

Fiscal quarter ended June 2006

– supplementary financial summary –

July 27, 2006

Asahi Kasei Corporation

– 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.

Consolidated results for fiscal quarter ended June 2006

Summary of financial results.....4

Statements of income.....5

Balance sheets 6

Cash flows..... 7

Sales and profit by segment..... 8–10

Forecast for first fiscal half 2006

Forecast by segment..... 13–14

Appendix

Overview of results by segment.....16–24

Consolidated results for fiscal quarter ended June 2006

Summary of financial results

(¥ billion)

	April–June 2005	April–Sept. 2005	April–June 2006 a	April–Sept. 2006 forecast b	April–Sept. 2006 original forecast	April–June 2005 vs. 2006		April–Sept. 2005 vs. 2006		a/b
						Increase (decrease)	% change	Increase (decrease)	% change	
Net sales	328.6	718.5	348.5	767.0	755.0	19.9	+6.0	48.5	+6.8	45.4%
Operating profit	13.6	47.5	15.3	43.0	43.0	1.7	+12.4	(4.5)	-9.5	35.6%
Ordinary profit	14.6	47.2	15.1	41.5	41.5	0.5	+3.2	(5.7)	-12.1	36.3%
Net income	5.2	25.4	9.2	24.0	24.0	4.0	+76.8	(1.4)	-5.5	38.3%

Key operating factors

Naphtha price (¥/kL, domestic)	37,500	38,000	49,000	52,000	50,000
¥/US\$ exchange rate (market average)	108	110	115	115	110

Financial position

	At end of March 2006	At end of June 2006	Increase (decrease)
Total assets	1,376.0	1,409.7	33.7
Net assets*	594.2	601.7	–
Interest-bearing debt	235.8	252.1	16.3
Debt/equity ratio	0.40	0.42	0.02

* Figure at end of Mar. 2006
is shareholders' equity.

Statements of income

AsahiKASEI

(¥ billion)

	April–June 2005		April–June 2006		Increase (decrease)	% change
		% of sales		% of sales		
Net sales	328.6	100.0%	348.5	100.0%	19.9	+6.0
Cost of sales	250.8	76.3%	267.7	76.8%	16.9	+6.7
Gross profit	77.8	23.7%	80.8	23.2%	3.0	+3.9
Selling, general and administrative expenses	64.2	19.6%	65.5	18.8%	1.3	+2.1
Operating profit	13.6	4.1%	15.3	4.4%	1.7	+12.4
Non-operating expenses	1.0		(0.2)		(1.2)	
of which,						
financing income and expense	0.5		0.6		0.1	
equity in net earnings of unconsolidated subsidiaries and affiliates	0.3		(0.2)		(0.6)	
Ordinary profit	14.6	4.4%	15.1	4.3%	0.5	+3.2
Special gains and losses	(5.6)		(0.4)		5.2	
Income before income taxes and minority interest	9.0	2.7%	14.6	4.2%	5.7	+63.1
Income taxes	(3.7)		(5.3)		(1.6)	
Minority interest in income of consolidated subsidiaries	(0.1)		(0.1)		(0.1)	
Net income	5.2	1.6%	9.2	2.6%	4.0	+76.8

Balance sheets

(¥ billion)

	At end of Mar. 2006	At end of Jun. 2006	Increase (decrease)		At end of Mar. 2006	At end of Jun. 2006	Increase (decrease)
Current assets	644.2	672.3	28.1	Liabilities	774.9	808.0	33.1
Cash on hand and in banks	86.4	69.2	(17.2)	Current liabilities	439.7	482.4	42.7
Notes and accounts receivable, trade	269.5	272.0	2.5	Long-term liabilities	335.2	325.6	(9.6)
Inventories	214.1	243.1	29.0	Minority interest in consolidated subsidiaries	6.9		
Other current assets	74.2	88.0	13.8	Shareholders' equity	594.2		
Fixed assets	731.9	737.4	5.6	Common stock	103.4		
Property, plant and equipment	414.4	424.8	10.4	Capital surplus	79.4		
Intangible fixed assets	33.1	31.1	(2.0)	Retained earnings	342.4		
Investments and other assets	284.4	281.5	(2.9)	Others	86.3		
				Treasury stock, at cost	(17.3)		
				Total liabilities and shareholders' equity	1,376.0		
				Net assets		601.7	
				Shareholders' equity		509.9	
				Common stock		103.4	
				Capital surplus		79.4	
				Retained earnings		344.4	
				Treasury stock, at cost		(17.4)	
				Valuation, transition adjustment and others		84.8	
				Minority interest in consolidated subsidiaries		7.0	
Total assets	1,376.0	1,409.7	33.7	Total liabilities and net assets		1,409.7	

