

**Asahi Kasei Corporation**

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## Consolidated Results for 1st Quarter Fiscal 2007: April 1, 2007 – June 30, 2007

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

**I. Summary of Consolidated Results**

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

|                               | Q1 2007          | Q1 2006         |
|-------------------------------|------------------|-----------------|
| Net sales                     | 385,170 [+10.5%] | 348,483 [+6.0%] |
| Operating profit              | 25,919 [+69.4%]  | 15,297 [+12.4%] |
| Ordinary profit               | 28,235 [+87.4%]  | 15,064 [+3.2%]  |
| Net income                    | 18,066 [+96.7%]  | 9,184 [+76.8%]  |
| Net income per share*         | 12.91            | 6.56            |
| Diluted net income per share* | —                | —               |

\* Yen

## 2. Financial position

| At end of              | June 2007 | June 2006 |
|------------------------|-----------|-----------|
| Total assets           | 1,452,758 | 1,409,705 |
| Net assets             | 666,016   | 601,712   |
| Net worth/total assets | 45.3%     | 42.2%     |
| Net worth per share*   | 470.29    | 424.88    |

\* Yen

Note: Net worth consists of shareholders' equity and valuation, translation adjustment and others.

## 3. Cash flows

|  | Q1 2007  | Q1 2006  |
|--|----------|----------|
| Cash flows from operating activities       | (10,716) | (11,554) |
| Cash flows from investing activities       | (14,374) | (15,519) |
| Cash flows from financing activities       | (15,105) | 7,739    |
| Cash and cash equivalents at end of period | 61,499   | 69,395   |

**II. Cash Dividends**

| Fiscal year     | Cash dividends per share* |      |    |      | Total annual |
|-----------------|---------------------------|------|----|------|--------------|
|                 | Q1                        | Q2   | Q3 | Q4   |              |
| 2006            | —                         | 5.00 | —  | 7.00 | 12.00        |
| 2007            | —                         | /    | /  | /    | /            |
| 2007 (forecast) | /                         | 6.00 | —  | 7.00 | 13.00        |

\* Yen

### III. Forecasts for Fiscal 2007 (April 1, 2007 – March 31, 2008)

#### 1. Latest forecasts (percent change from results in year-ago period in brackets)

|                       | First half      | Full year         |
|-----------------------|-----------------|-------------------|
| Net sales             | 834,000 [+8.5%] | 1,682,000 [+3.6%] |
| Operating profit      | 56,000 [+10.5%] | 126,000 [-1.4%]   |
| Ordinary profit       | 56,500 [+15.9%] | 123,500 [-2.4%]   |
| Net income            | 32,000 [+10.5%] | 70,000 [+2.1%]    |
| Net income per share* | 22.87           | 50.04             |

\* Yen

#### 2. Comparison of previous and revised H1 2007 forecasts

(billions of yen)

|                  | Previous H1<br>2007 forecast | Revised H1<br>2007 forecast | Increase in H1<br>2007 forecast | <i>cf.</i> H1 2006<br>results |
|------------------|------------------------------|-----------------------------|---------------------------------|-------------------------------|
| Net sales        | 8,020                        | 8,340                       | 320                             | 7,689                         |
| Operating profit | 500                          | 560                         | 60                              | 507                           |
| Ordinary profit  | 495                          | 565                         | 70                              | 488                           |
| Net income       | 255                          | 320                         | 65                              | 290                           |

#### 3. Annual forecast

(billions of yen)

|                  | FY 2007 forecast | <i>cf.</i> FY 2006 results |
|------------------|------------------|----------------------------|
| Net sales        | 16,820           | 16,238                     |
| Operating profit | 1,260            | 1,278                      |
| Ordinary profit  | 1,235            | 1,265                      |
| Net income       | 700              | 686                        |

#### Notes:

- 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.
- The forecast for the first half of fiscal 2007 announced on May 8, 2007 has been revised.
- A revision of the forecast for the full year will be made when first half results are announced.

#### IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the fiscal quarter ended June 30, 2007: None
2. Adoption of simplified accounting method: Yes  
Applied to: Income taxes and others
3. Changes in method of accounting: Yes
  - (1) Change in depreciation method for tangible fixed assets:  
Beginning on April 1, 2007, tangible fixed assets are depreciated in accordance with the amended Corporation Tax Law.
  - (2) Change in industry segments:  
With the April 1, 2007, merger of Asahi Kasei Life & Living with Asahi Kasei Chemicals, the Life & Living segment was combined with the Chemicals segment.

#### V. Overview of Consolidated Results

##### 1. Consolidated group results

The Japanese economy remained firm during the April to June quarter, with strong corporate results and improved employment. The operating environment nevertheless remained challenging as feedstock prices remained high.

Asahi Kasei's consolidated net sales for the quarter were ¥385.2 billion, an increase of ¥36.7 billion (10.5%) from a year ago, with product prices for chemicals rising to compensate for increased feedstock costs. Operating profit was ¥25.9 billion, an increase of ¥10.6 billion (69.4%). Ordinary profit was ¥28.2 billion, an increase of ¥13.2 billion (87.4%). Net income was ¥18.1 billion, an increase of ¥8.9 billion (96.7%).

##### 2. Results by operating segment

With the April 1, 2007, merger of Asahi Kasei Life & Living with Asahi Kasei Chemicals, the Life & Living segment was combined with the Chemicals segment. For comparison purposes, results for the year-ago period in the Chemicals segment have been revised to include those in the Life & Living segment.

##### CHEMICALS

Sales increased by ¥28.3 billion (14.9%) from the first quarter a year ago to ¥218.1 billion and operating profit increased by ¥10.8 billion (170.1%) to ¥17.2 billion.

Operating profit from volume products operations increased, with strong overseas demand for acrylonitrile, adipic acid, and other chemicals and derivative products. Operating profit from specialty products operations grew, with increased shipments of ion-exchange membranes to China.

## HOMES

Sales increased by ¥3.7 billion (6.4%) from the first quarter a year ago to ¥62.3 billion and the operating loss decreased by ¥0.9 billion to ¥2.8 billion. Orders for order-built homes decreased by ¥4.1 billion (4.9%) to ¥79.6 billion.

Order-built homes operations performed well, with higher unit prices for unit homes and increased deliveries of multi-dwelling homes. Operating profit from housing-related operations such as real estate and remodeling increased.

## PHARMA

Sales increased by ¥1.2 billion (4.5%) from the first quarter a year ago to ¥27.2 billion and operating profit decreased slightly by ¥0.1 billion (2.6%) to ¥4.6 billion.

Operating profit from devices operations grew, with increased shipments of APS™ polysulfone-membrane artificial kidneys and Planova™ virus removal filters. Profitability of pharmaceuticals operations was impacted by lower licensing income and higher R&D expenditures.

## FIBERS

Sales increased by ¥5.3 billion (22.9%) from the first quarter a year ago to ¥28.2 billion and operating profit increased by ¥1.1 billion (a multiple of 3.1) to ¥1.7 billion.

Operating profit from elastic polyurethane filament operations increased, with a recovery of profitability of operations in Europe and the US and with strong overseas demand. Operating profit in Bemberg™ regenerated cellulose grew with increased exports.

## ELECTRONICS MATERIALS & DEVICES

Sales increased by ¥1.5 billion (5.4%) from the first quarter a year ago to ¥29.2 billion and operating profit decreased by ¥0.7 billion (10.3%) to ¥5.8 billion.

Electronics materials operations performed well, with increased shipments. Electronics devices operations were impacted by lower product prices for LSIs.

## CONSTRUCTION MATERIALS

Sales increased by ¥0.5 billion (3.5%) from the first quarter a year ago to ¥15.2 billion and operating profit increased slightly to ¥1.1 billion.

Hebel™ autoclaved lightweight concrete (ALC) panels performed well. Sales from foundation systems operations increased, with generally healthy demand in construction markets.

## SERVICES, ENGINEERING AND OTHERS

Sales decreased by ¥3.8 billion (43.8%) from the first quarter a year ago to ¥4.8 billion and operating profit decreased by ¥1.1 billion (75.3%) to ¥0.4 billion.

Profitability of engineering operations declined as an effect of fewer deliveries of large overseas projects.

