

Asahi Kasei Corporation

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Consolidated Results for 1st Quarter Fiscal 2011: April 1, 2011 – June 30, 2011

(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 2011	Q1 2010
Net sales	376,124 [+6.4%]	353,508 [+22.2%]
Operating income	30,243 [+32.4%]	22,845 [—]
Ordinary income	30,361 [+46.4%]	20,735 [—]
Net income	19,384 [+109.3%]	9,262 [—]
Net income per share*	13.86	6.62
Diluted net income (loss) per share*	—	—

* Yen

Note: Comprehensive income was ¥26,401 million during Q1 2011, and ¥2,077 million during Q1 2010.

2. Financial position

At end of	June 2011	March 2011
Total assets	1,411,664	1,425,879
Net assets	693,455	675,602
Net worth/total assets	48.3%	46.5%
Net worth per share*	487.40	474.59

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of June 30, 2011, was ¥681,472 million; as of March 31, 2011, ¥663,566 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2010	—	5.00	—	6.00	11.00
2011	—	—	—	—	—
2011 (forecast)	—	6.00	—	7.00	13.00

* Yen

Note: No revision of cash dividend forecast was made subsequent to the latest announced forecast.

III. Forecasts for Fiscal 2011 (April 1, 2011 – March 31, 2012)

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

	First half	Full year
Net sales	810,000 [+5.9%]	1,724,000 [+7.9%]
Operating income	60,500 [-4.8%]	120,000 [-2.4%]
Ordinary income	60,000 [+0.7%]	122,500 [+3.6%]
Net income	35,000 [+23.0%]	69,000 [+14.5%]
Net income per share*	25.03	49.35

* Yen

2. Comparison of previous and revised H1 2011 forecasts

(billions of yen)

	Previous H1 2011 forecast	Revised H1 2011 forecast	Increase (decrease)	cf. H1 2010 results
Net sales	827.0	810.0	(17.0)	764.8
Operating income	50.5	60.5	10.0	63.5
Ordinary income	50.5	60.0	9.5	59.6
Net income	28.5	35.0	6.5	28.5

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 2011 announced on May 11, 2011, has been revised.
- The forecast for the full year shown above is that which was announced on May 11, 2011. A revision will be made when first half results are announced.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period: None.
2. Special accounting methods for preparation of the consolidated balance sheets

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 policies, changes in accounting estimates, and retroactive restatement: None.
4. Number of shares outstanding

	Q1 2011	FY 2010
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	4,435,690	4,420,688
Average number of shares outstanding during period	1,398,191,137	1,398,370,776*

* Q1 2010

5. Additional information

Application of Accounting Standard for Accounting Changes and Error Corrections and related matters: Application of Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24) have been applied beginning from the quarter ended June 30, 2011, as accounting changes and corrections of past errors were made.

V. Overview of Consolidated Results

1. Consolidated group results

The recovery of the global economy began slowing down during the April–June quarter due to high feedstock prices and the resurgence of financial uncertainty triggered by the European sovereign debt crisis. The Japanese economy showed some signs of recovery, with exports increasing after manufacturing activity bounced back following a temporary decline due to the Great East Japan Earthquake. The ongoing appreciation of the yen and power supply shortages, however, resulted in uncertainty regarding the economic outlook.

The consolidated quarterly results of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) reflected strong performance buoyed by increased deliveries of Hebel Haus™ unit homes in the Homes segment as well as high market prices supported by robust overseas demand in the Chemicals segment. Net sales for the quarter were ¥376.1 billion, an increase of ¥22.6 billion (6.4%) from a year ago. Operating income increased by ¥7.4 billion (32.4%) from the first quarter a year ago to ¥30.2 billion. Ordinary income increased by ¥9.6 billion (46.4%) from a year ago to ¥30.4 billion. Net income increased by ¥10.1 billion (109.3%) to ¥19.4 billion.

2. Results by operating segment

The Asahi Kasei Group's operations are described by major business classification: six reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials and an "Others" category.

CHEMICALS

Sales increased by ¥7.6 billion (4.3%) from the first quarter a year ago to ¥186.0 billion and operating income increased by ¥4.1 billion (26.9%) to ¥19.4 billion.

Operating income in chemicals and derivative products operations increased as market prices, especially for acrylonitrile, remained high, buoyed by favorable demand in Asia. In polymer products operations, shipments of engineering plastics for domestic automotive applications decreased due to the impact of the Great East Japan Earthquake, but synthetic rubber for tires performed well thanks to robust demand in Asia. In specialty products operations, shipments of ion-exchange membranes increased, and home-use products such as Saran Wrap™ as well as functional additives for pharmaceuticals also performed well.

