
Growth Action – 2010

– *strategic five-year business plan* –



March 7, 2006

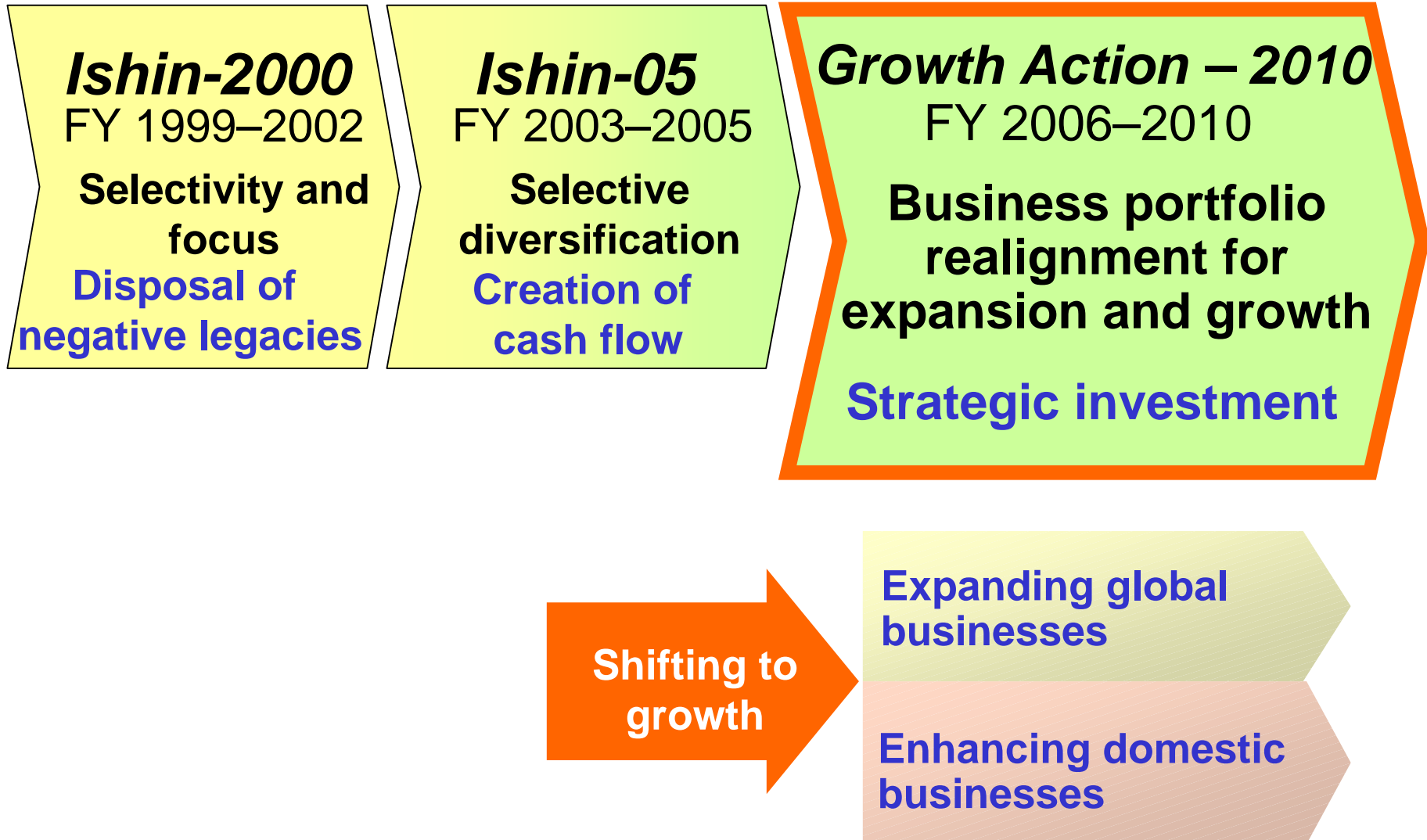
AsahiKASEI

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I. Overview of *Growth Action* – 2010

1. Framework of advancement



2. Basic targets

(¥ billion)

	FY 2005 forecast	FY 2008	FY 2010
Net sales	1,500	1,650	1,800
Operating profit	105	125	150
Net income	59	65	80
ROE	11%	≥10%	≥10%

... with continuous dividends increase

II. *Ishin-05* accomplishments

1. Strong financial performance

Forecast for second consecutive record-high net sales and net income.

