16.1	8.2	7.1	15.2
Bredinin™	3.2	3.1	6.3	3.1	3.0	6.1
Flivas™	3.9	4.1	8.0	4.5	4.6	9.1
Toledomin™	2.7	3.0	5.7	3.1	3.1	6.2
Exacin™	0.7	0.7	1.4	0.6	0.6	1.2
Ricamycin™	0.4	0.5	0.9	0.3	0.4	0.7
Eril™	0.7	0.8	1.4	0.7	0.8	1.5

## Overview of main products

	Generic name	Mechanism/ substance class	Indication	Formulation	Co-development partner
Elcitonin™	Elcatonin	Eel calcitonin derivative	Osteoporosis pain	Injection	–
Bredinin™	Mizoribine	Immunosuppressant	Kidney transplantation, lupus nephritis, nephrosis syndrome, rheumatoid arthritis	Tablet	–
Flivas™	Naftopidil	Selective $\alpha$ -1 blocker	Benign prostatic hypertrophy	Tablet	Nippon Organon
Toledomin™	Milnacipran hydrochloride	SNRI	Depression	Tablet	–
Exacin™	Isepamicin sulfate	Aminoglycoside antibiotic	Infection	Injection	Schering-Plough
Ricamycin™	Rokitamycin	Macrolide antibiotic	Infection	Tablet, dry syrup	–
Eril™	Fasudil	Rho-kinase inhibitor	Cerebral vasospasm after subarachnoid hemorrhage surgery	Injection	–

## Product pipeline

Development stage	Product	Objective	Class	Indication
Preparing application	ART-123 (Injection)	New biologic	Recombinant human thrombomodulin	Disseminated intravascular coagulation
Phase III	AK-120 (Oral)	New molecular entity	Antivirus	Shingles (zoster)
	AT-877 (Injection)	Additional indication	Rho-kinase inhibitor	Acute cerebral thrombosis
	PTH (Injection)	Additional indication	Synthetic human parathyroid hormone	Osteoporosis
Phase II	AT-877 (Oral)	New dosage form	Rho-kinase inhibitor	Angina pectoris
	KT-611 (Oral)	Additional indication	$\alpha$ -1 blocker	Neurogenic bladder
Phase II (overseas)	ART-123 (Injection)	New biologic	Recombinant human thrombomodulin	Deep vein thrombosis

# Homes (i)

## Sales and order trends

(¥ billion, % change from same period of previous year shown at right)

		Sales of order-built homes	Sales of pre-built homes	Other sales*	Unconsolidated	Consolidated subsidiaries	Consolidated	Value of new orders during the term	Order backlog
FY 01	H1	144.7 (-1.8%)	7.5 (-19.4%)	—	152.3 (-2.7%)	17.4 (+12.3%)	169.7 (-1.4%)	141.7 (-9.3%)	269.5
	H2	144.9 (-13.0%)	9.0 (-13.5%)	—	153.9 (-13.1%)	18.9 (+12.5%)	172.8 (-10.8%)	131.3 (-8.4%)	255.9
	annual	289.6 (-7.7%)	16.5 (-16.2%)	—	306.2 (-8.2%)	36.3 (+12.4%)	342.5 (-6.4%)	273.0 (-8.9%)	
FY 02	H1	121.9 (-15.8%)	6.5 (-13.3%)	—	128.4 (-15.7%)	19.6 (+12.6%)	148.0 (-12.8%)	139.3 (-1.7%)	273.3
	H2	141.4 (-2.4%)	10.2 (+13.3%)	—	151.6 (-1.5%)	21.0 (+11.1%)	172.6 (-0.1%)	150.0 (+14.2%)	282.0
	annual	263.3 (-9.1%)	16.7 (+1.2%)	—	280.0 (-8.6%)	40.6 (+11.8%)	320.6 (-6.4%)	289.3 (+6.0%)	
FY 03	H1	121.2 (-0.6%)	5.3 (-18.5%)	0.5	126.9 (-1.3%)	20.9 (+6.6%)	147.8 (-0.1%)	161.4 (+15.9%)	322.2
	H2	159.9 (+13.1%)	30.8 (+200.9%)	0.6	191.2 (+26.0%)	22.3 (+6.2%)	213.5 (+23.7%)	156.7 (+4.5%)	319.0
	annual	281.1 (+6.8%)	36.0 (+117.0%)	1.1	318.2 (+13.5%)	43.1 (+6.2%)	361.3 (+12.7%)	318.1 (+9.9%)	
FY 04	H1	138.9 (+14.6%)	6.6 (+25.3%)	0.5	146.0 (+15.0%)	21.3 (+1.9%)	167.3 (+13.2%)	153.1 (-5.2%)	333.2
	H2	171.9 (+7.5%)	13.6 (-55.9%)	0.6	186.0 (-2.8%)	22.5 (+0.9%)	208.5 (-2.3%)	148.7 (-5.1%)	310.1
	annual	310.7 (+10.6%)	20.1 (-44.1%)	1.1	332.0 (+4.3%)	43.8 (+1.6%)	375.8 (+4.0%)	301.8 (-5.1%)	
FY 05	H1	140.2 (+0.9%)	20.5 (+213.0%)	0.4	161.1 (+10.4%)	24.3 (+14.1%)	185.3 (+10.8%)	150.4 (-1.7%)	320.4
	H2	179.3 (+4.3%)	13.1 (-3.6%)	0.6	193.0 (+3.8%)	26.1 (+16.0%)	219.2 (+5.1%)	162.9 (+9.5%)	304.0
	annual	319.4 (+2.8%)	33.6 (+67.0%)	1.1	354.1 (+6.7%)	50.4 (+15.1%)	404.5 (+7.7%)	313.3 (+3.8%)	
FY 06 forecast		332.5 (+4.1%)	25.6 (-23.9%)	0.9	359.0 (+1.4%)	56.0 (+11.1%)	415.0 (+2.6%)	329.0 (+5.0%)	300.5

