

**Fiscal 2008 2nd Quarter
Financial Results**
– supplementary financial summary –

November 5, 2008
Asahi Kasei Corporation

Consolidated results for 1st half fiscal year 2008

Summary of financial results	4–5
Statements of income	6
Financial activity	7
Special gains and losses	8
Balance sheets	9
Cash flows and primary investments	10
Sales and profit by segment	11–14

Forecast for fiscal year 2008

Consolidated operating performance	16
Forecast by segment	17–18
Appendix	
Overview of results by segment	20–33
Primary investments by segment	34
Major plant investments	35

Consolidated results for 1st half fiscal year 2008

Summary of financial results (i)

AsahiKASEI

(¥ billion)

	H1 2007	H1 2008		H1 2008 vs. H1 2007		result vs. forecast	
	Result	Result	Forecast in Aug.	Increase (decrease)	% change	Increase (decrease)	% change
Net sales	830.8	843.2	858.0	12.4	+1.5%	(14.8)	-1.7%
<i>Of which, overseas sales</i>	253.9	236.9	—	(17.0)	-6.7%	—	—
Operating profit	63.7	40.1	38.0	(23.6)	-37.0%	2.1	+5.6%
Ordinary profit	63.1	40.7	37.0	(22.5)	-35.6%	3.7	+9.9%
Net income	38.0	23.4	22.0	(14.6)	-38.4%	1.4	+6.4%

At closing	Mar. 2008	Sep. 2008	Increase (decrease)
Total assets	1,425.4	1,491.3	65.9
Equity	666.2	670.3	4.0
Interest-bearing debt	211.4	241.3	29.9
Debt/equity ratio	0.32	0.36	0.04

Summary of financial results (ii)

Asahi**KASEI**

	H1 2007	H1 2008
Dividends per share	¥6	¥7
Net income per share (EPS)	¥54.36*	¥33.49*
Net income per total assets (ROA)	5.2%*	3.2%*
Net income per shareholders' equity (ROE)	11.6%*	7.0%*
Shareholders' equity per share (BPS)	¥473.43	¥479.31

* Annualized.

Scope of consolidation

Number of consolidated subsidiaries	105	106
Number of unconsolidated subsidiaries and affiliate companies for which the equity method is applied	51	50

Key operating factors

Naphtha price (¥/kL, domestic)	58,750	78,350
¥/US\$ exchange rate (market average)	119	106
Employees at end of period	24,295	24,330

Statements of income

Asahi**KASEI**

(¥ billion)

	H1 2007		H1 2008		Increase (decrease)	% change
		% of sales		% of sales		
Net sales	830.8	100.0%	843.2	100.0%	12.4	+1.5
Cost of sales	627.2	75.5%	658.0	78.0%	30.8	+4.9
Gross profit	203.6	24.5%	185.2	22.0%	(18.4)	-9.0
Selling, general and administrative expenses	139.9	16.8%	145.1	17.2%	5.1	+3.7
Operating profit	63.7	7.7%	40.1	4.8%	(23.6)	-37.0
Non-operating expenses	(0.5)		0.5		1.1	
of which,						
financing income and expense	0.3		0.0		(0.2)	
equity in net earnings of unconsolidated subsidiaries and affiliates	2.2		0.6		(1.6)	
Ordinary profit	63.1	7.6%	40.7	4.8%	(22.5)	-35.6
Special gains and losses	(6.3)		(1.4)		5.0	
Income before income taxes and minority interest	56.8	6.8%	39.3	4.7%	(17.5)	-30.8
Income taxes	(18.5)		(15.4)		3.1	
Minority interest in income of consolidated subsidiaries	(0.2)		(0.5)		(0.3)	
Net income	38.0	4.6%	23.4	2.8%	(14.6)	-38.4

Financing activity

Net financing expenses

	H1 2007	H1 2008
Interest expense	(2.1)	(2.1)
Interest income	0.4	0.6
Dividend income	2.1	1.6
Others	(0.0)	(0.0)
Total	0.3	0.0

(¥ billion)

Increase (decrease)
0.0
0.2
(0.5)
0.0
(0.2)

Interest-bearing debt

At end of	Sep. 2007	Mar. 2008	Sep. 2008
Short-term borrowings	57.9	43.2	47.1
Commercial Paper	–	55.0	95.0
Long-term borrowings	69.2	63.2	68.5
Bonds	62.0	50.0	30.0
Lease obligations	–	–	0.7
Total	189.2	211.4	241.3

(¥ billion)

Mar.–Sep. 08 increase (decrease)
3.9
40.0
5.3
(20.0)
0.7
29.9

Special gains and losses

(¥ billion)

	H1 2007	H1 2008	Increase (decrease)
Special gains			
Gain on sales of investment securities	0.6	0.0	(0.6)
Gain on sales of property, plant and equipment	0.1	0.1	(0.0)
Total special gains	0.7	0.1	(0.6)
Special losses			
Loss on write-down of investment securities	0.1	0.2	0.1
Loss on disposal of property, plant and equipment	1.7	1.0	(0.6)
Loss on impairment of assets	4.4	0.2	(4.2)
Restructuring charges	0.8	–	(0.8)
Total special losses	7.0	1.4	(5.6)
Net special gains (losses)	(6.3)	(1.4)	5.0

Balance sheets

AsahiKASEI

(¥ billion)

	At end of Mar. 2008	At end of Sep. 2008	Increase (decrease)		At end of Mar. 2008	At end of Sep. 2008	Increase (decrease)
Current assets	740.1	774.3	34.2	Liabilities	751.2	813.4	62.2
Cash on hand and in banks	82.9	59.8	(23.1)	Current liabilities	513.4	592.1	78.7
Notes and accounts receivable, trade	298.8	305.8	7.0	Long-term liabilities	237.8	221.3	(16.5)
Inventories	272.4	309.4	37.1	Net assets	674.2	677.9	3.8
Other current assets	86.0	99.2	13.2	Shareholders' equity	613.0	627.5	14.4
Fixed assets	685.3	717.0	31.7	Common stock	103.4	103.4	–
Property, plant and equipment	424.2	438.7	14.5	Capital surplus	79.4	79.4	0.0
Intangible fixed assets	26.2	36.8	10.6	Retained earnings	432.2	446.7	14.5
Investments and other assets	234.9	241.5	6.6	Treasury stock, at cost	(2.0)	(2.1)	(0.1)
				Valuation, translation adjustments and others	53.2	42.8	(10.4)
				Minority interest in consolidated subsidiaries	7.9	7.7	(0.3)
Total assets	1,425.4	1,491.3	65.9	Total liabilities and net assets	1,425.4	1,491.3	65.9

