

# Fiscal 2006 1<sup>st</sup> Half Financial Results

– supplementary financial summary –

October 31, 2006  
Asahi Kasei Corporation

## **Consolidated results for 1<sup>st</sup> half fiscal year 2006**

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# Consolidated results for 1<sup>st</sup> half fiscal year 2006

# Summary of financial results (i)

(¥ billion)

	H1 2005	H1 2006		H1 2006 vs. H1 2005		result vs. forecast	
		Result	Forecast	Increase (decrease)	% change	Increase (decrease)	% change
Net sales	718.5	768.9	767.0	50.4	+7.0%	1.9	+0.2%
<i>Of which, overseas sales</i>	176.3	209.8	–	33.4	+19.0%	–	–
Operating profit	47.5	50.7	43.0	3.2	+6.8%	7.7	+17.9%
Ordinary profit	47.2	48.8	41.5	1.5	+3.2%	7.3	+17.5%
Net income	25.4	29.0	24.0	3.5	+13.9%	5.0	+20.7%

	Mar. 2006	Sep. 2006	Increase (decrease)
At closing			
Total assets	1,376.0	1,459.8	83.8
Equity*	594.2	613.0	–
Interest-bearing debt	235.8	242.2	6.4
Debt/equity ratio	0.40	0.40	

\* Equity at end of Mar. 2006 is the same as shareholders' equity. Equity at end of Sep. 2006 comprises shareholders' equity and valuation, translation adjustment and others.

# Summary of financial results (ii)

	H1 2005	H1 2006
Dividends per share	¥5	¥5
Net income per share (EPS)	¥18.15	¥20.69
Net income per total assets (ROA)	3.9%*	4.1%*
Net income per shareholders' equity (ROE)	9.6%*	9.6%*
Shareholders' equity per share (BPS)	¥387.16	¥438.06

\* Annualized.

## Scope of consolidation

Number of consolidated subsidiaries	105	109
Number of unconsolidated subsidiaries and affiliate companies for which the equity method is applied	53	53

## Key operating factors

Naphtha price (¥/kL, domestic)	38,000	51,600
¥/US\$ exchange rate (market average)	110	115
Employees at year end	23,219	23,838

# Statements of income

AsahiKASEI

(¥ billion)

	H1 2005		H1 2006		Increase (decrease)	% change
		% of sales		% of sales		
Net sales	718.5	100.0%	768.9	100.0%	50.4	+7.0
Cost of sales	541.1	75.3%	584.5	76.0%	43.4	+8.0
Gross profit	177.3	24.7%	184.4	24.0%	7.1	+4.0
Selling, general and administrative expenses	129.9	18.1%	133.7	17.4%	3.8	+3.0
Operating profit	47.5	6.6%	50.7	6.6%	3.2	+6.8
Non-operating expenses	(0.2)		(1.9)		(1.7)	
of which,						
financing income and expense	(0.1)		(0.0)		0.1	
equity in net earnings of unconsolidated subsidiaries and affiliates	0.7		0.5		(0.1)	
Ordinary profit	47.2	6.6%	48.8	6.3%	1.5	+3.2
Special gains and losses	(6.6)		(2.8)		3.8	
Income before income taxes and minority interest	40.6	5.6%	45.9	6.0%	5.3	+13.1
Income taxes	(15.1)		(16.7)		(1.7)	
Minority interest in income of consolidated subsidiaries	(0.1)		(0.2)		(0.1)	
Net income	25.4	3.5%	29.0	3.8%	3.5	+13.9

# Financing activity

## Net financing expenses

	H1 2005	H1 2006
Interest expense	(1.7)	(1.9)
Interest income	0.2	0.2
Dividend income	1.5	1.6
Others	(0.1)	(0.0)
Total	(0.1)	(0.0)

(¥ billion)

Increase (decrease)
(0.1)
0.0
0.2
0.0
0.1

## Interest-bearing debt

At end of	Sep. 2005	Mar. 2006	Sep. 2006
Short-term borrowings	40.2	56.2	64.9
Long-term borrowings	77.3	72.3	73.2
Bonds	126.0	107.0	104.0
Notes discounted	0.2	0.3	0.2
Total	243.7	235.8	242.2

(¥ billion)

Mar.–Sep. 06 increase (decrease)
8.6
0.9
(3.0)
(0.1)
6.4

# Special gains and losses

(¥ billion)

	H1 2005	H1 2006	Increase (decrease)
Special gains			
Gain on sales of investment securities	–	0.8	0.8
Gain on sales of property, plant and equipment	0.3	0.3	0.1
Reversal of allowance for doubtful accounts	0.1	–	(0.1)
<b>Total special gains</b>	<b>0.3</b>	<b>1.2</b>	<b>0.8</b>
Special losses			
Loss on sales of investment securities	0.5	–	(0.5)
Loss on write-down of investment securities	0.2	0.2	(0.1)
Loss on disposal of property, plant and equipment	1.2	3.8	2.6
Loss on impairment of assets	3.8	–	(3.8)
Restructuring charges	1.2	–	(1.2)
<b>Total special losses</b>	<b>6.9</b>	<b>4.0</b>	<b>(3.0)</b>
<b>Net special gains (losses)</b>	<b>(6.6)</b>	<b>(2.8)</b>	<b>3.8</b>

# Balance sheets

(¥ billion)

	At end of Mar. 2006	At end of Sep. 2006	Increase (decrease)		At end of Mar. 2006	At end of Sep. 2006	Increase (decrease)
Current assets	644.2	715.9	71.7	Liabilities	774.9	839.7	64.8
Cash on hand and in banks	86.4	93.2	6.8	Current liabilities	439.7	517.0	77.3
Notes and accounts receivable, trade	269.5	309.9	40.4	Long-term liabilities	335.2	322.7	(12.5)
Inventories	214.1	240.3	26.3	Minority interest in consolidated subsidiaries	6.9		
Other current assets	74.2	72.5	(1.7)	Shareholders' equity	594.2		
Fixed assets	731.9	743.9	12.1	Common stock	103.4		
Property, plant and equipment	414.4	432.1	17.7	Capital surplus	79.4		
Intangible fixed assets	33.1	30.1	(3.0)	Retained earnings	342.4		
Investments and other assets	284.4	281.7	(2.7)	Others	86.3		
				Treasury stock, at cost	(17.3)		
				Total liabilities and shareholders' equity	1,376.0		
				Net assets		620.1	
				Shareholders' equity		529.4	
				Common stock		103.4	
				Capital surplus		79.4	
				Retained earnings		364.2	
				Treasury stock, at cost		(17.6)	
				Valuation, translation adjustment and others		83.6	
				Minority interest in consolidated subsidiaries		7.1	
Total assets	1,376.0	1,459.8	83.8	Total liabilities and net assets		1,459.8	

