Asahi Kasei Corporation
Head Office: 3-3-23 Nakanoshima, Kita-ku, Osaka, Japan
Tokyo Head Office: 1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo, Japan
Security code: 3407
Contact: Corporate Communications, Phone +81-3-3296-3008, Fax +81-3-3296-3162

August 3, 2010

Consolidated Results for 1st Quarter Fiscal 2010: April 1, 2010 – June 30, 2010

(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 2010	Q1 2009
Net sales	353,508 [22.2%]	289,344 [−25.0%]
Operating income (loss)	22,845 [—]	(338) [—]
Ordinary income (loss)	20,735 [—]	(1,750) [—]
Net income (loss)	9,262 [—]	(1,746) [—]
Net income (loss) per share*	6.62	(1.25)
Diluted net income (loss) per share*	—	—

* Yen

2. Financial position

At end of	June 2010	March 2010
Total assets	1,390,717	1,368,892
Net assets	640,122	644,688
Net worth/total assets	45.2%	46.3%
Net worth per share*	449.32	452.91

* Yen

Notes:
- Net worth consists of shareholders' equity and valuation and translation adjustments.
- Net worth as of June 30, 2010, was ¥628,306 million; as of March 31, 2010, ¥633,343 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2009	—	5.00	—	5.00	10.00
2010	—				
2010 (forecast)		5.00	—	5.00	10.00

* Yen

Note: No revision of cash dividend forecast during the period.

III. Forecasts for Fiscal 2010 (April 1, 2010 – March 31, 2011)

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

	First half	Full year
Net sales	789,000 [19.8%]	1,677,000 [17.0%]
Operating income	52,000 [189.5%]	80,000 [38.8%]
Ordinary income	48,000 [218.4%]	77,500 [37.5%]
Net income	23,000 [442.2%]	42,500 [68.1%]
Net income per share*	16.45	30.39

* Yen

2. Comparison of previous and revised H1 2010 forecasts

(billions of yen)

	Previous H1 2010 forecast	Revised H1 2010 forecast	Increase (decrease)	*cf.* H1 2009 results
Net sales	792.0	789.0	(3.0)	658.6
Operating income	31.5	52.0	20.5	18.0
Ordinary income	31.0	48.0	17.0	15.1
Net income	13.0	23.0	10.0	4.2

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 2010 announced on May 10, 2010, has been revised.
- The forecast for the full year shown above is that which was announced on May 10, 2010. A revision will be made when first half results are announced.

IV. Other Information

1. Changes in significant subsidiaries: None.

2. Simplified accounting methods and special accounting methods

   1) Simplified accounting methods

   Method of calculating allowance for doubtful accounts: Because the rate of unrecoverable receivables as of June 30, 2010, was not significantly different than that estimated at the end of the previous fiscal year, the rate of unrecoverable receivables as of the end of the previous fiscal year was used as a basis for estimating allowance for doubtful accounts.

   Valuation of inventories: No physical inventory as of June 30, 2010, was performed. Rather, the value of inventories is calculated using a reasonable method based on the physical inventory performed at the end of the previous fiscal year. The carrying amount of inventories is reduced to the estimated net sale price only where a decrease in profitability is apparent.

   Method of calculating depreciation of noncurrent assets: For assets depreciated using the declining-balance method, depreciation expenses for the fiscal year are calculated in proportion to the fiscal period.

Method of calculating deferred tax assets and liabilities: When there is no significant change in the operating environment or in the occurrence of temporary differences after the end of the previous fiscal year, collectibility of deferred tax assets is calculated based on the performance forecasts and tax planning used in the previous fiscal year. However, when there is significant change in the operating environment or in the occurrence of temporary differences after the end of the previous fiscal year, collectibility of deferred tax assets is calculated based on the performance forecasts and tax planning used in the previous fiscal year together with the effect of such significant change.

2) Special accounting methods

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate. The amount shown as "income taxes" includes both "income taxes – current" and "income taxes – deferred."

3. Changes in accounting principles/procedures, changes in methods of presentation

1) Application of Accounting Standard for Equity Method of Accounting for Investments and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method

Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16) and Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (PITF No. 24) have been applied beginning from the quarter ended June 30, 2010. This change had no effect on the consolidated quarterly financial statements.

