

Asahi Kasei Corporation

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Consolidated Results for 1st and 2nd Quarters Fiscal 2011: **April 1, 2011 – September 30, 2011**

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

I. Summary of Consolidated Results

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

	Q1–Q2 2011	Q1–Q2 2010
Net sales	802,168 [+4.9%]	764,794 [+16.1%]
Operating income	63,768 [+0.4%]	63,521 [+253.6%]
Ordinary income	62,136 [+4.3%]	59,586 [+295.2%]
Net income	38,214 [+34.3%]	28,464 [+571.0%]
Net income per share*	27.33	20.36
Diluted net income per share*	—	—

* Yen

Notes: Comprehensive income was ¥40,765 million (+171.9%) during Q1–Q2 2011, and ¥14,993 million during Q1–Q2 2010.

2. Financial position

At end of	September 2011	March 2011
Total assets	1,403,290	1,425,879
Net assets	707,421	675,602
Net worth/total assets	49.6%	46.5%
Net worth per share*	497.50	474.59

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth as of September 30, 2011, was ¥695,374 million; as of March 31, 2011, ¥663,566 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2010	—	5.00	—	6.00	11.00
2011	—	7.00			
2011 (forecast)				7.00	14.00

* Yen

Note: The Q2 cash dividend was increased by ¥1 per share from the most recent forecast, to ¥7 per share. The total annual dividend forecast has thus been revised to ¥14 per share.

III. Forecasts for Fiscal 2011 (April 1, 2011 – March 31, 2012)

1. Latest forecast (percent change from results in year-ago period in brackets)

Net sales	1,684,000 [+5.4%]
Operating income	124,000 [+0.9%]
Ordinary income	125,500 [+6.2%]
Net income	74,500 [+23.6%]
Net income per share*	53.29

* Yen

2. Comparison of previous and revised fiscal 2011 forecasts

	Previous forecast	Revised forecast	Increase (decrease)	(billions of yen) cf. fiscal 2010 results
Net sales	1,724.0	1,684.0	(40.0)	1,598.4
Operating income	120.0	124.0	4.0	122.9
Ordinary income	122.5	125.5	3.0	118.2
Net income	69.0	74.5	5.5	60.3

Notes:

- 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.
- The forecast for fiscal 2011 announced on May 11, 2011, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period: None.
2. Special accounting methods for preparation of the consolidated balance sheets

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate.

3. Changes in accounting policies, changes in accounting estimates, and retroactive restatement: None.
4. Number of shares outstanding

	Q1–Q2 2011	FY 2010
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	4,866,316	4,420,688
Average number of shares outstanding during period	1,398,020,612	1,398,361,882*

* Q1–Q2 2010

V. Overview of Consolidated Results

1. Consolidated group results

The global economy enjoyed solid growth in China and other emerging markets during the April–September period, but a slowdown in the US economy and the sovereign debt crisis in Europe led to greater uncertainty regarding the economic outlook for the developed countries. In Japan, manufacturing activity generally bounced back following a temporary decline caused by the Great East Japan Earthquake, but the economic outlook remained obscure with heightened concern of a deteriorating climate for exports due the ongoing appreciation of the yen and tightening monetary policy in emerging markets.

The consolidated results of Asahi Kasei Corp. and its consolidated subsidiaries and equity-method affiliates (the Asahi Kasei Group) reflected strong performance buoyed by increased deliveries of Hebel Haus™ unit homes in the Homes segment as well as firm performance in the Chemicals segment. Net sales were ¥802.2 billion, increasing by ¥37.4 billion (4.9%) from a year ago. Operating income increased by ¥0.2 billion (0.4%) to ¥63.8 billion. Ordinary income increased by ¥2.6 billion (4.3%) to ¥62.1 billion. Net income increased by ¥9.7 billion (34.3%) to ¥38.2 billion.

2. Results by operating segment

The Asahi Kasei Group's operations are described by major business classification: six reportable segments of Chemicals, Homes, Health Care, Fibers, Electronics, and Construction Materials and an "Others" category.