		<i>Ishin-05</i>			(¥ billion)
	FY 2002	FY 2003	FY 2004	FY 2005 forecast	FY 2005 Target
Net sales	1,193.6	1,253.5	1,377.7	1,500.0	1,300.0
Operating profit <i>absent amortization*</i>	61.6	60.9 80.4	115.8 95.6	105.0 101.0	110.0
Net income	(66.8)	27.7	56.5	59.0	50.0
Dividends	¥6	¥6	¥8	¥10 (planned)	≥¥8
EPS	-¥48	¥20	¥40	¥42	¥36
ROE	-14.8%	6.4%	11.7%	11.0%	≥10%
ROA	---	2.3%	4.5%	---	---
D/E ratio	0.79	0.62	0.49	0.4	≤0.7

* Operating profit prior to amortization of actuarial differences in retirement benefits.

2. Structural transformation

- ✓ Establishment of selectively diversified enterprise group
- ✓ Transformation of operating structure for cash flow creation
 - Cash flow management in addition to EVA
 - Improved free cash flow
- ✓ Greater management speed & autonomy
 - Transition to holding company configuration
 - Devolution of authority
 - Enhanced corporate governance

3. Selective diversification

➤ Building on strengths

Monomers

- Acrylonitrile plant expansion
- Styrene monomer plant expansion

Specialized-function products

- Hipore™ Li-ion battery separator plant expansion
- Roica™ spandex plant expansion & acquisition of plants in Europe and US
- New plant for Duranate™ HDI polyisocyanate in China
- Microza™ high-volume water filtration membrane plant expansion

Electronics

- Mixed-signal custom LSIs plant expansion
- New plant for photomask pellicles for large LCDs & plant expansion
- New plant for Sunfort™ dry film resist in China & plant expansion

Medical devices

- New plant for APS™ hemodialyzers in Japan & China

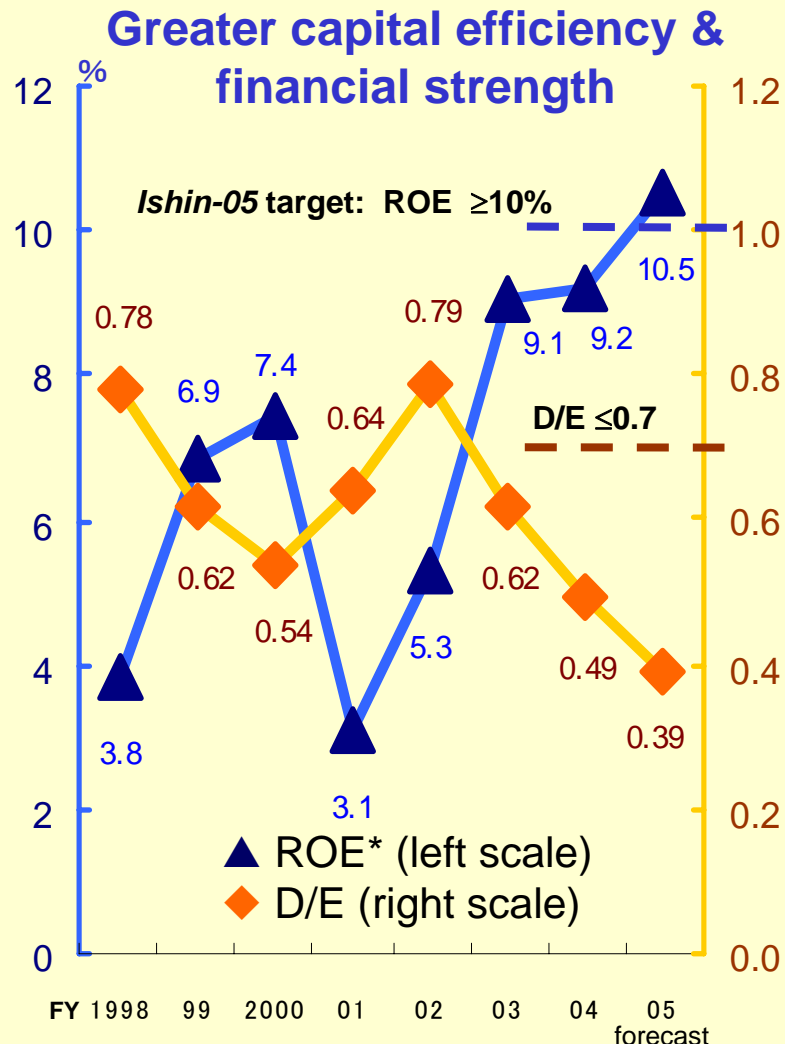
➤ Completion of restructuring

Acrylic fiber, liquors, salt, large ALC panels, etc.

