Annual Report 2009

ASAHI KASEI CORPORATION

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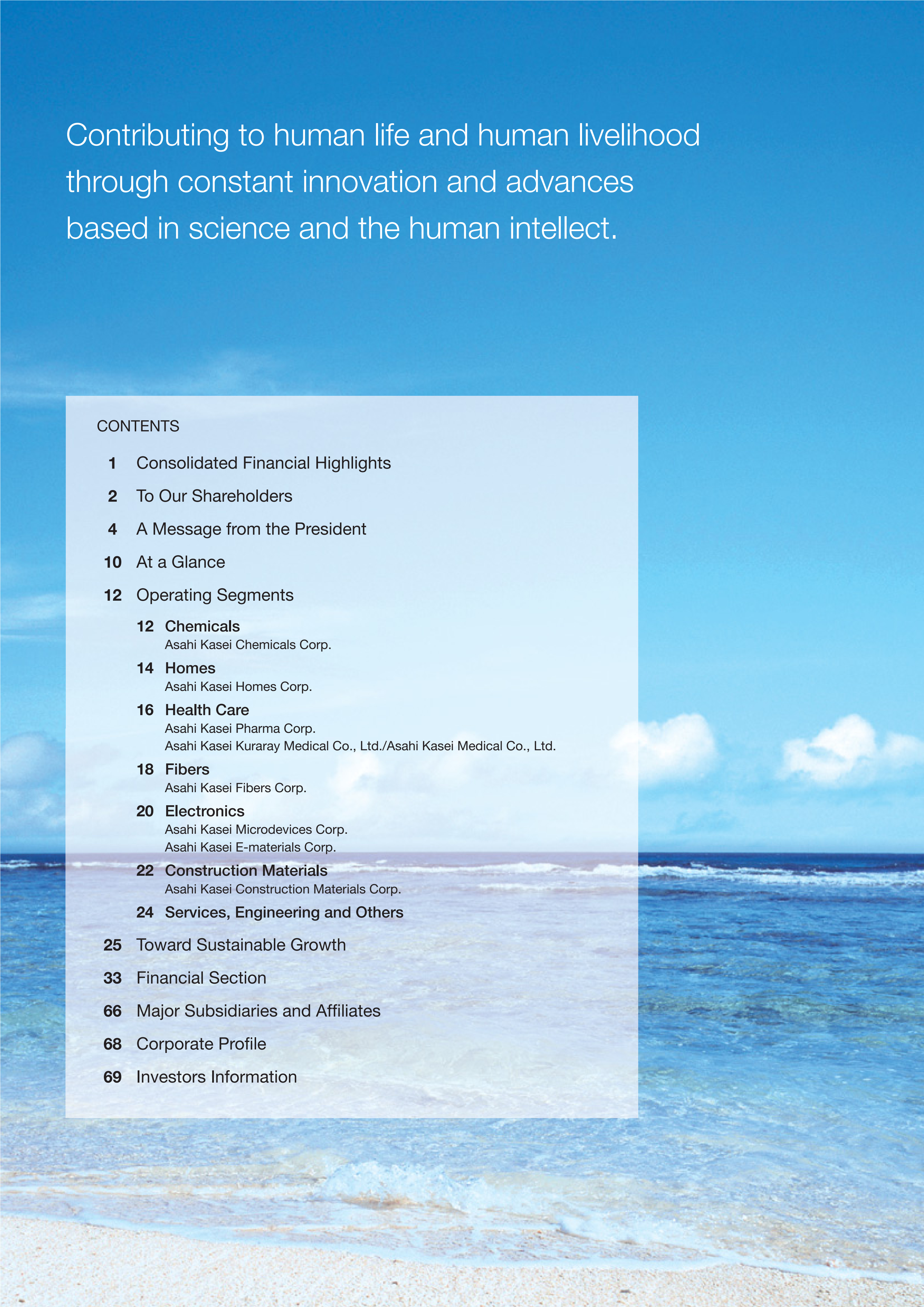


Contributing to human life and human livelihood through constant innovation and advances based in science and the human intellect.