2) Application of Accounting Standard for Asset Retirement Obligations

Accounting Standard for Asset Retirement Obligations (ASBJ Statement No. 18) and Guidance on Accounting Standard for Asset Retirement Obligations (ASBJ Guidance No. 21) have been applied beginning from the quarter ended June 30, 2010. As a result, income before income taxes was ¥1,283 million lower than it would have been if the previous method had been used. The impact on operating income and ordinary income was immaterial. The change in asset retirement obligations due to the start of application of this accounting standard, etc., was ¥4,038 million.

3) Application of Accounting Standard for Business Combinations and related matters

Accounting Standard for Business Combinations (ASBJ Statement No. 21), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22), Partial Amendments to Accounting Standard for Research and Development Costs (ASBJ Statement No. 23), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7), Revised Accounting Standard for Equity Method of Accounting for Investments (ASBJ Statement No. 16), and Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10) have been applied beginning from the quarter ended June 30, 2010. With the application of Accounting Standard for Consolidated Financial Statements (ASBJ Statement No.

22), the evaluation method for assets and liabilities of consolidated subsidiaries changed from the partial fair value evaluation method to the full fair value evaluation method. The impact of this change on the consolidated financial statements was immaterial.

4. Number of shares outstanding

	Q1 2010	FY 2009
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	4,256,124	4,228,468
Average number of shares outstanding during period	1,398,370,776	1,398,523,188*

* Q1 2009

V. Overview of Consolidated Results

1. Consolidated group results

The global economy was on a recovery path during the April–June quarter, led by robust demand in Asia and economic growth in emerging markets, although there was some impact of the instability of European credit markets. While domestic demand remained weakened with a severe state of public finances and deflation continuing, the Japanese economy entered a phase of recovery with increased exports, particularly to China.

The consolidated quarterly results of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) reflected substantially greater performance buoyed by favorable overseas demand in the Chemicals segment as well as performance recovery driven by increased product shipments in the Electronics and Fibers segments. Net sales for the quarter were ¥353.5 billion, an increase of ¥64.2 billion (22.2%) from a year ago. Operating income increased by ¥23.2 billion from the first quarter a year ago to ¥22.8 billion. Ordinary income increased by ¥22.5 billion from a year ago to ¥20.7 billion. Net income increased by ¥11.0 billion to ¥9.3 billion.

2. Results by operating segment

Beginning from the quarter ended June 30, 2010, Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20) have been applied, resulting in six reporting segments: Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials.

In describing the state of the Asahi Kasei Group's businesses by major business classification, businesses not included in the above six reporting segments are categorized as "Others." The "Others" category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

The operating expenses of one consolidated subsidiary previously included in Services, Engineering and Others have been included in "corporate expenses and eliminations" beginning from the quarter ended June 30, 2010. The impact of this change is immaterial.

CHEMICALS

Sales increased by ¥45.4 billion (34.2%) from the first quarter a year ago to ¥178.4 billion and operating income increased by ¥13.1 billion (593.7%) to ¥15.3 billion.

Operating income in chemicals and derivative products operations increased as the impact of a plant maintenance turnaround was outweighed by generally strong demand. In particular, overseas market prices for acrylonitrile (AN) and adipic acid increased substantially. In polymer products operations, shipment volumes increased driven by a recovery of demand in automotive and electronics applications, and plant operating rates improved. In specialty products operations, sales of home-use products such as Saran Wrap™ increased.

HOMES

Sales increased by ¥6.0 billion (10.3%) from the first quarter a year ago to ¥64.5 billion and the operating loss decreased by ¥2.0 billion to ¥0.9 billion. Orders for order-built homes increased by ¥12.9 billion (16.9%) to ¥89.3 billion

In order-built homes, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased as orders began recovering during the previous fiscal year.

HEALTH CARE

Sales increased by ¥0.2 billion (0.8%) from the first quarter a year ago to ¥28.7 billion and operating income increased by ¥0.3 billion (8.8%) to ¥3.3 billion.

In pharmaceuticals operations, shipments of Recomodulin™ recombinant thrombomodulin and the Flivas™ agent for the treatment of benign prostatic hyperplasia increased, but NHI price revisions had a negative impact on product prices. In devices-related operations, shipments of APS™ polysulfone-membrane artificial kidneys and therapeutic apheresis devices increased, but performance in Planova™ virus removal filters was sluggish and the strong yen had an impact on performance in each product category.

