

Asahi Kasei Corporation

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Board of Directors Meeting: May 9, 2006

May 9, 2006

Consolidated Results for Fiscal Year 2005

April 1, 2005 – March 31, 2006

(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, 2006

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

Fiscal year ended March	2006	2005
Net sales	1,498,620 [+8.8%]	1,377,697 [+9.9%]
Operating profit	108,726 [-6.1%]	115,809 [+90.1%]
Ordinary profit	104,166 [-7.7%]	112,876 [+110.4%]
Net income	59,668 [+5.7%]	56,454 [+104.0%]
Net income per share*	42.46	40.16
Diluted net income per share*	—	—
Net income/shareholders' equity	10.8%	11.7%
Ordinary profit/total assets	7.9%	9.0%
Ordinary profit/net sales	7.0%	8.2%

* Yen

Notes:

1. Equity in profit of unconsolidated subsidiaries and affiliates: ¥536 million; during previous fiscal year, ¥2,617 million.
2. Average shares outstanding, consolidated: 1,400,108,810; during previous fiscal year, 1,400,671,469
3. Change in method of accounting: 1) Application of fixed assets impairment.
2) Period of amortization of unrecognized actuarial differences arising in retirement allowances changed from one year to ten years for actuarial differences arising in the year under review with amortization beginning in the following year.

(2) Financial position

At fiscal year-end, March	2006	2005
Total assets	1,376,044	1,270,057
Shareholders' equity	594,211	511,726
Shareholders' equity/total assets	43.2%	40.3%
Shareholders' equity per share*	424.34	365.43

* Yen

(3) Cash flows

Fiscal year ended March	2006	2005
Cash flows from operating activities	108,620	98,299
Cash flows from investing activities	(60,373)	(62,845)
Cash flows from financing activities	(30,881)	(39,557)
Cash and cash equivalents at end of year	86,390	68,456

(4) Scope of consolidation, application of equity method

No. of consolidated subsidiaries: 105

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

No. of affiliate companies for which the equity method is applied: 26

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

No. of newly included consolidated subsidiaries: 1

No. of consolidated subsidiaries newly excluded: 2

No. of unconsolidated subsidiaries and affiliate companies for which the equity method is newly applied: 5

No. of unconsolidated subsidiaries and affiliate companies newly excluded from application of the equity method: 3

2. Estimate for fiscal year ending March 31, 2007*

	For semiannual period ending September 2006	For fiscal year
Net sales	755,000	1,603,000
Ordinary profit	41,500	107,000
Net income	24,000	62,000

Note: Fiscal year net income per share: ¥44.29

* 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, with increased private-sector capital investment and strong corporate results. The operating environment nevertheless remained challenging, with petroleum prices continuing to increase on strong demand growth world-wide, especially in China, driving up the cost of naphtha and other petrochemical feedstocks.

Sales increased in chemicals operations, with strong overseas demand, and in electronics operations, with strong demand in IT-related markets. Net sales increased by ¥120.9 billion to ¥1,498.6 billion, an 8.8% rise.

Operating profit decreased by ¥7.1 billion to ¥108.7 billion, a 6.1% decline. Amortization of actuarial differences in retirement benefit accounts resulted in a ¥16.2 billion decrease in operating profitability (a ¥20.2 billion surplus was amortized during the year-ago term, and a ¥4.0 billion surplus was amortized during the term under review). Operating profit excluding this amortization grew by ¥9.1 billion to ¥104.7 billion, a 9.5% increase.

Ordinary profit decreased by ¥8.7 billion to ¥104.2 billion, a 7.7% decline. Net income increased by ¥3.2 billion to ¥59.7 billion, a 5.7% rise.

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 increased by ¥90.2 billion to ¥660.4 billion, a 15.8% rise.

Operating profit increased by ¥2.7 billion to ¥40.5 billion, a 7.1% rise. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥4.3 billion smaller than a year ago.

In volume products, sales grew with strong overseas demand but operating profit decreased due to higher feedstock costs. Operating profit in monomers and basic chemicals decreased with elevated feedstock costs for acrylonitrile and styrene. Operating profit in polymers and elastomers increased with improved market conditions for Xyron™ modified polyphenylene ether and other engineering resins.

