

MESSAGE FROM THE MANAGEMENT

The operating environment during the first half of the fiscal year was extremely unfavorable, with sharp production cuts in the information technology industry in response to falling demand worldwide, especially in the US. The Japanese economy lagged, with the problem of nonperforming loans resurfacing, unemployment reaching record levels, and deflation becoming acute due to increasing supply/demand imbalances and rising imports.

In this environment, the financial performance of the Asahi Kasei Group was hampered, with both sales and profit declining from a year ago. Net sales decreased ¥11.2 billion to ¥600.1 billion, operating profit decreased ¥22.5 billion to ¥23.7 billion, ordinary profit decreased ¥20.7 billion to ¥20.6 billion, and net income decreased ¥9.2 billion to ¥3.1 billion.

The board of directors has announced an interim dividend of ¥3 per share, with the total dividend for the year forecast at ¥6 per share. We have also begun implementing a share repurchase in order to return value to the shareholder.

RESULTS BY SEGMENT

Sales for the CHEMICAL AND CHEMICAL-RELATED sector increased ¥9.2 billion to ¥223.6 billion, largely due to the addition of new consolidated subsidiaries in performance resins operations. Operating profit for the sector decreased ¥7.6 billion to ¥7.6 billion. Elevated operating costs resulting from naphtha prices remaining high were difficult to pass on as sales price increases due to weak demand, particularly with the sharp slowing of the US economy. Worldwide market conditions for basic chemicals such as acrylonitrile deteriorated, and operating profit decreased. Operating profit in commodity plastics such as polystyrene decreased due to high feedstock costs. In chemical intermediates, poor market conditions in the polyurethane industry and intense competition from producers in China and other parts of Asia led to low market prices for adipic acid, resulting in decreased operating profit. Despite poor demand in IT-related applications in Japan and Asia, operating profit in performance plastics such as Leona™ nylon

66 was comparable to a year ago, largely due to healthy domestic demand in automotive applications. With domestic private consumption remaining generally weak, operating profit in consumable products such as Saran Wrap™ decreased. Sales of Microza™ hollow fiber filtration membranes increased, principally for water treatment applications in the US, but demand for Hipore™ fine porous membranes for use in lithium-ion rechargeable batteries for cellular phones fell, and operating profit in industrial membranes decreased.

Sales for the HOUSING AND CONSTRUCTION MATERIALS sector decreased ¥2.1 billion to ¥203.6 billion, and operating profit decreased ¥2.6 billion to ¥7.6 billion. The domestic housing market continued to be marked by hesitancy on the part of prospective home buyers, largely due to falling real estate prices and apprehension about long-term job security. Despite efforts focused on countering this trend by marketing new products and expanding after-service operations in conjunction with our Long Life Home™ product concept, the number of housing units sold during the fiscal half failed to match that of a year ago, and operating profit decreased. Operating profit in construction materials increased with rising sales of Neoma™ foam insulation panels, though demand in the domestic construction industry remained generally weak.

Sales for the FIBERS AND TEXTILES sector decreased ¥3.3 billion to ¥64.4 billion, and operating profit decreased ¥1.3 billion to ¥0.2 billion. In both apparel and non-apparel fields, the domestic market continued to be marked by weak demand and increasing imports from China and other Asian countries. Operating profit in Bemberg™ cuprammonium rayon increased, with demand in lining applications recovering. Market prices for Roica™ elastic polyurethane filament declined and operating profit decreased, despite increased sales volumes made possible by newly expanded production facilities.

Sales for the ELECTRONICS sector decreased ¥17.7 billion to ¥32.0 billion, and operating profit decreased ¥10.6 billion to ¥2.1 billion. Demand fell sharply for products throughout the sector, including electronic materials such as glass fabric for

printed circuit boards and electronic devices such as digital/analog mixed-signal LSIs, as manufacturers in the cellular phone, personal computer, and home electronics industries ran down inventories and initiated long-term cuts in production levels.

Sales for the BIOTECHNOLOGY AND MEDICAL PRODUCTS sector increased ¥1.6 billion to ¥49.0 billion, and operating profit increased ¥0.1 billion to ¥6.6 billion. Sales of pharmaceuticals increased, with Flivas™ therapy for benign prostatic hypoplasia and Toledomin™ antidepressant making strong contributions to sales growth. In medical devices, sales grew for APS™ polysulfone artificial kidneys and Sepacell™ leukocyte reduction filters.

