

**Asahi Kasei Corporation**

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Board of Directors Meeting: May 10, 2005

May 10, 2005

**Consolidated Results for Fiscal Year 2004  
April 1, 2004 – March 31, 2005**

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

**I. Summary of Consolidated Results**

## 1. Results for fiscal year ended March 31, 2005

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

Fiscal year ended March	2005	2004
Net sales	1,377,697 [+9.9%]	1,253,534 [+5.0%]
Operating profit	115,809 [+90.1%]	60,932 [-1.0%]
Ordinary profit	112,876 [+110.4%]	53,643 [+6.5%]
Net income	56,454 [+104.0%]	27,672 [—]
Net income per share*	40.16	19.62
Diluted net income per share*	—	—
Net income/shareholders' equity	11.7%	6.4%
Ordinary profit/total assets	9.0%	4.4%
Ordinary profit/net sales	8.2%	4.3%

\* Yen

Notes:

- Equity in profit of unconsolidated subsidiaries and affiliates: ¥2,617 million; during previous fiscal year, ¥783 million.
- Average shares outstanding, consolidated: 1,400,671,469; during previous fiscal year, 1,401,106,820.
- Change in method of accounting: None.

## (2) Financial position

At fiscal year-end, March	2005	2004
Total assets	1,270,057	1,249,206
Shareholders' equity	511,726	450,451
Shareholders' equity/total assets	40.3%	36.1%
Shareholders' equity per share*	365.43	321.41

\* Yen

### (3) Cash flows

Fiscal year ended March	2005	2004
Cash flows from operating activities	98,299	122,147
Cash flows from investing activities	(62,845)	(79,323)
Cash flows from financing activities	(39,557)	(50,637)
Cash and cash equivalents at end of year	68,456	70,898

### (4) Scope of consolidation, application of equity method

No. of consolidated subsidiaries: 106

No. of unconsolidated subsidiaries for which the equity method is applied: 29

No. of affiliate companies for which the equity method is applied: 24

### (5) Changes in scope of consolidation, application of equity method

No. of newly included consolidated subsidiaries: 7

No. of consolidated subsidiaries newly excluded: 2

No. of unconsolidated subsidiaries and affiliate companies for which the equity method is newly applied: 4

No. of unconsolidated subsidiaries and affiliate companies newly excluded from application of the equity method: 9

## 2. Estimate for fiscal year ending March 31, 2006\*

	For semiannual period ending September 2005	For fiscal year
Net sales	716,000	1,470,000
Ordinary profit	45,500	106,500
Net income	22,500	58,000

Note: Fiscal year net income per share: ¥41.42

\* 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.

## II. Overview of Consolidated Results

### 1. Consolidated group results

The Japanese economy showed signs of recovery during the year, including strong exports, increased private-sector capital investment, and improved corporate results. The operating environment nevertheless remained challenging, with high petroleum prices and sluggish personal consumption.

Sales increased in chemicals operations, with strong overseas demand, and in housing operations, with growing home orders during the previous term. Net sales increased by ¥124.2 billion to ¥1,377.7 billion, a 9.9% rise.

Operating profit grew by ¥54.9 billion to ¥115.8 billion, a 90.1% increase. This included amortization of a ¥20.2 billion surplus from actuarial differences in retirement benefit accounts.

Ordinary profit increased by ¥59.2 billion to ¥112.9 billion, a 110.4% rise. Net income increased by ¥28.8 billion to ¥56.5 billion, a 104.0% rise.

## 2. Results by operating segment

### CHEMICALS

Sales for the segment increased by ¥103.7 billion to ¥557.4 billion, a 22.9% rise.

Operating profit increased by ¥24.2 billion to ¥40.8 billion, a 146.4% rise, after crediting ¥5.5 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In chemicals and derivative products, operating costs rose due to high prices for feedstocks such as naphtha and benzene. Operating profit nevertheless increased as sales of acrylonitrile and styrene monomer rose with expanded capacity, strong overseas demand, and rising market prices.