Operating profit in specialty products and systems increased. Sales of Hipore™ Li-ion rechargeable battery separators continued to grow with strong demand. Sales of both membrane-process salt electrolysis systems and their ion-exchange membranes remained strong.

HOMES

Sales for the segment increased by ¥28.8 billion to ¥404.5 billion, a 7.7% rise.

Operating profit decreased by ¥0.8 billion to ¥28.2 billion, a 2.7% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥2.2 billion smaller than a year ago.

Sales of homes, both order-built and pre-built, increased with higher unit prices and the completion of large condominium reconstruction projects, but operating profit decreased with higher costs for materials. The value of orders received during the year increased by ¥11.5 billion to ¥313.3 billion.

Sales and operating profit in real estate operations grew with rising income from rentals. Sales and operating profit in remodeling operations also grew.

PHARMA

Sales for the segment increased by ¥1.9 billion to ¥105.8 billion, a 1.8% rise.

Operating profit decreased by ¥2.3 billion to ¥11.1 billion, a 17.2% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥2.1 billion smaller than a year ago.

In pharmaceuticals, sales of Elcitonin™ calcitonin formulation decreased as market share was lost to competing products, but sales of Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant continued to grow, and operating profit from pharmaceuticals increased.

Shipments 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 ¥1.8 billion to ¥89.7 billion, a 2.0% decline. Operating profit decreased by ¥4.3 billion to ¥4.0 billion a 51.8% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥1.3 billion smaller than a year ago.

Operating profit in Roica™ elastic polyurethane filament decreased with elevated feedstock prices and lower sales prices due to intensified competition. Operating profit in Bemberg™ cupro filament, used principally in linings, increased with strong overseas sales.

Sales of Eltas™ spunbond increased in diaper and hand-warmer applications, but operating profit in nonwovens decreased with elevated feedstock costs.

ELECTRONICS MATERIALS AND DEVICES

Sales for the segment increased by ¥9.8 billion to ¥102.9 billion, a 10.6% rise. Operating profit increased by ¥1.7 billion to ¥19.3 billion, a 9.9% rise. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥1.1 billion smaller than a year ago.

Operating profit in electronics devices grew with strong demand in cell phone, DVD recorder, and other home electronics applications. Operating profit in electronics materials grew with increased sales of Sunfort™ dry film resist for printed wiring board production following an expansion of capacity in China.

CONSTRUCTION MATERIALS

Sales for the segment decreased by ¥3.4 billion to ¥56.5 billion, a 5.7% decline. Operating profit increased by ¥1.2 billion to ¥3.8 billion, a 48.6% rise. 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 building materials and housing materials increased with operating cost reductions and growing sales of Hebel™ autoclaved lightweight concrete (ALC) panels in large retail outlets, factories, and apartment buildings, and with operating cost reductions and growing sales of Hebel Powerboard™ ALC panels in new market segments.

Sales of pre-cast concrete piles decreased, but operating profit in foundation systems increased with growing sales of Eazet™ and ATT Column™ piles for small-scale construction.

Operating profit in insulation materials decreased with elevated feedstock costs and lower demand for Neoma™ high-performance foam insulation panels due to a downturn in wood-frame home construction.

LIFE & LIVING

Sales for the segment decreased by ¥7.2 billion to ¥51.9 billion, a 12.2% 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 ¥1.2 billion to ¥4.8 billion, a 20.5% decline. This included a credit to amortize the actuarial surplus for retirement benefits which was ¥0.6 billion smaller than a year ago.

Feedstock costs rose, but operating profit in home-use products increased with higher sales of Saran Wrap™ cling film and increased exports of Saran™ fiber.

Sales prices for packaging and cushioning materials continued to rise, but operating profit decreased due to still higher feedstock costs.

SERVICES, ENGINEERING AND OTHERS

Sales for the segment increased by ¥2.6 billion to ¥26.8 billion, a 10.7% rise.

Operating profit decreased by ¥0.3 billion to ¥3.3 billion, a 7.9% decline, largely as a result of the exclusion of Asahi Kasei Information Systems as a consolidated subsidiary with the April 2005 divestment of a majority of its shares to TIS Inc.

Sales and operating profit in engineering operations increased with growing business in domestic plant construction.

Sales and operating profit in personnel staffing and placement operations increased with growing business in staffing and an expanded sales network.