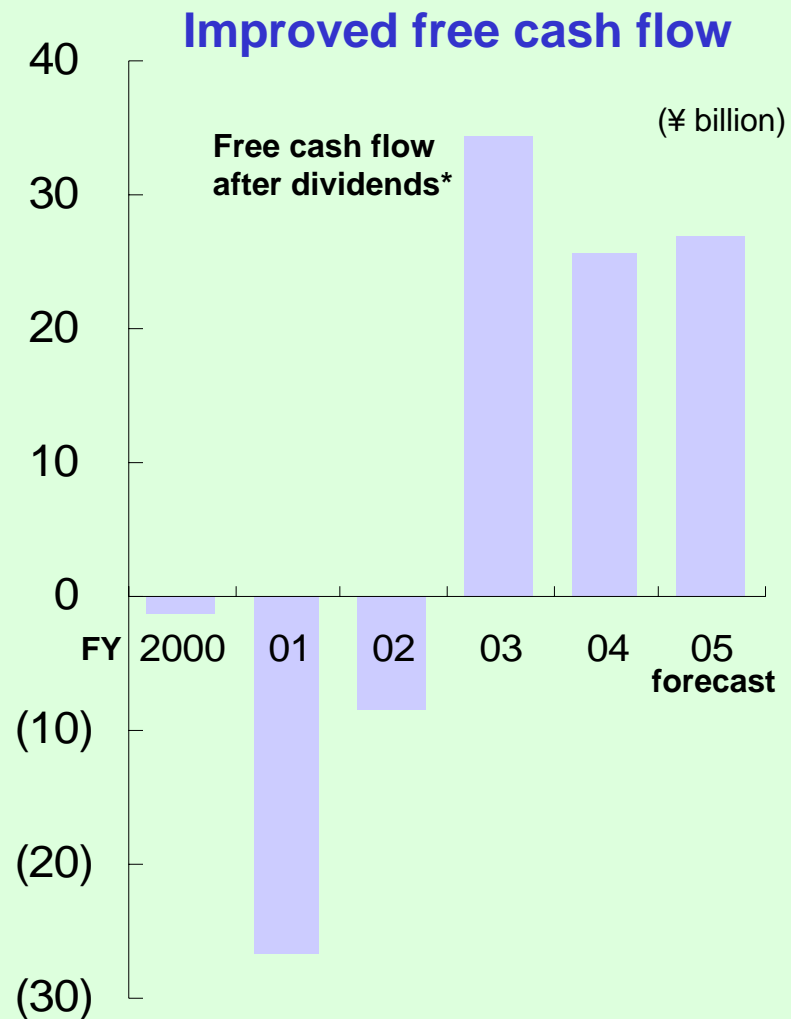
➤ Establishment of New Business Development

Enhanced holding company function for development of new businesses

4. Transformation for cash flow creation



* Calculated from net income excluding amortization of actuarial differences in retirement benefits and lump-sum amortization upon change in accounting method.



* Excluding loans by Asahi Kasei Mortgage.

**III. *Growth Action – 2010*
strategy & goals**

1. Performance targets

(¥ billion)

	FY 2005 forecast	FY 2008	FY 2010
Net sales	1,500	1,650	1,800
Operating profit	105	125	150
Net income	59	65	80
ROE	11%	≥10%	≥10%

... with continuous dividends increase

Other targets in FY 2010

- ROA: 5%
- Shareholders' equity/total assets: ≈50%
- D/E ratio: ≤0.5

Note: Not including effect of planned M&A.

2. Conceptual framework (1)

**Business portfolio
realignment for
expansion & growth**

**Asahi Kasei's
competences**

Diverse
markets

Wide-
ranging
technologies

Multifaceted
business
models

Strategic action

**Expanding global
businesses**

- Reinforcement of strong businesses & expansion of business areas
- Development of new businesses with global potential

**Enhancing domestic
businesses**

- Higher added value
- Development of services peripheral to established businesses

