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Consolidated Results for 1st Quarter Fiscal 2008: April 1, 2008 – June 30, 2008

(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 2008	Q1 2007
Net sales	385,992	385,170 [+10.5%]
Operating profit	19,401	25,919 [+69.4%]
Ordinary profit	21,249	28,235 [+87.4%]
Net income	13,465	18,066 [+96.7%]
Net income per share*	9.63	12.91
Diluted net income per share*	—	—

* Yen

Note: Percent change is omitted as quarterly accounting standards of the Accounting Standards Board of Japan (ASBJ) are newly applied in the current fiscal year.

2. Financial position

At end of	June 2008	March 2008
Total assets	1,480,473	1,425,367
Net assets	674,728	674,156
Net worth/total assets	45.0%	46.7%
Net worth per share*	476.91	476.39

* Yen

Notes:
- Net worth consists of shareholders' equity and valuation, translation adjustment and others.
- Net worth as of June 30, 2008, was ¥666,940 million; as of March 31, 2008, ¥666,244 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2007	—	6.00	—	7.00	13.00
2008	—				14.00
2008 (forecast)		7.00	—	7.00	

* Yen

Note: No revision of cash dividend forecast during the period.

III. Forecasts for Fiscal 2008 (April 1, 2008 – March 31, 2009)

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

	First half	Full year
Net sales	858,000	1,810,000 [+6.7%]
Operating profit	38,000	128,000 [+0.3%]
Ordinary profit	37,000	125,000 [+3.8%]
Net income	22,000	75,000 [+7.2%]
Net income per share*	15.73	53.63

* Yen

2. Comparison of previous and revised H1 2008 forecasts

(billions of yen)

	Previous H1 2008 forecast	Revised H1 2008 forecast	Increase in H1 2008 forecast	*cf.* H1 2007 results
Net sales	856.0	858.0	2.0	830.8
Operating profit	50.5	38.0	(12.5)	63.7
Ordinary profit	49.5	37.0	(12.5)	63.1
Net income	30.0	22.0	(8.0)	38.0

3. Annual forecast

(billions of yen)

	FY 2008 forecast	*cf.* FY 2007 results
Net sales	1,810.0	1,696.8
Operating profit	128.0	127.7
Ordinary profit	125.0	120.5
Net income	75.0	69.9

Notes:
- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for the first half of fiscal 2008 announced on May 8, 2008, has been revised.
- A revision of the forecast for the full year will be made when first half results are announced.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the fiscal quarter ended June 30, 2008: None.

2. Adoption of simplified accounting methods and special accounting methods for preparation of quarterly consolidated financial statements.

   1) Simplified accounting methods

      Method of calculating allowance for doubtful accounts: Because the rate of unrecoverable receivables as of June 30, 2008, was not significantly different than that estimated at the end of the previous fiscal year, the rate of unrecoverable receivables as of the end of the previous fiscal year was used as a basis for estimating allowance for doubtful accounts.

Valuation of inventories: No physical inventory as of June 30, 2008, was performed. Rather, the value of inventories is calculated using a reasonable method based on the physical inventory performed at the end of the previous fiscal year. The carrying amount of inventories is reduced to the estimated net sale price only where a decrease in profitability is apparent.

Method of calculating depreciation of fixed assets: For assets depreciated using the declining-balance method, depreciation expenses for the fiscal year are calculated in proportion to the fiscal period.

2) Special accounting methods for presenting quarterly consolidated financial statements.

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate.

3. Changes in accounting principles/procedures, changes in methods of presentation in preparation of quarterly consolidated financial statements: Yes.

1) Application of Accounting Standard for Quarterly Financial Reporting and related guidance.

Accounting Standards for Quarterly Financial Reporting (ASBJ Statement No. 12) and Guidance on Accounting Standard for Quarterly Financial Reporting (ASBJ Guidance No. 14) are applied beginning with the current fiscal year, ending March 31, 2009. Quarterly consolidated financial statements are prepared in accordance with Regulation for Quarterly Consolidated Financial Reporting.