FIBERS

Sales increased by ¥4.1 billion (18.2%) from the first quarter a year ago to ¥26.5 billion and operating income increased by ¥2.7 billion to ¥1.2 billion.

Shipments of Bemberg™ regenerated cellulose increased significantly both in Japan and overseas. Performance of Roica™ elastic polyurethane filament, Leona™ nylon 66 filament, and nonwovens including spunbond was favorable, buoyed by a recovery in demand.

ELECTRONICS

Sales increased by ¥9.4 billion (29.8%) from the first quarter a year ago to ¥40.9 billion and operating income increased by ¥5.8 billion to ¥5.2 billion.

In electronic devices operations, shipments of LSIs in new applications increased. In electronic materials operations, shipments of Hipore™ Li-ion rechargeable battery separator and Sunfort™ dry film photoresist increased.

CONSTRUCTION MATERIALS

Sales decreased by ¥0.6 billion (5.4%) from the first quarter a year ago to ¥11.0 billion but operating income increased by ¥0.4 billion to ¥0.3 billion.

While shipments of Hebel™ autoclaved aerated concrete (AAC) panels and other AAC-related products as well as shipments of piling systems for foundations decreased due to a downturn in new construction starts, shipments of Neoma™ high-performance foam insulation panels increased supported by government policies for energy conservation. Significant operating cost reductions were also achieved.

OTHERS

Sales in “Others” comprising engineering operations and employment agency/staffing operations decreased by ¥0.4 billion (9.1%) from the first quarter a year ago to ¥3.5 billion, and operating income decreased by ¥0.1 billion (24.0%) to ¥0.3 billion.

VI. Consolidated Balance Sheets

	At end of June 2010	At end of March 2010
Assets		
Current assets		
Cash and deposits	87,338	93,928
Notes and accounts receivable, trade	256,193	238,931
Short-term investment securities	554	985
Merchandise and finished goods	128,538	124,557
Work in process	94,872	75,044
Raw materials and supplies	56,069	51,484
Deferred tax assets	23,396	23,106
Other	51,959	54,027
Allowance for doubtful accounts	(1,395)	(1,654)
Total current assets	697,523	660,408
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	409,471	404,974
Accumulated depreciation	(227,016)	(224,608)
Buildings and structures, net	182,455	180,366
Machinery, equipment and vehicles	1,183,705	1,169,979
Accumulated depreciation	(1,017,515)	(1,005,094)
Machinery, equipment and vehicles, net	166,190	164,885
Land	55,378	55,031
Lease assets	6,953	5,808
Accumulated depreciation	(2,096)	(1,132)
Lease assets, net	4,857	4,676
Construction in progress	18,959	27,380
Other	116,440	115,024
Accumulated depreciation	(101,147)	(99,867)
Other, net	15,293	15,158
Subtotal	443,131	447,497
Intangible assets		
Goodwill	5,747	5,927
Other	27,665	28,729
Subtotal	33,412	34,656
Investments and other assets		
Investment securities	160,686	175,059
Long-term loans receivable	6,069	6,074
Deferred tax assets	19,973	15,383
Other	30,159	29,962
Allowance for doubtful accounts	(237)	(147)
Subtotal	216,650	226,331
Total noncurrent assets	693,193	708,485
Total assets	1,390,717	1,368,892

	At end of June 2010	At end of March 2010
Liabilities		
Current liabilities		
Notes and accounts payable, trade	140,378	121,409
Short-term loans payable	104,979	93,962
Commercial paper	32,000	19,000
Lease obligations	1,171	1,123
Income taxes payable	5,415	12,160
Accrued expenses	74,827	91,371
Advances received	51,538	37,815
Provision for repairs	2,905	8,191
Provision for product warranties	2,877	3,607
Asset retirement obligations	513	—
Other	54,649	46,189
Total current liabilities	471,253	434,827
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	112,001	121,921
Lease obligations	3,488	3,593
Deferred tax liabilities	5,658	7,597
Provision for retirement benefits	109,147	109,450
Provision for directors' retirement benefits	1,270	1,225
Provision for repairs	905	169
Asset retirement obligations	3,475	—
Long-term guarantee deposited	18,331	18,321
Other	68	2,101
Total noncurrent liabilities	279,342	289,378
Total liabilities	750,595	724,204
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,403	79,403
Retained earnings	434,647	432,114
Treasury stock	(2,031)	(2,017)
Total shareholders' equity	615,408	612,888
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	28,432	36,692
Deferred gains or losses on hedges	0	(109)
Foreign currency translation adjustment	(15,535)	(16,128)
Total valuation and translation adjustments	12,898	20,455
Minority interests	11,816	11,346
Total net assets	640,122	644,688
Total liabilities and net assets	1,390,717	1,368,892