3. Conceptual framework (2)

Advancing business portfolio realignment

High growth businesses

Chemical-based, specialized-function

Electronic materials

Medical devices

Electronic devices

Pursuing higher growth with strong, stable base

Stable growth, stable earnings businesses

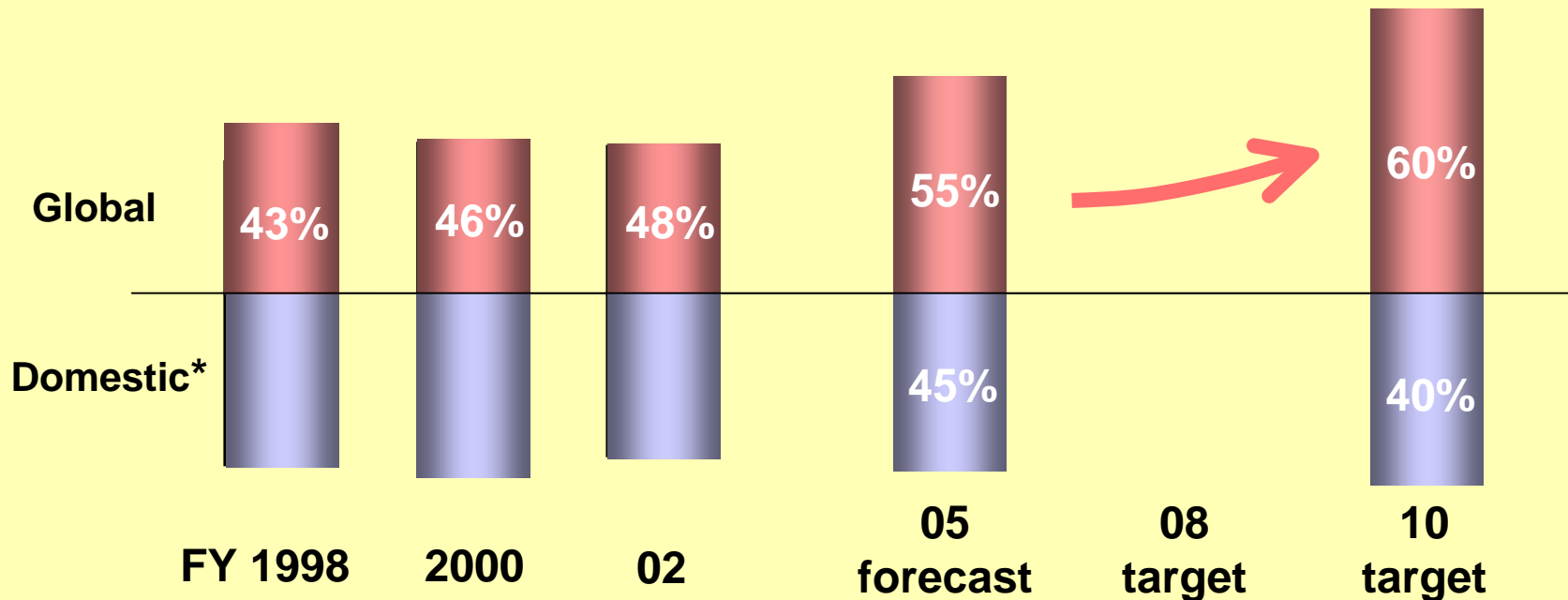
Domestic businesses
(Housing, construction materials, pharmaceuticals, home-use products, etc.)

Polymers
(including processed products)

Monomers
(Acrylonitrile, MMA, styrene monomer, etc.)