Cash flows and primary investments

Cash flows

(¥ billion)

	H1 2007	H1 2008
a. Cash flows from operating activities	43.5	27.2
b. Cash flows from investing activities	(32.0)	(68.0)
c. Free cash flows [a+b]	11.5	(40.8)
d. Cash flows from financing activities	(37.6)	20.3
e. Effect of exchange rate changes on cash and cash equivalents	0.4	(2.3)
f. Net increase (decrease) in cash and cash equivalents [c+d+e]	(25.7)	(22.9)
g. Cash and cash equivalents at beginning of period	101.7	83.0
h. Cash and cash equivalents held by newly consolidated subsidiaries	—	—
I. Cash and cash equivalents at end of period [f+g+h]	76.0	60.1

Primary investments

(¥ billion)

	FY 2007		FY 2008	
	H1 2007	FY 2007	H1 2008	forecast
Capital expenditures, fixed assets	35.3	75.7	50.7	100.0
Capital expenditures, intangible fixed assets	3.4	7.2	16.2	25.0
Depreciation and amortization	35.9	74.0	37.5	83.0
R&D expenditures	26.7	56.2	29.6	60.0

H1 08 vs. H1 07 sales and operating profit by segment **AsahiKASEI**

(¥ billion)

	Sales			Operating profit			H1 2008 forecast in Aug.	
	H1 2007	H1 2008	Increase (decrease)	H1 2007	H1 2008	Increase (decrease)	Sales	Operating profit
Chemicals	446.4	453.2	6.8	36.2	18.5	(17.7)	460.0	16.5
Homes	166.9	170.3	3.4	4.8	3.0	(1.8)	173.0	3.0
Pharma	54.8	62.8	8.0	7.7	10.2	2.4	63.0	10.0
Fibers	56.9	55.9	(1.1)	3.5	1.7	(1.8)	56.0	1.5
Electronics Materials & Devices	57.7	55.8	(1.9)	11.5	8.2	(3.2)	58.0	9.0
Construction Materials	29.9	31.3	1.4	2.1	0.8	(1.3)	30.0	0.5
Services, Engineering and Others	18.1	13.9	(4.2)	2.7	3.1	0.3	18.0	2.5
Corporate Expenses and Eliminations	—	—	—	(4.9)	(5.3)	(0.5)	—	(5.0)
Consolidated	830.8	843.2	12.4	63.7	40.1	(23.6)	858.0	38.0

Overseas sales by segment

Asahi**KASEI**

(¥ billion)

	H1 2007			H1 2008			Increase (decrease)	
	Total sales	Overseas sales	% of total	Total sales	Overseas sales	% of total		% change
Chemicals	446.4	189.8	42.5	453.2	173.9	38.4	(15.9)	-8.4
Homes	166.9	–	–	170.3	–	–	–	–
Pharma	54.8	14.2	25.9	62.8	14.9	23.7	0.7	+4.6
Fibers	56.9	19.8	34.8	55.9	19.3	34.6	(0.5)	-2.6
Electronics Materials & Devices	57.7	24.9	43.2	55.8	24.8	44.5	(0.1)	-0.2
Construction Materials	29.9	–	–	31.3	–	–	–	–
Services, Engineering and Others	18.1	5.1	28.3	13.9	3.9	28.4	(1.2)	-22.9
Total	830.8	253.9	30.6	843.2	236.9	28.1	(17.0)	-6.7
Sales to East Asia*		153.5	18.5		142.5	16.9	(11.1)	-7.2

Sales, excluding Homes and
Construction Materials

633.9 253.9 40.0 641.6 236.9 36.9

* China, Korea and Taiwan.

Sales increases/decreases by segment

AsahiKASEI

(¥ billion)

	Sales		Increase (decrease) due to:				Net increase (decrease)
	H1 2007	H1 2008	Sales volume	Sales prices	of which, due to foreign exchange	Others	
Chemicals	446.4	453.2	(21.9)	21.6	(10.0)	7.2	6.8
Homes	166.9	170.3	1.0	1.4	–	1.0	3.4
Pharma	54.8	62.8	4.6	(2.9)	(0.3)	6.3	8.0
Fibers	56.9	55.9	(1.3)	0.3	(1.2)	0.0	(1.1)
Electronics Materials & Devices	57.7	55.8	2.3	(3.8)	(1.6)	(0.3)	(1.9)
Construction Materials	29.9	31.3	1.1	0.3	–	0.0	1.4
Services, Engineering and Others	18.1	13.9	(4.2)	0.0	0.0	0.0	(4.2)
Total	830.8	843.2	(18.6)	16.8	(13.1)	14.2	12.4

1

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

(¥ billion)

	Operating profit		Increase (decrease) due to:				Net increase (decrease)
	H1 2007	H1 2008	Sales volume	Sales prices	of which, due to foreign exchange	Operating costs and others	
Chemicals	36.2	18.5	(2.3)	21.6	(10.0)	(37.0)	(17.7)
Homes	4.8	3.0	(0.4)	1.4	–	(2.8)	(1.8)
Pharma	7.7	10.2	3.5	(2.9)	(0.3)	1.8	2.4
Fibers	3.5	1.7	(0.2)	0.3	(1.2)	(1.9)	(1.8)
Electronics Materials & Devices	11.5	8.2	0.6	(3.8)	(1.6)	(0.0)	(3.2)
Construction Materials	2.1	0.8	0.3	0.3	–	(1.9)	(1.3)
Services, Engineering and Others	2.7	3.1	0.3	0.0	0.0	0.0	0.3
Corporate Expenses and Eliminations	(4.9)	(5.3)	–	–	–	(0.5)	(0.5)
Total	63.7	40.1	2.0	16.8	(13.1)	(42.4)	(23.6)

Forecast for fiscal year 2008

Consolidated operating performance

Asahi**KASEI**

(¥ billion)

	FY 2007			FY 2008 forecast			Increase (decrease)	FY 2008 forecast in May
	H1	H2	Total	H1	H2 forecast	Total		
Net sales	830.8	866.0	1,696.8	843.2	895.8	1,739.0	42.2	1,810.0
Operating profit	63.7	64.0	127.7	40.1	54.9	95.0	(32.7)	128.0
Ordinary profit	63.1	57.3	120.5	40.7	54.3	95.0	(25.5)	125.0
Net income	38.0	31.9	69.9	23.4	31.6	55.0	(14.9)	75.0