(¥ billion)

	Q1 2005	Q1 2006
a. Cash flows from operating activities	(14.7)	(11.6)
b. Cash flows from investing activities	(10.3)	(15.5)
c. Free cash flows [a+b]	(25.0)	(27.1)
d. Cash flows from financing activities	5.3	7.7
e. Effect of exchange rate changes on cash and cash equivalents	0.1	0.1
f. Net decrease in cash and cash equivalents [c+d+e]	(19.6)	(19.2)
g. Cash and cash equivalents at beginning of year	68.5	86.4
h. Cash and cash equivalents held by newly consolidated subsidiaries	–	2.2
I. Cash and cash equivalents at end of year [f+g+h]	48.9	69.4

Sales and operating profit by segment

(¥ billion)

	Sales			Profit		
	Q1 2005	Q1 2006	Increase (decrease)	Q1 2005	Q1 2006	Increase (decrease)
Chemicals	153.4	177.1	23.6	6.9	5.5	(1.4)
Homes	71.7	58.6	(13.1)	(1.9)	(3.7)	(1.8)
Pharma	27.1	26.0	(1.1)	3.6	4.7	1.1
Fibers	20.5	23.0	2.5	0.9	0.5	(0.3)
Electronics Materials & Devices	24.2	27.7	3.5	4.0	6.4	2.4
Construction Materials	12.9	14.7	1.8	0.3	1.0	0.8
Life & Living	12.4	12.8	0.4	1.0	0.8	(0.1)
Services, Engineering and Others	6.5	8.6	2.1	0.6	1.5	0.9
Corporate Expenses and Eliminations	–	–	–	(1.9)	(1.6)	0.3
Consolidated	328.6	348.5	19.9	13.6	15.3	1.7

Sales increases/decreases by segment

(Q1 2005 vs. Q1 2006, ¥ billion)

	Sales		Increase (decrease) due to:				Net increase (decrease)
	Q1 2005	Q1 2006	Sales volume	Sales prices	of which, due to foreign exchange	Others	
Chemicals	153.4	177.1	4.3	8.2	2.5	11.1	23.6
Homes	71.7	58.6	(6.7)	3.4	–	(9.8)	(13.1)
Pharma	27.1	26.0	(0.7)	(1.2)	0.2	0.8	(1.1)
Fibers	20.5	23.0	1.1	0.4	0.2	1.0	2.5
Electronics Materials & Devices	24.2	27.7	6.9	(3.3)	0.2	0.0	3.5
Construction Materials	12.9	14.7	1.5	0.3	–	0.0	1.8
Life & Living	12.4	12.8	0.4	0.0	0.0	0.0	0.4
Services, Engineering and Others	6.5	8.6	2.1	0.0	0.0	0.0	2.1
Total	328.6	348.5	8.9	7.8	3.0	3.2	19.9

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

(Q1 2005 vs. Q1 2006, ¥ billion)

	Operating profit		Increase (decrease) due to:				Net increase (decrease)
	Q1 2005	Q1 2006	Sales volume	Sales prices	of which, due to foreign exchange	Operating costs and others	
Chemicals	6.9	5.5	1.5	8.2	2.5	(11.1)	(1.4)
Homes	(1.9)	(3.7)	(2.5)	3.4	–	(2.7)	(1.8)
Pharma	3.6	4.7	0.7	(1.2)	0.2	1.6	1.1
Fibers	0.9	0.5	0.2	0.4	0.2	(1.0)	(0.3)
Electronics Materials & Devices	4.0	6.4	3.8	(3.3)	0.2	2.0	2.4
Construction Materials	0.3	1.0	0.5	0.3	–	(0.0)	0.8
Life & Living	1.0	0.8	0.2	0.0	0.0	(0.4)	(0.1)
Services, Engineering and Others	0.6	1.5	1.0	0.0	0.0	(0.1)	0.9
Corporate expenses and eliminations	(1.9)	(1.6)	–	–	–	0.3	0.3
Total	13.6	15.3	5.4	7.8	3.0	(11.5)	1.7

(blank space for your notes)

Forecast for first fiscal half 2006

Sales forecast by segment

(¥ billion)

