

Asahi Kasei Corporation

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Consolidated Results for 1st to 3rd Quarter Fiscal 2007: April 1, 2007 – December 31, 2007

(Unaudited; 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-Q3 2007	Q1-Q3 2006
Net sales	1,240,318 [+4.5%]	1,187,059 [+8.8%]
Operating profit	98,121 [+4.2%]	94,187 [+15.4%]
Ordinary profit	98,048 [+4.8%]	93,528 [+15.8%]
Net income	61,381 [+8.0%]	56,851 [+22.0%]
Net income per share*	43.88	40.62
Diluted net income per share*	—	—

* Yen

2. Financial position

At end of	December 2007	December 2006
Total assets	1,492,347	1,485,102
Net assets	676,891	644,113
Net worth/total assets	44.8%	42.9%
Net worth per share*	478.31	454.88

* Yen

Note: Net worth consists of shareholders' equity and valuation, translation adjustment and others.

3. Cash flows

Nine months ended December	2007	2006
Cash flows from operating activities	29,052	70,306
Cash flows from investing activities	(40,569)	(69,601)
Cash flows from financing activities	(111)	(4,207)
Cash and cash equivalents at end of period	90,075	85,417

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual
	Q1	Q2	Q3	Q4	
2006	—	5.00	—	7.00	12.00
2007	—	6.00	—	—	13.00
2007 (forecast)	—	—	—	7.00	—

* Yen

III. Forecast for Fiscal 2007 (April 1, 2007 – March 31, 2008)

Net sales	1,714,000
Operating profit	130,000
Ordinary profit	129,000
Net income	76,000
Net income per share*	54.34

*Yen

Note: 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.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period ended December 31, 2007: None
2. Adoption of simplified accounting method: Yes
Applied to: Income taxes and others
3. Changes in method of accounting: Yes
 - (1) Change in depreciation method for tangible fixed assets:
Beginning on April 1, 2007, tangible fixed assets are depreciated in accordance with the amended Corporation Tax Law.
 - (2) Change in industry segments:
With the April 1, 2007, merger of Asahi Kasei Life & Living with Asahi Kasei Chemicals, the Life & Living segment was combined with the Chemicals segment.

V. Overview of Consolidated Results

1. Consolidated group results

Although the Japanese economy continued to grow during the nine-month period, with strong corporate earnings and healthy private-sector capital investment, the outlook for the operating environment has become obscure with concerns about a slowdown in the US economy triggered by the rise in subprime mortgage defaults and with high feedstock and fuel prices persisting.

With strong overseas demand and product prices rising to compensate for increased feedstock costs in the Chemicals segment, consolidated net sales for the period increased by ¥53.3 billion (4.5%) from a year ago to ¥1,240.3 billion and operating profit increased by ¥3.9 billion (4.2%) to ¥98.1 billion. Ordinary profit was ¥98.0 billion, an increase of ¥4.5 billion (4.8%). Net income was ¥61.4 billion, an increase of ¥4.5 billion (8.0%).

2. Results by operating segment

With the April 1, 2007, merger of Asahi Kasei Life & Living with Asahi Kasei Chemicals, the Life & Living segment was combined with the Chemicals segment. For comparison purposes, results for the year-ago period in the Chemicals segment have been revised to include those in the Life & Living segment.

CHEMICALS

Sales increased by ¥65.3 billion (10.9%) from a year ago to ¥662.8 billion and operating profit increased by ¥13.9 billion (33.6%) to ¥55.1 billion.

In volume products there was strong overseas demand for acrylonitrile and other chemicals and derivative products. In specialty products there were increased shipments of ion-exchange membranes for chlor-alkali to China.

HOMES

Sales decreased by ¥24.0 billion (8.7%) from a year ago to ¥251.7 billion and operating profit decreased by ¥6.2 billion (43.6%) to ¥8.1 billion. New orders for order-built homes were on par with a year ago at ¥222.9 billion.

Housing-related operations such as remodeling performed well. The number of deliveries of unit homes decreased significantly as an effect of fewer orders received through the first half of 2007 and postponement of delivery of some units due to improper acquisition of ministerial certification by a supplier of certain components as came to light in late October 2007. The number of condominium units delivered was lower than a year ago, with this year's condominium deliveries concentrating in the fourth quarter.

PHARMA

Sales increased by ¥4.8 billion (5.9%) from a year ago to ¥85.7 billion and operating profit decreased by ¥1.3 billion (9.4%) to ¥13.0 billion.

In devices operations there were increased shipments of APS™ polysulfone-membrane artificial kidneys following increased production capacity. In pharmaceutical operations there was lower licensing income and higher R&D expenditures.

FIBERS

Sales increased by ¥6.5 billion (8.3%) from a year ago to ¥84.1 billion and operating profit increased by ¥2.6 billion (96.3%) to ¥5.2 billion.