Naphtha price (¥/kL, domestic)	58,750	64,150	61,450	78,350	55,000	66,675	5,225	68,000
¥/US\$ exchange rate (market average)	119	109	114	106	100	103	(11)	105

	FY 2007	FY 2008
Dividends per share	¥13	¥14 (planned)
Payout ratio	26.0%	35.6%

Sales forecast by segment

Asahi**KASEI**

(¥ billion)

	FY 2007			FY 2008 forecast			Increase (decrease)	FY 2008 forecast in May
	H1	H2	Total	H1	H2 forecast	Total		
Chemicals	446.4	432.8	879.2	453.2	425.8	879.0	(0.2)	912.0
Homes	166.9	219.3	386.2	170.3	241.7	412.0	25.8	422.0
Pharma	54.8	56.4	111.2	62.8	62.2	125.0	13.8	127.0
Fibers	56.9	57.1	114.1	55.9	59.1	115.0	0.9	122.0
Electronics Materials & Devices	57.7	55.6	113.3	55.8	62.2	118.0	4.7	129.0
Construction Materials	29.9	25.8	55.7	31.3	30.7	62.0	6.3	63.0
Services, Engineering and Others	18.1	19.0	37.0	13.9	14.1	28.0	(9.0)	35.0
Consolidated	830.8	866.0	1,696.8	843.2	895.8	1,739.0	42.2	1,810.0

Operating profit forecast by segment

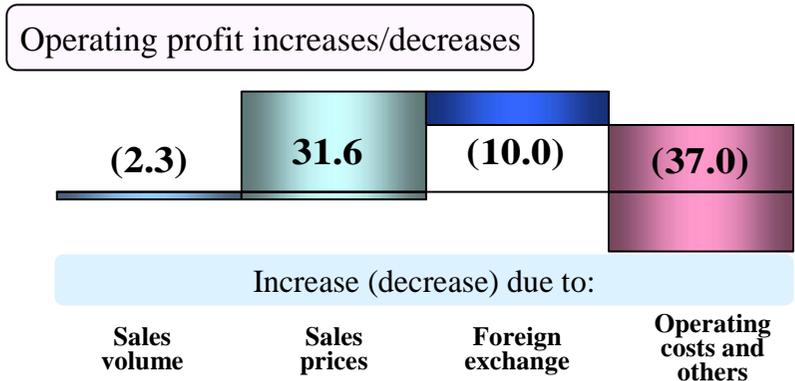
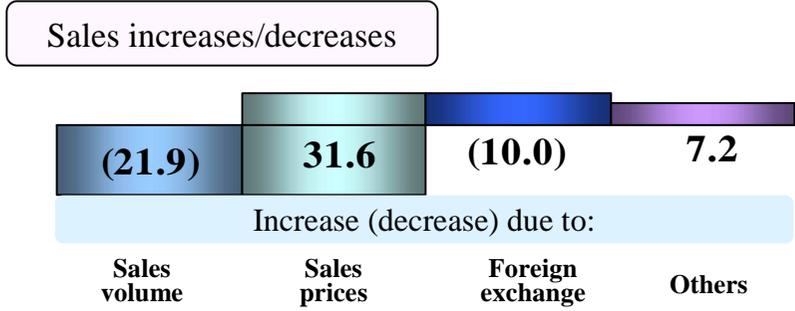
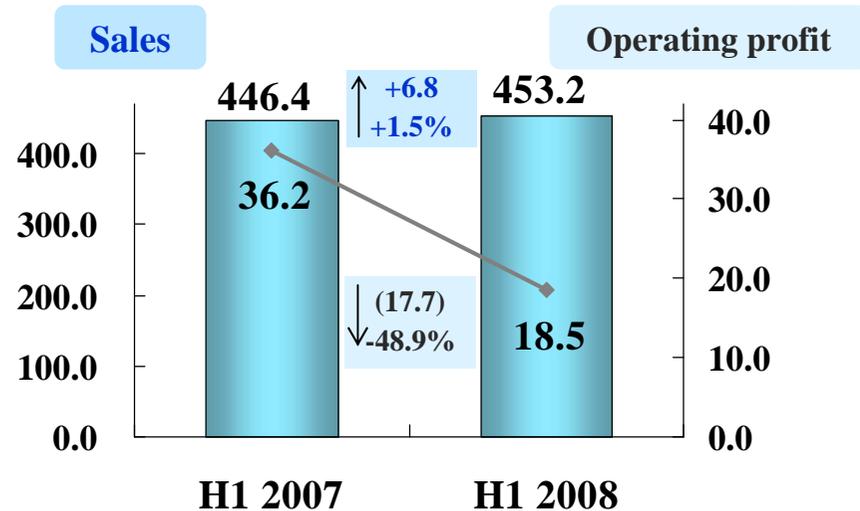
AsahiKASEI

(¥ billion)

	FY 2007			FY 2008 forecast			Increase (decrease)	FY 2008 forecast in May
	H1	H2	Total	H1	H2 forecast	Total		
Chemicals	36.2	29.0	65.2	18.5	25.0	43.5	(21.7)	60.0
Homes	4.8	16.5	21.4	3.0	20.0	23.0	1.6	26.0
Pharma	7.7	4.9	12.7	10.2	4.8	15.0	2.3	16.0
Fibers	3.5	3.7	7.2	1.7	0.3	2.0	(5.2)	6.0
Electronics Materials & Devices	11.5	10.8	22.2	8.2	5.8	14.0	(8.2)	20.5
Construction Materials	2.1	0.7	2.8	0.8	0.7	1.5	(1.3)	4.0
Services, Engineering and Others	2.7	2.4	5.2	3.1	1.9	5.0	(0.2)	4.5
Corporate Expenses and Eliminations	(4.9)	(4.1)	(9.0)	(5.3)	(3.7)	(9.0)	0.0	(9.0)
Consolidated	63.7	64.0	127.7	40.1	54.9	95.0	(32.7)	128.0

Appendix

(¥ billion)



Review of operations

Higher product prices with of feedstock cost increases. Sales increase. Sharp impact of higher feedstock costs for volume products. Operating profit decrease.

