

Asahi Kasei Corporation

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**Consolidated Results for 1st to 3rd Quarter Fiscal 2004:
April 1, 2004 – December 31, 2004**

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Conditions for Preparation of Quarterly Statements

1. Change in scope of consolidation, application of equity method

No. of newly consolidated subsidiaries: 7.

No. of consolidated subsidiaries newly excluded: 2.

No. of unconsolidated subsidiaries and affiliates for which the equity method is newly applied: 2.

No. of unconsolidated subsidiaries and affiliates newly excluded from the equity method: 5.

II. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	Q1–Q3 2004	Q1–Q3 2003
Net sales	1,011,787 [+11.9%]	904,557
Operating profit	89,650 [+100.8%]	44,636
Ordinary profit	88,259 [+128.0%]	38,706
Net income	46,703 [+135.9%]	19,795
Net income per share*	33.34	14.13
Diluted net income per share*	—	—

* Yen

2. Financial position

At end of	Dec. 2004	Dec. 2003
Total assets	1,320,759	1,289,610
Shareholders' equity	499,503	438,462
Shareholders' equity/total assets	37.8%	34.0%
Shareholders' equity per share*	356.68	312.96

* Yen

3. Cash flows

Nine months ended December	2004	2003
Cash flows from operating activities	50,637	66,646
Cash flows from investing activities	(43,779)	(79,562)
Cash flows from financing activities	(3,597)	9,566
Cash and cash equivalents at end of period	75,881	75,721

III. Forecast for fiscal year ending March 31, 2005*

Net sales	1,380,000
Ordinary profit	112,000
Net income	56,000
Net income per share (yen)	39.99

* 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. Overview of Consolidated Results

1. Consolidated group results

During the first three quarters, the domestic economy performed relatively well with strong exports, improved corporate earnings, and rising capital expenditure. Moving forward, the operating environment is rapidly declining with exports slowing due to a high yen exchange rate and demand for digital electronics entering a phase of adjustment.

Asahi Kasei's consolidated net sales for the nine month period grew by ¥107.2 billion from a year ago to ¥1,011.8 billion, a 11.9% increase. Sales growth was strongest in chemicals operations, with strong overseas demand, in electronics operations, with strong demand in the industry, and in housing operations, with growth in home orders during the previous year.

Operating profit grew by ¥45.0 billion to ¥89.7 billion, a 100.8% increase. Amortization of actuarial differences in retirement benefit accounts resulted in ¥28.5 billion of the ¥45.0 billion increase (a ¥14.0 billion shortfall was amortized during the year-ago term, and a ¥14.5 billion surplus was amortized during the term under review).

Ordinary profit grew by ¥49.6 billion to ¥88.3 billion, a 128.0% increase. Net income grew by ¥26.9 billion to ¥46.7 billion, a 135.9% increase, despite ¥12.1 billion in restructuring charges largely due to liquidation of subsidiary PT Indonesia Asahi Kasei and structural reform of construction materials operations.

2. Results by operating segment

CHEMICALS

Sales for the segment grew by ¥86.3 billion to ¥415.3 billion, a 26.2% increase.

Operating profit grew by ¥20.6 billion to ¥33.2 billion, a 163.9% increase, after crediting ¥8.0 billion to amortize the actuarial surplus for retirement benefits during the year-ago term.

Profitability of monomers and basic chemicals was constrained by high prices for feedstocks such as naphtha and benzene, but operating profit nevertheless grew as market prices rose with strong demand and capacity expansion enabled increased shipments.

The operating climate for polymers remained challenging, as market price increases lagged the rise in feedstock costs.

Operating profit from specialty products and systems increased largely in membrane-related products, notably those for ion-exchange.

HOMES

Sales for the segment grew by ¥14.5 billion to ¥259.0 billion, a 5.9% increase.

Operating profit grew by ¥7.3 billion to ¥17.4 billion, a 72.2% increase, after crediting ¥3.8 billion to amortize the actuarial surplus for retirement benefits during the year-ago term.

Growth in sales resulted from increased deliveries of completed homes following the high level of orders received a year ago. Ongoing measures to raise efficiency and reduce operating costs were advanced to counter a broad rise in costs for material inputs.

Promotional campaigns were implemented based on the Long Life Home strategy, but the number of new orders received during the period failed to match that of a year ago.

PHARMA

Sales for the segment decreased by ¥3.2 billion to ¥79.4 billion, a 3.8% decline.

Operating profit grew by ¥0.2 billion to ¥12.0 billion, a 1.6% increase, after crediting ¥3.8 billion to amortize the actuarial surplus for retirement benefits during the year-ago term.