Overseas operations for Roica™ elastic polyurethane filament performed well with strong demand. Shipments of Bemberg™ regenerated cellulose fiber grew, especially in overseas markets.

ELECTRONICS MATERIALS & DEVICES

Sales increased by ¥1.1 billion (1.3%) from a year ago to ¥86.8 billion and operating profit decreased by ¥1.6 billion (8.4%) to ¥17.0 billion.

Electronics materials operations performed well with shipments generally rising with strong demand. Electronics devices operations had fewer shipments of LSIs and lower product prices as an effect of inventory adjustments in home electronics markets.

CONSTRUCTION MATERIALS

Sales decreased by ¥4.2 billion (8.8%) from a year ago to ¥43.4 billion and operating profit decreased by ¥1.9 billion (39.8%) to ¥2.9 billion.

Shipments of Hebel™ autoclaved lightweight concrete (ALC) panels and other building materials and housing materials declined as an effect of the decline in construction starts following a revision of building codes in Japan

SERVICES, ENGINEERING AND OTHERS

Sales increased by ¥3.8 billion (17.1%) from a year ago to ¥25.8 billion and operating profit increased by ¥0.5 billion (15.9%) to ¥3.5 billion.

Engineering operations performed well with overseas plant engineering work.

VI. Consolidated Balance Sheets

	At end of March 2007	At end of Dec. 2007	Increase (decrease)
Assets			
Current assets	722,995	792,123	69,128
Cash on hand and in banks	101,514	89,880	(11,634)
Notes and accounts receivable, trade	300,386	321,590	21,204
Marketable securities	400	391	(9)
Inventories	240,006	287,096	47,090
Others	80,689	93,166	12,477
Fixed assets	736,927	700,224	(36,703)
Property, plant and equipment	426,959	422,463	(4,496)
Intangible fixed assets	28,466	25,968	(2,498)
Investments and other assets	281,502	251,794	(29,708)
Total assets	1,459,922	1,492,347	32,425
Liabilities			
Current liabilities	503,570	556,760	53,190
Notes and accounts payable, trade	186,900	190,293	3,393
Short-term borrowings	63,828	37,156	(26,672)
Commercial paper	—	75,000	75,000
Current portion of corporate bonds	24,000	22,000	(2,000)
Others	228,842	232,311	3,469
Long-term liabilities	302,842	258,696	(44,146)
Corporate bonds	60,000	30,000	(30,000)
Long-term borrowings	69,074	69,906	832
Accrued pension and severance costs	125,364	119,787	(5,577)
Others	48,403	39,002	(9,401)
Total liabilities	806,412	815,456	9,044
Net assets			
Stockholders' equity	561,755	604,474	42,719
Common stock	103,389	103,389	—
Capital surplus	79,396	79,419	23
Retained earnings	380,515	423,682	43,167
Treasury stock, at cost	(1,544)	(2,015)	(471)
Valuation, translation adjustment and others	83,900	64,450	(19,450)
Minority interest in consolidated subsidiaries	7,855	7,967	112
Total net assets	653,510	676,891	23,381
Total liabilities, and net assets	1,459,922	1,492,347	32,425

VII. Consolidated Statements of Income

	Q1-Q3 2006	Q1-Q3 2007	Increase (decrease)	Percent change
Net sales	1,187,059	1,240,318	53,259	4.5
Cost of sales	891,871	932,679	40,808	4.6
Gross profit	295,188	307,639	12,451	4.2
Selling, general and administrative expenses	201,001	209,518	8,517	4.2
Operating profit	94,187	98,121	3,934	4.2
Non-operating income	7,009	8,921	1,912	—
Interest income	337	551	214	—
Dividend income	2,257	2,882	625	—
Equity in net earnings of unconsolidated subsidiaries and affiliates	1,865	3,234	1,369	—
Others	2,550	2,254	(296)	—
Non-operating expenses	7,669	8,995	1,326	—
Interest expense	2,880	3,077	197	—
Others	4,788	5,918	1,130	—
Ordinary profit	93,528	98,048	4,520	4.8
Special gains	2,053	1,653	(400)	—
Gain on sales of investment securities	1,267	943	(324)	—
Gain on sale of property, plant and equipment	786	151	(635)	—
Gain on change in equity	—	559	559	—
Special losses	4,597	7,906	3,309	—
Loss on sales of investment securities	185	274	89	—
Loss on disposal of property, plant and equipment	4,412	2,416	(1,996)	—
Impairment loss	—	4,442	4,442	—
Restructuring charges	—	774	774	—
Income before income taxes and minority interests	90,984	91,794	810	0.9
Income taxes	33,740	29,951	(3,789)	—
Minority interests	(393)	(462)	(69)	—
Net income	56,851	61,381	4,530	8.0