## VI. Consolidated Balance Sheets

|  | At end of<br>March 2007 | At end of<br>June 2007 | Increase<br>(decrease) |
|--|-------------------------|------------------------|------------------------|
| <b>Assets</b>                                  |                         |                        |                        |
| Current assets                                 | 722,995                 | 715,689                | (7,306)                |
| Cash on hand and in banks                      | 101,514                 | 61,710                 | (39,804)               |
| Notes and accounts receivable, trade           | 300,386                 | 312,563                | 12,177                 |
| Marketable securities                          | 400                     | 121                    | (279)                  |
| Inventories                                    | 240,006                 | 263,237                | 23,231                 |
| Others   | 80,689                  | 78,058                 | (2,631)                |
| Fixed assets                                   | 736,927                 | 737,068                | 141                    |
| Property, plant and equipment                  | 426,959                 | 426,010                | (949)                  |
| Intangible fixed assets                        | 28,466                  | 27,439                 | (1,027)                |
| Investments and other assets                   | 281,502                 | 283,619                | 2,117                  |
| <b>Total assets</b>                            | <b>1,459,922</b>        | <b>1,452,758</b>       | <b>(7,164)</b>         |
| <b>Liabilities</b>                             |                         |                        |                        |
| Current liabilities                            | 503,570                 | 506,289                | 2,719                  |
| Notes and accounts payable, trade              | 186,900                 | 177,673                | (9,227)                |
| Short-term borrowings                          | 63,828                  | 61,694                 | (2,134)                |
| Commercial Paper                               | —                       | 10,000                 | 10,000                 |
| Current portion of corporate bonds             | 24,000                  | 34,000                 | 10,000                 |
| Others   | 228,842                 | 222,922                | (5,920)                |
| Long-term liabilities                          | 302,842                 | 280,453                | (22,389)               |
| Corporate bonds                                | 60,000                  | 35,000                 | (25,000)               |
| Long-term borrowings                           | 69,074                  | 70,956                 | 1,882                  |
| Accrued pension and severance costs            | 125,364                 | 124,588                | (776)                  |
| Others   | 48,403                  | 49,909                 | 1,506                  |
| <b>Total liabilities</b>                       | <b>806,412</b>          | <b>786,742</b>         | <b>(19,670)</b>        |
| <b>Net assets</b>                              |                         |                        |                        |
| Stockholders' equity                           | 561,755                 | 569,909                | 8,154                  |
| Common stock                                   | 103,389                 | 103,389                | —                      |
| Capital surplus                                | 79,396                  | 79,400                 | 4                      |
| Retained earnings                              | 380,515                 | 388,786                | 8,271                  |
| Treasury stock, at cost                        | (1,544)                 | (1,665)                | (121)                  |
| Valuation, translation adjustment and others   | 83,900                  | 87,995                 | 4,095                  |
| Minority interest in consolidated subsidiaries | 7,855                   | 8,112                  | 257                    |
| <b>Total net assets</b>                        | <b>631,510</b>          | <b>666,016</b>         | <b>12,506</b>          |
| <b>Total liabilities, and net assets</b>       | <b>1,459,922</b>        | <b>1,452,758</b>       | <b>(7,164)</b>         |