Sales for the LIQUORS, SERVICES AND OTHERS sector, which includes salt, engineering, and information systems operations, increased ¥1.0 billion to ¥27.3 billion. An operating loss for the sector of ¥0.4 billion resulted, after breaking even a year ago. In liquors, several new items were added to the product lineup, but the operating loss could not be reduced as demand for sake was generally weak and competition from low-priced shochu fizz products intensified with the entry of beer makers into the market.

LOOKING AHEAD

The outlook for the remainder of the fiscal year is that the operating environment will be increasingly difficult. The Japanese economy continues to falter, with broad-ranging production cuts increasingly affecting employment and personal income. In the US and worldwide, the terrorist attacks of September 11 have exacerbated the economic slowdown.

At Asahi Kasei, we will advance the transformation to a high-earnings business portfolio and the strengthening of our financial foundation as we complete the final year of our ISHIN2000 program of corporate reformation. With the internal company configuration introduced in June 2001, each business unit now has broad autonomy to quickly and innovatively deal with the challenges they confront.

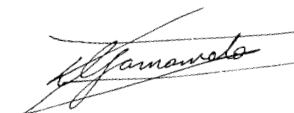
For fiscal year 2001, ending March 31, 2002, we forecast net sales of ¥1,210.0 billion, operating profit of ¥54.0 billion, ordinary profit of ¥47.0 billion, and net income of ¥9.0 billion.

The tasks ahead for us in these challenging times are formidable, but we will continue to work in the knowledge that we can and will overcome any difficulty, guided by the principles and goals set forth in the Basic Credo of the Asahi Kasei Group — contributing to human life and livelihood, through innovation and application of science and the human intellect. We are confident that the surest way to satisfy the expectations of our shareholders is to continue on the course we have set.

November 2001



Nobuo Yamaguchi
Chairman of the Board



Kazumoto Yamamoto
President

CONSOLIDATED BALANCE SHEETS

Asahi Kasei Corporation and Consolidated Subsidiaries
As of September 30, 2001 and 2000 (unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
ASSETS			
Current assets:			
Cash on hand and in banks	¥ 72,046	¥ 81,925	\$ 605,429
Notes and accounts receivable, trade	251,880	285,209	2,116,639
Marketable securities	9,548	6,698	80,235
Inventories	195,850	195,897	1,645,798
Deferred income taxes	16,246	15,446	136,521
Other current assets	38,095	39,458	320,126
Allowance for doubtful accounts	(4,542)	(6,676)	(38,168)
Total current assets	579,123	617,957	4,866,580
Fixed assets:			
Property, plant and equipment, net of accumulated depreciation—			
Buildings	156,288	154,607	1,313,344
Machinery and equipment	159,256	166,749	1,338,286
Land	63,605	63,932	534,496
Construction in progress	29,950	22,360	251,681
Other	15,744	16,029	132,302
	424,843	423,677	3,570,109
Intangible fixed assets	27,481	21,715	230,933
Investments and other assets—			
Investment securities	145,076	154,081	1,219,126
Long-term receivables	1,890	3,843	15,882
Deferred income taxes	4,486	3,488	37,698
Other	27,899	21,796	234,445
Allowance for doubtful accounts	(1,922)	(1,948)	(16,151)
	177,429	181,260	1,491,000
Total fixed assets	629,753	626,652	5,292,042
Total assets	¥1,208,876	¥1,244,609	\$10,158,622