2) Application of Accounting Standard for Measurement of Inventories.

Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9) is applied beginning with the first quarter ended June 30, 2008. Previously, inventories were stated at the lower of cost or market value (residential lots and dwellings of sale were stated at specifically identified costs). Now, inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. The effect is that operating profit is lower by ¥766 million and ordinary profit and income before income taxes and minority interests are lower by ¥643 million than they would have been using the previous method.

3) Application of Practical Solution on Unification of Accounting Polices Applied to Foreign Subsidiaries for Consolidated Financial Statements.

Practical Solution on Unification of Accounting Polices Applied to Foreign Subsidiaries for Consolidated Financial Statements (ASBJ Practical Issues Task Force No. 18) is applied beginning with the first quarter ended June 30, 2008, and necessary modifications have been made for consolidation. The impact of this change is immaterial.

4) Application of Accounting Standard for Lease Transactions and related guidance.

Financial lease transactions without title transfer were formerly accounted for as operating leases. Accounting Standard for Lease Transactions (ASBJ Statement No. 13) and Guidance on Accounting Standard for Lease Transaction (ASBJ

Guidance No. 16) are applied voluntarily beginning with the first quarter ended June 30, 2008. The accounting standard requires that all financial leases be capitalized. Leased assets related to financial lease transactions without title transfer are depreciated on a straight-line basis, with their useful lives as the lease periods and no residual value. For financial lease transactions without title transfer whose transaction date precedes the application of the new standard and guidance, the previous method of accounting for lease transactions continues to be applied. The impact of this change is immaterial.

5) Change of standard for conversion of sales and costs at foreign subsidiaries, etc.

Beginning with the first fiscal quarter ended June 30, 2008, the standard for conversion of sales and costs at foreign subsidiaries, etc. to yen was changed from conversion at the spot foreign exchange value at the date of closing to conversion at the average market value during the fiscal period. This change was applied so that operating performance shown in yen more closely matches actual operating performance. The impact of this change is immaterial.

6) Change of evaluation standard and method of evaluation for other securities whose fair values are readily determinable.

Beginning with the first fiscal quarter ended June 30, 2008, the evaluation standard and method of evaluation for other securities whose fair values are readily determinable was changed from a method based on the average market value during the month preceding the date of closing to the conventional method based on the market value as of the date of closing. This change was applied so that the financial condition be shown more accurately. As a result, investment securities are lower by ¥5,159 million, deferred income tax liabilities are lower by ¥2,099 million, and net unrealized gain on securities is lower by ¥3,060 million than they would have been using the previous standard and method.

4. Number of shares outstanding

	Q1 2008	FY 2007
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	4,145,417	4,080,805
Average number of shares outstanding during period	1,398,515,789	1,399,004,932

V. Overview of Consolidated Results

1. Consolidated group results

The global economy remained insecure during the April to June quarter, with rising feedstock and fuel prices and lower economic growth in the US. Economic growth in Japan was also lower, with sluggish consumer spending and decreasing corporate earnings. As such, the operating environment for Asahi Kasei and its consolidated subsidiaries (the Asahi Kasei Group) was particularly challenging.

Asahi Kasei's consolidated net sales for the quarter were ¥386.0 billion, an increase of ¥0.8 billion (0.2%) from a year ago. Operating profit was ¥19.4 billion, a decrease of ¥6.5 billion (25.1%), with high feedstock and fuel prices having a considerable impact on profitability in the Chemicals, Fibers, and Construction Materials segments. Ordinary profit was ¥21.2 billion, a decrease of ¥7.0 billion (24.7%). Net income was ¥13.5 billion, a decrease of ¥4.6 billion (25.5%).

2. Results by operating segment

CHEMICALS

Sales decreased by ¥7.7 billion (3.5%) from the first quarter a year ago to ¥210.4 billion and operating profit decreased by ¥8.1 billion (47.3%) to ¥9.1 billion.