Volume products:

Chemicals and derivative products

Higher feedstock costs, deterioration of overseas demand, and strong yen impacting main monomer products. Operating profit decrease.

Polymer products

Increased shipment volumes. Higher feedstock costs. Operating profit decrease.

Specialty products:

Growth of Hipore™ Li-ion rechargeable battery separators with strong demand. Higher feedstock costs. Operating profit decrease.

Results for specialty products*

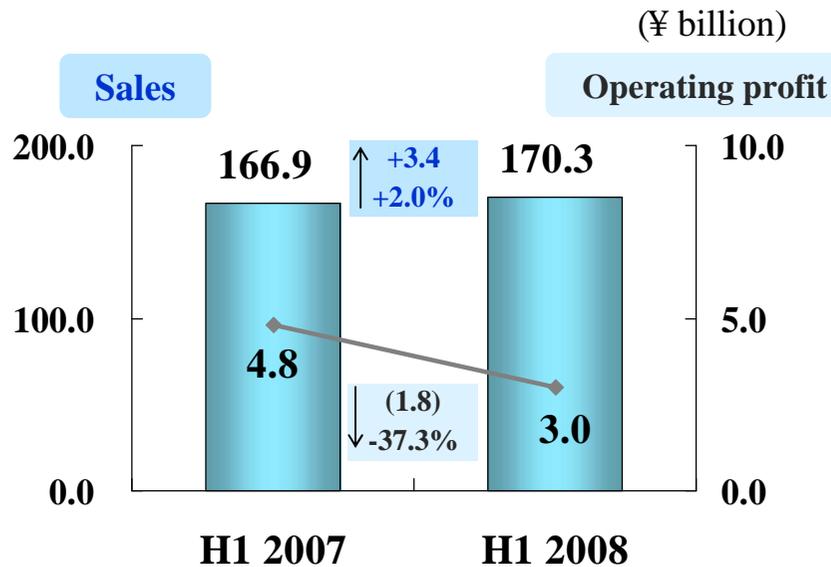
(¥ billion)

	H1 2007		H1 2008	
	Sales	Operating profit	Sales	Operating profit
Chemicals total	446.4	36.2	453.2	18.5
Of which, specialty products	96.2	14.3	100.3	12.6

* Unaudited, simplified calculation.

Highlights

- April, launch of wastewater recycling business; first order received for wastewater recycling service in Suzhou, China.
- June, start of utilization of wood biomass fuel for power generation.



Results by product category*

(¥ billion)

	H1 2007		H1 2008		Increase (decrease)	
	Sales	Operating profit	Sales	Operating profit	Sales	Operating profit
Order-built homes	131.2	/	129.4	/	(1.8)	/
Pre-built homes	5.0		6.0		1.0	
Others†	0.4		0.7		0.3	
Total homes	136.6	2.7	136.0	0.6	(0.6)	(2.1)
Housing-related	30.3	2.1	34.3	2.5	4.0	0.4
Total	166.9	4.8	170.3	3.0	3.4	(1.8)

* Product category division unaudited, simplified calculation.

† Including commissions on property insurance.

Review of operations

Good performance in remodeling operations. Fewer deliveries of order-built homes. Sales increase, but operating profit decrease.

Order-built and pre-built homes:

- Fewer deliveries and higher materials costs. Operating profit decrease.
- Value of new orders increased 2.3% from the first half a year ago, maintaining growth since July and overcoming a decline in Q1 2008.

Housing-related operations:

Good performance in remodeling operations with increased maintenance work such as reroofing and repainting. Operating profit increase.

Highlights

- Aug., launch of Safole™ as product brand for Hebel Maison™ apartments featuring heightened security for single urban working women.
- Aug., market launch of geothermal heat pump system for hot-water supply and room heating/cooling.
- Sep., market launch of Fine Hebel Haus™ long life home with high-endurance thermal insulation/airtight structure.
- Sep., market launch of heating/cooling system utilizing Cubit™ 3-D honeycomb structure knit from Asahi Kasei Fibers.

Homes (ii)

Sales and order trends

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

		Value of new orders during the term	Sales of order-built homes	Sales of pre-built homes	Other sales*	Unconsolidated	Consolidated subsidiaries	Consolidated	Order backlog
FY 04	H1	153.1 (-5.2%)	138.9 (+14.6%)	6.6 (+25.3%)	0.5	146.0 (+15.0%)	21.3 (+1.9%)	167.3 (+13.2%)	333.2
	H2	148.7 (-5.1%)	171.9 (+7.5%)	13.6 (-55.9%)	0.6	186.0 (-2.8%)	22.5 (+0.9%)	208.5 (-2.3%)	310.1
	annual	301.8 (-5.1%)	310.7 (+10.6%)	20.1 (-44.1%)	1.1	332.0 (+4.3%)	43.8 (+1.6%)	375.8 (+4.0%)	
FY 05	H1	150.4 (-1.7%)	140.2 (+0.9%)	20.5 (+213.0%)	0.4	161.1 (+10.4%)	24.3 (+14.1%)	185.3 (+10.8%)	320.4
	H2	162.9 (+9.5%)	179.3 (+4.3%)	13.1 (-3.6%)	0.6	193.0 (+3.8%)	26.1 (+16.0%)	219.2 (+5.1%)	304.0
	annual	313.3 (+3.8%)	319.4 (+2.8%)	33.6 (+67.0%)	1.1	354.1 (+6.7%)	50.4 (+15.1%)	404.5 (+7.7%)	
FY 06	H1	156.1 (+3.7%)	134.7 (-3.9%)	6.0 (-70.9%)	0.5	141.1 (-12.4%)	28.0 (+15.2%)	169.1 (-8.7%)	325.3
	H2	147.3 (-9.6%)	182.9 (+2.0%)	23.0 (+75.8%)	0.5	206.4 (+6.9%)	30.2 (+15.7%)	236.6 (+7.9%)	289.8
	annual	303.4 (-3.2%)	317.6 (-0.6%)	28.9 (-13.8%)	1.0	347.5 (-1.9%)	58.2 (+15.5%)	405.7 (+0.3%)	
FY 07	H1	153.6 (-1.5%)	131.2 (-2.6%)	5.0 (-16.5%)	0.4	136.6 (-3.2%)	30.3 (+8.2%)	166.9 (-1.3%)	312.3
	H2	152.5 (+3.5%)	165.9 (-9.3%)	19.5 (-15.1%)	0.5	186.0 (-9.9%)	33.3 (+10.3%)	219.3 (-7.3%)	298.8
	annual	306.1 (+0.9%)	297.1 (-6.5%)	24.5 (-15.4%)	1.0	322.5 (-7.2%)	63.7 (+9.5%)	386.2 (-4.8%)	
FY 08	H1	157.1 (+2.3%)	129.4 (-1.4%)	6.0 (+19.4%)	0.7	136.0 (-0.4%)	34.3 (+13.2%)	170.3 (+2.0%)	326.6
	H2 forecast	160.9 (+5.5%)	178.6 (+7.7%)	25.0 (+28.3%)	0.3	204.0 (+9.7%)	37.7 (+12.9%)	241.7 (+10.2%)	308.8
	annual	318.0 (+3.9%)	308.0 (+3.7%)	31.0 (+26.6%)	1.0	340.0 (+5.4%)	72.0 (+13.0%)	412.0 (+6.7%)	