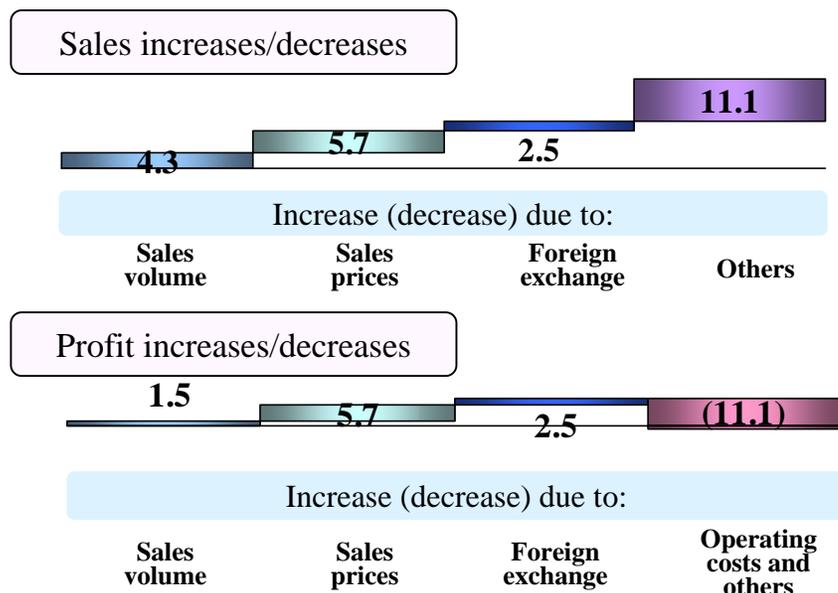
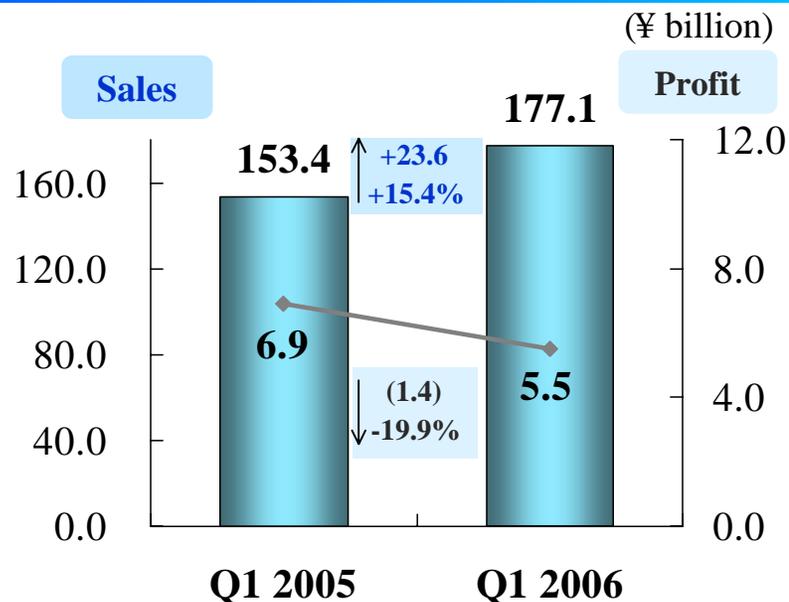
	FY 2005		FY 2006		Increase (decrease)	H1 2006 forecast in May	Increase (decrease)
	Q1	1st half	Q1	1st half forecast			
Chemicals	153.4	318.8	177.1	369.0	50.2	353.0	16.0
Homes	71.7	185.3	58.6	167.0	(18.3)	169.0	(2.0)
Pharma	27.1	53.6	26.0	52.0	(1.6)	53.0	(1.0)
Fibers	20.5	43.5	23.0	49.0	5.5	50.0	(1.0)
Electronics Materials & Devices	24.2	48.7	27.7	57.0	8.3	57.0	0.0
Construction Materials	12.9	28.4	14.7	29.0	0.6	29.0	0.0
Life & Living	12.4	26.7	12.8	27.0	0.3	27.0	0.0
Services, Engineering and Others	6.5	13.4	8.6	17.0	3.6	17.0	0.0
Consolidated	328.6	718.5	348.5	767.0	48.5	755.0	12.0

Operating profit forecast by segment

(¥ billion)