VII. Consolidated Statements of Income

	Q1 2009	Q1 2010
Net sales	289,344	353,508
Cost of sales	225,176	262,490
Gross profit	64,168	91,019
Selling, general and administrative expenses	64,506	68,173
Operating income (loss)	(338)	22,845
Non-operating income		
Interest income	167	206
Dividends income	949	1,049
Equity in earnings of affiliates	—	443
Other	590	961
Total non-operating income	1,706	2,658
Non-operating expenses		
Interest expense	907	871
Equity in losses of affiliates	604	—
Foreign exchange losses	485	2,296
Other	1,122	1,601
Total non-operating expenses	3,118	4,768
Ordinary income (loss)	(1,750)	20,735
Extraordinary loss		
Loss on valuation of investment securities	36	136
Loss on disposal of noncurrent assets	203	1,051
Impairment loss	58	18
Environmental expenses	—	604
Loss on adjustment for changes of accounting for asset retirement obligations	—	1,240
Business structure improvement expenses	961	3,873
Total extraordinary loss	1,259	6,923
Income (loss) before income taxes	(3,008)	13,813
Income taxes	(1,160)	4,130
Income before minority interests	—	9,683
Minority interests in income (loss)	(103)	421
Net income (loss)	(1,746)	9,262

VIII. Cash flows

	Q1 2009	Q1 2010
Cash flows from operating activities:		
Income (loss) before income taxes	(3,008)	13,813
Depreciation and amortization	18,479	19,808
Impairment loss	58	18
Amortization of goodwill	292	265
Amortization of negative goodwill	(9)	(67)
Increase (decrease) in provision for repairs	(126)	(4,549)
Increase (decrease) in provision product warranties	(1,741)	(730)
Increase (decrease) in provision for retirement benefits	262	(291)
Interest and dividend income	(1,116)	(1,255)
Interest expense	907	871
Equity in (earnings) losses of affiliates	604	(443)
Loss (gain) on valuation of investment securities	36	136
Loss (gain) on disposal of noncurrent assets	203	1,051
Decrease (increase) in notes and accounts receivable, trade	(12,675)	(15,114)
Decrease (increase) in inventories	(8,267)	(25,075)
Increase (decrease) in notes and accounts payable, trade	(4,620)	14,740
Increase (decrease) in accrued expenses	(18,896)	(16,520)
Increase (decrease) in advances received	14,406	13,737
Other, net	15,282	12,287
Subtotal	71	12,683
Interest and dividend income, received	1,927	1,692
Interest expense, paid	(1,068)	(931)
Income taxes, paid	(3,735)	(11,619)
Net cash provided by (used in) operating activities	(2,805)	1,825
Cash flows from investing activities:		
Purchase of property, plant and equipment	(19,863)	(14,140)
Proceeds from sales of property, plant and equipment	67	202
Purchase of intangible assets	(2,483)	(1,211)
Purchase of investment securities	(5,122)	(578)
Proceeds from sales of investment securities	5,014	329
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	1,332	—
Payments of loans receivable	(4,896)	(787)
Collection of loans receivable	2,708	829
Other, net	(960)	(877)
Net cash provided by (used in) investing activities	(24,203)	(16,232)

	Q1 2009	Q1 2010
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	(136)	822
Increase (decrease) in commercial paper	37,000	13,000
Proceeds from long-term loans payable	3,727	207
Repayment of long-term loans payable	(12,367)	(574)
Redemption of bonds	(20,000)	—
Repayments of lease obligations	(156)	(287)
Purchase of treasury stock	(26)	(17)
Proceeds from disposal of treasury stock	7	3
Cash dividends paid	(4,196)	(6,992)
Cash dividends paid to minority shareholders	(157)	(361)
Other, net	(19)	98
Net cash provided by (used in) financing activities	3,678	5,898
Effect of exchange rate change on cash and cash equivalents	273	295
Net increase (decrease) in cash and cash equivalents	(23,057)	(8,214)
Cash and cash equivalents at beginning of period	98,092	93,125
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	360	876
Cash and cash equivalents at end of period	75,395	85,788

IX. Additional Information

Beginning from the quarter ended June 30, 2010, Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) and Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Guidance No. 20) have been applied, resulting in six reporting segments: Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials.