CHEMICALS

Sales increased by ¥12.8 billion (3.5%) from a year ago to ¥377.8 billion, but operating income decreased by ¥3.2 billion (8.6%) to ¥34.1 billion.

In chemicals and derivative products operations, terms of trade especially for acrylonitrile declined in the second quarter, although they were favorable during the first quarter. In polymer products operations, synthetic rubber for tires performed well, but shipments of engineering plastics decreased due to a decline in domestic production of automobiles, and high feedstock costs had a negative impact. In specialty products operations, home-use products such as Saran Wrap™ performed well, as did ion-exchange membranes.

HOMES

Sales increased by ¥26.4 billion (15.2%) from a year ago to ¥200.0 billion, and operating income increased by ¥7.8 billion (77.3%) to ¥17.9 billion. Orders for order-built homes increased by ¥7.7 billion (4.2%) to ¥189.4 billion.

In order-built homes operations, deliveries of both Hebel Haus™ unit homes and Hebel Maison™ apartment buildings increased. In pre-built homes operations, sales of condominiums increased. Housing-related operations also performed well.

HEALTH CARE

Sales increased by ¥2.2 billion (3.8%) from a year ago to ¥60.0 billion, and operating income increased by ¥1.4 billion (34.1%) to ¥5.6 billion.

In pharmaceuticals operations, an increase in medical representatives resulted in higher selling, general and administrative expenses, while shipments of Recomodulin™ recombinant thrombomodulin increased substantially. In devices-related operations, the strong yen and lower product prices had an impact on performance in each product category, but shipments of Planova™ virus removal filters increased substantially.

FIBERS

Sales increased by ¥1.6 billion (2.9%) from a year ago to ¥56.1 billion, but operating income decreased by ¥0.2 billion (7.4%) to ¥2.1 billion.

Shipments of Leona™ nylon 66 filament in tire-cord applications and of Bemberg™ regenerated cellulose in lining applications were favorable, but high feedstock costs and the strong yen had an impact on performance in each product category.

ELECTRONICS

Sales decreased by ¥5.6 billion (6.7%) from a year ago to ¥77.5 billion, and operating income decreased by ¥3.7 billion (34.3%) to ¥7.0 billion.

In electronic devices operations, shipments were favorable, especially of mixed-signal LSIs for smartphones, but operating income was impacted by a decline in product prices and the strong yen. In electronic materials operations, shipments of Hipore™ Li-ion battery separator increased, but operating income was impacted by a decline in product prices and high feedstock costs.

CONSTRUCTION MATERIALS

Sales decreased by ¥1.2 billion (5.0%) from a year ago to ¥22.2 billion, and operating income decreased by ¥0.4 billion (32.5%) to ¥0.8 billion.

Although structural materials operations performed well, other operations throughout the segment were impacted by the Great East Japan Earthquake. Effects of the earthquake included temporary suspension of operation at the plants in Ibaraki Prefecture which manufacture Neoma™ phenolic foam insulation panels and Hebel™ autoclaved aerated concrete panels, as well as suspension or postponement of work on many construction projects.

OTHERS

Sales in “Others,” comprising engineering operations and employment agency/staffing operations, increased by ¥1.1 billion (14.7%) from a year ago to ¥8.5 billion, and operating income increased by ¥0.4 billion (52.6%) to ¥1.2 billion.