In polymer products, operating costs rose due to high feedstock prices, but market conditions improved and sales rose for both commodity plastics and engineering plastics such as Tenac™ polyacetal and Leona™ nylon 66, and operating profit remained firm.

Operating profit in specialty products also increased. Shipments of Hipore™ Li-ion rechargeable battery separators, with expanded production capacity, and of Microza™ microfiltration membranes increased. Sales of AFP™ photopolymer plates for flexographic printing and of membrane-process systems for chlor-alkali production increased due to strong overseas demand.

### HOMES

Sales for the segment increased by ¥14.5 billion to ¥375.8 billion, a 4.0% rise.

Operating profit increased by ¥7.4 billion to ¥29.0 billion, a 34.4% rise, after crediting ¥3.4 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In order-built and pre-built home operations, condominium units sold decreased but sales of unit homes increased due to the increase in orders a year ago, and operating profit increased. The Long Life Home product strategy was advanced with the introduction of a seismic damping system and the initiation of home mortgage operations, but the value of new home orders received was lower than a year ago.

Remodeling operations had fewer work orders, and operating profit decreased. Sales in real estate operations increased as income from rentals and land sales rose, but operating profit decreased with fewer condominium sales.

### PHARMA

Sales for the segment decreased by ¥2.0 billion to ¥103.9 billion, a 1.9% decline.

Operating profit increased by ¥0.4 billion to ¥13.4 billion, a 3.4% rise, after crediting ¥2.4 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In pharmaceuticals, sales of Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant continued to grow, but margins were reduced by cuts in reimbursement prices. Sales of Elcitonin™ calcitonin formulation decreased as market share was lost to competing products, and operating profit from pharmaceuticals decreased.

In medical devices, sales of Cellsorba™ leukocytapheresis columns increased as rheumatoid arthritis was approved as an indication in April, but margins for artificial kidneys decreased due to intensified competition and cuts in reimbursement prices, and operating profit decreased.

### FIBERS

Sales for the segment increased by ¥2.7 billion to ¥104.3 billion, a 2.7% rise.

Operating profit increased by ¥4.5 billion, a multiple of 5.8, to ¥5.4 billion, after crediting ¥2.2 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Shipments of Roica™ elastic polyurethane filament increased with expanded production capacity, but intensified competition brought lower sales prices and operating profit decreased. In nonwovens, sales of Eltas™ spunbond increased markedly in diaper applications. Operating costs for Bemberg™ cupro filament, used principally in linings, were reduced and operating profit were on par with a year ago. Sales of Leona™ nylon 66 filament increased following the full recovery of operation at the reconstructed plant, but operating profit decreased due to high feedstock costs.

#### ELECTRONICS MATERIALS AND DEVICES

Sales for the segment increased by ¥10.5 billion to ¥93.0 billion, a 12.8% rise. Operating profit increased by ¥2.7 billion to ¥17.6 billion, a 17.8% rise, after crediting ¥1.1 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In electronics devices, production capacity expansions resulted in increased capital depreciation, and sales began to slow during the second half of the term due to inventory adjustments in IT-related industries, but sales for the year nevertheless increased and operating profit remained strong.

Competition in electronics materials intensified, but expanded capacity for Sunfort™ dry film resist for printed wiring boards enabled increased sales and strong operating profit.

#### CONSTRUCTION MATERIALS

Sales for the segment decreased by ¥0.7 billion to ¥59.9 billion, a 1.2% decline. After crediting ¥1.5 billion to amortize the actuarial surplus for retirement benefits during the previous year, operating profit was ¥2.6 billion, a ¥4.7 billion turnaround from the ¥2.1 billion operating loss of a year ago.

In structural materials for commercial and residential buildings, sales of Hebel™ autoclaved lightweight concrete panels grew with construction of large retail outlets and factories, and operating cost reductions contributed to increased operating profit.