# Cash flows and primary investments

## Cash flows

(¥ billion)

	H1 2005	H1 2006
a. Cash flows from operating activities	33.2	47.7
b. Cash flows from investing activities	(27.5)	(40.9)
c. Free cash flows [a+b]	5.7	6.7
d. Cash flows from financing activities	(13.7)	(2.1)
e. Effect of exchange rate changes on cash and cash equivalents	0.2	0.1
f. Net increase (decrease) in cash and cash equivalents [c+d+e]	(7.8)	4.7
g. Cash and cash equivalents at beginning of period	68.5	86.4
h. Cash and cash equivalents held by newly consolidated subsidiaries	0.1	2.2
I. Cash and cash equivalents at end of period [f+g+h]	60.8	93.4

## Primary investments

(¥ billion)

	FY 2005		FY 2006	
	H1 2005	FY 2005	H1 2006	forecast
Capital expenditures, fixed assets	30.1	59.1	45.3	84.0
Capital expenditures, intangible fixed assets	3.1	7.2	2.3	7.0
Depreciation and amortization	33.5	69.4	34.0	72.5
R&D expenditures	25.4	51.5	25.2	55.0

# H1 06 vs. H1 05 sales and operating profit by segment **AsahiKASEI**

(¥ billion)

	Sales			Operating profit			H1 2006 forecast	
	H1 2005	H1 2006	Increase (decrease)	H1 2005	H1 2006	Increase (decrease)	Sales	Operating profit
Chemicals	318.8	367.5	48.7	20.2	20.5	0.3	369.0	16.5
Homes	185.3	169.1	(16.2)	8.4	5.4	(3.0)	167.0	6.5
Pharma	53.6	51.1	(2.5)	5.6	7.2	1.6	52.0	5.0
Fibers	43.5	50.6	7.1	2.3	1.3	(1.0)	49.0	1.0
Electronics Materials & Devices	48.7	56.4	7.6	8.4	12.4	4.0	57.0	11.5
Construction Materials	28.4	30.6	2.2	1.8	2.5	0.7	29.0	2.0
Life & Living	26.7	26.7	(0.0)	2.5	2.2	(0.3)	27.0	2.0
Services, Engineering and Others	13.4	16.9	3.5	1.3	2.3	1.0	17.0	2.0
Corporate Expenses and Eliminations	–	–	–	(3.0)	(3.2)	(0.2)	–	(3.5)
Consolidated	718.5	768.9	50.4	47.5	50.7	3.2	767.0	43.0

# Overseas sales by segment

(¥ billion)

	H1 2005			H1 2006			Increase (decrease)	
	Total sales	Overseas sales	% of total	Total sales	Overseas sales	% of total		% change
Chemicals	318.8	131.7	41.3	367.5	152.1	41.4	20.4	+15.5
Homes	185.3	–	–	169.1	–	–	–	–
Pharma	53.6	11.0	20.5	51.1	11.7	23.0	0.7	+6.6
Fibers	43.5	10.9	25.1	50.6	16.3	32.2	5.4	+49.2
Electronics Materials & Devices	48.7	19.1	39.1	56.4	23.0	40.8	3.9	+20.5
Construction Materials	28.4	–	–	30.6	–	–	–	–
Life & Living	26.7	2.6	9.6	26.7	2.7	9.9	0.1	+3.7
Services, Engineering and Others	13.4	1.1	8.0	16.9	4.0	23.5	2.9	+267.6
Total	718.5	176.3	24.5	768.9	209.8	27.3	33.4	+19.0
Sales to East Asia*		105.1	14.6		120.0	15.6	14.9	+14.2

Sales, excluding Homes and  
Construction Materials

504.8    176.3    34.9    569.2    209.8    36.9

\* China (including Hong Kong), Korea and Taiwan.

# Sales increases/decreases by segment

(¥ billion)

	Sales		Increase (decrease) due to:				Net increase (decrease)
	H1 2005	H1 2006	Sales volume	Sales prices	of which, due to foreign exchange	Others	
Chemicals	318.8	367.5	11.7	26.9	4.3	10.1	48.7
Homes	185.3	169.1	(5.7)	4.0	–	(14.5)	(16.2)
Pharma	53.6	51.1	(1.0)	(2.5)	0.3	1.0	(2.5)
Fibers	43.5	50.6	3.0	0.2	0.4	3.9	7.1
Electronics Materials & Devices	48.7	56.4	12.5	(4.8)	0.6	0.0	7.6
Construction Materials	28.4	30.6	1.6	0.6	–	0.0	2.2
Life & Living	26.7	26.7	(0.2)	0.2	0.0	0.0	(0.0)
Services, Engineering and Others	13.4	16.9	3.5	0.0	0.0	0.0	3.5
Total	718.5	768.9	25.4	24.6	5.5	0.5	50.4

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

(¥ billion)

	Operating profit		Increase (decrease) due to:				Net increase (decrease)
	H1 2005	H1 2006	Sales volume	Sales prices	of which, due to foreign exchange	Operating costs and others	
Chemicals	20.2	20.5	2.3	26.9	4.3	(28.9)	0.3
Homes	8.4	5.4	(1.8)	4.0	–	(5.2)	(3.0)
Pharma	5.6	7.2	0.8	(2.5)	0.3	3.4	1.6
Fibers	2.3	1.3	0.5	0.2	0.4	(1.7)	(1.0)
Electronics Materials & Devices	8.4	12.4	6.0	(4.8)	0.6	2.8	4.0
Construction Materials	1.8	2.5	0.1	0.6	–	0.1	0.7
Life & Living	2.5	2.2	(0.1)	0.2	0.0	(0.4)	(0.3)
Services, Engineering and Others	1.3	2.3	1.3	0.0	0.0	(0.2)	1.0
Corporate expenses and eliminations	(3.0)	(3.2)	–	–	–	(0.2)	(0.2)
<b>Total</b>	<b>47.5</b>	<b>50.7</b>	<b>9.0</b>	<b>24.6</b>	<b>5.5</b>	<b>(30.3)</b>	<b>3.2</b>