VI. Consolidated Financial Statements

1. Balance sheets

	At end of March 2011	At end of Sept. 2011
Assets		
Current assets		
Cash and deposits	140,319	101,510
Notes and accounts receivable, trade	273,414	257,447
Short-term investment securities	371	109
Merchandise and finished goods	129,898	136,351
Work in process	76,551	96,476
Raw materials and supplies	49,799	58,524
Deferred tax assets	23,131	25,624
Other	63,240	62,240
Allowance for doubtful accounts	(1,072)	(1,055)
Total current assets	755,651	737,227
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	409,263	412,067
Accumulated depreciation	(231,474)	(233,801)
Buildings and structures, net	177,789	178,266
Machinery, equipment and vehicles	1,192,132	1,202,908
Accumulated depreciation	(1,047,912)	(1,064,946)
Machinery, equipment and vehicles, net	144,220	137,962
Land	55,243	55,292
Lease assets	8,581	9,508
Accumulated depreciation	(3,118)	(3,896)
Lease assets, net	5,463	5,611
Construction in progress	22,173	27,506
Other	118,718	121,128
Accumulated depreciation	(105,252)	(107,115)
Other, net	13,466	14,013
Subtotal	418,354	418,651
Intangible assets		
Goodwill	5,087	4,659
Other	26,015	25,440
Subtotal	31,101	30,099
Investments and other assets		
Investment securities	166,317	166,493
Long-term loans receivable	5,181	5,578
Deferred tax assets	22,005	18,944
Other	27,507	26,522
Allowance for doubtful accounts	(237)	(225)
Subtotal	220,773	217,313
Total noncurrent assets	670,228	666,063
Total assets	1,425,879	1,403,290

	At end of March 2011	At end of Sept. 2011
Liabilities		
Current liabilities		
Notes and accounts payable, trade	136,407	142,003
Short-term loans payable	108,889	64,531
Commercial paper	23,000	14,000
Lease obligations	1,522	1,741
Income taxes payable	24,085	15,790
Accrued expenses	97,745	91,158
Advances received	52,346	60,621
Provision for repairs	3,239	4,891
Provision for product warranties	2,465	2,129
Asset retirement obligations	512	528
Other	39,668	45,854
Total current liabilities	489,878	443,245
Noncurrent liabilities		
Bonds payable	25,000	25,000
Long-term loans payable	91,722	85,275
Lease obligations	3,802	3,909
Deferred tax liabilities	6,374	6,447
Provision for retirement benefits	107,309	107,155
Provision for directors' retirement benefits	1,119	707
Provision for repairs	2,131	1,465
Asset retirement obligations	3,316	3,328
Long-term guarantee deposited	18,340	18,081
Other	1,284	1,255
Total noncurrent liabilities	260,399	252,624
Total liabilities	750,277	695,869
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,402	79,404
Retained earnings	478,681	508,745
Treasury stock	(2,115)	(2,360)
Total shareholders' equity	659,357	689,177
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	29,647	30,934
Deferred gains or losses on hedges	(140)	188
Foreign currency translation adjustment	(25,299)	(24,926)
Total accumulated other comprehensive income	4,209	6,196
Minority interests	12,036	12,047
Total net assets	675,602	707,421
Total liabilities and net assets	1,425,879	1,403,290

2. Statements of income and statements of comprehensive income

(1) Statements of income

	Q1–Q2 2010	Q1–Q2 2011
Net sales	764,794	802,168
Cost of sales	563,276	595,899
Gross profit	201,518	206,269
Selling, general and administrative expenses	137,997	142,501
Operating income	63,521	63,768
Non-operating income		
Interest income	524	692
Dividends income	1,193	1,474
Equity in earnings of affiliates	1,090	914
Other	1,742	1,734
Total non-operating income	4,549	4,815
Non-operating expenses		
Interest expense	1,738	1,442
Foreign exchange losses	3,571	2,511
Other	3,175	2,494
Total non-operating expenses	8,484	6,447
Ordinary income	59,586	62,136
Extraordinary income		
Gain on sales of investment securities	—	94
Gain on sales of noncurrent assets	13	331
Total extraordinary income	13	425
Extraordinary loss		
Loss on valuation of investment securities	406	485
Loss on disposal of noncurrent assets	2,273	1,356
Impairment loss	50	160
Environmental expenses	658	—
Loss on adjustment for changes of accounting for asset retirement obligations	1,240	—
Loss on disaster	—	864
Business structure improvement expenses	8,601	636
Total extraordinary loss	13,228	3,502
Income before income taxes	46,371	59,059
Income taxes	16,884	20,001
Income before minority interests	29,487	39,058
Minority interests in income	1,022	844
Net income	28,464	38,214