In piles and civil engineering materials, sales of Eazet™ and ATT Column™ piles for small-scale construction increased, but sales of precast concrete piles decreased and operating profitability declined.

Operating profit from insulation materials increased as sales of Neoma™ high-performance foam insulation panels grew.

#### LIFE & LIVING

Sales for the segment decreased by ¥0.7 billion to ¥59.1 billion, a 1.1% decline. Operating profit increased by ¥0.8 billion to ¥6.1 billion, a 15.9% rise, after crediting ¥0.9 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In home-use products, increased sales were achieved for Saran Wrap™ cling film with a redesigned package and of Ziploc™ bags and containers with Disney characters, but the operating climate for Saran™ fiber was unfavorable and operating profit decreased.

Sales prices for packaging and cushioning materials increased, but operating profit decreased due to rising feedstock costs.

#### SERVICES, ENGINEERING AND OTHERS

Personnel staffing and placement subsidiary Asahi Kasei Amidas Co., Ltd. was newly consolidated in this segment, while *sake* and salt operations were divested. Sales for the segment decreased by ¥3.9 billion to ¥24.2 billion, a 14.0% decline, and operating profit increased by ¥1.3 billion to ¥3.6 billion, a 55.6% rise.

Operating profit in engineering operations increased with completion of facilities in Japan for pharmaceuticals and electronic materials.

### III. Consolidated Statements of Income

	Year ended March 2005	Year ended March 2004	Increase (decrease)	Percent change
Net sales	1,377,697	1,253,534	124,163	+9.9
Cost of sales	1,010,526	924,206	86,320	+9.3
Selling, general and administrative expenses	251,362	268,396	(17,034)	-6.3
Operating profit	115,809	60,932	54,877	+90.1
Non-operating income	10,607	5,523	5,084	—
Non-operating expenses	13,540	12,812	728	—
Ordinary profit	112,876	53,643	59,233	+110.4
Special gains	4,800	10,665	(5,865)	—
Special losses	26,535	9,488	17,047	—
Income before income taxes and minority interests	91,141	54,820	36,321	+66.3
Net income	56,454	27,672	28,782	+104.0

#### IV. Consolidated Balance Sheets

	As of March 2005	As of March 2004	Increase (decrease)
<b>Assets section</b>			
Current assets	589,719	554,404	35,315
Fixed assets	680,338	694,802	(14,464)
Tangible fixed assets	419,969	428,302	(8,333)
Intangible fixed assets	36,411	39,675	(3,264)
Investments and other assets	223,958	226,825	(2,867)
<b>Total assets</b>	<b>1,270,057</b>	<b>1,249,206</b>	<b>20,851</b>
<b>Liabilities section</b>			
Current liabilities	403,022	390,428	12,594
Long-term liabilities	348,956	402,350	(53,394)
Minority interest in consolidated subsidiaries	6,352	5,977	375
<b>Shareholders' equity</b>			
Issued and outstanding	103,389	103,389	—
Capital surplus	79,423	79,396	27
Retained earnings	295,594	249,820	45,774
Revaluation surplus	966	966	—
Unrealized gain on land	—	100	(100)
Net unrealized gains on securities	54,704	43,413	11,291
Foreign currency translation adjustment	(5,379)	(9,973)	4,594
Common stock in treasury, at cost	(16,969)	(16,660)	(309)
<b>Total liabilities, minority interest and shareholders' equity</b>	<b>1,270,057</b>	<b>1,249,206</b>	<b>20,851</b>

#### V. Cash Flows

	Year ended March 2005	Year ended March 2004
Cash flows from operating activities	98,299	122,147
Cash flows from investing activities	(62,845)	(79,323)
Cash flows from financing activities	(39,557)	(50,637)
Effect of exchange rate changes on cash and cash equivalents	122	(753)
Net decrease in cash and cash equivalents	(3,981)	(8,566)
Cash and cash equivalents at beginning of year	70,898	79,291
Cash and cash equivalents held by newly consolidated subsidiaries	1,540	172
Cash and cash equivalents at end of year	68,456	70,898