# Forecast for fiscal year 2006

# Consolidated operating performance

(¥ billion)

	FY 2005			FY 2006 forecast			Increase (decrease)	FY 2006 original forecast
	H1	H2	Total	H1	H2 forecast	Total		
Net sales	718.5	780.2	1,498.6	768.9	843.1	1,612.0	113.4	1,603.0
Operating profit	47.5	61.3	108.7	50.7	64.3	115.0	6.3	110.0
Ordinary profit	47.2	56.9	104.2	48.8	63.2	112.0	7.8	107.0
Net income	25.4	34.3	59.7	29.0	35.0	64.0	4.3	62.0

Naphtha price (¥/kL, domestic)	38,000	46,700	42,350	51,600	50,000	50,800	8,450	50,000
¥/US\$ exchange rate (market average)	110	117	113	115	115	115	2	110

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

# Sales forecast by segment

(¥ billion)

	FY 2005			FY 2006 forecast			Increase (decrease)	FY 2006 original forecast
	H1	H2	Total	H1	H2 forecast	Total		
Chemicals	318.8	341.6	660.4	367.5	363.5	731.0	70.6	715.0
Homes	185.3	219.2	404.5	169.1	240.9	410.0	5.5	415.0
Pharma	53.6	52.3	105.8	51.1	55.9	107.0	1.2	108.0
Fibers	43.5	46.2	89.7	50.6	56.4	107.0	17.3	108.0
Electronics Materials & Devices	48.7	54.1	102.9	56.4	58.6	115.0	12.1	115.0
Construction Materials	28.4	28.1	56.5	30.6	30.4	61.0	4.5	59.0
Life & Living	26.7	25.2	51.9	26.7	27.3	54.0	2.1	54.0
Services, Engineering and Others	13.4	13.4	26.8	16.9	10.1	27.0	0.2	29.0
Consolidated	718.5	780.2	1,498.6	768.9	843.1	1,612.0	113.4	1,603.0

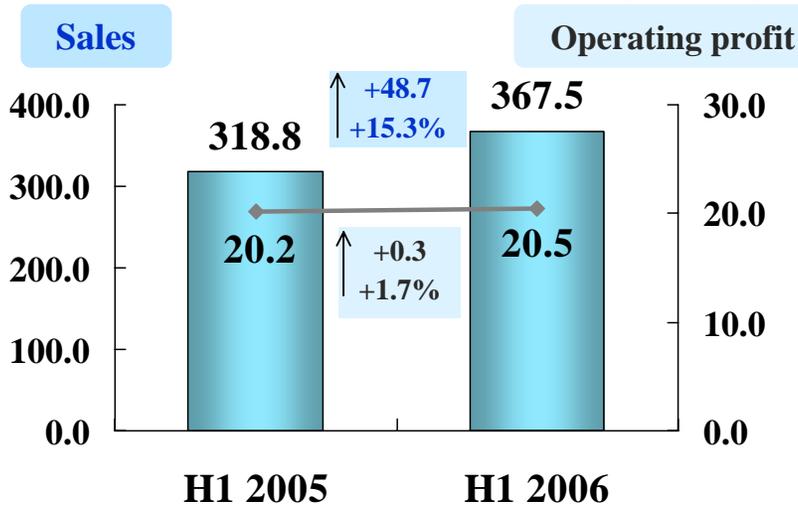
# Operating profit forecast by segment

(¥ billion)

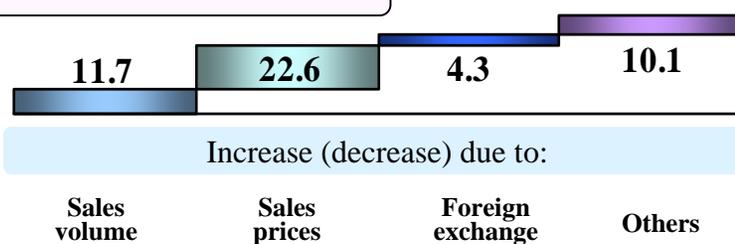
	FY 2005			FY 2006 forecast			Increase (decrease)	FY 2006 original forecast
	H1	H2	Total	H1	H2 forecast	Total		
Chemicals	20.2	20.3	40.5	20.5	20.5	41.0	0.5	37.0
Homes	8.4	19.8	28.2	5.4	24.6	30.0	1.8	33.0
Pharma	5.6	5.5	11.1	7.2	5.3	12.5	1.4	10.0
Fibers	2.3	1.7	4.0	1.3	2.2	3.5	(0.5)	4.0
Electronics Materials & Devices	8.4	11.0	19.3	12.4	10.6	23.0	3.7	21.0
Construction Materials	1.8	2.0	3.8	2.5	2.0	4.5	0.7	4.0
Life & Living	2.5	2.3	4.8	2.2	2.3	4.5	(0.3)	4.5
Services, Engineering and Others	1.3	2.0	3.3	2.3	1.7	4.0	0.7	3.5
Corporate Expenses and Eliminations	(3.0)	(3.3)	(6.3)	(3.2)	(4.8)	(7.9)	(1.6)	(7.0)
Consolidated	47.5	61.3	108.7	50.7	64.4	115.1	6.4	110.0

# Appendix

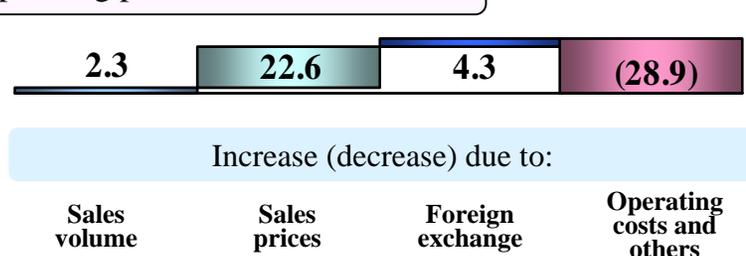
(¥ billion)



Sales increases/decreases



Operating profit increases/decreases



## Review of operations

Increased sales prices largely offset a sharp rise in feedstock costs in volume products. Increased shipments of specialty products. Licensing income decrease. Sales increase and moderate operating profit increase.