* Including commissions on property insurance.

Homes (iii)

Breakdown of H1 2008 sales and orders

(% change from H1 2007)

		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	86.2	-1.0%	3,064	-3.3%	101.0	+2.5%	3,283	-3.9%
	3+ story	31.2	-0.5%	901	-6.0%	36.6	+4.8%	1,197	-3.2%
	Total	117.4	-0.8%	3,965	-4.0%	137.6	+3.1%	4,480	-3.7%
Multi-dwelling homes	1-2 story	5.3	-3.4%	533	-7.6%	7.7	+8.2%	687	+1.5%
	3+ story	6.6	-8.0%	650	-12.6%	11.9	-9.1%	1,245	-2.2%
	Total	12.0	-6.0%	1,183	-10.4%	19.6	-3.0%	1,932	-0.9%
Order-built homes total		129.4	-1.4%	5,148	-5.5%	157.1	+2.3%	6,412	-2.9%
Pre-built homes (including condominiums)		6.0	+19.4%	169	+15.0%	–	–	–	–
Other sales*		0.7	+67.5%	–	–	–	–	–	–
Total		136.0	-0.4%	5,317	-5.0%	157.1	+2.3%	6,412	-2.9%
Consolidated subsidiaries		34.3	+13.2%	–	–	–	–	–	–
Consolidated		170.3	+2.0%	5,317	-5.0%	157.1	+2.3%	6,412	-2.9%

* Including commissions on property insurance.

Homes (iv)

Breakdown of sales and orders forecast for FY 2008

(% change from FY 2007)

		Net sales		Number of units sold		Orders received			
		(¥ billion)	(% change)	(units)	(% change)	(¥ billion)	(% change)	(units)	(% change)
Unit homes	1-2 story	200.7	+4.6%	6,960	+1.4%	202.6	+4.1%	6,870	-0.2%
	3+ story	70.8	+1.4%	2,340	-6.3%	75.8	+4.6%	2,640	+1.1%
	Total	271.5	+3.7%	9,300	-0.7%	278.4	+4.2%	9,510	+0.1%
Multi-dwelling homes	1-2 story	14.9	+10.7%	1,370	+0.2%	14.5	+7.8%	1,330	+1.8%
	3+ story	21.7	-1.1%	2,050	-7.9%	25.1	-1.8%	2,460	-0.6%
	Total	36.5	+3.3%	3,420	-4.8%	39.6	+1.4%	3,790	+0.2%
Order-built homes total		308.0	+3.7%	12,720	-1.8%	318.0	+3.9%	13,300	+0.2%
Pre-built homes (including condominiums)		31.0	+26.6%	800	+26.8%	–	–	–	–
Other sales*		1.0	+3.9%	–	–	–	–	–	–
Total		340.0	+5.4%	13,520	-0.5%	318.0	+3.9%	13,300	+0.2%
Consolidated subsidiaries		72.0	+13.0%	–	–	–	–	–	–
Consolidated		412.0	+6.7%	13,520	-0.5%	318.0	+3.9%	13,300	+0.2%

* Including commissions on property insurance.

Performance of main subsidiaries

(¥ billion)

	H1 2007		H1 2008	
	Sales	Operating profit	Sales	Operating profit
Asahi Kasei Reform	13.3	1.1	15.7	1.6
Asahi Kasei Real Estate	16.0	0.7	17.5	0.6

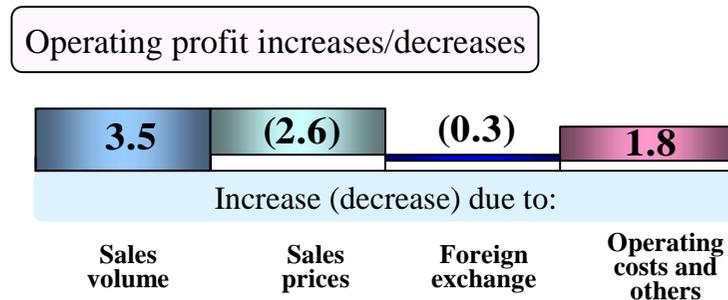
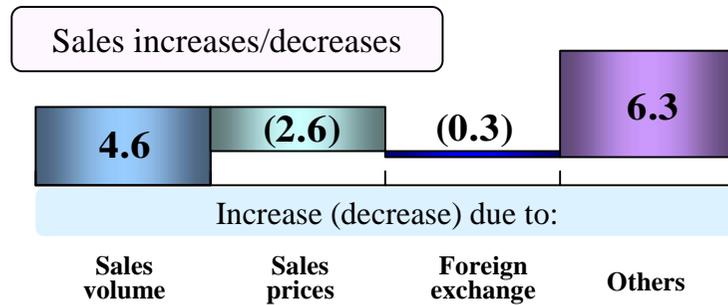
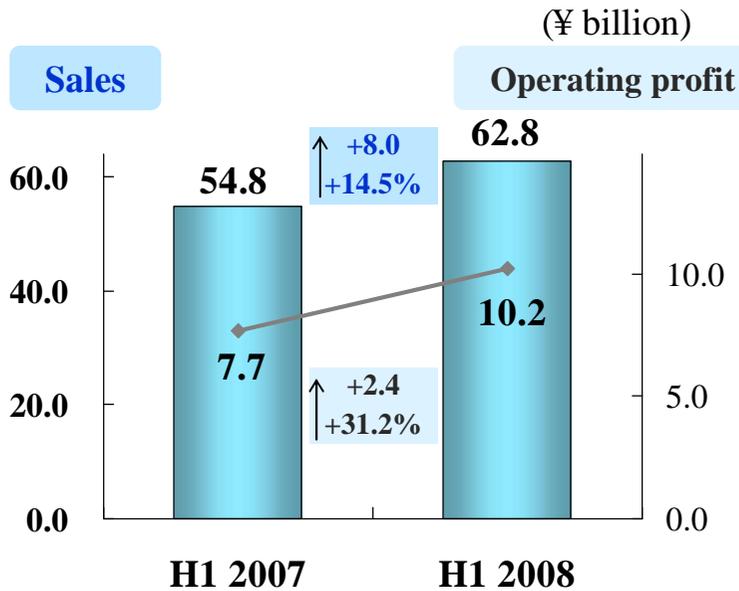
Overview of operations