	FY 2005		FY 2006		Increase (decrease)	H1 2005 forecast in May	Increase (decrease)
	Q1	1st half	Q1	1st half forecast			
Chemicals	6.9	20.2	5.5	16.5	(3.7)	16.5	0.0
Homes	(1.9)	8.4	(3.7)	6.5	(1.9)	7.5	(1.0)
Pharma	3.6	5.6	4.7	5.0	(0.6)	4.5	0.5
Fibers	0.9	2.3	0.5	1.0	(1.3)	1.5	(0.5)
Electronics Materials & Devices	4.0	8.4	6.4	11.5	3.1	10.5	1.0
Construction Materials	0.3	1.8	1.0	2.0	0.2	2.0	0.0
Life & Living	1.0	2.5	0.8	2.0	(0.5)	2.0	0.0
Services, Engineering and Others	0.6	1.3	1.5	2.0	0.7	2.0	0.0
Corporate Expenses and Eliminations	(1.9)	(3.0)	(1.6)	(3.5)	(0.5)	(3.5)	0.0
Consolidated	13.6	47.5	15.3	43.0	(4.5)	43.0	0.0

Appendix



Review of operations

Sales increase with increased shipments and price increase. Profit decrease due to high feedstock costs.

Volume products:

Profit decrease due to high feedstock costs.

Monomers and basic chemicals --

Feedstock cost rises for acrylonitrile and styrene. Cost of the maintenance turnaround. Profit decrease.

Polymer products --

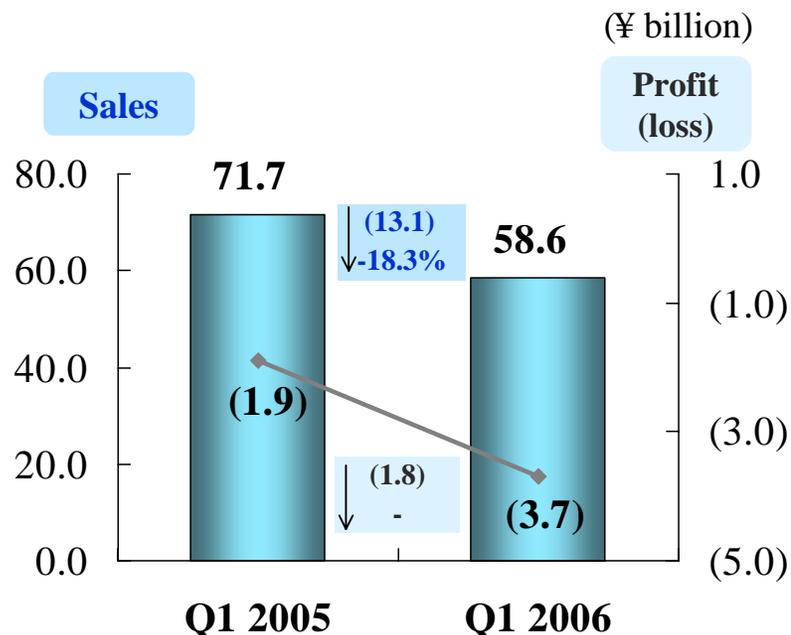
Sales increase of overseas engineering resin subsidiaries. Profit increase.

Specialty products and systems:

Profit increase with strong performance in Hipore™ Li-ion rechargeable battery separators and ion-exchange membrane electrolysis systems.

Highlights

- May, market launch of Pellicer™ high performance cosmetic additive.
- June, start of propylene production by Omega Process.



Review of operations

Real estate and remodeling operations performed well. Sales and profitability decrease due to fewer deliveries of order-built unit homes and fewer deliveries of condominium units.

Value of new orders increased 10.9% from the first quarter a year ago. Orders of both unit homes and multi-dwelling homes increased.

Results by product category*

	Q1 2005		Q1 2006		Increase (decrease)	
	Sales	Profit (loss)	Sales	Profit (loss)	Sales	Profit (loss)
Order-built homes	48.7	/	43.5	/	(5.2)	/
Pre-built homes	11.8	/	1.9	/	(9.9)	/
Total homes	60.5	(2.6)	45.4	(4.5)	(15.1)	(1.9)
Housing-related	11.2	0.7	13.2	0.8	2.0	0.1
Total	71.7	(1.9)	58.6	(3.7)	(13.1)	(1.8)

* Product category division unaudited.