### Volume products:

Chemicals and derivative products

High feedstock costs. Notably improved market conditions for adipic acid. Operating profit on par with a year ago.

Polymer products

High feedstock costs. Increased shipments of Leona™ nylon 66 resin notably in automotive applications. Operating profit on par with a year ago.

### Specialty products:

Increased shipments of Hipore™ Li-ion rechargeable battery separators. Sales growth for membrane-process salt electrolysis systems in China and ion-exchange membranes. Operating profit increase.

Results for specialty products\*

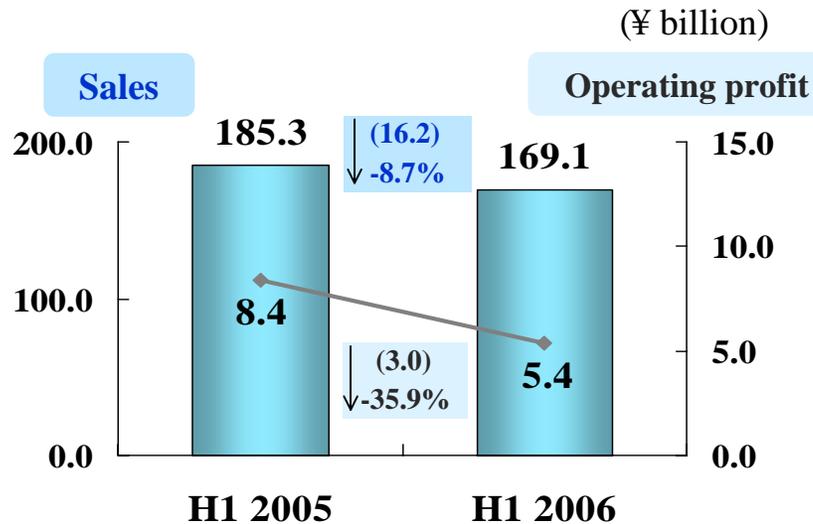
(¥ billion)

	H1 2005		H1 2006	
	Sales	Operating profit	Sales	Operating profit
Chemicals total	318.8	20.2	367.5	20.5
Of which, specialty products	57.1	8.8	63.3	10.3

\* Unaudited, simplified calculation.

## Highlights

- May, market launch of Pellicer™ functional additive for personal care products.
- June, start of propylene production by Omega Process.
- July, start of operation at Asahi Kasei NS Energy, new joint venture for power generation.
- Aug., agreement to transfer polystyrene joint venture shares to Dow Chemical.
- Sep., agreement with Chisso to integrate fertilizer R&D and production operations in joint venture Chisso Asahi Fertilizer.



## Review of operations

Real estate and remodeling operations performed well. Fewer deliveries of order-built unit homes and condominium units. Sales and operating profit decrease.

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

Fewer deliveries of order-built unit homes due to a decrease in orders until the middle of last year. Fewer deliveries of condominium units due to the completion of large condominium construction projects during the year-ago period. Operating profit decrease.

Value of new orders increased 3.7% from the first half a year ago. Strong year-on-year growth in orders for Q1, but decrease for Q2.

### Results by product category\*

(¥ billion)

	H1 2005		H1 2006		Increase (decrease)	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Order-built homes	140.2	/	134.7	/	(5.5)	/
Pre-built homes	20.5		6.0		(14.5)	
Others†	0.4		0.5		0.0	
<b>Total homes</b>	<b>161.1</b>	<b>6.9</b>	<b>141.1</b>	<b>3.5</b>	<b>(20.0)</b>	<b>(3.4)</b>
Housing-related	24.3	1.5	28.0	1.8	3.8	0.4
<b>Total</b>	<b>185.3</b>	<b>8.4</b>	<b>169.1</b>	<b>5.4</b>	<b>(16.2)</b>	<b>(3.0)</b>

### Housing-related operations:

Real estate operations had rising income from rentals. Remodeling operations had increased in maintenance work. Operating profit increase.

## Highlights

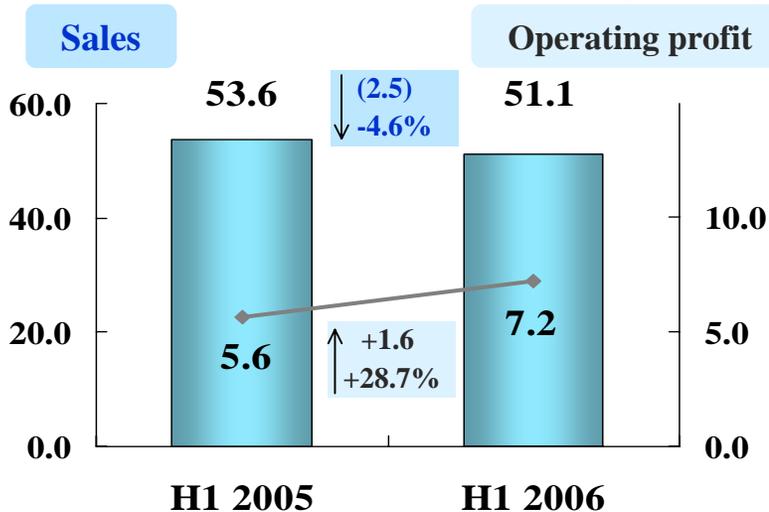
- Aug., start of materials procurement alliance with Sumitomo Forestry and Mitsui Home.
- Sep., market launch of Hebel Haus *Greenplus*<sup>TM</sup>, long life homes with rich greenery in a confined urban setting.

\* Product category division unaudited, simplified calculation.

† Including commissions on property insurance.

(¥ billion)

## Review of operations



### Pharmaceuticals:

Sales decrease due to reimbursement price reductions and lower sales of pharmaceutical intermediates. Operating profit growth with increased shipments of Flivas™ therapy for benign prostatic hyperplasia and income from licensing fasudil hydrochloride, a Rho-kinase inhibitor.