(2) Statements of comprehensive income

	Q1–Q2 2010	Q1–Q2 2011
Income before minority interests	29,487	39,058
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,626)	1,375
Deferred gains or losses on hedges	53	328
Foreign currency translation adjustment	(4,896)	455
Share of other comprehensive income of associates accounted for using equity method	(2,024)	(451)
Total other comprehensive income	<u>(14,494)</u>	<u>1,707</u>
Comprehensive income	<u>14,993</u>	<u>40,765</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	14,258	40,202
Comprehensive income attributable to minority interests	735	564

3. Statements of cash flows

	Q1–Q2 2010	Q1–Q2 2011
Cash flows from operating activities:		
Income before income taxes	46,371	59,059
Depreciation and amortization	40,339	37,756
Impairment loss	50	160
Amortization of goodwill	531	537
Amortization of negative goodwill	(134)	(116)
Increase (decrease) in provision for repairs	(4,636)	986
Increase (decrease) in provision product warranties	(1,055)	(339)
Increase (decrease) in provision for retirement benefits	(746)	(183)
Interest and dividend income	(1,717)	(2,166)
Interest expense	1,738	1,442
Equity in (earnings) losses of affiliates	(1,090)	(914)
Loss (gain) on sales of investment securities	—	(94)
Loss (gain) on valuation of investment securities	406	485
Loss (gain) on sales of noncurrent assets	(13)	(331)
Loss (gain) on disposal of noncurrent assets	2,273	1,356
Decrease (increase) in notes and accounts receivable, trade	(24,058)	14,460
Decrease (increase) in inventories	(23,845)	(33,839)
Increase (decrease) in notes and accounts payable, trade	13,954	5,254
Increase (decrease) in accrued expenses	(1,891)	(6,436)
Increase (decrease) in advances received	16,073	8,290
Other, net	(15)	3,570
Subtotal	62,536	88,937
Interest and dividend income, received	2,491	3,001
Interest expense, paid	(1,783)	(1,534)
Income taxes (paid) refund	(13,923)	(27,308)
Net cash provided by (used in) operating activities	49,321	63,096
Cash flows from investing activities:		
Payments into time deposits	(1,110)	(10,224)
Proceeds from withdrawal of time deposits	—	6,488
Purchase of property, plant and equipment	(32,894)	(30,684)
Proceeds from sales of property, plant and equipment	522	307
Purchase of intangible assets	(2,146)	(3,065)
Purchase of investment securities	(1,423)	(538)
Proceeds from sales of investment securities	329	378
Payments of loans receivable	(1,575)	(3,481)
Collection of loans receivable	1,925	3,158
Other, net	(1,050)	(928)
Net cash provided by (used in) investing activities	(37,422)	(38,588)

	Q1–Q2 2010	Q1–Q2 2011
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	911	(32,783)
Increase (decrease) in commercial paper	2,000	(9,000)
Proceeds from long-term loans payable	251	1,371
Repayment of long-term loans payable	(7,027)	(19,260)
Repayments of lease obligations	(629)	(876)
Purchase of treasury stock	(34)	(265)
Proceeds from disposal of treasury stock	12	15
Cash dividends paid	(6,992)	(8,389)
Cash dividends paid to minority shareholders	(361)	(626)
Other, net	(6)	(166)
Net cash provided by (used in) financing activities	(11,875)	(69,980)
Effect of exchange rate change on cash and cash equivalents	(2,091)	339
Net increase (decrease) in cash and cash equivalents	(2,067)	(45,133)
Cash and cash equivalents at beginning of period	93,125	134,450
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	876	1,528
Effect of change in the reporting period of consolidated subsidiaries and affiliates	—	469
Cash and cash equivalents at end of period	91,934	91,314

