

Asahi Kasei Corporation

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**Consolidated Results for 1st to 3rd Quarter Fiscal 2005:
April 1, 2005 – December 31, 2005**

(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: 1.

No. of consolidated subsidiaries newly excluded: 2.

No. of unconsolidated subsidiaries and affiliates for which the equity method is newly applied: 3.

No. of unconsolidated subsidiaries and affiliates newly excluded from the equity method: 3.

II. Summary of Consolidated Results

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

| | Q1–Q3 2005 | Q1–Q3 2004 |
|-------------------------------|-------------------|------------|
| Net sales | 1,090,749 [+7.8%] | 1,011,787 |
| Operating profit | 81,630 [–8.9%] | 89,650 |
| Ordinary profit | 80,785 [–8.5%] | 88,259 |
| Net income | 46,581 [–0.3%] | 46,703 |
| Net income per share* | 33.25 | 33.34 |
| Diluted net income per share* | — | — |

* Yen

2. Financial position

| At end of | Dec. 2005 | Dec. 2004 |
|-----------------------------------|-----------|-----------|
| Total assets | 1,412,554 | 1,320,759 |
| Shareholders' equity | 574,098 | 499,503 |
| Shareholders' equity/total assets | 40.6% | 37.8% |
| Shareholders' equity per share* | 410.09 | 356.68 |

* Yen

3. Cash flows

| Nine months ended December | 2005 | 2004 |
|--|----------|----------|
| Cash flows from operating activities | 37,198 | 50,637 |
| Cash flows from investing activities | (41,466) | (43,779) |
| Cash flows from financing activities | 12,148 | (3,597) |
| Cash and cash equivalents at end of period | 76,712 | 75,881 |

III. Forecast for fiscal year ending March 31, 2006*

| | |
|----------------------------|-----------|
| Net sales | 1,500,000 |
| Ordinary profit | 103,000 |
| Net income | 59,000 |
| Net income per share (yen) | 42.14 |

* 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 began recovering, with increased private-sector capital investment following improved corporate earnings, and renewed consumer spending. The operating climate nevertheless remained challenging, with persistently elevated prices for petroleum and petrochemical feedstocks such as naphtha at a time of deflation for the economy as a whole.

Asahi Kasei's consolidated net sales for the nine month period grew by ¥79.0 billion from a year ago to ¥1,090.7 billion, a 7.8% increase. Sales growth was strongest in chemicals operations, with strong overseas demand.

Operating profit decreased by ¥8.0 billion to ¥81.6 billion, a 8.9% decline. Amortization of actuarial differences in retirement benefit accounts resulted in a ¥11.2 billion decrease in operating profitability (a ¥14.5 billion surplus was amortized during the year-ago term, and a ¥3.3 billion surplus was amortized during the term under review). Operating profit excluding this amortization grew by ¥3.2 billion to ¥78.4 billion, a 4.3% increase.

Ordinary profit decreased by ¥7.5 billion to ¥80.8 billion, an 8.5% decline. Net income decreased by ¥0.1 billion to ¥46.6 billion, a 0.3% decline.

2. Results by operating segment

Leona™ nylon 66 filament operations were transferred from the Fibers segment to the Chemicals segment in April 2005. Results for the year-ago period have been revised accordingly for comparison purposes.

Within each segment, operating performance of individual businesses is described absent amortization of actuarial differences in retirement benefits accounting.

CHEMICALS

Sales for the segment grew by ¥65.8 billion to ¥490.1 billion, a 15.5% increase.

Operating profit grew by ¥3.2 billion to ¥34.3 billion, a 10.4% increase. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥2.8 billion smaller than a year ago.

In volume products, sales grew with strong overseas demand and operating profit remained on par with that of a year ago despite higher feedstock costs. Sales of acrylonitrile increased with improved market conditions but market conditions for styrene declined, and operating profit in monomers and basic chemicals decreased. Sales of engineering plastics grew with strong overseas demand, and operating profit in polymers and elastomers increased with improved market conditions.

In specialty products and systems, a sector of concentrated investment of management resources, operating profit increased with strong performance from Hipore™ Li-ion rechargeable battery separators and from electrolysis products, both membrane-process salt electrolysis systems and their ion-exchange membranes.

HOMES

Sales for the segment grew by ¥16.5 billion to ¥275.6 billion, a 6.4% increase. Operating profit decreased by ¥3.0 billion to ¥14.4 billion, a 17.5% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥1.6 billion smaller than a year ago.

Although unit prices for order-built homes were higher than a year ago, operating profit decreased with fewer deliveries of completed units. Sales of pre-built homes grew with completion of large condominiums. Sales in housing-related operations grew with strong performance from real estate and remodeling businesses.

PHARMA

Sales for the segment grew by ¥1.6 billion to ¥81.0 billion, a 2.1% increase. Operating profit decreased by ¥2.0 billion to ¥10.0 billion, a 2.1% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥1.5 billion smaller than a year ago.

Operating profit in pharmaceuticals increased with growing sales of Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant. Sales of APS™ artificial kidneys grew both in Japan and overseas, but elevated capital depreciation following plant expansions resulted in decreased operating profit for medical devices.