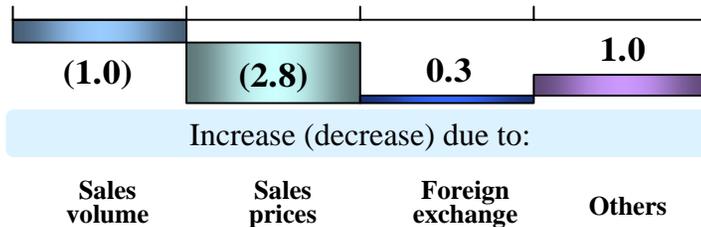
### Devices:

Increased shipments of APS™ polysulfone-membrane artificial kidneys both in Japan and overseas, enabled by expanded production capacity. Heightened productivity at new hollow-fiber membrane spinning plant. Increased exports Planova™ virus removal filters. Operating profit increase.

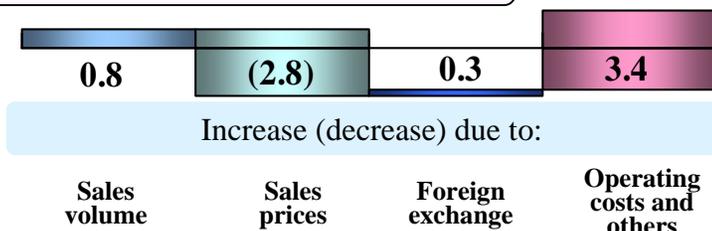
## Highlights

- April, decision to expand artificial kidney assembly plant in China.
- June, establishment of joint venture with Kuraray for production of hollow-fiber membrane for artificial kidneys using ethylene-vinyl alcohol copolymer.
- June, licensing of rights to develop and commercialize oral and inhaled formulations of fasudil hydrochloride to CoTherix of the US.
- Sep., application for Japanese regulatory approval to market ART-123 recombinant human thrombomodulin. Licensing of ART-123 for overseas development.
- Expansion of plant for Planova™ virus removal filters. Completion in Oct. 07.

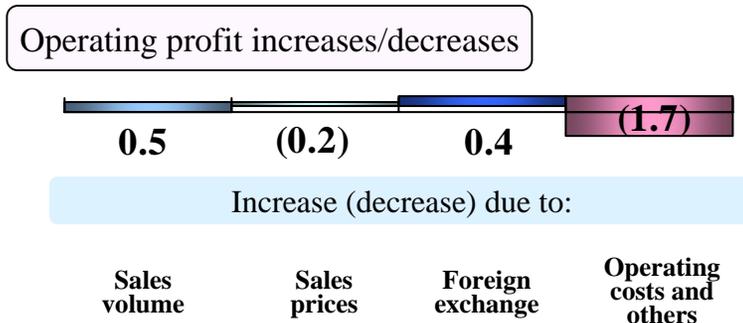
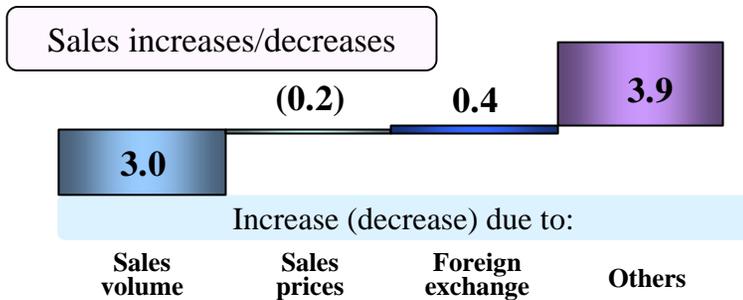
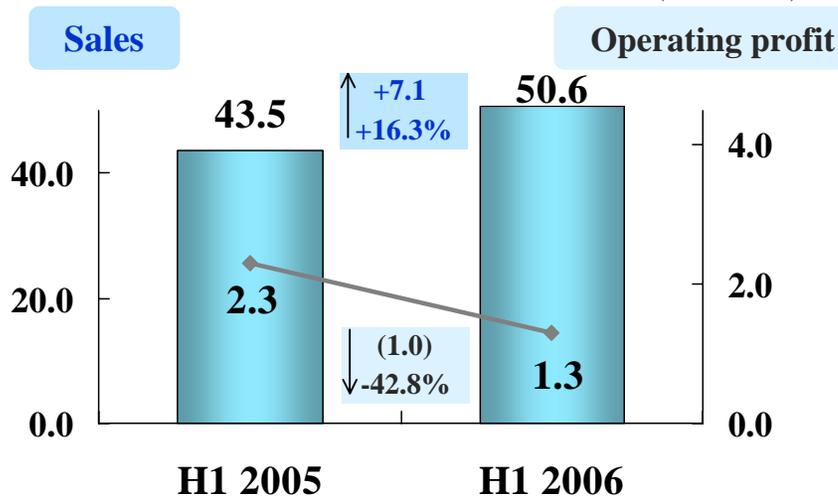
### Sales increases/decreases



### Operating profit increases/decreases



(¥ billion)



## Review of operations

Strong overseas sales of Bemberg™ cupro fiber. High feedstock costs. Lower sales prices for Roica™ elastic polyurethane filament. Sales and operating profit decrease.

Roica™ elastic polyurethane filament:

Increased shipments both in Japan and overseas. Operating profit decrease due to higher feedstock costs and lower sales prices.