4. Expanding global businesses (1)

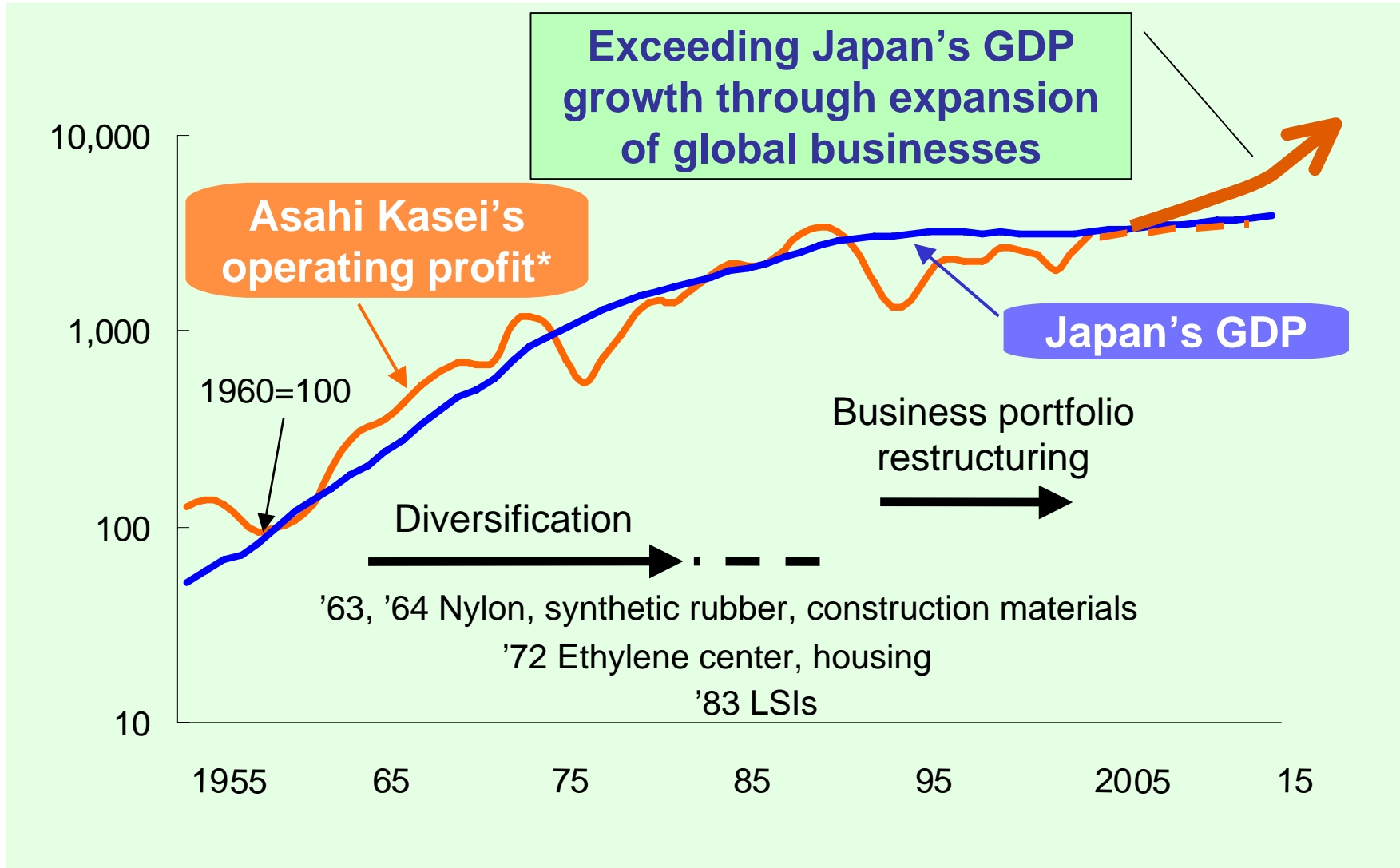
Share of sales by character of business



*Housing, construction materials, pharmaceuticals, home-use products, explosives, engineering, trading, foods, liquors, salt, etc.

Overseas sales	23%	30%	≥1/3
Overseas production	7%	9%	10%

5. Expanding global businesses (2)



*Three-year moving average, non-consolidated until FY 1980.

6. Enhancing domestic businesses

Established strengths

Perception of emerging needs

Creation of new markets

Creation of higher added value

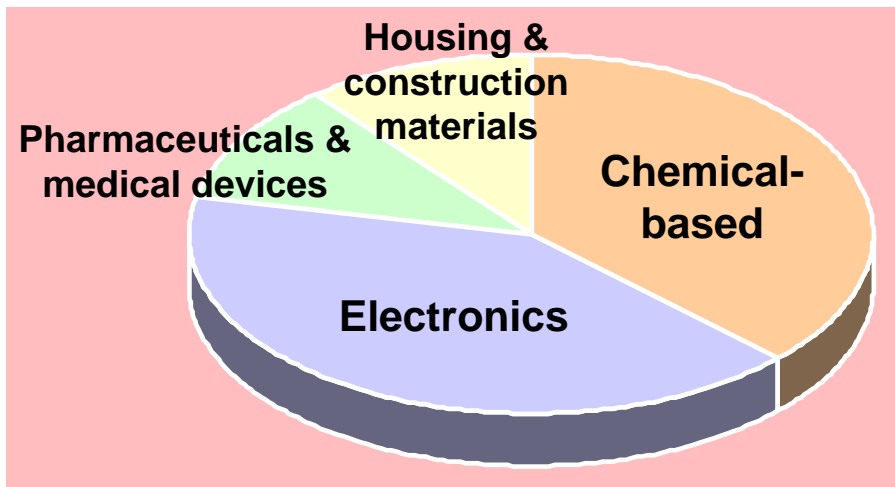
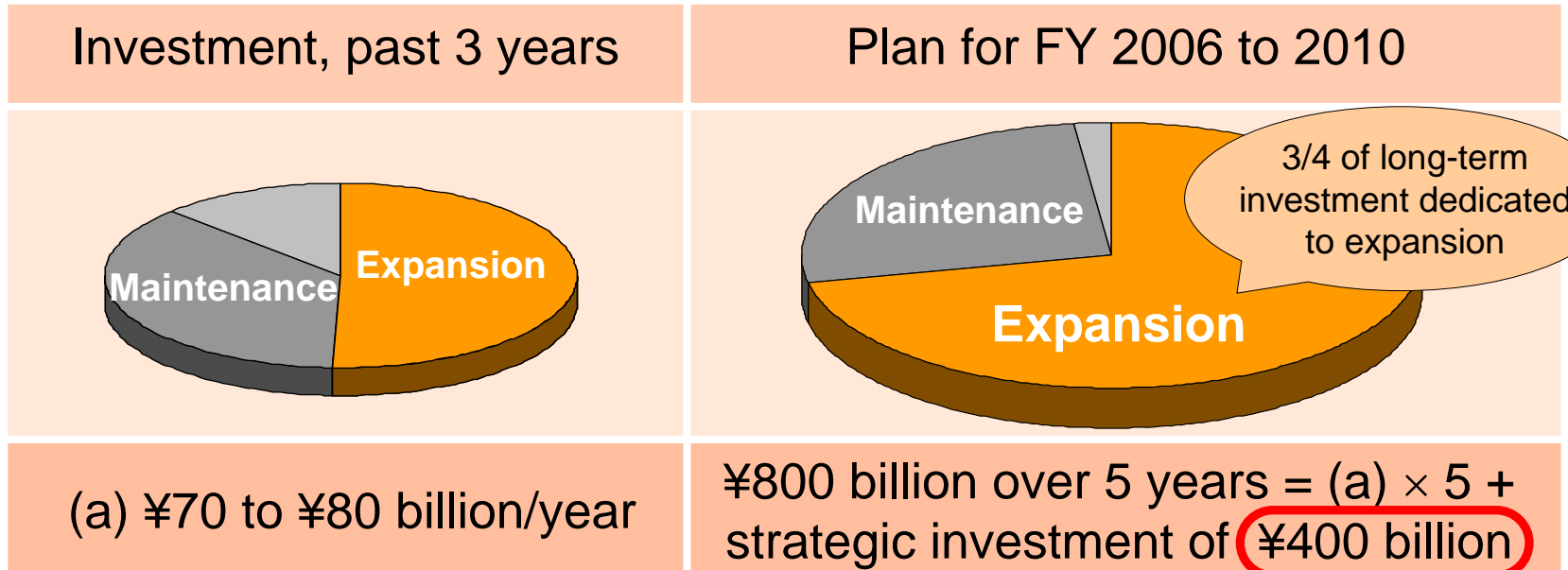
Domestic sales & operating profit margin:

(¥ billion)

	FY 2005 forecast	FY 2010 target
Net sales	680	720
Operating profit margin	7%	8%

7. Strategic investment for growth

– Long-term investment plan –



Breakdown of strategic investment

8. Allocation of strategic investment funds

(¥ billion)

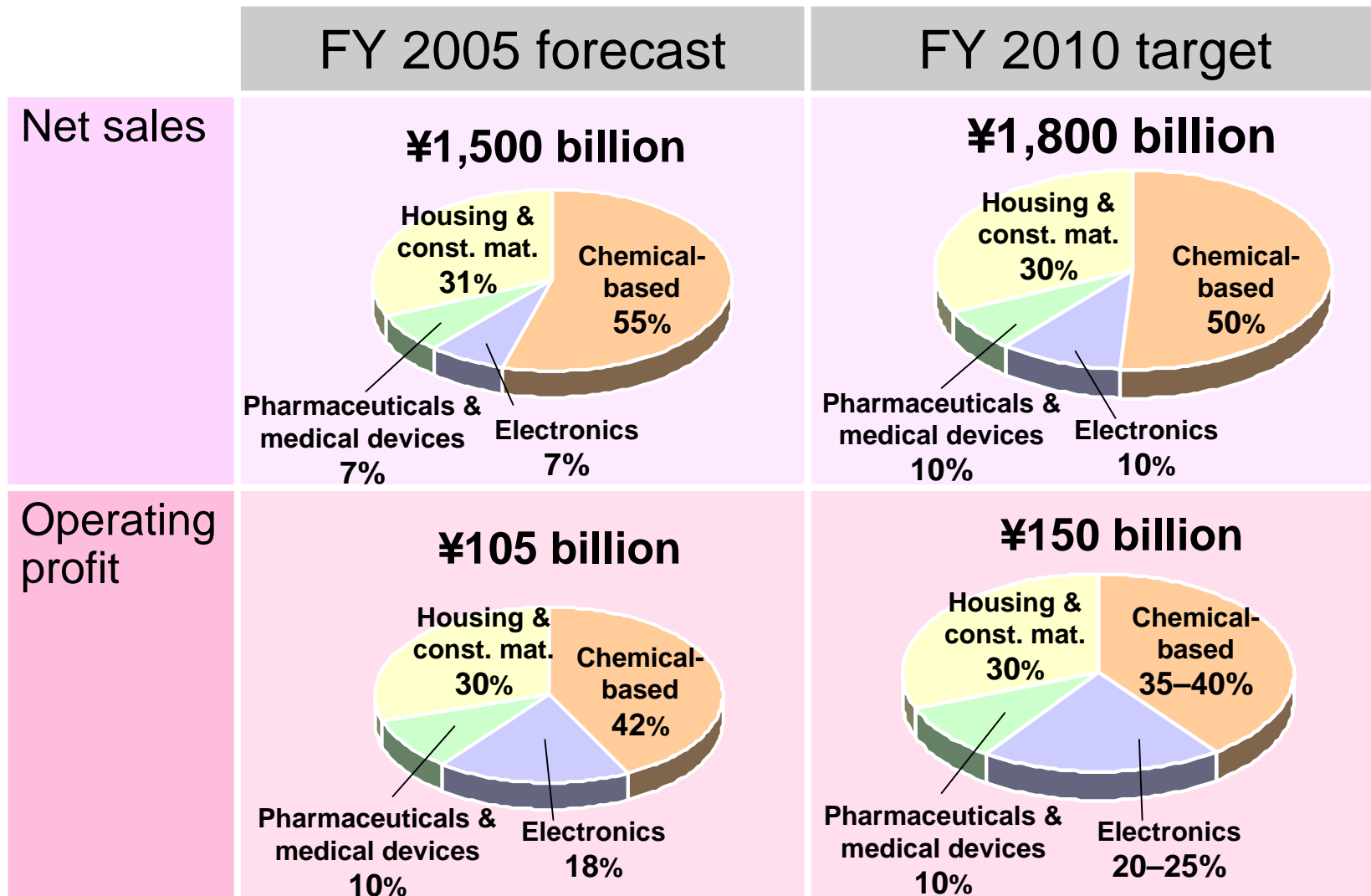
		Through FY 2010	
		M&A	Organic
Expanding global businesses	Monomers	–	40
	Specialized-function products	50	40
	Electronics	100	50
Enhancing domestic businesses		–	30
New business creation		–	40
Renewing ethylene center, etc.		–	20
Total		150	220
Return to shareholders (increased dividends, etc.)		20–30	