In specialty products, sales of Hipore™ Li-ion rechargeable battery separators and of ion-exchange membranes for chlor-alkali increased. In volume products, both chemicals and derivative products and polymer products, operations were sharply impacted by rising feedstock and fuel costs.

HOMES

Sales increased by ¥1.4 billion (2.2%) from the first quarter a year ago to ¥63.7 billion and the operating loss increased by ¥0.9 billion to ¥3.7 billion. Orders for order-built homes decreased by ¥2.4 billion (3.0%) to ¥77.3 billion.

Remodeling operations performed well, but order-built homes operations had decreased deliveries of unit homes.

PHARMA

Sales increased by ¥7.4 billion (27.3%) from the first quarter a year ago to ¥34.6 billion and operating profit increased by ¥4.4 billion (95.1%) to ¥9.0 billion.

Both pharmaceuticals and medical devices operations were impacted by reimbursement price reductions. Pharmaceuticals operations had licensing income for the Famvir™ antiviral for herpes zoster. Devices operations had increased sales of APS™ polysulfone-membrane artificial kidneys and Sepacell™ leukocyte reduction filters.

FIBERS

Sales decreased by ¥1.5 billion (5.4%) from the first quarter a year ago to ¥26.7 billion and operating profit decreased by ¥0.5 billion (28.1%) to ¥1.2 billion.

Market conditions for Roica™ elastic polyurethane filament operations deteriorated. Bemberg™ regenerated cellulose and nonwovens operations were sharply impacted by rising feedstock and fuel costs.

ELECTRONICS MATERIALS & DEVICES

Sales decreased by ¥1.1 billion (3.6%) from the first quarter a year ago to ¥28.2 billion and operating profit decreased by ¥1.2 billion (21.6%) to ¥4.5 billion.

Shipment volumes rose throughout both the electronics materials and electronics devices product lineups, but performance was impacted by lower sales prices and unfavorable foreign exchange movements.

CONSTRUCTION MATERIALS

Sales decreased by ¥0.6 billion (3.6%) from the first quarter a year ago to ¥14.7 billion and operating profit decreased by ¥0.7 billion (67.8%) to ¥0.3 billion.

Operations in Hebel™ autoclaved lightweight concrete (ALC) panels and Neoma™ high-performance phenolic foam insulation panels were impacted by a decline in the number of new construction starts and a sharp rise in feedstock and fuel costs.

SERVICES, ENGINEERING AND OTHERS

Sales increased by ¥2.9 billion (59.2%) from the first quarter a year ago to ¥7.7 billion and operating profit increased by ¥0.9 billion (a multiple of 3.6) to ¥1.3 billion.

Engineering operations performed well with increased business related to overseas plants.

VI. Consolidated Balance Sheets

	At end of June 2008	At end of March 2008
Assets		
Current assets	767,071	740,075
Cash on hand and in banks	84,716	82,903
Notes and accounts receivable, trade	296,362	298,788
Marketable securities	239	303
Merchandise and finished goods	135,910	131,505
Work in progress	109,582	93,597
Raw materials and supplies	51,047	47,269
Deferred income taxes	28,702	26,130
Other	62,024	61,239
Allowance for doubtful accounts	(1,511)	(1,660)
Fixed assets	713,402	685,292
Property, plant and equipment, net of accumulated depreciation	429,046	424,193
Buildings	161,461	159,951
Machinery and equipment	166,832	165,220
Land	54,092	54,096
Leased assets	261	–
Construction in progress	29,734	29,339
Other	16,666	15,588
Intangible fixed assets	37,600	26,226
Goodwill	5,499	5,707
Other	32,101	20,519
Investments and other assets	246,756	234,873
Investment securities	206,244	190,991
Long-term receivables	4,649	4,703
Deferred income taxes	8,860	12,777
Other	27,152	26,514
Allowance for doubtful accounts	(148)	(113)
Total assets	1,480,473	1,425,367