The “Others” category is equivalent to the previous Services, Engineering and Others segment, including plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

The operating expenses of one consolidated subsidiary previously included in Services, Engineering and Others have been included in “corporate expenses and eliminations” beginning from the quarter ended June 30, 2010. The impact of this change is immaterial.

1. Consolidated net sales and operating income (loss) by segment

1) Consolidated net sales

(billions of yen)

	Q1 2009	Q1 2010	Increase (decrease)	First half FY 2010 forecast
Chemicals	132.9	178.4	45.4	386.0
Homes	58.5	64.5	6.0	174.0
Health Care	28.5	28.7	0.2	58.0
Fibers	22.4	26.5	4.1	53.0
Electronics	31.5	40.9	9.4	85.0
Construction Materials	11.6	11.0	(0.6)	24.0
Others	3.9	3.5	(0.4)	9.0
Total	289.3	353.5	64.2	789.0

2) Consolidated operating income (loss)

(billions of yen)

	Q1 2009	Q1 2010	Increase (decrease)	First half FY 2010 forecast
Chemicals	2.2	15.3	13.1	32.0
Homes	(3.0)	(0.9)	2.0	8.5
Health Care	3.1	3.3	0.3	3.5
Fibers	(1.5)	1.2	2.7	1.5
Electronics	(0.6)	5.2	5.8	9.5
Construction Materials	(0.0)	0.3	0.4	1.0
Others	0.4	0.3	(0.1)	0.5
Combined	0.6	24.8	24.2	56.5
Corporate expenses and eliminations	(1.0)	(2.0)	(1.0)	(4.5)
Consolidated	(0.3)	22.8	23.2	52.0

2. Operating income increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:				Net increase (decrease)
	Sales volume	Sales prices [*of which, due to foreign exchange*]		Operating costs and others	
Chemicals	2.9	25.1	(1.6)	(14.9)	13.1
Homes	0.6	1.0	—	0.4	2.0
Health Care	0.4	(0.8)	(0.5)	0.7	0.3
Fibers	1.4	0.0	(0.2)	1.3	2.7
Electronics	6.5	(4.2)	(0.4)	3.5	5.8
Construction Materials	(0.0)	(0.1)	—	0.5	0.4
Others	(0.1)	0.0	0.0	(0.0)	(0.1)
Corporate expenses and eliminations	—	—	—	(1.0)	(1.0)
Consolidated	11.7	21.0	(2.7)	(9.6)	23.2

3. Major financial metrics (consolidated)

(billions of yen, except employees and D/E ratio)

	Q1 2009	Q1 2010
Capital expenditure (tangible)	21.9	16.7
Capital expenditure (intangible)	2.7	1.0
Purchase of investment securities	5.1	0.6
Depreciation and amortization	18.5	20.1
Balance of payments	0.2	0.4
of which, dividends received	*0.9*	*1.0*
Employees at end of period	25,333	25,393
D/E ratio	0.55	0.44

4. Contract trends for home construction operations

	Q1 2009	Q1 2010	Increase (decrease)	First half FY 2010 forecast
No. of orders received (home units)	3,171	3,840	669	7,680
Value of orders received (¥ billion)	76.4	89.3	12.9	175.0
Backlog of orders (¥ billion)	321.1	355.7	34.5	356.1
No. of sales (home units)	1,511	1,566	55	5,210
Value of sales (¥ billion)	37.9	40.8	2.9	126.0

5. Key operating factors

		Q1 2009	Q1 2010	Increase (decrease)	First half FY 2010 forecast
Naphtha price (yen/kL, domestic)		33,300	49,700	(16,400)	46,350
Exchange rates (market average)	Yen/US$	97	92	(5)	90
	Yen/€	133	117	(16)	115

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2010	At end of June 2010	Increase (decrease)
Short-term loans payable	94.0	105.0	11.0
Commercial paper	19.0	32.0	13.0
Long-term loans payable	121.9	112.0	(9.9)
Bonds payable	25.0	25.0	—
Lease obligations	4.7	4.7	(0.1)
Total	264.6	278.6	14.0