## VI. Segment Information

### 1. Industry segments

(1) Fiscal year ended March 31, 2005

	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate Expenses, Assets, and Eliminations*	Consolidated
Sales											
Customers	557,439	375,755	103,933	104,261	93,025	59,908	59,149	24,228	1,377,697	—	1,377,697
Intersegment	14,604	85	35	2,384	708	11,327	4,613	36,447	70,203	(70,203)	—
Total	572,042	375,841	103,968	106,645	93,733	71,234	63,762	60,674	1,447,900	(70,203)	1,377,697
Operating expenses	531,289	346,853	90,611	101,249	76,142	68,667	57,694	57,110	1,329,615	(67,727)	1,261,888
Operating profit	40,753	28,988	13,357	5,397	17,591	2,568	6,067	3,564	118,285	(2,476)	115,809
Identifiable assets, depreciation and amortization, and capital expenditure											
Identifiable assets	480,599	186,837	123,762	115,781	109,055	58,068	55,737	297,826	1,427,666	(157,609)	1,270,057
Depreciation and amortization	29,955	2,279	6,372	6,798	13,312	3,797	4,535	1,192	68,241	3,290	71,531
Capital expenditure	24,829	3,447	8,260	5,182	16,446	2,210	4,329	1,423	66,125	2,354	68,479

\* Includes corporate operating expenses of ¥10,205 million (mainly expenses for basic research and group management), and corporate assets of ¥390,975, such as surplus funds (cash on hand and in banks), long-term-investment funds (investment securities, etc.), and land, etc.

(2) Fiscal year ended March 31, 2004

	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate Expenses, Assets, and Eliminations*	Consolidated
Sales											
Customers	453,707	361,273	105,965	101,514	82,483	60,622	59,813	28,156	1,253,534	—	1,253,534
Intersegment	10,394	209	23	2,611	725	11,140	3,290	29,741	58,132	(58,132)	—
Total	464,101	361,482	105,988	104,125	83,208	71,761	63,104	57,896	1,311,666	(58,132)	1,253,534
Operating expenses	447,562	339,907	93,072	103,197	68,272	73,863	57,869	55,605	1,239,348	(46,746)	1,192,602
Operating profit (loss)	16,539	21,575	12,916	928	14,936	(2,101)	5,234	2,291	72,318	(11,386)	60,932
Identifiable assets, depreciation and amortization, and capital expenditure											
Identifiable assets	450,474	168,353	121,575	115,112	106,541	58,371	55,676	275,914	1,352,013	(102,807)	1,249,206
Depreciation and amortization	26,286	2,125	6,521	6,721	10,410	3,536	4,015	1,827	61,443	2,965	64,408
Capital expenditure	32,442	2,873	7,618	7,721	15,689	5,659	7,359	2,204	81,564	4,823	86,387

\* Includes corporate operating expenses of ¥13,960 million (mainly expenses for basic research and group management), and corporate assets of ¥428,332, such as surplus funds (cash on hand and in banks), long-term-investment funds (investment securities, etc.), and land, etc.

## 2. Geographic information

### (1) Fiscal year ended March 31, 2005

Segment information is not shown because over 90% of total sales were from operations domiciled in Japan and over 90% of total assets were located in Japan.

### (2) Fiscal year ended March 31, 2004

Segment information is not shown because over 90% of total sales were from operations domiciled in Japan and over 90% of total assets were located in Japan.

## 3. Overseas sales

### (1) Fiscal year ended March 31, 2005

	East Asia*	Other regions	Total
Overseas sales	187,017	122,787	309,804
Consolidated net sales	—	—	1,377,697
Overseas sales/ consolidated net sales	13.6%	8.9%	22.5%

\* China (including Hong Kong), Korea, and Taiwan.