## VII. Consolidated Statements of Income

|  | Q1 2006 | Q1 2007 | Increase<br>(decrease) | Percent<br>change |
|--|---------|---------|------------------------|-------------------|
| Net sales  | 348,483 | 385,170 | 36,687                 | +10.5             |
| Cost of sales  | 267,653 | 291,037 | 23,384                 | +8.7              |
| Gross profit   | 80,830  | 94,133  | 13,303                 | +16.5             |
| Selling, general and administrative expenses                         | 65,532  | 68,214  | 2,682                  | +4.1              |
| Operating profit   | 15,297  | 25,919  | 10,622                 | +69.4             |
| Non-operating income   | 2,062   | 4,374   | 2,312                  | —                 |
| Interest income  | 76      | 139     | 63                     | —                 |
| Dividend income  | 1,417   | 1,822   | 405                    | —                 |
| Equity in net earnings of unconsolidated subsidiaries and affiliates | —       | 990     | 990                    | —                 |
| Others   | 569     | 1,423   | 854                    | —                 |
| Non-operating expenses   | 2,296   | 2,058   | (238)                  | —                 |
| Interest expense   | 894     | 1,032   | 138                    | —                 |
| Equity in net losses of unconsolidated subsidiaries and affiliates   | 236     | —       | (236)                  | —                 |
| Others   | 1,166   | 1,026   | (140)                  | —                 |
| Ordinary profit  | 15,064  | 28,235  | 13,171                 | +87.4             |
| Special gains  | 327     | 103     | (224)                  | —                 |
| Gain on sales of investment securities                               | —       | 47      | 47                     | —                 |
| Gain on sale of property, plant and equipment                        | 327     | 56      | (271)                  | —                 |
| Special losses   | 750     | 474     | (276)                  | —                 |
| Loss on disposal of property, plant and equipment                    | 658     | 474     | (184)                  | —                 |
| Restructuring charges  | 92      | —       | (92)                   | —                 |
| Income before income taxes and minority interests                    | 14,641  | 27,863  | 13,222                 | +90.3             |
| Net income   | 9,184   | 18,066  | 8,882                  | +96.7             |

## VIII. Cash flows

|   | Q1 2006  | Q1 2007  | Increase<br>(decrease) |
|---|----------|----------|------------------------|
| Cash flows from operating activities                              | (11,554) | (10,716) | 838                    |
| Income before income taxes and minority interests                 | 14,641   | 27,863   | 13,222                 |
| Depreciation and amortization                                     | 16,181   | 16,972   | 791                    |
| Decrease (increase) in notes and accounts receivable, trade       | 557      | (12,290) | (12,847)               |
| Increase in inventories   | (27,118) | (23,281) | 3,837                  |
| Increase (decrease) in notes and accounts payable, trade          | 13,654   | (9,134)  | (22,788)               |
| Others  | (29,469) | (10,845) | 18,624                 |
| Cash flows from investing activities                              | (15,519) | (14,374) | 1,145                  |
| Payments for acquisition of property, plant and equipment         | (13,085) | (16,420) | (3,335)                |
| Payments for purchases of investment securities                   | (1,693)  | (1,512)  | 181                    |
| Others  | (742)    | 3,557    | 4,299                  |
| Cash flows from financing activities                              | 7,739    | (15,105) | (22,844)               |
| Effect of exchange rate changes on cash and cash equivalents      | 104      | (25)     | (129)                  |
| Net decrease in cash and cash equivalents                         | (19,231) | (40,220) | (20,989)               |
| Cash and cash equivalents at beginning of term                    | 86,390   | 101,719  | 15,329                 |
| Cash and cash equivalents held by newly consolidated subsidiaries | 2,236    | —        | (2,236)                |
| Cash and cash equivalents at end of term                          | 69,395   | 61,499   | (7,896)                |

## IX. Operating Segment Information

### 1. Consolidated net sales

(billions of yen)

|                                  | Q1 2006 | Q1 2007 | Increase<br>(decrease) | First half FY<br>2007 forecast |
|----------------------------------|---------|---------|------------------------|--------------------------------|
| Chemicals*                       | 189.9   | 218.1   | 28.3                   | 452.0                          |
| Homes                            | 58.6    | 62.3    | 3.7                    | 167.0                          |
| Pharma                           | 26.0    | 27.2    | 1.2                    | 55.0                           |
| Fibers                           | 23.0    | 28.2    | 5.3                    | 56.0                           |
| Electronics Materials & Devices  | 27.7    | 29.2    | 1.5                    | 59.0                           |
| Construction Materials           | 14.7    | 15.2    | 0.5                    | 31.0                           |
| Services, Engineering and Others | 8.6     | 4.8     | (3.8)                  | 14.0                           |
| Total                            | 348.5   | 385.2   | 36.7                   | 834.0                          |