HOMES

Sales increased by ¥14.7 billion (22.8%) from the first quarter a year ago to ¥79.2 billion and operating income increased by ¥4.6 billion to ¥3.6 billion. Orders for order-built homes increased by ¥5.3 billion (5.9%) to ¥94.6 billion

In order-built homes operations, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. In pre-built homes operations, deliveries of condominiums increased. Housing-related operations also performed well.

HEALTH CARE

Sales increased by ¥0.6 billion (2.2%) from the first quarter a year ago to ¥29.4 billion and operating income decreased by ¥0.8 billion (23.2%) to ¥2.6 billion.

In pharmaceuticals operations, shipments of Recomodulin™ recombinant thrombomodulin increased steadily, but R&D expenditure increased. In devices-related operations, shipments of Planova™ virus removal filters increased substantially, but the strong yen had an impact on performance in each product category.

FIBERS

Sales increased by ¥1.3 billion (4.7%) from the first quarter a year ago to ¥27.7 billion and operating income increased by ¥0.2 billion (17.2%) to ¥1.4 billion.

Operations were impacted by the strong yen and high feedstock costs throughout the segment. Shipments of spunbond and other nonwovens increased, and those of Bemberg™ regenerated cellulose and Leona™ nylon 66 filament were favorable. Roica™ elastic polyurethane filament also performed well.

ELECTRONICS

Sales decreased by ¥1.1 billion (2.8%) from the first quarter a year ago to ¥39.8 billion and operating income decreased by ¥0.4 billion (8.5%) to ¥4.8 billion.

In electronic devices operations, shipments increased steadily, especially of mixed-signal LSIs for smartphones, but operating income was impacted by a decline in product prices and the strong appreciation of the yen. In electronic materials operations, shipments of Hipore™ Li-ion battery separator increased, but operating income was impacted by a decline in product prices and high feedstock costs.

CONSTRUCTION MATERIALS

Sales decreased by ¥0.9 billion (8.4%) from the first quarter a year ago to ¥10.1 billion and operating income decreased by ¥0.1 billion (29.1%) to ¥0.2 billion.

Although structural materials operations performed well, other operations throughout the segment were impacted by the Great East Japan Earthquake. Effects of the earthquake included temporary suspension of operation at the Neoma Foam Plant, which manufactures phenolic foam insulation panels, and the Sakai Plant, which manufactures Hebel™ autoclaved aerated concrete panels, both in Ibaraki Prefecture, as well as suspension or postponement of work on many construction projects, which impacted foundation systems operations in particular.

OTHERS

Sales in “Others” comprising engineering operations and employment agency/staffing operations increased by ¥0.4 billion (12.6%) from the first quarter a year ago to ¥4.0 billion, and operating income increased by ¥0.1 billion (18.6%) to ¥0.4 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2011	At end of June 2011
Assets		
Current assets		
Cash and deposits	140,319	115,648
Notes and accounts receivable, trade	273,414	257,508
Short-term investment securities	371	93
Merchandise and finished goods	129,898	136,607
Work in process	76,551	98,695
Raw materials and supplies	49,799	51,349
Deferred tax assets	23,131	25,900
Other	63,240	58,366
Allowance for doubtful accounts	(1,072)	(1,077)
Total current assets	755,651	743,090
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	409,263	410,187
Accumulated depreciation	(231,474)	(232,847)
Buildings and structures, net	177,789	177,340
Machinery, equipment and vehicles	1,192,132	1,201,107
Accumulated depreciation	(1,047,912)	(1,056,959)
Machinery, equipment and vehicles, net	144,220	144,149
Land	55,243	55,456
Lease assets	8,581	9,179
Accumulated depreciation	(3,118)	(3,501)
Lease assets, net	5,463	5,678
Construction in progress	22,173	21,665
Other	118,718	119,229
Accumulated depreciation	(105,252)	(105,808)
Other, net	13,466	13,422
Subtotal	418,354	417,709
Intangible assets		
Goodwill	5,087	4,932
Other	26,015	25,128
Subtotal	31,101	30,060
Investments and other assets		
Investment securities	166,317	170,959
Long-term loans receivable	5,181	4,870
Deferred tax assets	22,005	17,793
Other	27,507	27,412
Allowance for doubtful accounts	(237)	(229)
Subtotal	220,773	220,805
Total noncurrent assets	670,228	668,574
Total assets	1,425,879	1,411,664