Asahi Kasei Reform

Sales and operating profit increase with steady increase in maintenance work such as reroofing and repainting. With increased orders in H2 2008, sales and operating profit increase forecast for FY 2008.

Asahi Kasei Real Estate

Sales increase with growth in home rentals. Slight operating profit decrease with lower profit in intermediary services. With steady growth of subleasing, sales and operating profit increase forecast for FY 2008.



Review of operations

Pharmaceuticals:

Reduced reimbursement prices. Licensing income for Famvir™ antiviral for herpes zoster. Sales and operating profit increase.

Devices:

Increased shipments of APS™ polysulfone-membrane artificial kidneys and Sepacell™ leukocyte reduction filters. Increased depreciation with plant expansion. Sales increase, but operating profit decrease.

Highlights

- April, establishment of medical device sales subsidiary in Taiwan.
- April, approval acquired for Famvir™ antiviral for herpes zoster and marketing alliance with Maruho Co., Ltd.; June, NHI price listing; July, market launch.
- April, NHI price listing for Recomodulin™ recombinant thrombomodulin; May, market launch.
- May, completion of spinning plant for EVOH hollow-fiber membrane; June, start of production.
- June, decision to expand capacity for APS™ polysulfone hollow-fiber dialyzer membrane.
- June, license agreement for exclusive rights in Japan to develop and sell pentosan polysulfate for osteoarthritis.
- July, establishment of new laboratory for joint research linking industry and academia for advanced medical technology.

Sales of Asahi Kasei Pharma Corporation (¥ billion)

	FY 2007		FY 2008	
	H1		H1	forecast
Pharmaceuticals	24.1	48.4	30.4	56.7
Others	2.9	5.5	2.4	4.9
Non-consolidated	27.0	53.9	32.8	61.6
Devices*	24.7	51.1	27.0	57.0
Others	3.1	6.2	3.0	6.4
Consolidated	54.8	111.2	62.8	125.0

* Asahi Kasei Kuraray Medical and Asahi Kasei Medical.

Main pharmaceuticals domestic sales (¥ billion)

	FY 2007		FY 2008	
	H1		H1	forecast
Elcitonin™	7.1	13.9	6.8	13.1
Bredinin™	3.1	6.2	3.1	6.1
Flivas™	4.7	9.4	4.5	9.8
Toledomin™	3.1	6.3	2.9	6.0
Exacin™	0.5	1.0	0.4	0.9
Zesulan™	0.5	1.2	0.5	1.2
Eril™	0.7	1.5	0.7	1.4

Overview of main products

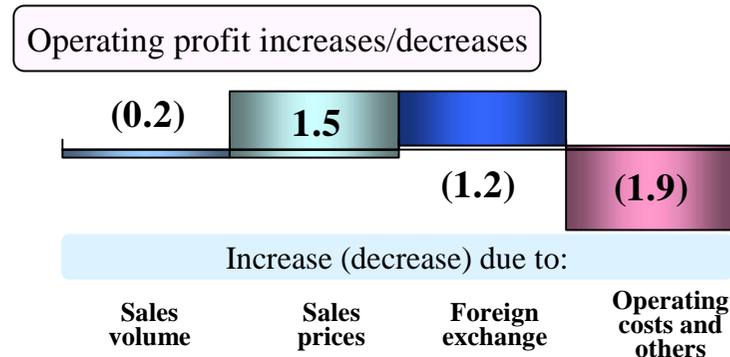
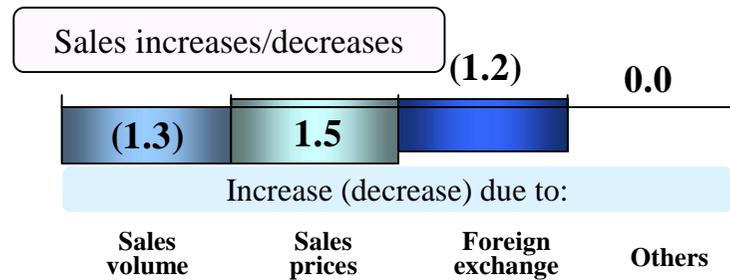
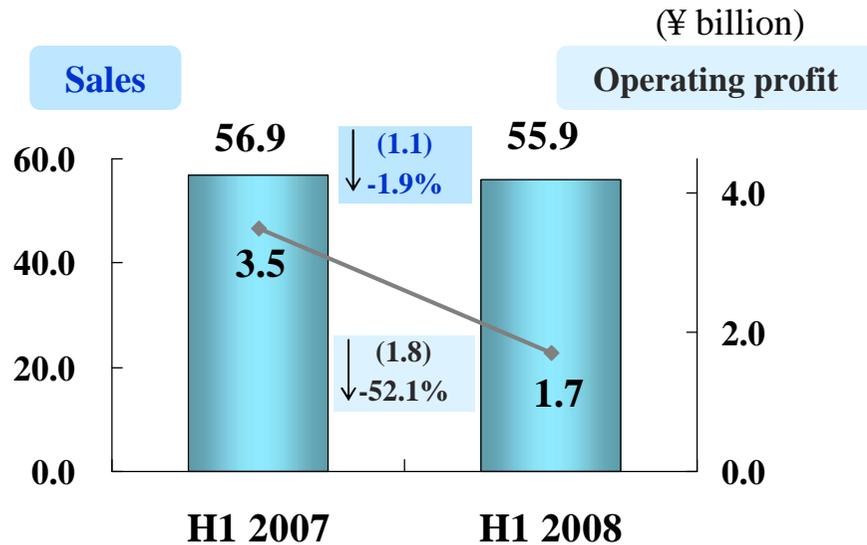
	Generic name	Mechanism/ substance class	Indication	Formulation	Co-development partner
Elcitonin™	Elcatonin	Eel calcitonin derivative	Osteoporosis pain	Injection	-
Bredinin™	Mizoribine	Immunosuppressant	Kidney transplantation, lupus nephritis, nephrosis syndrome, rheumatoid arthritis	Tablet	-
Flivas™	Naftopidil	Selective α -1 blocker	Benign prostatic hypertrophy	Tablet	Schering-Plough K.K.
Toledomin™	Milnacipran hydrochloride	SNRI	Depression	Tablet	-
Exacin™	Isepamicin sulfate	Aminoglycoside antibiotic	Infection	Injection	Schering-Plough K.K.
Zesulan™	Mequitazine	Antihistamine (Histamine H1 antagonist)	Bronchial asthma, allergic rhinitis	Tablet, syrup, fine granules 0.6% for pediatric	Alfresa Pharma Corp.
Eri™	Fasudil	Rho-kinase inhibitor	Cerebral vasospasm after subarachnoid hemorrhage surgery	Injection	-