FIBERS

Sales for the segment decreased by ¥3.8 billion to ¥65.5 billion, a 5.5% decline. Operating profit decreased by ¥3.2 billion to ¥3.1 billion, a 50.7% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥0.8 billion smaller than a year ago.

Performance throughout the segment was impacted by high feedstock costs and falling prices for apparel, resulting in decreased operating profit. Sales of Bemberg™ cupro cellulose filament for linings and other applications were on par with those of a year ago. Sales prices of Roica™ elastic polyurethane filament decreased, particularly in overseas markets. Eltas™ spunbond and other synthetics faced steep feedstock price rises.

ELECTRONICS MATERIALS AND DEVICES

Sales for the segment grew by ¥5.0 billion to ¥76.0 billion, a 7.1% increase. Operating profit decreased by ¥0.1 billion to ¥14.4 billion, a 0.4% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥0.8 billion smaller than a year ago.

Demand for electronics devices in cell phone and digital electronics applications

improved sharply in the latter part of the term, and operating profit recovered to the level of a year ago. Operating profit in electronics materials increased with strong sales growth of photomask pellicles for large LCD panels and of Sunfort™ photosensitive dry film resist for printed wiring board production, particularly in overseas markets.

CONSTRUCTION MATERIALS

Sales for the segment decreased by ¥1.9 billion to ¥43.9 billion, a 4.2% decline. Operating profit grew by ¥1.3 billion to ¥3.7 billion, a 53.9% increase. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥1.0 billion smaller than a year ago.

Demand for building materials improved with the general economic recovery, and operating profit increased with growing sales of Hebel™ autoclaved lightweight concrete (ALC). Operating profit in housing materials increased with growing sales of Hebel Powerboard™ ALC panels. Operating profit in foundation systems and in insulation materials was on par with that of a year ago.

LIFE & LIVING

Sales for the segment decreased by ¥5.6 billion to ¥41.0 billion, a 12.1% decline, largely due to the transfer of biaxially oriented polystyrene sheet operations to a joint venture with Dainippon Ink and Chemicals, Inc. Operating profit decreased by ¥1.0 billion to ¥4.5 billion, an 18.2% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥0.4 billion smaller than a year ago.

In home-use products, feedstock costs rose but operating profit grew, as sales of Saran Wrap™ cling film increased.

Fixed costs in packaging materials were reduced, but operating profit decreased with elevated feedstock costs.

SERVICES, ENGINEERING AND OTHERS

Sales for the segment grew by ¥1.4 billion to ¥17.7 billion, an 8.3% increase.

Operating profit grew by ¥0.1 billion to ¥1.8 billion, an 8.7% increase.

Solid profitability was maintained in engineering operations and in personnel staffing and placement operations.

V. Consolidated Statements of Income

| | Q1-Q3 2005 | Q1-Q3 2004 | Increase (decrease) | Percent change |
|--|------------|------------|------------------------|-------------------|
| Net sales | 1,090,749 | 1,011,787 | 78,962 | +7.8 |
| Cost of sales | 815,392 | 733,290 | 82,102 | +11.2 |
| Selling, general and administrative expenses | 193,727 | 188,847 | (4,880) | +2.6 |
| Operating profit | 81,630 | 89,650 | (8,020) | -8.9 |
| Non-operating income | 6,082 | 6,182 | (100) | -1.6 |
| Non-operating expenses | 6,926 | 7,573 | (647) | -8.5 |
| Ordinary profit | 80,785 | 88,259 | (7,474) | -8.5 |
| Special gains | 1,874 | 2,816 | (942) | -33.5 |
| Special losses | 7,742 | 17,885 | (10,143) | -56.7 |
| Income before income taxes and minority interests | 74,918 | 73,190 | 1,728 | +2.4 |
| Net income | 46,581 | 46,703 | (122) | -0.3 |

VI. Consolidated Balance Sheets

| | At end of Dec. 2005 | At end of Mar. 2005 | Increase (decrease) |
|--|------------------------|------------------------|------------------------|
| Assets section | | | |
| Current assets | 692,997 | 589,719 | 103,278 |
| Fixed assets | 719,557 | 680,338 | 39,219 |
| Tangible fixed assets | 416,167 | 419,969 | (3,802) |
| Intangible fixed assets | 32,623 | 36,411 | (3,788) |
| Investments and other assets | 270,767 | 223,958 | 46,809 |
| Total assets | 1,412,554 | 1,270,057 | 142,497 |
| Liabilities section | | | |
| Current liabilities | 499,701 | 403,022 | 96,679 |
| Long-term liabilities | 331,734 | 348,956 | (17,222) |
| Total liabilities | 831,435 | 751,979 | 79,456 |
| Minority interest in consolidated subsidiaries | 7,022 | 6,352 | 670 |
| Shareholders' equity | | | |
| Issued and outstanding | 103,389 | 103,389 | — |
| Capital surplus | 79,455 | 79,423 | 32 |
| Retained earnings | 329,367 | 295,594 | 33,773 |
| Others | 79,104 | 50,291 | 28,813 |
| Common stock in treasury, at cost | (17,217) | (16,969) | (248) |
| Total shareholders' equity | 574,098 | 511,726 | 62,372 |
| Total liabilities, minority interest and shareholders' equity | 1,412,554 | 1,270,057 | 142,497 |