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
LIABILITIES, MINORITY INTEREST AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Current liabilities—			
Notes and accounts payable, trade	¥ 130,828	¥ 150,910	\$ 1,099,395
Short-term borrowings	79,352	70,378	666,823
Accrued income taxes	4,538	19,335	38,134
Accrued expenses	76,566	78,100	643,412
Advances received	37,244	45,847	312,975
Other current liabilities	48,695	53,547	409,202
Total current liabilities	377,223	418,117	3,169,941
Long-term liabilities—			
Long-term debt	224,043	218,249	1,882,714
Deferred income taxes	22,710	28,469	190,840
Accrued pension and severance costs	41,988	39,255	352,841
Customers' guarantee deposits	18,604	17,602	156,336
Other long-term liabilities	572	742	4,807
Total long-term liabilities	307,917	304,317	2,587,538
Total liabilities	685,140	722,434	5,757,479
MINORITY INTEREST IN CONSOLIDATED SUBSIDIARIES:	11,670	13,982	98,067
SHAREHOLDERS' EQUITY:			
Common stock, ¥50 par value—			
Authorized – 4,000,000,000 shares			
Issued and outstanding – 1,442,616,332 shares	103,389	103,389	868,815
Additional paid-in capital	79,396	79,396	667,194
Revaluation surplus	873	873	7,336
Retained earnings	307,779	300,495	2,586,378
Net unrealized gains on securities	29,527	34,896	248,126
Cumulative translation adjustments	(8,897)	(10,848)	(74,765)
	512,067	508,201	4,303,084
Common stock in treasury, at cost	(1)	(8)	(8)
Total shareholders' equity	512,066	508,193	4,303,076
Total liabilities, minority interest and shareholders' equity	¥1,208,876	¥1,244,609	\$10,158,622

CONSOLIDATED STATEMENTS OF INCOME

Asahi Kasei Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2001 and 2000 (unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Net sales	¥600,057	¥611,257	\$5,042,496
Cost of sales	435,096	428,632	3,656,269
Gross profit	164,961	182,625	1,386,227
Selling, general and administrative expenses	141,246	136,447	1,186,941
Operating profit	23,715	46,178	199,286
Non-operating income:			
Interest and dividend income	1,476	1,811	12,403
Equity in net earnings of unconsolidated subsidiaries and affiliates	299	—	2,513
Other	1,642	1,427	13,798
Total non-operating income	3,417	3,238	28,714
Non-operating expenses:			
Interest expense	2,898	3,168	24,353
Equity in net losses of unconsolidated subsidiaries and affiliates	—	813	—
Other	3,579	4,017	30,076
Total non-operating expenses	6,477	7,998	54,429
Ordinary profit	20,655	41,418	173,571
Special gains:			
Gain on sale of investment securities	465	10,604	3,908
Gain on sale of property, plant and equipment	160	103	1,345
Gain on securities contribution to employee retirement benefit trust	—	35,557	—
Other	140	—	1,176
Total special gains	765	46,264	6,429
Special losses:			
Loss from devaluation of investment securities	955	1,250	8,025
Loss on disposal of property, plant and equipment	921	2,645	7,740
Amortization of net transition amount for employee retirement benefits	9,179	53,841	77,134
Restructuring charges	2,168	4,323	18,219
Total special losses	13,223	62,059	111,118
Income before income taxes and minority interest	8,197	25,623	68,882
Income taxes:			
Current	(6,018)	(20,063)	(50,571)
Deferred	782	7,308	6,571
	(5,236)	(12,755)	(44,000)
Minority interest in consolidated subsidiaries	101	(614)	849
Net income	¥ 3,062	¥ 12,254	\$ 25,731

CONSOLIDATED STATEMENTS OF CASH FLOWS

Asahi Kasei Corporation and Consolidated Subsidiaries
For the six months ended September 30, 2001 and 2000 (unaudited)