Overview of new products

	Generic name	Mechanism/ substance class	Indication	Formulation	Co-development partner
Recomodulin™, market launch in May 2008	Recombinant thrombomodulin alpha	Blood coagulation	Disseminated intravascular coagulation	Injection	-
Famvir™, market launch in July 2008	Famciclovir	Antiviral	Shingles (zoster)	Oral	Novartis Pharma AG

Product pipeline

Development stage	Product	Objective	Class	Indication
Phase III	AT-877 (Injection)	Additional indication	Rho-kinase inhibitor	Acute cerebral thrombosis
	PTH (Injection)	Additional indication	Synthetic human parathyroid hormone	Osteoporosis
	AK-120 (Oral)	Additional indication	Famciclovir antiviral	Herpes simplex
Phase II	AT-877 (Oral)	New dosage form	Rho-kinase inhibitor	Pulmonary hypertension
	KT-611 (Oral)	Additional indication	α-1 blocker	Neurogenic bladder



Review of operations

Roica™ elastic polyurethane filament:

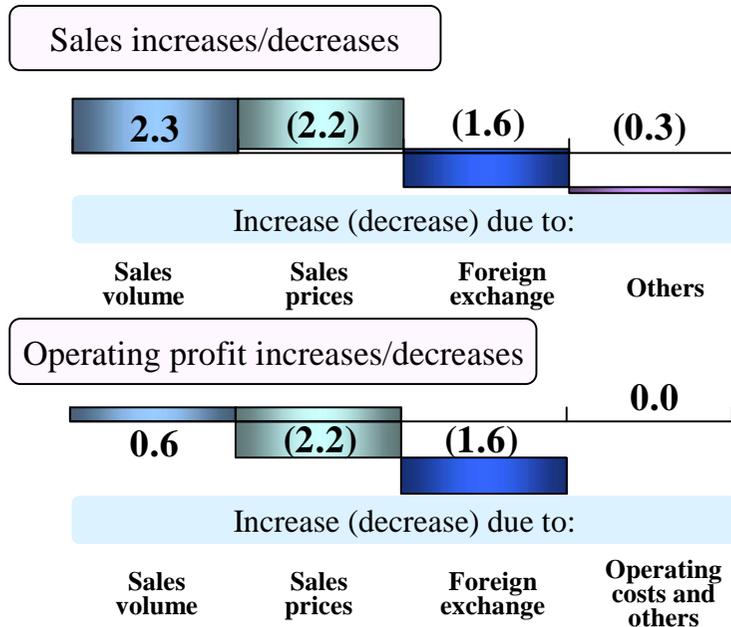
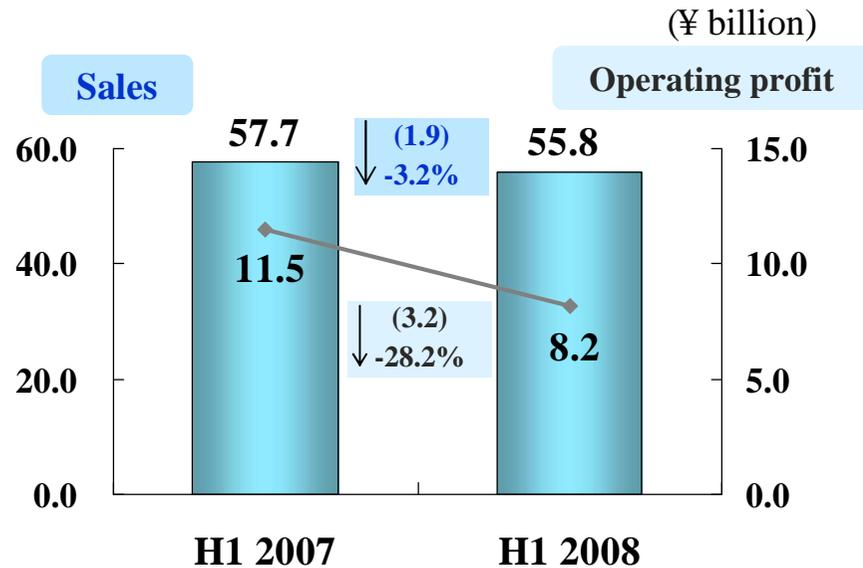
Higher feedstock costs. Slack overseas market conditions. Higher yen exchange value. Operating profit decrease.

Bemberg™ regenerated cellulose and nonwovens:

Product price increases but sharp impact of higher feedstock costs. Operating profit decrease.

Highlights

- Sep., completion of new R&D and technology center.