\* Including commissions on property insurance.

## Breakdown of FY 2005 sales and orders

(% change from previous year)

		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	198.3	+5.4%	7,919	+2.9%	200.9	+9.4%	7,818	+5.2%
	3+ story	89.7	-3.0%	3,677	-11.5%	79.6	-7.4%	3,053	-16.2%
	Total	288.0	+2.6%	11,596	-2.2%	280.5	+4.0%	10,871	-1.9%
Multi-dwelling homes	1-2 story	11.8	-10.5%	1,168	-15.1%	11.6	-12.7%	1,227	-3.2%
	3+ story	19.7	+15.7%	1,938	+18.4%	21.2	+12.6%	2,197	+22.4%
	Total	31.5	+4.3%	3,106	+3.1%	32.8	+2.2%	3,424	+11.8%
Order-built homes total		319.4	+2.8%	14,702	-1.1%	313.3	+3.8%	14,295	+1.1%
Pre-built homes (including condominiums)		33.6	+67.0%	967	+50.2%	-	-	-	-
Other sales*		1.1	-1.8%	-	-	-	-	-	-
Total		354.1	+6.7%	15,669	+1.0%	313.3	+3.8%	14,295	+1.1%
Consolidated subsidiaries		50.4	+15.1%	-	-	-	-	-	-
Consolidated		404.5	+7.7%	15,669	+1.0%	313.3	+3.8%	14,295	+1.1%

\* Including commissions on property insurance.

# Homes (iii)

## Breakdown of sales and orders forecast for FY 2006

(% change from previous year)

		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	214.1	+8.0%	8,130	+2.7%	210.6	+4.8%	7,880	+0.8%
	3+ story	83.4	-7.0%	3,190	-13.2%	84.3	+5.9%	3,160	+3.5%
	Total	297.5	+3.3%	11,320	-2.4%	295.0	+5.2%	11,040	+1.6%
Multi-dwelling homes	1-2 story	13.0	+10.2%	1,430	+22.4%	11.3	-2.6%	1,230	+0.2%
	3+ story	22.0	+11.7%	2,250	+16.1%	22.7	+7.1%	2,500	+13.8%
	Total	35.0	+11.1%	3,680	+18.5%	34.0	+3.7%	3,730	+8.9%
Order-built homes total		332.5	+4.1%	15,000	+2.0%	329.0	+5.0%	14,770	+3.3%
Pre-built homes (including condominiums)		25.6	-23.9%	760	-21.4%	-	-	-	-
Other sales*		0.9	-13.9%	-	-	-	-	-	-
Total		359.0	+1.4%	15,760	+0.6%	329.0	+5.0%	14,770	+3.3%
Consolidated subsidiaries		56.0	+11.1%	-	-	-	-	-	-
Consolidated		415.0	+2.6%	15,760	+0.6%	329.0	+5.0%	14,770	+3.3%

\* Including commissions on property insurance.

## Performance of main subsidiaries

(¥ billion)

	FY 2004		FY 2005	
	Sales	Operating profit	Sales	Operating profit
Asahi Kasei Reform	21.0	0.4	22.2	1.8
Asahi Kasei Real Estate	22.7	1.2	26.4	1.5

## Overview of operations

### Asahi Kasei Reform

#### **FY 2005**

Increased sales and profit for the remodeling subsidiary, with effect of structural realignment and reorganization undertaken in previous year, increased maintenance work, and cost reductions.

#### **FY 2006 forecast**

Sales and profit increase through marketing with proposals focused on customer value, and increased contracting capability.

### Asahi Kasei Real Estate

#### **FY 2005**

Increased sales and profit with growth in rental income, sales of used Hebel Haus™ homes, and sales of condominiums.

#### **FY 2006 forecast**

Sales and profit increase with greater orders of multi-dwelling homes in FY 2005.

## – 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.