	At end of March 2011	At end of June 2011
Liabilities		
Current liabilities		
Notes and accounts payable, trade	136,407	136,693
Short-term loans payable	108,889	100,569
Commercial paper	23,000	19,000
Lease obligations	1,522	1,656
Income taxes payable	24,085	11,932
Accrued expenses	97,745	81,353
Advances received	52,346	59,682
Provision for repairs	3,239	3,418
Provision for product warranties	2,465	2,123
Asset retirement obligations	512	508
Other	39,668	45,096
Total current liabilities	489,878	462,029
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	91,722	87,547
Lease obligations	3,802	4,015
Deferred tax liabilities	6,374	6,868
Provision for retirement benefits	107,309	107,634
Provision for directors' retirement benefits	1,119	763
Provision for repairs	2,131	1,592
Asset retirement obligations	3,316	3,363
Long-term guarantee deposited	18,340	18,173
Other	1,284	1,227
Total noncurrent liabilities	260,399	256,180
Total liabilities	750,277	718,209
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,402	79,403
Retained earnings	478,681	489,915
Treasury stock	(2,115)	(2,123)
Total shareholders' equity	659,357	670,583
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,647	32,785
Deferred gains or losses on hedges	(140)	(6)
Foreign currency translation adjustment	(25,299)	(21,889)
Total accumulated other comprehensive income	4,209	10,889
Minority interests	12,036	11,983
Total net assets	675,602	693,455
Total liabilities and net assets	1,425,879	1,411,664

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1 2010	Q1 2011
Net sales	353,508	376,124
Cost of sales	262,490	276,562
Gross profit	91,019	99,562
Selling, general and administrative expenses	68,173	69,319
Operating income	22,845	30,243
Non-operating income		
Interest income	206	313
Dividends income	1,049	1,145
Equity in earnings of affiliates	443	716
Other	961	994
Total non-operating income	2,658	3,168
Non-operating expenses		
Interest expense	871	715
Foreign exchange losses	2,296	1,207
Other	1,601	1,128
Total non-operating expenses	4,768	3,050
Ordinary income	20,735	30,361
Extraordinary loss		
Loss on valuation of investment securities	136	35
Loss on disposal of noncurrent assets	1,051	539
Impairment loss	18	27
Environmental expenses	604	—
Loss on adjustment for changes of accounting for asset retirement obligations	1,240	—
Loss on disaster	—	600
Business structure improvement expenses	3,873	611
Total extraordinary loss	6,923	1,813
Income before income taxes	13,813	28,548
Income taxes	4,130	8,886
Income before minority interests	9,683	19,662
Minority interests in income	421	278
Net income	9,262	19,384

(2) Statements of comprehensive income

	Q1 2010	Q1 2011
Income before minority interests	9,683	19,662
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,219)	3,156
Deferred gains or losses on hedges	110	134
Foreign currency translation adjustment	724	2,808
Share of other comprehensive income of associates accounted for using equity method	(221)	642
Total other comprehensive income	(7,606)	6,739
Comprehensive income	2,077	26,401
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,706	26,065
Comprehensive income attributable to minority interests	371	336

3. Statements of cash flows

	Q1 2010	Q1 2011
Cash flows from operating activities:		
Income before income taxes	13,813	28,548
Depreciation and amortization	19,808	18,361
Impairment loss	18	27
Amortization of goodwill	265	269
Amortization of negative goodwill	(67)	(58)
Increase (decrease) in provision for repairs	(4,549)	(360)
Increase (decrease) in provision product warranties	(730)	(346)
Increase (decrease) in provision for retirement benefits	(291)	284
Interest and dividend income	(1,255)	(1,458)
Interest expense	871	715
Equity in (earnings) losses of affiliates	(443)	(716)
Loss (gain) on valuation of investment securities	136	35
Loss (gain) on disposal of noncurrent assets	1,051	539
Decrease (increase) in notes and accounts receivable, trade	(15,114)	15,357
Decrease (increase) in inventories	(25,075)	(28,214)
Increase (decrease) in notes and accounts payable, trade	14,740	(1,340)
Increase (decrease) in accrued expenses	(16,520)	(16,357)
Increase (decrease) in advances received	13,737	7,349
Other, net	12,287	8,975
Subtotal	12,683	31,612
Interest and dividend income, received	1,692	2,274
Interest expense, paid	(931)	(786)
Income taxes (paid) refund	(11,619)	(20,206)
Net cash provided by (used in) operating activities	1,825	12,894
Cash flows from investing activities:		
Payments into time deposits	(238)	(6,504)
Proceeds from withdrawal of time deposits	—	2,804
Purchase of property, plant and equipment	(14,140)	(12,604)
Purchase of intangible assets	(1,211)	(1,572)
Purchase of investment securities	(578)	(457)
Proceeds from sales of investment securities	329	196
Payments of loans receivable	(787)	(711)
Collection of loans receivable	829	749
Other, net	(437)	(696)
Net cash provided by (used in) investing activities	(16,232)	(18,795)