Review of operations

Electronics devices:

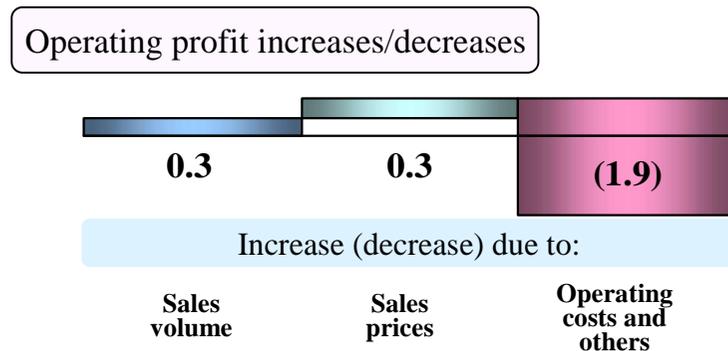
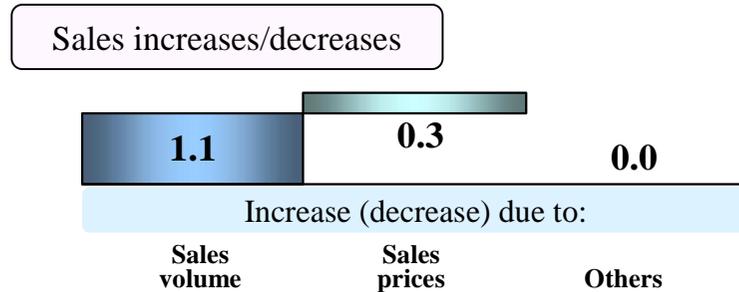
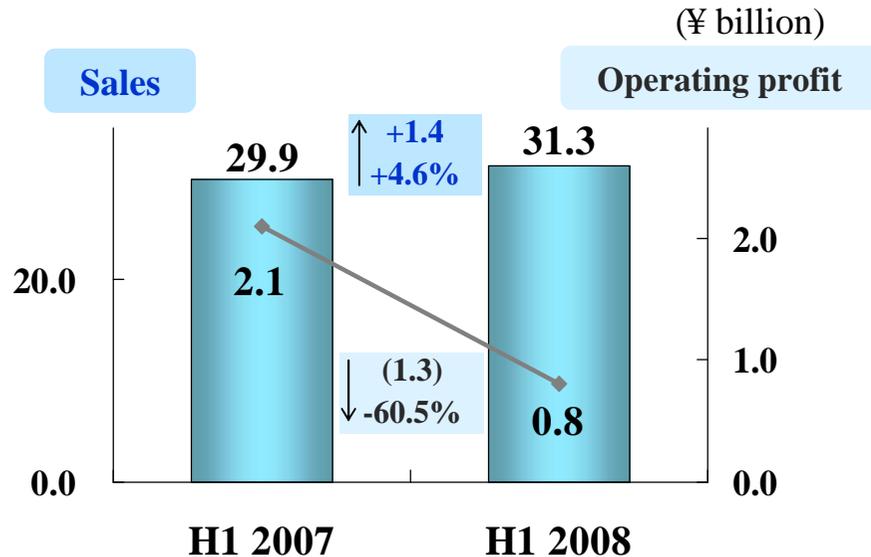
Slack market conditions and a higher yen exchange value. Sales decrease. Increased depreciation by plant expansion. Operating profit decrease.

Electronics materials:

Slack market conditions, though increased shipments of Sunfort™ dry film photoresist for printed wiring boards mainly in China. Operating profit decrease.

Highlights

- June, completion of plant expansion for Sunfort™ dry film photoresist in China and start of production.



Review of operations

Building materials/housing materials:

Fewer shipments of Hebel™ autoclaved lightweight concrete (ALC) panels with sluggish demand as an effect of the economic slowdown. Higher feedstock costs. Operating profit decrease.

Insulation materials:

Higher feedstock costs. Decreased operating costs. Operating profit increase slightly.

Foundation systems:

Development of demand in new applications. Good performance of Eazet™ piles for small-scale construction. Operating profit increase.

Highlights

- Oct., market launch of CSV™ soil improvement system for small-scale architecture.

Primary investments by segment

AsahiKASEI

(¥ billion)

	Capital expenditures			Depreciation and amortization		R&D expenditures	
	FY 2007	H1	FY 2008 forecast	FY 2007	H1 2008	FY 2007	H1 2008
Chemicals	34.3	19.3	42.0	37.1	17.9	18.5	9.5
Homes	7.5	3.0	7.0	2.7	1.5	2.1	1.3
Pharma	10.0	22.0	34.0	6.1	4.4	14.7	7.8
Fibers	9.3	5.5	12.0	5.7	3.0	3.4	1.8
Electronics Materials & Devices	17.0	12.5	23.0	13.9	7.1	9.7	5.4
Construction Materials	2.5	1.5	2.5	3.1	1.7	0.9	0.5
Services, Engineering and Others	0.8	0.3	0.5	0.8	0.4	0.1	0.0
Corporate assets and eliminations	1.5	2.8	4.0	4.5	1.5	6.9	3.2
Total	82.9	66.8	125.0	74.0	37.5	56.2	29.6

Purchases of investment securities,
not included in the above capital expenditures

2.1 6.0 15.0

Completed in H1 2008

- Hipore™ Li-ion rechargeable battery separator – capacity expansion in Moriyama, Mar.
- Sunfort™ dry film photoresist for printed wiring boards – 100 million m²/y capacity increase in Suzhou, China, June.
- EVOH hollow fiber membrane for artificial kidneys – new 2.6 million module/y plant in Nobeoka, June.
- Roica™ spandex – capacity expansion in Thailand, Aug.
- Fibers – new R&D and technology center in Moriyama, Sep.
- LSIs – plant expansions in Nobeoka.*

* Investment of ¥3 billion or more.

Under construction at end of Sep. 2008

- APS™ polysulfone-membrane artificial kidneys – new 5.5 million module/y plant for dry-pack APS™ polysulfone-membrane artificial kidneys with integrated spinning and assembly lines in Nobeoka, Nov. 08.*
- Pellicles – new production line for tenth generation LCD panels in Nobeoka, Nov. 08.
- Sepacell™ leukocyte reduction filters – 4 million module/y capacity increase in Oita, Dec. 08.
- Planova™ virus removal filters – 40,000 m²/y capacity expansion at hollow-fiber spinning plant in Nobeoka, Mar. 09.*
- Roica™ spandex – capacity expansion in Thailand, Mar. 09.*
- Ion-exchange membranes – 110 thousand m²/y capacity increase in Kawasaki.
- LSIs – plant expansions in Nobeoka.*
- Hipore™ Li-ion rechargeable battery separator – 20 million m²/y capacity increase, inc. completed plant in H1 08, in Moriyama, FY 08, 30 million m²/y capacity increase in Moriyama, FY 09 and new 20 million m²/y plant in Hyuga, beginning of 10.*
- New integrated research complex in Fuji, July 09.*
- New boiler using SDA pitch in Mizushima, NEDO-supported energy conservation project, Sep. 09.*

– 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.