Bemberg™ cupro fiber:

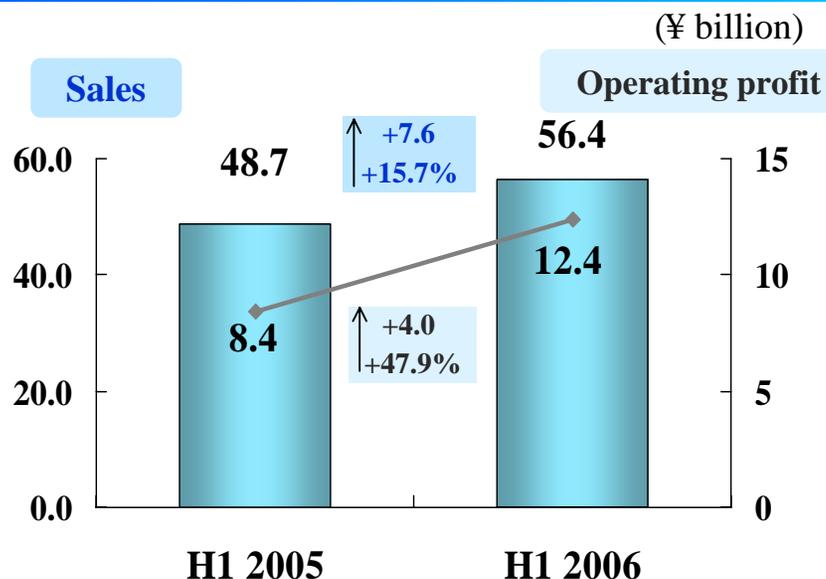
Increased shipments overseas and for linings in Japan. Operating profit decrease with high feedstock costs and effect of a tornado in Sep.

Nonwovens:

Sales price increases not sufficient offset elevated feedstock costs. Operating profit decrease.

## Highlights

- Aug., market launch of Precisé™, a new nonwoven; construction of dedicated plant begun.



## Review of operations

Electronics devices:

Strong demand in cell phone, PC, and other IT and home electronics applications. Growth in shipments of LSIs and Hall ICs. Operating profit increase.

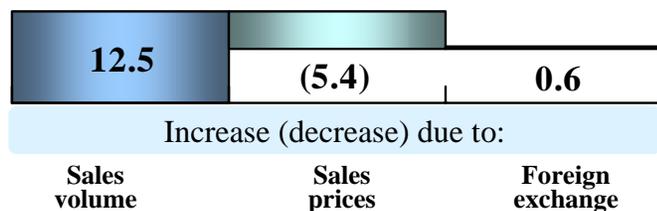
Electronics materials:

Increased shipments of Sunfort™ photosensitive dry film resist (DFR) for printed wiring boards both in Japan and overseas. Increased shipments of ultra-thin glass fabric for printed wiring boards. Operating profit increase.

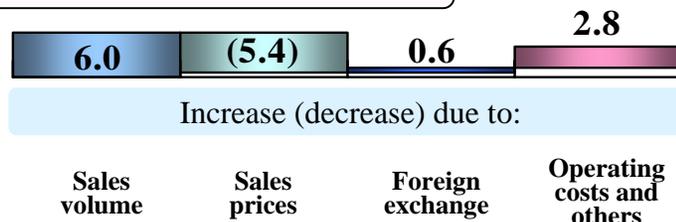
## Highlights

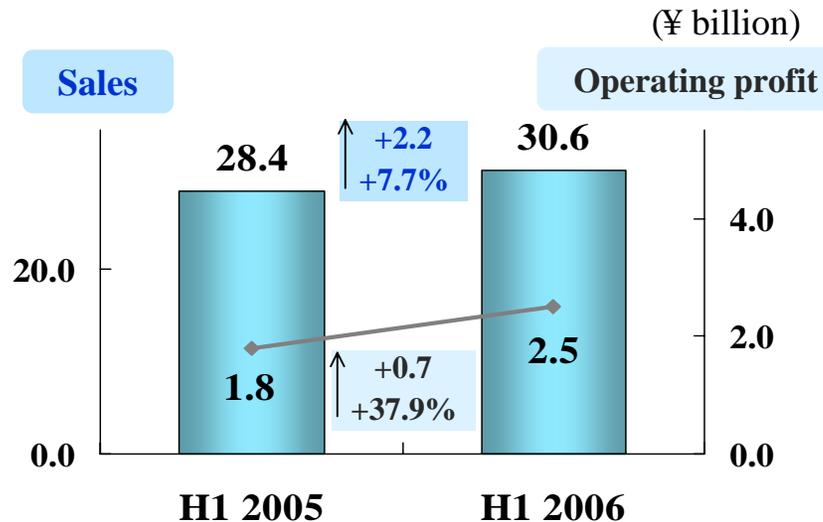
- July, expansion of Sunfort™ DFR plant in China.
- July, market launch of jointly developed information retrieval system with real-time 3D location imaging and cell phone point-and-click functionality.
- Sep., establishment/start-up of subsidiary in Taiwan for sales of pellicles.
- July, announcement of organizational realignment of electronics operations. R&D, marketing, and sales functions of Asahi-Schwebel, Asahi Kasei Electronics, and Asahi Kasei Microsystems to be transferred to Asahi Kasei EMD in Apr. 07.

### Sales increases/decreases



### Operating profit increases/decreases

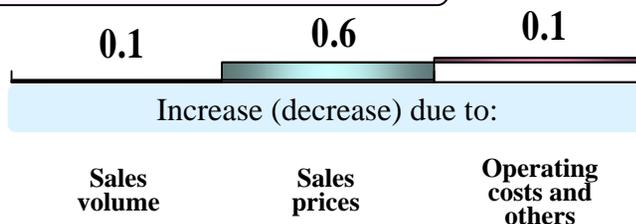




Sales increases/decreases



Operating profit increases/decreases



## Review of operations

### Building materials/housing materials:

Growing sales of Hebel™ autoclaved lightweight concrete (ALC) panels. Growing sales of Hebel Powerboard™ ALC panels with a successful expansion of the user base. Operating profit increase.

### Insulation materials:

Increased shipments of Neoma™ high-performance foam insulation panels with a successful expansion of the user base. Operating profit increase.