	Q1 2010	Q1 2011
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	822	448
Increase (decrease) in commercial paper	13,000	(4,000)
Proceeds from long-term loans payable	207	831
Repayment of long-term loans payable	(574)	(14,036)
Repayments of lease obligations	(287)	(427)
Purchase of treasury stock	(17)	(9)
Proceeds from disposal of treasury stock	3	1
Cash dividends paid	(6,992)	(8,389)
Cash dividends paid to minority shareholders	(361)	(470)
Other, net	98	(198)
Net cash provided by (used in) financing activities	5,898	(26,251)
Effect of exchange rate change on cash and cash equivalents	295	1,065
Net increase (decrease) in cash and cash equivalents	(8,214)	(31,087)
Cash and cash equivalents at beginning of period	93,125	134,450
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	876	1,528
Effect of change in the reporting period of consolidated subsidiaries and affiliates	—	469
Cash and cash equivalents at end of period	85,788	105,360

VII. Additional Information

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

1) Consolidated net sales

(billions of yen)

	Q1 2010	Q1 2011	Increase (decrease)	First half FY 2011 forecast
Chemicals	178.4	186.0	7.6	389.0
Homes	64.5	79.2	14.7	192.0
Health Care	28.7	29.4	0.6	60.0
Fibers	26.5	27.7	1.3	55.0
Electronics	40.9	39.8	(1.1)	81.0
Construction Materials	11.0	10.1	(0.9)	24.0
Others	3.5	4.0	0.4	9.0
Total	353.5	376.1	22.6	810.0

2) Consolidated operating income (loss)

(billions of yen)

	Q1 2010	Q1 2011	Increase (decrease)	First half FY 2011 forecast
Chemicals	15.3	19.4	4.1	35.0
Homes	(0.9)	3.6	4.6	15.0
Health Care	3.3	2.6	(0.8)	4.5
Fibers	1.2	1.4	0.2	2.0
Electronics	5.2	4.8	(0.4)	7.5
Construction Materials	0.3	0.2	(0.1)	1.0
Others	0.3	0.4	0.1	1.0
Combined	24.8	32.5	7.6	66.0
Corporate expenses and eliminations	(2.0)	(2.2)	(0.2)	(5.5)
Consolidated	22.8	30.2	7.4	60.5

2. Operating income increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:			Operating costs and others	Net increase (decrease)
	Sales volume	Sales prices [<i>of which, due to foreign exchange</i>]			
Chemicals	1.4	8.7	(5.0)	(5.9)	4.1
Homes	3.5	0.6	—	0.5	4.6
Health Care	2.1	(0.8)	(0.2)	(2.1)	(0.8)
Fibers	0.0	0.4	(0.6)	(0.2)	0.2
Electronics	3.4	(5.2)	(1.3)	1.4	(0.4)
Construction Materials	(0.1)	(0.2)	—	0.2	(0.1)
Others	0.1	0.0	0.0	(0.0)	0.1
Corporate expenses and eliminations	—	—	—	(0.2)	(0.2)
Consolidated	10.3	3.6	(7.1)	(6.5)	7.4

3. Major financial metrics (consolidated)

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

	Q1 2010	Q1 2011
Capital expenditure (tangible)	16.7	13.6
Capital expenditure (intangible)	1.0	1.1
Purchase of investment securities	0.6	0.5
Depreciation and amortization	20.1	18.6
Balance of payments	0.4	0.7
<i>of which, dividends received</i>	<i>1.0</i>	<i>1.1</i>
Employees at end of period	25,393	25,378
D/E ratio	0.44	0.34

4. Contract trends for home construction operations

	Q1 2010	Q1 2011	Increase (decrease)	First half FY 2011 forecast
No. of orders received (home units)	3,840	4,066	226	8,110
Value of orders received (¥ billion)	89.3	94.6	5.3	186.0
Backlog of orders (¥ billion)	355.7	403.1	47.5	407.0
No. of sales (home units)	1,566	2,061	495	5,570
Value of sales (¥ billion)	40.8	51.0	10.2	138.5

5. Key operating factors

	Q1 2010	Q1 2011	Increase (decrease)	First half FY 2011 forecast	
Naphtha price (yen/kL, domestic)	49,600	59,000	9,400	57,000	
Exchange rates (market average)	Yen/US\$	92	82	(10)	81
	Yen/€	117	117	0	116

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2011	At end of June 2011	Increase (decrease)
Short-term loans payable	108.9	100.6	(8.3)
Commercial paper	23.0	19.0	(4.0)
Long-term loans payable	91.7	87.5	(4.2)
Bonds payable	25.0	25.0	—
Lease obligations	5.3	5.7	0.3
Total	253.9	237.8	(16.1)