III. Consolidated Statements of Income

	Year ended March 2006	Year ended March 2005	Increase (decrease)	Percent change
Net sales	1,498,620	1,377,697	120,923	+8.8%
Cost of sales	1,127,530	1,010,526	117,004	+11.6%
Selling, general and administrative expenses	262,364	251,362	11,002	+4.4%
Operating profit	108,726	115,809	(7,083)	-6.1%
Non-operating income	7,416	10,607	(3,191)	—
Non-operating expenses	11,976	13,540	(1,564)	—
Ordinary profit	104,166	112,876	(8,710)	-7.7%
Special gains	5,880	4,800	1,080	—
Special losses	15,565	26,535	(10,970)	—
Income before income taxes and minority interests	94,481	91,141	3,340	+3.7%
Net income	59,668	56,454	3,214	+5.7%

IV. Consolidated Balance Sheets

	As of March 2006	As of March 2005	Increase (decrease)
Assets section			
Current assets	644,192	589,719	54,473
Fixed assets	731,852	680,338	51,514
Tangible fixed assets	414,368	419,969	(5,601)
Intangible fixed assets	33,094	36,411	(3,317)
Investments and other assets	284,390	223,958	60,432
Total assets	1,376,044	1,270,057	105,987
Liabilities section			
Current liabilities	439,724	403,022	36,702
Long-term liabilities	335,193	348,956	(13,763)
Minority interest in consolidated subsidiaries	6,917	6,352	565
Shareholders' equity			
Issued and outstanding	103,389	103,389	—
Capital surplus	79,433	79,423	10
Retained earnings	342,450	295,594	46,856
Revaluation surplus	966	966	—
Net unrealized gains on securities	85,384	54,704	30,680
Foreign currency translation adjustment	(99)	(5,379)	5,280
Common stock in treasury, at cost	(17,311)	(16,969)	(342)
Total liabilities, minority interest and shareholders' equity	1,376,044	1,270,057	105,987

V. Cash Flows

	Year ended March 2006	Year ended March 2005
Cash flows from operating activities	108,620	98,299
Cash flows from investing activities	(60,373)	(62,845)
Cash flows from financing activities	(30,881)	(39,557)
Effect of exchange rate changes on cash and cash equivalents	426	122
Net decrease in cash and cash equivalents	17,792	(3,981)
Cash and cash equivalents at beginning of year	68,456	70,898
Cash and cash equivalents held by newly consolidated subsidiaries	142	1,540
Cash and cash equivalents at end of year	86,390	68,456

VI. Segment Information

1. Industry segments

(1) Fiscal year ended March 31, 2006

	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	660,402	404,539	105,842	89,704	102,859	56,512	51,942	26,821	1,498,620	—	1,498,620
Intersegment	16,659	111	19	2,262	991	11,595	3,624	27,247	62,510	(62,510)	—
Total	677,061	404,650	105,861	91,966	103,850	68,107	55,566	54,068	1,561,130	(62,510)	1,498,620
Operating expenses	636,549	376,432	94,803	87,950	84,517	64,292	50,740	50,785	1,446,068	(56,174)	1,389,894
Operating profit (loss)	40,512	28,218	11,058	4,016	19,333	3,815	4,826	3,283	115,062	(6,336)	108,726
Identifiable assets, depreciation and amortization, and capital expenditure											
Identifiable assets	529,100	200,066	118,721	105,718	114,743	49,557	50,970	317,171	1,486,046	(110,002)	1,376,044
Depreciation and amortization	31,281	2,448	6,364	5,337	12,052	3,129	4,352	715	65,677	3,722	69,399
Impairment	—	251	—	—	—	—	—	—	251	3,548	3,799
Capital expenditure	26,632	3,583	4,897	5,417	14,960	2,313	4,655	1,038	63,495	2,815	66,310