The operating environment for pharmaceuticals remained challenging as measures to curtail public health care expenses continued. Sales of Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant continued to grow, but sales of Elcitonin™ calcitonin formulation decreased as market share was lost to competing products.

Sales of artificial kidneys decreased due to reduced sales prices. Sales of Cellsorba™ leukocytapheresis columns increased.

FIBERS

Sales for the segment grew by ¥1.5 billion to ¥78.3 billion, a 1.9% increase. Operating profit grew by ¥3.0 billion to ¥4.2 billion, a 258.8% increase, after crediting ¥3.1 billion to amortize the actuarial surplus for retirement benefits during the year-ago term.

The operating climate remained challenging, with high feedstock costs. Shipments of Eltas™ spunbond and Lamous™ artificial suede increased, as did shipments of Roica™ elastic polyurethane filament, particularly to Europe. Shipments of Leona™ nylon 66 filament also rose.

ELECTRONICS MATERIALS AND DEVICES

Sales for the segment grew by ¥10.6 billion to ¥70.9 billion, a 17.5% increase.

Operating profit grew by ¥2.9 billion to ¥14.5 billion, a 24.8% increase, after crediting ¥1.6 billion to amortize the actuarial surplus for retirement benefits during the year-ago term.

Sales of electronics devices such as semiconductors and Hall ICs increased with strong demand in DVD recorder, digital camera, flat panel TV, and cell phone applications with strong market growth overseas, especially in China.

Sales of electronics materials for semiconductor and circuit board production

increased with generally strong demand throughout the electronics industry.

CONSTRUCTION MATERIALS

Sales for the segment decreased by ¥0.6 billion to ¥45.9 billion, a 1.2% decline.

Operating profit was ¥2.4 billion after crediting ¥2.2 billion to amortize the actuarial surplus for retirement benefits during the year-ago term, a ¥3.6 billion turnaround from the ¥1.2 billion operating loss a year ago.

Pervasive cost reductions were advanced through reform of the operational structure. Sales of Grande™ autoclaved lightweight concrete (ALC) panels for large-scale construction decreased as declining demand persisted; with no clear prospect for recovery of demand, the Grande™ product line will be discontinued at fiscal year end. Sales of ready-made concrete piles also decreased as the trend for diminishing demand continued; production was discontinued at the end of December and ready-made concrete piles are now supplied through OEM arrangements.

Demand for Hebel™ ALC increased. Sales of Neoma™ high-performance foam insulation and of specialized piles for small-scale construction continued to grow.

LIFE & LIVING

Sales for the segment grew by ¥1.5 billion to ¥46.7 billion, a 3.3% increase. Operating profit grew by ¥0.2 billion to ¥5.6 billion, a 3.7% increase, after crediting ¥1.3 billion to amortize the actuarial surplus for retirement benefits during the year-ago term.

In home-use products, concerted advertising contributed to increased sales of Saran Wrap™ cling film with a newly redesigned package.

Suntec™ S film and other packaging materials faced a challenging operating environment, with high feedstock costs and sharp price competition.

SERVICES, ENGINEERING AND OTHERS

Sales for the segment decreased by ¥3.4 billion to ¥16.3 billion, a 17.3% decline.

Operating profit grew by ¥0.5 billion to ¥1.6 billion, a 51.1% increase.

The sales decrease largely resulted from the November 2003 divestment of shareholdings in salt producers Shin Nihon Salt and Ako Kaisui.

V. Consolidated Statements of Income

	Q1-Q3 2004	Q1-Q3 2003	Increase (decrease)	Percent change
Net sales	1,011,787	904,557	107,230	+11.9
Cost of sales	733,290	659,079	74,211	+11.3
Selling, general and administrative expenses	188,847	200,841	(11,994)	-6.0
Operating profit	89,650	44,636	45,014	+100.8
Non-operating income	6,182	3,336	2,846	+85.3
Non-operating expenses	7,573	9,266	(1,693)	-18.3
Ordinary profit	88,259	38,706	49,553	+128.0
Special gains	2,816	9,287	(6,471)	-69.7
Special losses	17,885	7,172	10,713	+149.4
Income before income taxes and minority interests	73,190	40,820	32,370	+79.3
Net income	46,703	19,795	26,908	+135.9