VIII. Cash flows

Nine months ended December	2006	2007	Increase (decrease)
Cash flows from operating activities	70,306	29,052	(41,254)
Income before income taxes and minority interests	90,984	91,794	810
Depreciation and amortization	52,382	54,401	2,019
Increase in notes and accounts receivable, trade	(44,123)	(23,805)	20,318
Increase in inventories	(39,240)	(48,800)	(9,560)
Increase in notes and accounts payable, trade	57,527	5,609	(51,918)
Others	(47,224)	(50,147)	(2,923)
Cash flows from investing activities	(69,601)	(40,569)	29,032
Payments for acquisition of property, plant and equipment	(66,007)	(39,965)	26,042
Payments for purchases of investment securities	(3,184)	(2,772)	412
Others	(409)	2,168	2,577
Cash flows from financing activities	(4,207)	(111)	4,096
Effect of exchange rate changes on cash and cash equivalents	294	(16)	(310)
Net increase (decrease) in cash and cash equivalents	(3,209)	(11,643)	(8,434)
Cash and cash equivalents at beginning of period	86,390	101,719	15,329
Cash and cash equivalents held by newly consolidated subsidiaries	2,236	—	(2,236)
Cash and cash equivalents at end of period	85,417	90,075	4,658

IX. Operating Segment Information

1. Consolidated net sales

(billions of yen)

	Q1-Q3 2006	Q1-Q3 2007	Increase (decrease)	FY 2007 forecast
Chemicals*	597.6	662.8	65.3	886.0
Homes	275.7	251.7	(24.0)	381.0
Pharma	80.9	85.7	4.8	115.0
Fibers	77.6	84.1	6.5	117.0
Electronics Materials & Devices	85.7	86.8	1.1	118.0
Construction Materials	47.6	43.4	(4.2)	59.0
Services, Engineering and Others	22.0	25.8	3.8	38.0
Total	1,187.1	1,240.3	53.3	1,714.0

2. Consolidated operating profit

(billions of yen)

	Q1-Q3 2006	Q1-Q3 2007	Increase (decrease)	FY 2007 forecast
Chemicals*	41.3	55.1	13.9	67.5
Homes	14.3	8.1	(6.2)	19.5
Pharma	14.4	13.0	(1.3)	14.0
Fibers	2.7	5.2	2.6	7.0
Electronics Materials & Devices	18.5	17.0	(1.6)	22.0
Construction Materials	4.9	2.9	(1.9)	3.5
Services, Engineering and Others	3.0	3.5	0.5	5.0
Combined	99.0	104.8	5.9	138.5
Corporate expenses and eliminations	(4.8)	(6.7)	(1.9)	(8.5)
Consolidated	94.2	98.1	3.9	130.0

3. Operating profit increases/decreases by segment

(billions of yen)

	Sales volume	Increase (decrease) due to:		Operating costs and others	Net increase (decrease)
		Sales prices [<i>of which, due to foreign exchange</i>]			
Chemicals*	2.4	39.8	1.0	(28.3)	13.9
Homes	(6.5)	19.1	—	(18.8)	(6.2)
Pharma	3.8	(0.8)	0.6	(4.3)	(1.3)
Fibers	0.9	3.9	1.1	(2.2)	2.6
Electronics Materials & Devices	1.0	(3.3)	0.3	0.7	(1.6)
Construction Materials	(1.6)	0.4	—	(0.7)	(1.9)
Services, Engineering and Others	0.7	0.0	0.0	(0.2)	0.5
Corporate expenses and eliminations	—	—	—	(1.9)	(1.9)
Consolidated	0.7	59.0	3.0	(55.8)	3.9

* For comparison purposes, results for the year-ago period in the Chemicals segment have been revised to include those in the Life & Living segment.

4. Contract trends for home construction operations

	Q1-Q3 2006	Q1-Q3 2007	Increase (decrease)	FY 2007 forecast
Value of orders received (¥ billion)	222.0	222.9	0.9	310.0
No. of orders received (home units)	9,409	9,531	122	13,404
Backlog of orders (¥ billion)	315.8	315.3	(0.6)	309.8
No. of sales (home units)	9,060	8,018	(1,042)	12,793
Value of sales (¥ billion)	210.1	197.4	(12.7)	290.0

5. Key operating factors

	Q1-Q3 2006	Q1-Q3 2007	Increase (decrease)	FY 2007 forecast
Naphtha price (yen/kL, domestic)	50,300	59,700	9,400	61,300
Yen/US\$ exchange rate (market average)	116	117	1	114

6. Interest-bearing debt

(billions of yen)

	At end of March 2007	At end of Dec. 2007	Increase (decrease)
Short-term borrowings	63.8	37.2	(26.7)
Commercial paper	—	75.0	75.0
Current portion of corporate bonds	24.0	22.0	(2.0)
Corporate bonds	60.0	30.0	(30.0)
Long-term debt	69.1	69.9	0.8
Total	216.9	234.1	17.2