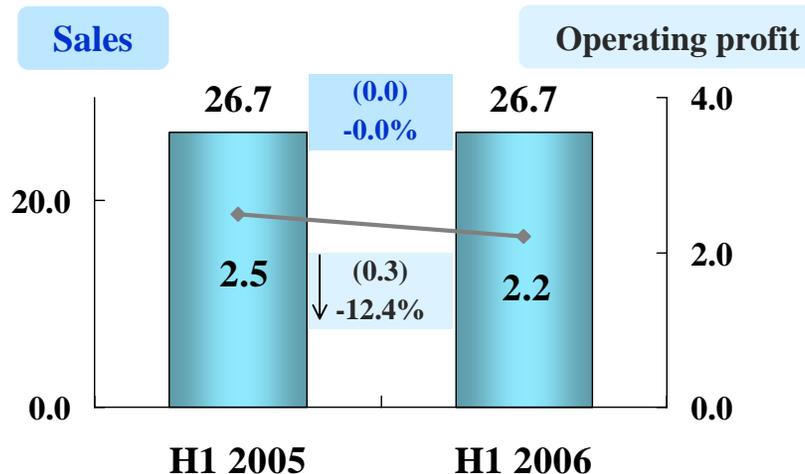
### Foundation systems:

Growth in new applications for Eazet™ and ATT Column™ piles for small-scale construction. Operating profit increase.

## Highlights

- May, market launch of DynaWing™ piling system featuring minimal soil disposal and high bearing capacity.
- Sep., market launch of Freedomut™ system for reinforcement of openings to pass plumbing/wiring through I-beams.

(¥ billion)



## Review of operations

### Home-use products:

Increased shipments of Saran Wrap™ cling film and growing export of Saran™ fiber. Operating profit decrease with higher feedstock costs and advertising expenses.

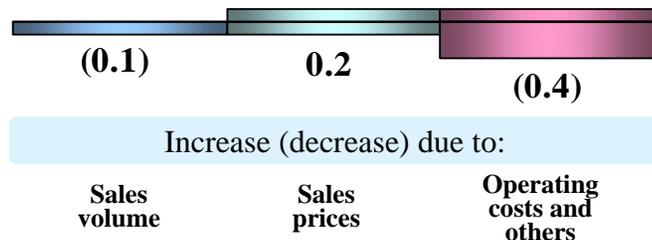
### Packaging products:

Sales price increase and fixed cost reductions not sufficient to offset elevated feedstock costs. Moderate operating profit decrease.

### Sales increases/decreases



### Operating profit increases/decreases



## Highlights

- July, market launch of Saran Wrap™ with limited-edition summer packaging in Tohoku and Shikoku regions.
- Sep., market launch of Cookper™ sheets which adsorb scum and oil from the surface of soups and stews.

# Major subsidiaries

	H1 2006 results				FY 2006 forecast		
	Sales (¥ billion)		Operating profit		Sales	Operating profit	
Asahi Kasei Medical	21.0	<u>increase</u>	<u>profit</u>	<u>increase</u>	<u>increase</u>	<u>profit</u>	<u>increase</u>
Asahi Kasei Microsystems	29.1	<u>increase</u>	<u>profit</u>	<u>increase</u>	<u>increase</u>	<u>profit</u>	<u>increase</u>
Asahi Kasei Electronics	5-7.5	increase	<u>profit</u>	<u>increase</u>	increase	<u>profit</u>	increase
Asahi-Schwebel	5-7.5	<u>increase</u>	<u>profit</u>	<u>increase</u>	<u>increase</u>	<u>profit</u>	<u>increase</u>

Notes:

- Sales increase/decrease on year ago underlined if ¥1 billion or more.
- Profit increase/decrease on year ago underlined if ¥0.5 billion or more.
- Profit/loss underlined if ¥0.5 billion or more.

## Asahi Kasei Medical

**H1 06:** Operating profit increase with increased shipments of APS™ hemodialyzers enabled by expanded production capacity, heightened productivity at hollow-fiber spinning plant, and increased export of Planova™ virus removal filters.

**FY 06 forecast:** Sales and operating profit increase with higher shipments of APS™ and Planova™.

## Asahi Kasei Microsystems

**H1 06:** Sales and operating profit increase with strong demand in cell phone, PC, and other IT and home electronics applications.

**FY 06 forecast:** Increased capital depreciation following plant investments, but sales and operating profit increase with strong demand and expansion of sales.

## Asahi Kasei Electronics

**H1 06:** Sales and operating profit increase with increased shipments of Hall elements in fan motor applications, increased shipments of Hall ICs in cell phone applications, effect of exchange rate, and effect of operating cost reduction.

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

## Asahi-Schwebel, including Asahi-Schwebel Taiwan

**H1 06:** Sales and operating profit increase with greater shipments of ultra-thin glass fabric in Japan and with greater shipments and higher sales prices in Taiwan.

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

# Primary investments by segment

(¥ billion)

	Capital expenditures			Depreciation and amortization		R&D expenditures	
	FY 2005	FY 2006 forecast		FY 2005	H1 2006	FY 2005	H1 2006
		H1					
Chemicals	26.6	27.3	38.7	31.3	15.3	14.8	7.1
Homes	3.6	1.0	4.3	2.4	1.2	1.5	0.8
Pharma	4.9	1.8	7.8	6.4	3.1	13.5	6.1
Fibers	5.4	2.0	7.4	5.3	2.6	2.1	1.3
Electronics Materials & Devices	15.0	9.3	21.4	12.1	6.1	9.7	5.1
Construction Materials	2.3	1.2	2.8	3.1	1.5	0.8	0.4
Life & Living	4.7	2.0	5.2	4.4	2.0	2.5	1.3
Services, Engineering and Others	1.0	0.3	0.7	0.7	0.4	0.1	0.0
Corporate assets and eliminations	2.8	2.8	3.0	3.7	1.9	6.5	3.0
<b>Total</b>	<b>66.3</b>	<b>47.6</b>	<b>91.1</b>	<b>69.4</b>	<b>34.0</b>	<b>51.5</b>	<b>25.2</b>

## Completed in H1 2006

- LSIs – finer process plant at Asahi Kasei Microsystems in Nobeoka, May.\*
- LSIs – plant expansions at Asahi Kasei Microsystems in Nobeoka, Jul.\*
- Thermal power generation – new plant at Asahi Kasei NS Energy in Nobeoka, Jul.\*
- Sunfort™ photosensitive dry film resist for printed wiring board – 100 million m<sup>2</sup>/y capacity increase in Suzhou, China, Jul.
- Hipore™ Li-ion rechargeable battery separator – 36 million m<sup>2</sup>/y capacity increase in Moriyama, Aug.\*
- Microza™ microfiltration membranes – new 30 thousand module/year assembly plant in Hangzhou, China, Sep.