Homes (ii)

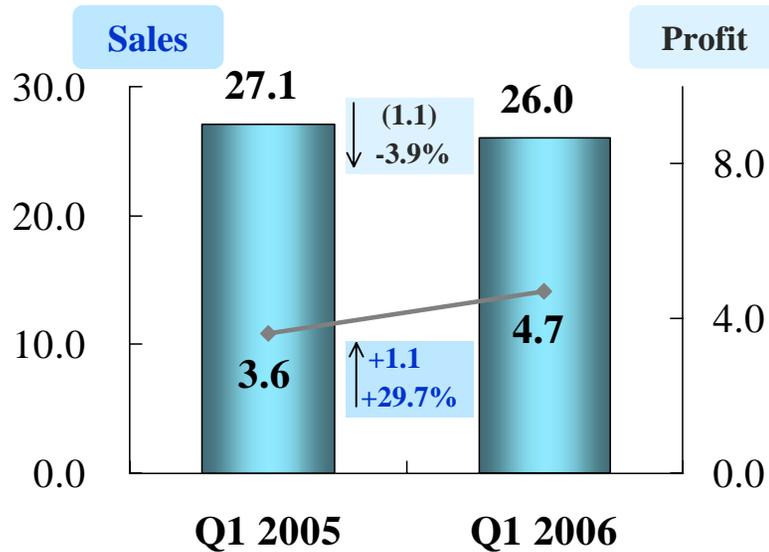
Sales and order trends

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

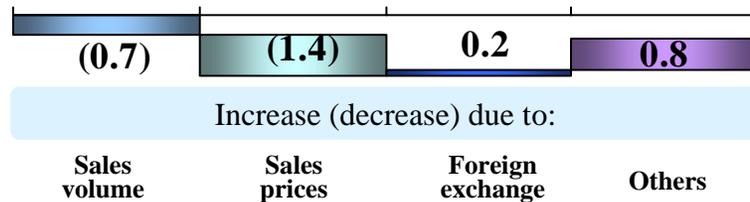
		Sales of order-built homes	Sales of pre-built homes	Other sales*	Unconsolidated	Consolidated subsidiaries	Consolidated	Value of new orders during the term	Order backlog
FY 02	H1	121.9 (-15.8%)	6.5 (-13.3%)	–	128.4 (-15.7%)	19.6 (+12.6%)	148.0 (-12.8%)	139.3 (-1.7%)	273.3
	H2	141.4 (-2.4%)	10.2 (+13.3%)	–	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%)	282.0
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%)	319.0
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%)	310.1
FY 05	Q1	48.7 (-8.8%)	11.6 (+363.0%)	0.2	60.5 (+7.6%)	11.2 (+12.0%)	71.7 (+8.3%)	75.6 (-5.0%)	336.9
	Q2	91.4 (+7.0%)	8.9 (+120.2%)	0.3	100.6 (+12.1%)	13.0 (+15.0%)	113.6 (+12.4%)	74.8 (+1.9%)	320.4
	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%)	26.2 (+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%)	304.0
FY06	Q1	43.5 (-10.7%)	1.8 (-84.7%)	0.1	45.4 (-24.9%)	13.2 (+17.5%)	58.6 (-18.3%)	83.8 (+10.9%)	344.3
	Q2	90.1 (-1.5%)	3.6 (-59.4%)	0.4	94.1 (-6.5%)	14.3 (+10.3%)	108.4 (-4.6%)	83.2 (+11.1%)	337.4
	H1 forecast	133.6 (-4.7%)	5.4 (-73.7%)	0.5	139.5 (-13.4%)	27.5 (+13.7%)	167.0 (-9.9%)	167.0 (+11.0%)	337.4

* Including commissions on property insurance.

(¥ billion)

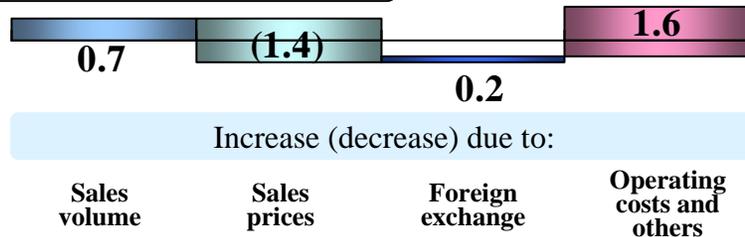


Sales increases/decreases



Increase (decrease) due to:

Profit increases/decreases



Increase (decrease) due to:

Review of operations

Sales decrease due to decline of reimbursement prices for both pharmaceuticals and medical devices. Profit increase with increased shipments of Flivas™ therapy for benign prostatic hyperplasia and APS™ polysulfone-membrane artificial kidneys and with increased pharmaceuticals licensing income.