9. Increases in sales and operating profit

(¥ billion)

Business category	FY 2005 forecast		Amount of increase between FY 2005 and 2010	
	Net sales	Operating profit	Net sales	Operating profit
Chemical-based	803	44.7	+100	+12
Electronics	103	19.0	+100	+18
Pharmaceuticals & medical devices	108	10.3	+50	+7
Housing & construction materials	461	31.3	+100	+12
Total	1,500	105	+300	+45

10. Performance by business category



Note: Percentages of sales excluding Services, Engineering and Others; percentages of operating profit excluding Services, Engineering and Others, corporate expenses and eliminations, and amortization of actuarial differences in retirement benefits.

IV. Strategic outline by business category

1. Expanding global businesses (1)

Chemical-based

Petrochemicals

- Global expansion of businesses based on superiority and originality
 - Propane-process acrylonitrile, direct-oxidative-esterification-process methyl methacrylate, etc.
 - Establishment of advantageous feedstock supply framework (utilizing Alpha Process and Omega Process, location at feedstock source)

Specialized-function products

- Market expansion based on technological strengths
 - Roica™ spandex in Europe and US
 - Microza™ filtration modules in China and US
 - Elastomers in major world markets
- Enhanced R&D, creation of new businesses
 - Hipore™ Li-ion battery separators, other battery materials
 - Water treatment systems

2. Expanding global businesses (2)

Electronics

Electronic devices

- Expansion of mixed-signal custom LSI business
 - Enhanced design function
 - New fields of application
 - New geographical markets
- Expansion and development of sensor/LSI hybrid device businesses
 - Cell phone backlight switch, electronic compass
 - Contact-free rotation angle sensor for automotive use, etc.

Electronic materials

- Expansion, higher added value, new applications in established businesses
 - Photosensitive dry film resist (DFR), glass cloth, Pimel™ photosensitive polyimide, pellicles, etc.
- Creation of new businesses
 - Coordination with chemical businesses and marketing center for packaging/display materials

3. Expanding global businesses (3)

Medical devices

- Advancing toward a top-class global business in blood purification systems
- Global expansion of hemodialyzer (artificial kidney) business
 - Enhanced cost competitiveness
 - Enhanced and expanded overseas marketing functions
- Accelerated development of pipeline in other therapeutic fields (principally leukocytapheresis and plasmapheresis)
 - Utilization of clinical development functions for pharmaceuticals
 - Advancement of clinical development overseas

New business creation

Chemical-based, high-performance

- Polyketone filament
- Battery-related materials, etc.

Electronics

- Packaging/display materials
- Capacitors, etc.

Higher added value in established businesses

Housing

- Eliciting demand for rebuilding
 - High performance homes
 - Larger, better-trained sales force
- Extension of “Long Life Home” strategy
 - Remodeling, real estate, other related services

Construction materials

- Growth in insulation materials
- Synergies with housing operations
- Greater management emphasis on customer perspective

Higher added value in established businesses (cont.)

Pharmaceuticals

- Focus on orthopedics, central nerves system, and urology
- Dynamic use of alliances with other companies
 - Joint development, joint sales, licensing, etc.