## Under construction at end of Sep. 2006

- Acrylonitrile – propane-process plant at Tong Suh Petrochemical in Korea, Dec. 06.
- Extruded sheet for light diffusion plates – new 4 kt/y plant in Korea, Dec. 06.
- APS™ polysulfone-membrane hemodialyzers – 3.6 million module/y capacity increase of assembly plant in Hangzhou, China, Apr. 07.
- Duranate™ hexamethylene diisocyanate – new 10 kt/y plant in Nantong, China, spring 07.\*
- Precisé™ nonwovens – new 2 kt/y plant in Moriyama, autumn 07.
- EVOH hollow-fiber membrane for hemodialyzers – new 4 million module/y plant in Nobeoka at A-K Membrane Manufacturing Co., joint venture between Asahi Kasei Medical and Kuraray Medical, May 08.

\* Investment of ¥3 billion or more.

# 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 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	H1	134.7 (-3.9%)	6.0 (-70.7%)	0.5	141.1 (-12.4%)	28.0 (+15.2%)	169.1 (-8.7%)	156.1 (+3.7%)	325.3
	H2 forecast	185.8 (+3.6%)	25.0 (+91.6%)	0.3	211.2 (+9.4%)	29.7 (+13.8%)	240.9 (+9.9%)	163.9 (+0.6%)	303.4
	annual	320.5 (+0.3%)	31.0 (-7.7%)	0.8	352.3 (-0.5%)	57.7 (+14.5%)	410.0 (+1.4%)	320.0 (+2.1%)	

\* Including commissions on property insurance.

# Homes (ii)

## Breakdown of H1 2006 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	89.4	+1.5%	3,382	-3.2%	97.9	+0.5%	3,412	-9.1%
	3+ story	35.5	-13.6%	1,359	-15.7%	39.1	+3.8%	1,392	+0.1%
	Total	124.9	-3.3%	4,741	-7.1%	137.0	+1.4%	4,804	-6.6%
Multi-dwelling homes	1-2 story	3.8	-5.3%	384	+5.2%	7.2	+37.5%	754	+34.4%
	3+ story	6.0	-13.9%	611	-9.1%	11.9	+17.1%	1,018	-2.3%
	Total	9.8	-10.8%	995	-4.1%	19.1	+24.0%	1,772	+10.5%
Order-built homes total		134.7	-3.9%	5,736	-6.6%	156.1	+3.7%	6,576	-2.6%
Pre-built homes (including condominiums)		6.0	-70.7%	242	-57.4%	–	–	–	–
Other sales*		0.5	+5.5%	–	–	–	–	–	–
Total		141.1	-12.4%	5,978	-10.9%	156.1	+3.7%	6,576	-2.6%
Consolidated subsidiaries		28.0	+15.2%	–	–	–	–	–	–
Consolidated		169.1	-8.7%	5,978	-10.9%	156.1	+3.7%	6,576	-2.6%

\* Including commissions on property insurance.

# Homes (iii)

## Breakdown of sales and orders forecast for FY 2006

		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	204.7	+3.2%	7,750	-2.1%	200.0	-0.5%	7,240	-7.4%
	3+ story	83.0	-7.4%	3,380	-8.1%	81.9	+2.9%	3,010	-1.4%
	Total	287.7	-0.1%	11,130	-4.0%	281.9	+0.5%	10,250	-5.7%
Multi-dwelling homes	1-2 story	12.5	+5.7%	1,300	+11.3%	12.6	+9.1%	1,360	+10.8%
	3+ story	20.3	+3.3%	2,030	+4.7%	25.5	+20.2%	2,290	+4.2%
	Total	32.8	+4.2%	3,330	+7.2%	38.1	+16.2%	3,650	+6.6%
Order-built homes total		320.5	+0.3%	14,460	-1.6%	320.0	+2.1%	13,900	-2.8%
Pre-built homes (including condominiums)		31.0	-7.7%	840	-13.1%	-	-	-	-
Other sales*		0.8	-25.0%	-	-	-	-	-	-
Total		352.3	-0.5%	15,300	-2.4%	320.0	+2.1%	13,900	-2.8%
Consolidated subsidiaries		57.7	+14.5%	-	-	-	-	-	-
Consolidated		410.0	+1.4%	15,300	-2.4%	320.0	+2.1%	13,900	-2.8%

\* Including commissions on property insurance.

## Performance of main subsidiaries

(¥ billion)

	H1 2005		H1 2006	
	Sales	Operating profit	Sales	Operating profit
Asahi Kasei Reform	10.7	0.7	12.1	0.9
Asahi Kasei Real Estate	12.7	0.5	14.8	0.7

## Overview of operations

### Asahi Kasei Reform

Increased sales and operating profit in H1 2006 for the remodeling subsidiary, with effect of structural realignment and reorganization undertaken two years ago, steady increase in maintenance work such as roofing and repainting and growth in orders for renovations such as bathroom replacement. Sales and operating profit increase forecast for FY 2006.

### Asahi Kasei Real Estate

Sales and operating profit increase with growth in rental homes and sales of used Hebel Haus™ homes. Decreased sales of condominiums as no large condominium construction projects were completed during the period. Sales and operating profit increase forecast for FY 2006.

## Sales of Asahi Kasei Pharma Corporation (¥ billion)

		FY 2005		FY 2006	
		H1		H1	forecast
	Pharmaceuticals	24.7	48.5	24.8	51.1
	Others	7.6	12.7	2.9	6.3
Non-consolidated		32.2	61.1	27.7	57.4
Asahi Kasei Medical		19.0	40.1	21.0	43.7
Others		2.4	4.6	2.3	5.8
Consolidated		53.6	105.8	51.1	107.0

## Main pharmaceuticals domestic sales

	FY 2005		FY 2006	
	H1		H1	forecast
Elcitonin™	8.2	15.2	7.1	13.7
Bredinin™	3.1	6.1	3.0	6.0
Flivas™	4.5	9.1	4.6	9.5
Toledomin™	3.1	6.2	3.0	6.1
Exacin™	0.6	1.2	0.5	1.1
Ricamycin™	0.3	0.7	0.2	0.6
Eril™	0.7	1.5	0.7	1.4

## 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
Pending approval	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

## – 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.