2. Consolidated operating profit (loss)

(billions of yen)

|  | Q1 2006 | Q1 2007 | Increase<br>(decrease) | First half FY<br>2007 forecast |
|--|---------|---------|------------------------|--------------------------------|
| Chemicals*                             | 6.4     | 17.2    | 10.8                   | 31.5                           |
| Homes                                  | (3.7)   | (2.8)   | 0.9                    | 4.0                            |
| Pharma                                 | 4.7     | 4.6     | (0.1)                  | 7.0                            |
| Fibers                                 | 0.5     | 1.7     | 1.1                    | 3.0                            |
| Electronics Materials & Devices        | 6.4     | 5.8     | (0.7)                  | 11.0                           |
| Construction Materials                 | 1.0     | 1.1     | 0.0                    | 2.5                            |
| Services, Engineering and Others       | 1.5     | 0.4     | (1.1)                  | 2.0                            |
| Corporate expenses and<br>eliminations | (1.6)   | (2.0)   | (0.4)                  | (5.0)                          |
| Consolidated                           | 15.3    | 25.9    | 10.6                   | 56.0                           |

3. Operating profit increases/decreases by segment

(billions of yen)

|  | Sales<br>volume | Increase (decrease) due to:                                   |     | Operating<br>costs and<br>others | Net<br>increase<br>(decrease) |
|--|-----------------|---|-----|----------------------------------|-------------------------------|
|  |                 | Sales prices [ <i>of which,<br/>due to foreign exchange</i> ] |     |                                  |                               |
| Chemicals*                             | 0.6             | 17.1  | 1.0 | (6.9)                            | 10.8                          |
| Homes                                  | 0.1             | 4.7   | —   | (3.9)                            | 0.9                           |
| Pharma                                 | 1.5             | (0.4)   | 0.3 | (1.3)                            | (0.1)                         |
| Fibers                                 | 0.8             | 0.7   | 0.2 | (0.4)                            | 1.1                           |
| Electronics Materials<br>& Devices     | 1.2             | (1.5)   | 0.2 | (0.4)                            | (0.7)                         |
| Construction Materials                 | (0.2)           | 0.4   | —   | (0.1)                            | 0.0                           |
| Services, Engineering<br>and Others    | (1.0)           | 0.0   | 0.0 | (0.1)                            | (1.1)                         |
| Corporate expenses<br>and eliminations | —               | —   | —   | (0.4)                            | (0.4)                         |
| Consolidated                           | 3.0             | 21.0  | 1.6 | (13.4)                           | 10.6                          |

\* For comparison purposes, results for the year-ago period in the Chemicals segment have been revised to include those in the Life & Living segment.

4. Contract trends for home construction operations

|   | Q1<br>2006 | Q1<br>2007 | Increase<br>(decrease) | First half FY<br>2007 forecast |
|---|------------|------------|------------------------|--------------------------------|
| No. of orders received<br>(home units)  | 3,720      | 3,474      | (246)                  | 6,531                          |
| Value of orders received<br>(¥ billion) | 83.8       | 79.6       | (4.1)                  | 153.6                          |
| Backlog of orders<br>(¥ billion)        | 344.3      | 322.8      | (21.4)                 | 312.2                          |
| No. of sales (home units)               | 1,959      | 1,962      | 3                      | 5,421                          |
| Value of sales (¥ billion)              | 43.5       | 46.6       | 3.1                    | 131.2                          |



5. Key operating factors

|  | Q1<br>2006 | Q1<br>2007 | Increase<br>(decrease) | First half FY<br>2007 forecast |
|--|------------|------------|------------------------|--------------------------------|
| Naphtha price<br>(yen/kL, domestic)        | 49,000     | 58,200     | 9,200                  | 60,100                         |
| Yen/US\$ exchange rate<br>(market average) | 115        | 121        | 6                      | 120                            |

6. Interest-bearing debt

(billions of yen)

|                       | At end of<br>March 2007 | At end of<br>June 2007 | Increase<br>(decrease) |
|-----------------------|-------------------------|------------------------|------------------------|
| Short-term borrowings | 63.8                    | 61.7                   | (2.1)                  |
| Commercial paper      | —                       | 10.0                   | 10.0                   |
| Corporate bonds       | 84.0                    | 69.0                   | (15.0)                 |
| Long-term debt        | 69.1                    | 71.0                   | 1.9                    |
| Total                 | 216.9                   | 211.7                  | (5.3)                  |