Services peripheral to established businesses

- Financial services for Hebel Haus™ owners
 - Securitized loans, reverse mortgages
- Medical service support business
- Internet business

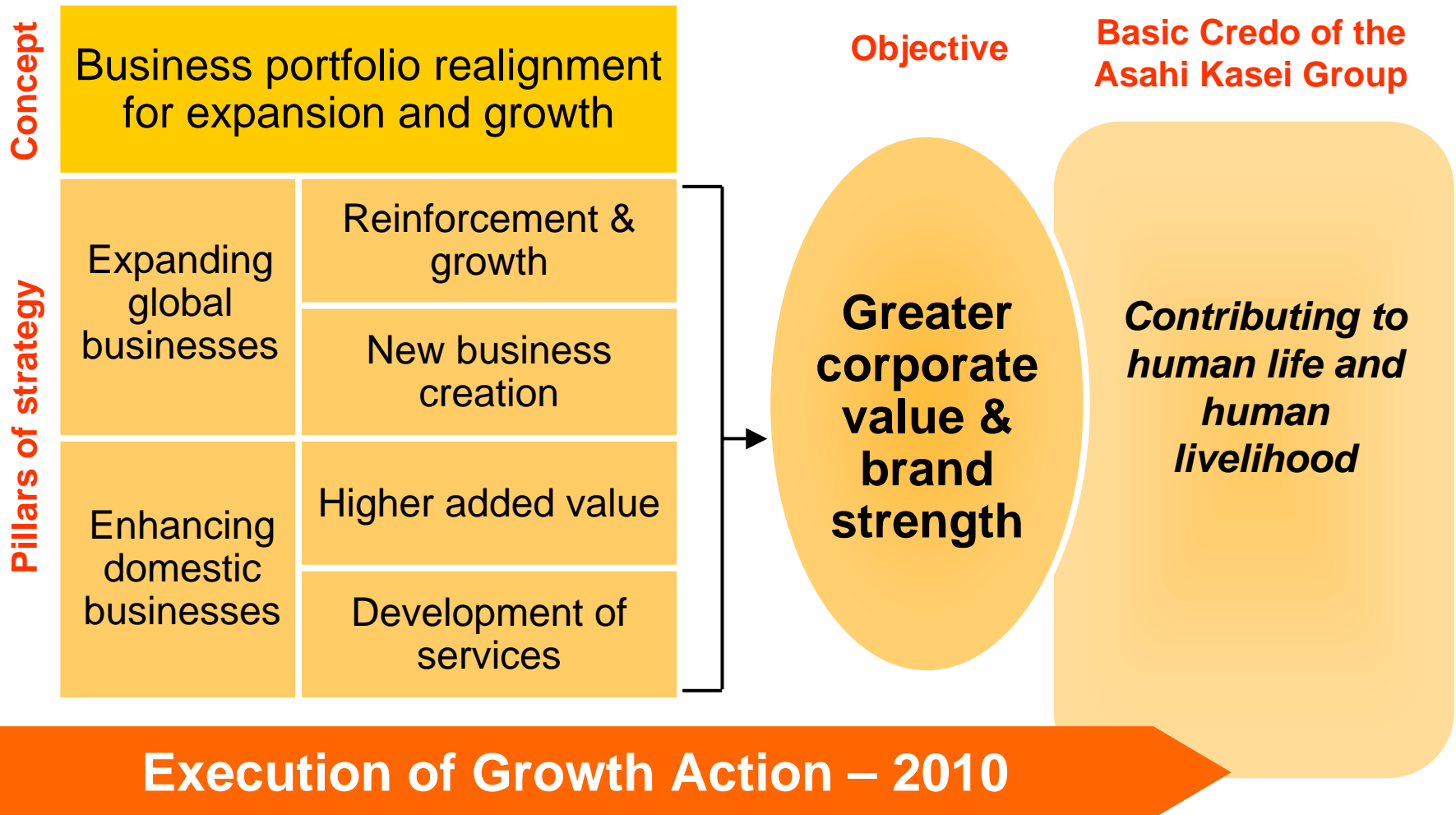
- Strengthening of established businesses, technological development for new peripheral businesses
 - Performed by core operating companies

- Division of roles for creation of new businesses -- integrated process from R&D to commercialization
 - Holding co.: Electronics chemicals, information technology, other new businesses
 - Chemicals: Battery, fuel cell, water filtration membranes*
 - Medical: Separation membranes for apheresis/extracorporeal circulation*
 - Electronics: Electronic devices including compound semiconductors

* Transferred to core operating companies with establishment of New Business Development in the holding company in August 2005.

V. Summary

Strategic format and orientation



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.