Highlights

- April, decision to expand artificial kidney assembly plant in China.
- June, establishment of joint venture with Kuraray Co., Ltd. for production of hollow-fiber membrane for artificial kidneys using Eval® ethylene-vinyl alcohol copolymer.
- June, licensing of rights to develop and commercialize oral and inhaled formulations of fasudil to CoTherix, Inc. of the US.

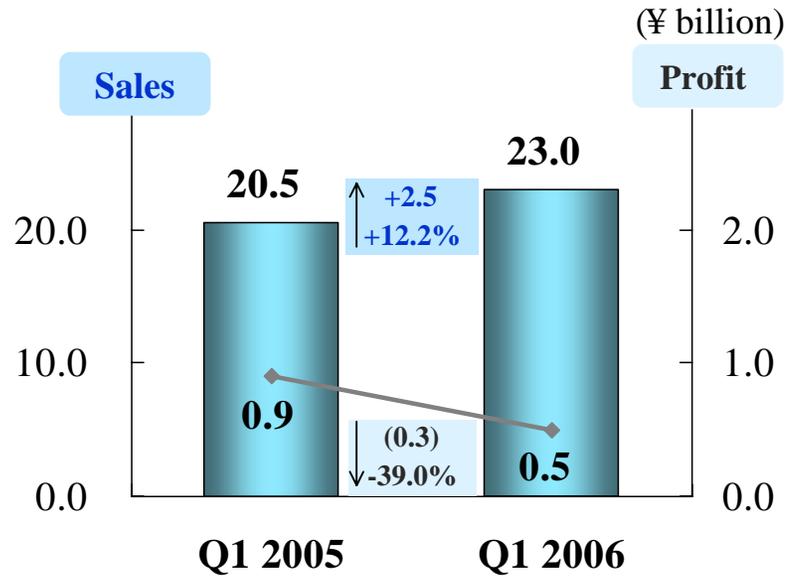
Eval® is a registered trademark of Kuraray Co., Ltd.

Sales of Asahi Kasei Pharma Corporation (¥ billion)

		FY 2005		FY 2006
		Q1	total	Q1
	Pharmaceuticals	12.7	48.5	13.0
	Others	4.2	12.7	1.1
Non-consolidated		16.9	61.1	14.1
Asahi Kasei Medical		9.1	40.1	10.8
Others		1.1	4.6	1.1
Consolidated		27.1	105.8	26.0

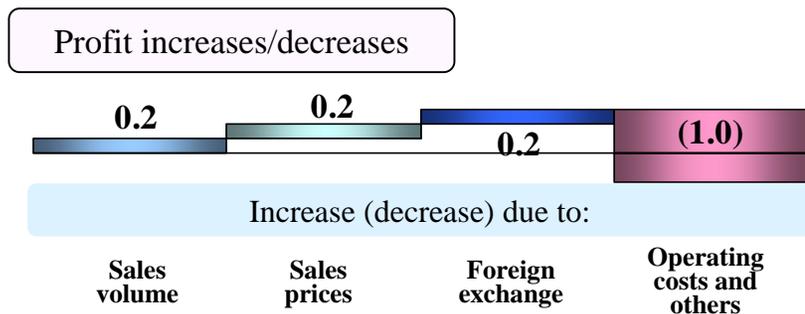
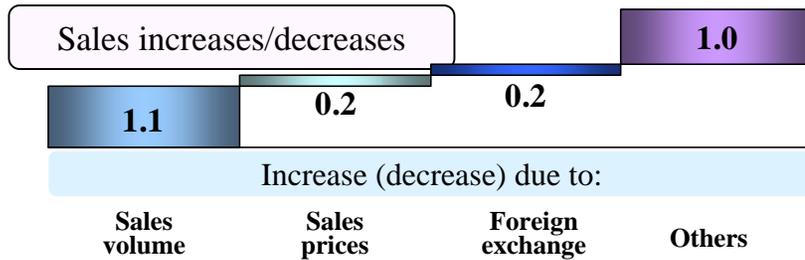
Main pharmaceuticals domestic sales (¥ billion)