* Includes corporate operating expenses of ¥15,209 million (mainly expenses for basic research and group management), and corporate assets of ¥447,076, 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, 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	570,182	375,755	103,933	91,518	93,025	59,908	59,149	24,228	1,377,697	—	1,377,697
Intersegment	14,176	85	35	2,071	708	11,327	4,613	36,447	69,462	(69,462)	—
Total	584,357	375,841	103,968	93,590	93,733	71,234	63,762	60,674	1,447,159	(69,462)	1,377,697
Operating expenses	546,545	346,853	90,611	85,252	76,142	68,667	57,694	57,110	1,328,874	(66,986)	1,261,888
Operating profit (loss)	37,812	28,988	13,357	8,338	17,591	2,568	6,067	3,564	118,285	(2,476)	115,809
Identifiable assets, depreciation and amortization, and capital expenditure											
Identifiable assets	494,313	186,837	123,762	100,031	109,055	58,068	55,737	297,826	1,425,630	(155,573)	1,270,057
Depreciation and amortization	31,553	2,279	6,372	5,200	13,312	3,797	4,535	1,192	68,241	3,290	71,531
Capital expenditure	25,084	3,447	8,260	4,927	16,446	2,210	4,329	1,423	66,125	2,354	68,479

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

† 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. Geographic information

(1) Fiscal year ended March 31, 2006

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, 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.

3. Overseas sales

(1) Fiscal year ended March 31, 2006

	East Asia*	Other regions	Total
Overseas sales	222,377	150,789	373,166
Consolidated net sales	—	—	1,498,620
Overseas sales/ consolidated net sales	14.8%	10.1%	24.9%

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

(2) 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.

VII. Overview of Operating Segments

1. Consolidated net sales by operating segment

	Year ended March 2006		Year ended March 2005*		Increase (decrease)	Percent change
	Net sales	% of total	Net sales	% of total		
Chemicals	660,402	44.1	570,182	41.4	90,220	+15.8
Homes	404,539	27.0	375,755	27.3	28,784	+7.7
Pharma	105,842	7.0	103,933	7.5	1,909	+1.8
Fibers	89,704	6.0	91,518	6.7	(1,814)	-2.0
Electronics Materials and Devices	102,859	6.9	93,025	6.8	9,834	+10.6
Construction Materials	56,512	3.8	59,908	4.3	(3,396)	-5.7
Life & Living	51,942	3.4	59,149	4.3	(7,207)	-12.2
Services, Engineering and Others	26,821	1.8	24,228	1.7	2,593	+10.7
Total	1,498,620	100.0	1,377,697	100.0	120,923	+8.8

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

2. Major products, by operating segment

Chemicals

Monomers and basic chemicals

- Ammonia
- Nitric acid
- Caustic soda
- Acrylonitrile (AN)
- Styrene monomer
- Methyl methacrylate (MMA) monomer
- PMMA resin
- High-compound fertilizers
- Adipic acid

Polymers and elastomers

- Suntec™ polyethylene (PE)
- Stylac™-AS styrene-acrylonitrile
- Stylac™-ABS acrylonitrile-butadiene-styrene
- Synthetic rubber
- Tenac™ polyacetal
- Xyron™ modified polyphenylene ether (mPPE)
- Leona™ nylon 66 polymer and filament

Specialty products and systems

- Coating materials
- Latex
- Ceolus™ microcrystalline cellulose
- Explosives
- Explosion-bonded metal clad
- APR™ photosensitive resin and printing plate making systems
- Microza™ UF and MF membranes and systems
- Hipore™ microporous membrane
- Ion-exchange membranes and electrolysis systems

Homes

- Hebel Haus™ houses
- Hebel Maison™ apartments
- Condominiums
- Remodeling
- Real estate
- Residential land development
- Home financing

Pharma

- Elcitonin™, Bredinin™, Flivas™, Toledomin™, and other pharmaceuticals
- Pharmaceutical intermediates
- Diagnostic reagents
- APS™ artificial kidneys
- Sepacell™ leukocyte reduction filters
- Cellsorba™ leukocyte adsorption columns
- Planova™ virus removal filters
- Contact lenses

Fibers

- Roica™ elastic polyurethane filament
- Eltas™ spunbond, Lamous™ artificial suede, and other nonwovens
- Bemberg™ cuprammonium rayon
- Polyester filament

Electronics Materials and Devices

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

Construction Materials

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

Life & Living

- Saran Wrap™ cling film
- Ziploc™ storage bags
- Film
- Sheet
- Foam

Services, Engineering and Others

- Plant engineering
- Environmental engineering
- Personnel staffing and placement
- Think tank services