VII. Cash Flows

| Nine months ended December | 2005 | 2004 |
|---|---------------|---------------|
| Cash flows from operating activities | 37,198 | 50,637 |
| Cash flows from investing activities | (41,466) | (43,779) |
| Cash flows from financing activities | 12,148 | (3,597) |
| Effect of exchange rate changes on cash and cash equivalents | 234 | 182 |
| Net increase (decrease) in cash and cash equivalents | 8,113 | 3,443 |
| Cash and cash equivalents at beginning of period | 68,456 | 70,898 |
| Cash and cash equivalents held by newly consolidated subsidiaries | 142 | 1,540 |
| Cash and cash equivalents at end of period | 76,712 | 75,881 |

VIII. Operating Segment Information

1. Consolidated net sales

(billions of yen)

| | Q1–Q3 2005 | Q1–Q3 2004* | Increase (decrease) | FY 2005 forecast |
|----------------------------------|---------------|----------------|------------------------|---------------------|
| Chemicals | 490.1 | 424.3 | 65.8 | 660.0 |
| Homes | 275.6 | 259.0 | 16.5 | 403.0 |
| Pharma | 81.0 | 79.4 | 1.6 | 108.0 |
| Fibers | 65.5 | 69.3 | (3.8) | 91.0 |
| Electronics Materials & Devices | 76.0 | 70.9 | 5.0 | 103.0 |
| Construction Materials | 43.9 | 45.9 | (1.9) | 58.0 |
| Life & Living | 41.0 | 46.7 | (5.6) | 52.0 |
| Services, Engineering and Others | 17.7 | 16.3 | (1.4) | 25.0 |
| Total | 1,090.7 | 1,011.8 | 79.0 | 1,500.0 |

* Chemicals and Fibers segments revised to reflect the April 2005 transfer of Leona™ nylon 66 filament operations.

2. Consolidated operating profit*

(billions of yen)

| | Q1–Q3 2005 | | Q1–Q3 2004† | | Increase (decrease) | | FY 2005 forecast | |
|---|------------|-------|-------------|-------|------------------------|-------|---------------------|-------|
| Chemicals | [+1.3] | 34.3 | [+4.0] | 31.1 | [−2.8] | 3.2 | [+1.5] | 38.5 |
| Homes | [+0.9] | 14.4 | [+2.5] | 17.4 | [−1.6] | (3.0) | [+1.2] | 29.0 |
| Pharma | [+0.2] | 10.0 | [+1.7] | 12.0 | [−1.5] | (2.0) | [+0.2] | 10.5 |
| Fibers | [+0.5] | 3.1 | [+1.3] | 6.2 | [−0.8] | (3.2) | [+0.6] | 3.5 |
| Electronics Materials & Devices | [+0.0] | 14.4 | [+0.8] | 14.5 | [−0.8] | (0.1) | [−0.0] | 19.0 |
| Construction Materials | [+0.0] | 3.7 | [+1.1] | 2.4 | [−1.0] | 1.3 | [+0.0] | 3.5 |
| Life & Living | [+0.2] | 4.5 | [+0.6] | 5.6 | [−0.4] | (1.0) | [+0.2] | 5.0 |
| Services, Engineering and Others | [—] | 1.8 | [—] | 1.6 | [—] | 0.1 | [—] | 3.0 |
| Combined | [+3.1] | 86.2 | [+12.0] | 90.8 | [−9.0] | (4.6) | [+3.8] | 112.0 |
| Corporate expenses and eliminations | [+0.2] | (4.6) | [+2.5] | (1.2) | [−2.3] | (3.4) | [+0.3] | (7.0) |
| Consolidated | [+3.3] | 81.6 | [+14.5] | 89.7 | [−11.2] | (8.0) | [+4.0] | 105.0 |

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

† Chemicals and Fibers segments revised to reflect the April 2005 transfer of Leona™ nylon 66 filament operations.

3. Contract trends for home construction operations

| | Q1-Q3 2005 | Q1-Q3 2004 | Increase (decrease) | FY 2005 forecast |
|---|---------------|---------------|------------------------|---------------------|
| Value of orders received (¥ billion) | 226.2 | 217.2 | 9.0 | 313.0 |
| No. of orders received (home units) | 10,099 | 10,106 | (7) | 14,266 |
| Backlog of orders (¥ billion) | 324.3 | 320.3 | 4.1 | 304.2 |
| No. of sales (home units) | 9,266 | 10,085 | (819) | 14,293 |
| Value of sales (¥ billion) | 211.9 | 215.9 | (4.0) | 319.0 |

4. Key operating factors

| | Q1-Q3 2005 | Q4 2005 | FY 2005 forecast |
|--|---------------|---------|---------------------|
| Naphtha price (yen/kL, domestic) | 41,100 | 46,600 | 42,475 |
| Yen/US\$ exchange rate (market average) | 112 | 115 | 113 |