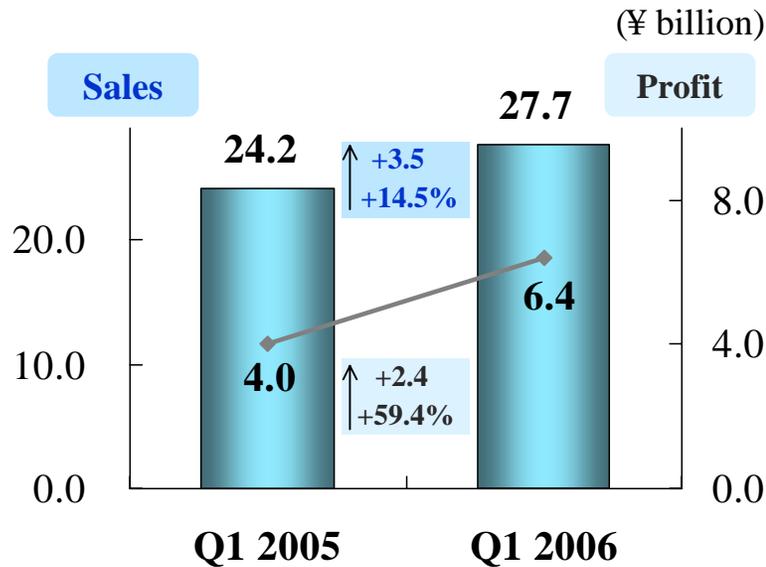
	FY 2005		FY 2006
	Q1	total	Q1
Elcitonin™	4.0	15.2	3.6
Bredinin™	1.6	6.1	1.6
Flivas™	2.2	9.1	2.3
Toledomin™	1.6	6.2	1.5
Exacin™	0.3	1.2	0.3
Ricamycin™	0.2	0.7	0.2
Eril™	0.4	1.5	0.4



Review of operations

Sales increase with increased shipments of Roica™ elastic polyurethane filament. Profit decrease due to elevated feedstock costs throughout.