VI. Consolidated Balance Sheets

	At end of Dec. 2004	At end of Mar. 2004	Increase (decrease)
Assets section			
Current assets	632,664	554,404	78,260
Fixed assets	688,095	694,802	(6,707)
Tangible fixed assets	423,758	428,302	(4,544)
Intangible fixed assets	36,366	39,675	(3,309)
Investments and other assets	227,971	226,825	1,146
Total assets	1,320,759	1,249,206	71,553
Liabilities section			
Current liabilities	455,057	390,428	64,629
Long-term liabilities	360,099	402,350	(42,251)
Total liabilities	815,156	792,778	22,378
Minority interest in consolidated subsidiaries	6,100	5,977	123
Shareholders' equity			
Issued and outstanding	103,389	103,389	—
Capital surplus	79,411	79,396	15
Retained earnings	286,454	249,820	36,634
Others	47,160	34,506	12,654
Common stock in treasury, at cost	(16,911)	(16,660)	(251)
Total shareholders' equity	499,503	450,451	49,052
Total liabilities, minority interest and shareholders' equity	1,320,759	1,249,206	71,553

VII. Cash Flows

Nine months ended December	2004	2003
Cash flows from operating activities	50,637	66,646
Cash flows from investing activities	(43,779)	(79,562)
Cash flows from financing activities	(3,597)	9,566
Effect of exchange rate changes on cash and cash equivalents	182	(392)
Net increase (decrease) in cash and cash equivalents	3,443	(3,743)
Cash and cash equivalents at beginning of period	70,898	79,291
Cash and cash equivalents held by newly consolidated subsidiaries	1,540	172
Cash and cash equivalents at end of period	75,881	75,721

VIII. Operating Segment Information

1. Consolidated net sales

(billions of yen)

	Q1-Q3 2004	Q1-Q3 2003	Increase (decrease)	FY 2004 forecast
Chemicals	415.3	329.0	86.3	554.0
Homes	259.0	244.5	14.5	378.0
Pharma	79.4	82.5	(3.2)	105.0
Fibers	78.3	76.9	1.5	105.0
Electronics Materials & Devices	70.9	60.4	10.6	93.0
Construction Materials	45.9	46.4	(0.6)	60.0
Life & Living	46.7	45.2	1.5	60.0
Services, Engineering and Others	16.3	19.7	(3.4)	25.0
Total	1,011.8	904.6	107.2	1,380.0

2. Consolidated operating profit (loss)*

(billions of yen)

	Q1-Q3 2004		Q1-Q3 2003		Increase (decrease)		FY 2004 forecast	
Chemicals	[+3.9]	33.2	[-4.1]	12.6	[+8.0]	20.6	[+5.6]	40.5
Homes	[+2.5]	17.4	[-1.4]	10.1	[+3.8]	7.3	[+3.3]	30.5
Pharma	[+1.7]	12.0	[-2.1]	11.8	[+3.8]	0.2	[+2.4]	13.5
Fibers	[+1.5]	4.2	[-1.6]	1.2	[+3.1]	3.0	[+2.2]	5.0
Electronics Materials & Devices	[+0.8]	14.5	[-0.8]	11.6	[+1.6]	2.9	[+1.1]	16.5
Construction Materials	[+1.1]	2.4	[-1.1]	(1.2)	[+2.2]	3.6	[+1.5]	2.5
Life & Living	[+0.6]	5.6	[-0.6]	5.4	[+1.3]	0.2	[+0.9]	6.5
Services, Engineering and Others	[+0.0]	1.6	[-0.0]	1.1	[+0.0]	0.5	[+0.0]	2.5
Combined	[+12.0]	90.8	[-11.8]	52.4	[+23.8]	38.4	[+17.0]	117.5
Corporate expenses and eliminations	[+2.5]	(1.2)	[-2.3]	(7.8)	[+4.7]	6.7	[+3.3]	(2.5)
Consolidated	[+14.5]	89.7	[-14.0]	44.6	[+28.5]	45.0	[+20.2]	115.0

* Bracketed figures are amounts of amortization of actuarial differences arising in retirement allowances.

3. Contract trends for home construction operations

	Q1-Q3 2004	Q1-Q3 2003	Increase (decrease)	FY 2004 forecast
Value of orders received (¥ billion)	217.2	232.1	(15.0)	299.5
No. of orders received (home units)	10,106	11,753	(1,647)	14,185
Backlog of orders (¥ billion)	320.3	315.8	4.5	306.9
No. of sales (home units)	10,085	9,633	452	15,268
Value of sales (¥ billion)	215.9	198.3	17.6	311.6

4. Key operating factors

	Q1-Q3 2004	Q4 2004	FY 2004 forecast
Naphtha price (yen/kL, domestic)	31,800	32,200	31,900
Yen/US\$ exchange rate (market average)	109	103	108