	At end of June 2008	At end of March 2008
Liabilities		
Current liabilities	582,467	513,413
Notes and accounts payable, trade	161,679	155,120
Short-term borrowings	45,182	43,220
Commercial paper	110,000	55,000
Current portion of corporate bonds	30,000	25,000
Lease obligations	50	–
Accrued income taxes	11,602	9,730
Deferred tax liabilities	15	58
Accrued expenses	84,328	108,947
Advanced received	67,279	49,718
Allowance for repairs	1,965	4,716
Allowance for after-care of products	5,892	6,018
Other	64,475	55,885
Long-term liabilities	223,278	237,798
Corporate bonds	5,000	25,000
Long-term borrowings	68,882	63,187
Deferred tax liabilities	9,973	9,155
Lease liabilities	211	–
Accrued pension and severance costs	115,377	117,130
Allowance for repairs	2,725	2,078
Advanced received	18,966	18,935
Other	2,145	2,314
Total liabilities	805,745	751,211
Net assets		
Shareholders' equity	617,551	613,042
Common stock	103,389	103,389
Capital surplus	79,428	79,427
Retained earnings	436,792	432,246
Treasury stock, at cost	(2,058)	(2,019)
Valuation, translation adjustments and others	49,389	53,201
Net unrealized gain on securities	57,383	51,091
Net deferred profit on hedges	(212)	11
Revaluation surplus	–	873
Cumulative translation adjustments	(7,781)	1,226
Minority interest in consolidated subsidiaries	7,788	7,912
Total net assets	674,728	674,156
Total liabilities and net assets	1,480,473	1,425,367

VII. Consolidated Statements of Income

	Q1 2008
Net sales	385,992
Cost of sales	295,624
Gross profit	90,368
Selling, general and administrative expenses	70,966
Operating profit	19,401
Non-operating income	4,348
Interest income	252
Dividend income	1,378
Equity in net earnings of unconsolidated subsidiaries and affiliates	431
Foreign exchange gain, net	1,513
Other	774
Non-operating expenses	2,500
Interest expense	984
Other	1,516
Ordinary profit	21,249
Special losses	582
Loss on disposal of property, plant and equipment	582
Income before income taxes and minority interests	20,667
Income taxes	6,934
Total income taxes	6,934
Minority interest in income of consolidated subsidiaries	268
Net income	13,465

VIII. Cash flows

	Q1 2008
Cash flows from operating activities:	
Income before income taxes and minority interest	20,667
Depreciation and amortization	17,814
Amortization of goodwill	136
Amortization of negative goodwill	(23)
Decrease in allowance for repairs	(2,104)
Decrease in allowance for after-care of products	(126)
Decrease in accrued pension and severance costs	(1,691)
Interest and dividend income	(1,630)
Interest expense	984
Equity in net earnings of unconsolidated subsidiaries and affiliates	(431)
Loss on disposal of property, plant and equipment	582
Increase in notes and accounts receivable, trade	(752)
Increase in inventories	(26,419)
Increase in notes and accounts payable, trade	8,902
Decrease in accrued expenses	(24,209)
Increase in advances received	17,565
Other	(765)
Subtotal	8,499
Interest and dividend income, received	2,901
Interest expense, paid	(1,190)
Income taxes, paid	(5,426)
Net cash provided by operating activities	4,784
Cash flows from investing activities:	
Payments for acquisition of property, plant and equipment	(21,049)
Proceeds from sale of property, plant and equipment	788
Payments for acquisition of intangible fixed assets	(14,672)
Payments for purchase of marketable securities	(5,698)
Proceeds from sale of marketable securities	113
Payments for loan receivables	(978)
Collections of loan receivables	1,208
Other	(226)
Net cash used in investing activities	(40,514)
Cash flows from financing activities:	
Proceeds from short-term borrowings	598
Proceeds from issuance of commercial paper	55,000
Proceeds from long-term loans	10,000
Repayment of long-term loans	(345)
Repayment of bonds	(15,000)
Payments for purchase of treasury stock	(48)
Proceeds from sale of treasury stock	9
Dividends paid by parent company	(9,791)
Dividends paid to minority interests in consolidated subsidiaries	(20)
Other	(131)
Net cash used provided by financing activities	40,272
Effect of exchange rate changes on cash and cash equivalents	(2,803)
Net increase in cash and cash equivalents	1,739
Cash and cash equivalents at beginning of period	83,033
Cash and cash equivalents at end of period	84,773