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2001	2000	2001
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 8,197	¥ 25,623	\$ 68,882
Depreciation and amortization	29,349	29,925	246,630
Amortization of goodwill	320	248	2,689
Increase in allowance for doubtful accounts	—	865	—
Interest and dividend income	(1,476)	(1,811)	(12,403)
Interest expense	2,898	3,168	24,353
Equity in net (earnings) losses of unconsolidated subsidiaries and affiliates	(299)	813	(2,512)
Gain on sale of investment securities	(465)	(10,604)	(3,908)
Loss from devaluation of investment securities	955	1,250	8,025
Gain on securities contribution to employee retirement benefit trust	—	(35,557)	—
Amortization of net transition amount for employee retirement benefits	9,179	53,841	77,134
(Increase) decrease in notes and accounts receivable, trade	27,633	(24,518)	232,210
(Increase) decrease in inventories	585	(12,209)	4,916
Increase (decrease) in notes and accounts payable, trade	(16,658)	8,890	(139,983)
Increase (decrease) in accrued expenses	(11,725)	(2,139)	(98,529)
Increase (decrease) in advances received	(3,525)	9,220	(29,622)
Other	(209)	1,558	(1,756)
Sub total	44,759	48,563	376,126
Interest and dividend income, received	2,493	2,314	20,950
Interest expense, paid	(3,091)	(4,144)	(25,975)
Severance payment to support employees resigning for new career opportunities	—	(3,996)	—
Contribution to pension plan for amortization of prior service costs, paid	(7,569)	(7,805)	(63,605)
Income taxes, paid	(20,901)	(20,644)	(175,639)
Net cash provided by operating activities	15,691	14,288	131,857
Cash flows from investing activities:			
Decrease in time deposits	868	8	7,294
(Increase) decrease in marketable securities	1,902	(273)	15,983
Payments for acquisition of property, plant and equipment	(35,075)	(31,040)	(294,748)
Proceeds from sales of property, plant and equipment	532	349	4,471
Payments for acquisition of intangible fixed assets	(5,064)	(2,294)	(42,555)
Payments for purchases of investment securities	(9,640)	(4,710)	(81,008)
Proceeds from sales of investment securities	1,156	13,385	9,714
Payments for purchases of new consolidated subsidiaries, net of cash acquired	—	(7,431)	—
Decrease in loan receivables	2,338	3,760	19,647
Other	416	579	3,496
Net cash used in investing activities	(42,567)	(27,667)	(357,706)
Cash flows from financing activities:			
Increase in short-term borrowings	6,526	8,851	54,840
Increase in commercial papers	15,000	10,000	126,050
Proceeds from long-term loans	5,050	2,365	42,437
Repayment of long-term loans	(3,866)	(5,026)	(32,487)
Proceeds from issuance of bonds	15,000	—	126,050
Repayment of bonds	(14,109)	(21,000)	(118,563)
Dividends paid by parent company	(4,327)	(4,328)	(36,361)
Other	(1,520)	(227)	(12,773)
Net cash provided by (used in) financing activities	17,754	(9,365)	149,193
Effect of exchange rate changes on cash and cash equivalents	(17)	105	(142)
Net decrease in cash and cash equivalents	(9,139)	(22,639)	(76,798)
Cash and cash equivalents at beginning of year	86,722	104,968	728,756
Cash and cash equivalents held by newly consolidated subsidiaries	63	110	529
Cash and cash equivalents at end of half-year	77,646	82,439	652,487

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES

The semiannual consolidated financial statements are prepared in accordance with the same accounting principles as those listed in the Notes to Consolidated Financial Statements for the fiscal year ended March 31, 2001.

2. U.S. DOLLAR AMOUNTS

The U.S. dollar amounts are included solely for convenience. The approximate current rate prevailing on September 30, 2001, ¥119=US\$1, has been used.

3. CONSOLIDATION AND INVESTMENTS IN AFFILIATED COMPANIES

The consolidated financial statements consist of the accounts of the parent company and 101 subsidiaries. Unconsolidated subsidiaries and 20% to 50% owned companies for which the equity method is applied totaled 57 as of September 30, 2001.

INVESTOR INFORMATION

(As of September 30, 2001)

ESTABLISHED: May 21, 1931

PAID-IN CAPITAL: ¥103,388,521,767

OUTSTANDING SHARES: 1,442,616,332

DOMESTIC OFFICES:

Tokyo Head Office
Hibiya-Mitsui Building
1-2, Yuraku-cho 1-chome, Chiyoda-ku
Tokyo 100-8440, Japan
Phone: +81-3-3507-2060
Fax: +81-3-3507-2495

Osaka Head Office
Shin-Dai Building
2-6, Dojimahama 1-chome, Kita-ku
Osaka 530-8205, Japan
Phone: +81-6-6347-3111
Fax: +81-6-6347-3077

Nobeoka Office

Fuji Office

Moriyama Office

Ohito Office

OVERSEAS OFFICES:

Beijing Office
Shanghai Office
N.V. Asahi Kasei Europe S.A.
Asahi Kasei Deutshland GmbH
Asahi Kasei America Inc.
Asahikasei Asia Pte. Ltd.
Asahi Chemical (H.K.) Ltd.

OVERSEAS STOCK INFORMATION:

Frankfurt: The stocks are listed on the Frankfurt Stock Exchange in the form of Global Bearer Certificates.

Luxembourg: The stocks are listed on the Luxembourg Stock Exchange in the form of Bearer Depositary Receipts.

WEB SITE:

<http://www.asahi-kasei.co.jp/>