VII. Additional Information

1. Consolidated net sales and operating income (loss) by segment

1) Consolidated net sales

	Q1–Q2 2010	Q1–Q2 2011	Increase (decrease)	Fiscal 2011 forecast
Chemicals	365.0	377.8	12.8	767.0
Homes	173.5	200.0	26.4	453.0
Health Care	57.8	60.0	2.2	124.0
Fibers	54.6	56.1	1.6	114.0
Electronics	83.2	77.5	(5.6)	158.0
Construction Materials	23.4	22.2	(1.2)	49.0
Others	7.4	8.5	1.1	19.0
Total	764.8	802.2	37.4	1,684.0

2) Consolidated operating income (loss)

	Q1–Q2 2010	Q1–Q2 2011	Increase (decrease)	Fiscal 2011 forecast
Chemicals	37.3	34.1	(3.2)	58.0
Homes	10.1	17.9	7.8	47.0
Health Care	4.2	5.6	1.4	8.5
Fibers	2.3	2.1	(0.2)	3.5
Electronics	10.7	7.0	(3.7)	12.0
Construction Materials	1.1	0.8	(0.4)	2.5
Others	0.8	1.2	0.4	2.5
Combined	66.5	68.7	2.2	134.0
Corporate expenses and eliminations	(3.0)	(5.0)	(2.0)	(10.0)
Consolidated	63.5	63.8	0.2	124.0

2. Operating income increases/decreases by segment

	Increase (decrease) due to:				(billions of yen)
	Sales volume	Sales prices [<i>of which, due to foreign exchange</i>]	Operating costs and others	Net increase (decrease)	
Chemicals	0.2	17.3	(9.1)	(20.7)	(3.2)
Homes	7.8	0.0	—	(0.0)	7.8
Health Care	3.6	(1.4)	(0.3)	(0.7)	1.4
Fibers	0.2	(0.0)	(1.1)	(0.3)	(0.2)
Electronics	4.5	(10.9)	(2.0)	2.7	(3.7)
Construction Materials	(0.4)	(0.2)	—	0.2	(0.4)
Others	0.3	0.0	0.0	0.1	0.4
Combined	16.2	4.8	(12.4)	(18.8)	2.2
Corporate expenses and eliminations	—	—	—	(2.0)	(2.0)
Consolidated	16.2	4.8	(12.4)	(20.7)	0.2

3. Major financial metrics (consolidated)

(billions of yen, except employees and D/E ratio)

	Q1–Q2 2010	Q1–Q2 2011	Fiscal 2011 forecast
Capital expenditure (tangible)	30.1	34.1	87.0
Capital expenditure (intangible)	2.1	3.5	8.0
Depreciation and amortization	40.9	38.3	81.0
Balance of payments <i>of which, dividends received</i>	(0.0) 1.2	0.7 1.5	1.0 2.4
R&D expenses	30.7	32.0	66.0
Employees at end of period	25,150	25,283	
D/E ratio	0.41	0.28	

4. Contract trends for home construction operations

	Q1–Q2 2010	Q1–Q2 2011	Increase (decrease)	Fiscal 2011 forecast
No. of orders received (home units)	7,927	8,236	309	16,065
Value of orders received (¥ billion)	181.7	189.4	7.7	363.5
Backlog of orders (¥ billion)	363.4	403.0	39.6	384.1
No. of sales (home units)	5,009	5,916	907	14,685
Value of sales (¥ billion)	125.5	145.9	20.4	339.0

5. Key operating factors

	Q1–Q2 2010	Q1–Q2 2011	Increase (decrease)	Fiscal 2011 forecast
Naphtha price (yen/kL, domestic)	46,150	56,950	10,800	53,475
Exchange rates (market average)	Yen/US\$ Yen/€	89 114	80 114	(9) 0

6. Interest-bearing debt (consolidated)

(billions of yen)

	At end of March 2011	At end of Sept. 2011	Increase (decrease)
Short-term loans payable	108.9	64.5	(44.4)
Commercial paper	23.0	14.0	(9.0)
Long-term loans payable	91.7	85.3	(6.4)
Bonds payable	25.0	25.0	—
Lease obligations	5.3	5.7	0.3
Total	253.9	194.5	(59.5)