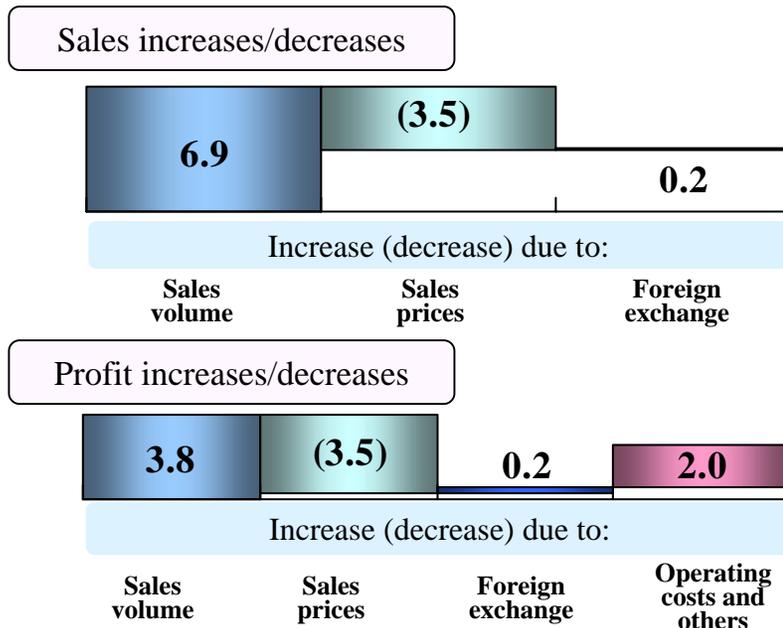


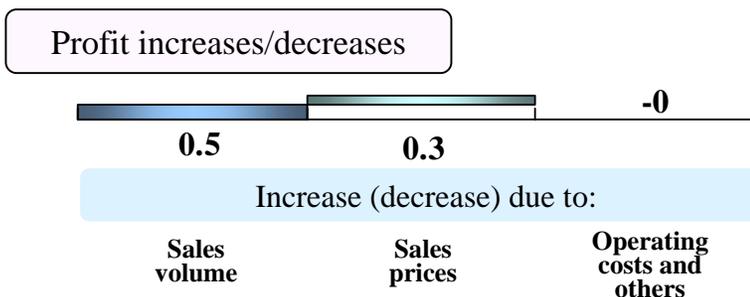
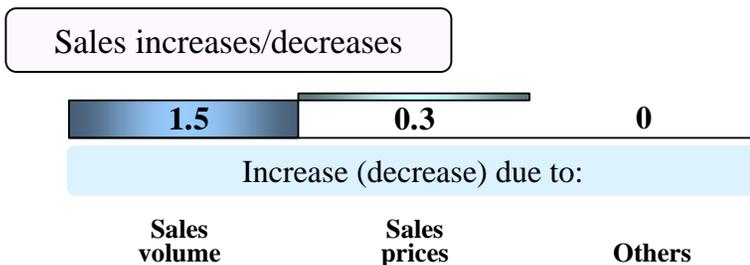
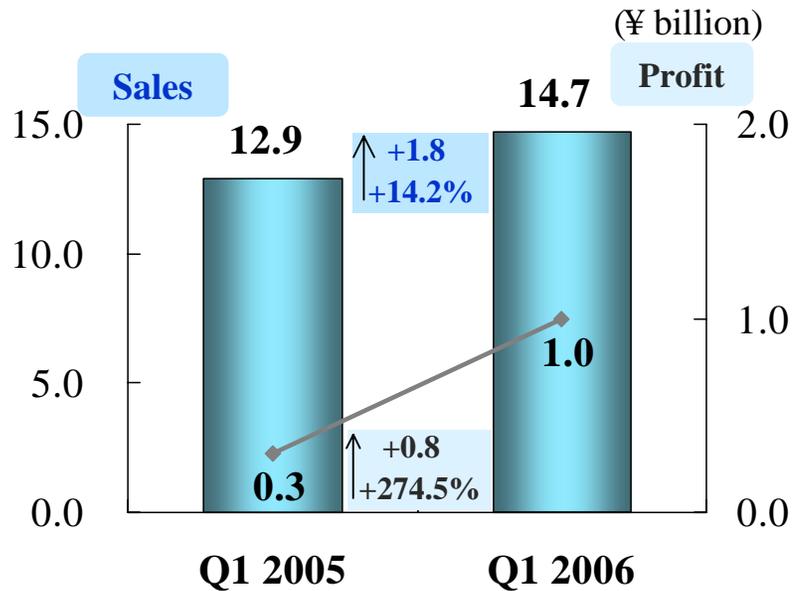
Review of operations

Sales and profit increase with increased shipments of Sunfort™ photosensitive dry film resist for printed wiring boards and for LSIs, and with strong demand for both electronic materials and electronic devices in IT and home electronics applications.

Highlights

- July, expansion of plant in China for Sunfort™ photosensitive dry film resist for printed wiring boards.



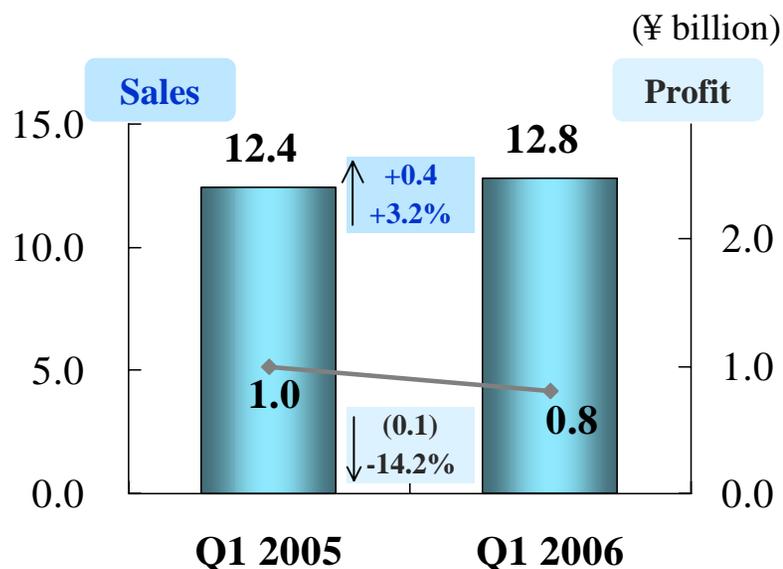


Review of operations

Healthy demand in construction markets. Sales and profit increase with growth of Hebel™ and Hebel Powerboard™ autoclaved lightweight concrete panels and with strong performance in foundation systems centered on small-scale piles.

Highlights

- May, market launch of DynaWing™ piling system featuring minimal soil disposal and high bearing capacity.



Review of operations

Sales increase with increased shipments. Performance of packaging products operations on par with a year ago. Profit decrease due to higher advertising costs for Saran Wrap™ cling film and elevated feedstock costs.

Highlights

- July, market launch of Saran Wrap™ with limited-edition summer packaging in Tohoku and Shikoku regions.