### (2) Fiscal year ended March 31, 2004

	East Asia*	Other regions	Total
Overseas sales	131,678	110,490	242,168
Consolidated net sales	—	—	1,253,534
Overseas sales/ consolidated net sales	10.5%	8.8%	19.3%

\* China (including Hong Kong), Korea, and Taiwan.

## VII. Overview of Operating Segments

### 1. Consolidated net sales by operating segment

	Year ended March 2005		Year ended March 2004		Increase (decrease)	Percent change
	Net sales	% of total	Net sales	% of total		
Chemicals	557,439	40.5	453,707	36.2	103,732	+22.9
Homes	375,755	27.3	361,273	28.8	14,482	+4.0
Pharma	103,933	7.5	105,965	8.5	(2,032)	-1.9
Fibers	104,261	7.6	101,514	8.1	2,747	+2.7
Electronics Materials and Devices	93,025	6.8	82,483	6.6	10,542	+12.8
Construction Materials	59,908	4.3	60,622	4.8	(714)	-1.2
Life & Living	59,149	4.3	59,813	4.8	(664)	-1.1
Services, Engineering and Others	24,228	1.7	28,156	2.2	(3,928)	-14.0
<b>Total</b>	<b>1,377,697</b>	<b>100.0</b>	<b>1,253,534</b>	<b>100.0</b>	<b>124,163</b>	<b>+9.9</b>

### 2. Major products, by operating segment

#### **Chemicals**

##### *Chemicals and derivative products*

- Ammonia, nitric acid, caustic soda
- Acrylonitrile (AN), styrene monomer, methyl methacrylate (MMA) monomer, polymethyl methacrylate
- High-compound fertilizers, adipic acid

##### *Polymer products*

- Suntec™ polyethylene (PE), Stylac™-AS styrene-acrylonitrile (SAN), Stylac™-ABS acrylonitrile-butadiene-styrene, synthetic rubber, thermoplastic elastomers (TPEs)
- Tenac™ polyacetal (POM), Xyron™ modified polyphenylene ether (mPPE), Leona™ nylon 66

##### *Specialty products*

- Duranate™ non-yellowing polyisocyanate, aluminum paste, epoxy resin, acrylic latex, and other coating materials
- Ceolus™ microcrystalline cellulose
- Bonded anchors, industrial explosives, defense explosives, metal cladding
- APR™ photosensitive resins, AFP™ photosensitive plates, printing plate making systems
- Microza™ ultrafiltration (UF) and microfiltration (MF) membranes and systems
- Hipore™ microporous membranes
- Ion-exchange membranes, electrolysis systems

#### **Homes**

- Hebel Haus™ houses
- Hebel Maison™ and other apartments, condominiums
- Remodeling
- Real estate, residential land development

**Pharma**

- Elcitonin™ Bredinin™, Flivas™, Toledomin™, and other pharmaceuticals
- Pharmaceutical intermediates, diagnostic reagents, feed additives
- Planova™ virus removal filters
- Artificial kidneys, Sepacell™ leukocyte reduction filters, Cellsorba™ leukocytapheresis columns, blood and plasma filters
- Contact lenses

**Fibers**

- Roica™ elastic polyurethane filament
- Eltas™ spunbond, Bemliese™ nonwoven cellulose filament, Lamous™ artificial suede
- Bemberg™ cuprammonium rayon
- Leona™ nylon 66 filament
- Polyester filament

**Electronics Materials and Devices**

- Pimel™ photosensitive polyimide
- Sunfort™ photosensitive dry film resist (DFR)
- LSIs
- Hall elements
- Pellicles
- Glass fabric

**Construction Materials**

- Hebel™ autoclaved lightweight concrete (ALC) panels
- Piles
- Neoma™ foam insulation panels
- Artificial fish reefs

**Life & Living**

- Saran Wrap™ food wrapping films, Ziploc™ food storage bags
- Films, sheets, foams

**Services, Engineering and Others**

- Plant engineering, environmental engineering
- Medical image processing systems, IT systems integration services
- Think tank services