IX. Operating Segment Information

1. Consolidated net sales

(billions of yen)

	Q1 2007	Q1 2008	Increase (decrease)	First half FY 2008 forecast
Chemicals	218.1	210.4	(7.7)	460.0
Homes	62.3	63.7	1.4	173.0
Pharma	27.2	34.6	7.4	63.0
Fibers	28.2	26.7	(1.5)	56.0
Electronics Materials & Devices	29.2	28.2	(1.1)	58.0
Construction Materials	15.2	14.7	(0.6)	30.0
Services, Engineering and Others	4.8	7.7	2.9	18.0
Total	385.2	386.0	0.8	858.0

2. Consolidated operating profit (loss)

(billions of yen)

	Q1 2007	Q1 2008	Increase (decrease)	First half FY 2008 forecast
Chemicals	17.2	9.1	(8.1)	16.5
Homes	(2.8)	(3.7)	(0.9)	3.0
Pharma	4.6	9.0	4.4	10.0
Fibers	1.7	1.2	(0.5)	1.5
Electronics Materials & Devices	5.8	4.5	(1.2)	9.0
Construction Materials	1.1	0.3	(0.7)	0.5
Services, Engineering and Others	0.4	1.3	0.9	2.5
Combined	27.9	21.7	(6.2)	43.0
Corporate expenses and eliminations	(2.0)	(2.3)	(0.3)	(5.0)
Consolidated	25.9	19.4	(6.5)	38.0

3. Operating profit increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:				Net increase (decrease)
	Sales volume	Sales prices [*of which, due to foreign exchange*]		Operating costs and others	
Chemicals	(1.4)	5.5	*(6.1)*	(12.2)	(8.1)
Homes	(0.9)	0.5	—	(0.6)	(0.9)
Pharma	2.3	(1.9)	*(0.2)*	4.0	4.4
Fibers	0.0	0.4	*(0.3)*	(0.9)	(0.5)
Electronics Materials & Devices	0.5	(1.6)	*(1.2)*	(0.2)	(1.2)
Construction Materials	(0.2)	0.1	—	(0.6)	(0.7)
Services, Engineering and Others	1.0	0.0	*0.0*	(0.0)	0.9
Corporate expenses and eliminations	—	—	—	(0.3)	(0.3)
Consolidated	1.4	2.9	*(7.8)*	(10.8)	(6.5)

4. Contract trends for home construction operations

	Q1 2007	Q1 2008	Increase (decrease)	First half FY 2008 forecast
No. of orders received (home units)	3,474	3,199	(275)	6,550
Value of orders received (¥ billion)	79.6	77.3	(2.4)	154.0
Backlog of orders (¥ billion)	322.8	331.7	8.9	322.2
No. of sales (home units)	1,962	1,852	(110)	5,350
Value of sales (¥ billion)	46.6	44.4	(2.2)	130.6

5. Key operating factors

	Q1 2007	Q1 2008	Increase (decrease)	First half FY 2008 forecast
Naphtha price (yen/kL, domestic)	57,800	70,900	13,100	78,950
Yen/US$ exchange rate (market average)	121	105	(16)	105

6. Interest-bearing debt

(billions of yen)

	At end of March 2008	At end of June 2008	Increase (decrease)
Short-term borrowings	43.2	45.2	2.0
Commercial paper	55.0	110.0	55.0
Corporate bonds	50.0	35.0	(15.0)
Long-term debt	63.2	68.9	5.7
Lease obligations/ commitments	—	0.3	0.3
Total	211.4	259.3	47.9