CONTENTS

Consolidated Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

	¥ billion					US$ million*
Fiscal year beginning April 1	2008	2007	2006	2005	2004	2008
For the year						
Net sales	**¥1,553.1**	¥1,696.8	¥1,623.8	¥1,498.6	¥1,377.7	**$ 15,848**
Operating income	**35.0**	127.7	127.8	108.7	115.8	**356**
Net income	**4.7**	69.9	68.6	59.7	56.5	**48**
At year-end						
Total assets	**¥1,379.3**	¥1,425.4	¥1,459.9	¥1,376.0	¥1,270.1	**$ 14,075**
Net worth†	**603.8**	666.2	645.7	594.2	511.7	**6,162**
	¥					US$*
Per share						
Net income	**¥ 3.39**	¥ 50.01	¥ 49.00	¥ 42.46	¥ 40.16	**$ 0.03**
Net worth‡	**431.77**	476.39	461.50	424.34	365.43	**4.41**
Cash dividends	**10.00**	13.00	12.00	10.00	8.00	**0.10**
Key indexes						
Operating margin	**2.3%**	7.5%	7.9%	7.3%	8.4%	
Payout ratio	**295.0%**	26.0%	24.5%	23.6%	19.9%	
ROA	**0.3%**	4.8%	4.8%	4.5%	4.5%	
ROE	**0.7%**	10.7%	11.1%	10.8%	11.7%	
Net worth to total assets‡	**43.8%**	46.7%	44.2%	43.2%	40.3%	
D/E ratio‡	**0.52**	0.32	0.34	0.40	0.49	

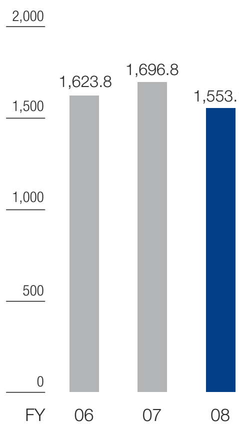
* U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥98=US$1 as described in Note 1 of Notes to Consolidated Financial Statements.

† Net assets less minority interest. Through the year beginning April 1, 2005, figures for shareholders' equity shown.

‡ At fiscal year end.

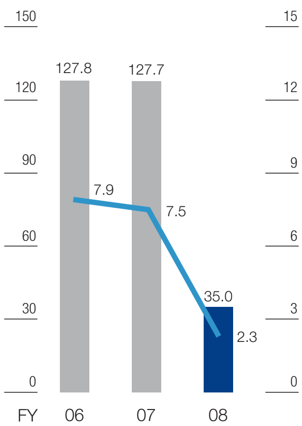
Net Sales

(¥ billion)



Operating Income, Operating Margin

(¥ billion) (%)

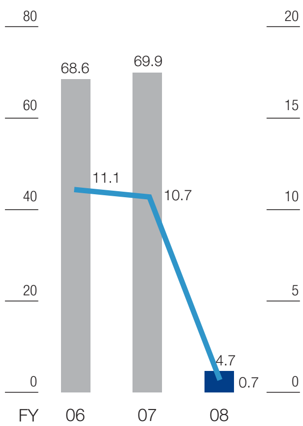


Operating income, left scale

Operating margin, right scale

Net Income, ROE

(¥ billion) (%)

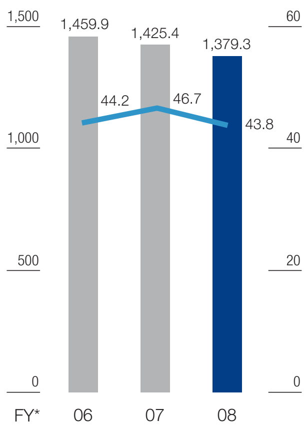


Net income, left scale

ROE, right scale

Total Assets, Net Worth to Total Assets

(¥ billion) (%)



Total assets, left scale

Net worth to total assets, right scale

* At year end.

To Our Shareholders

Nobuo Yamaguchi, Chairman of the Board (left), and Shiro Hiruta, President (right)

"Accelerating progress in the *Growth Action – 2010* mid-term initiative to reinforce the stable foundation of earnings"

The global economy entered a severe economic downturn beginning in the second half of the fiscal year as the financial crisis triggered by the rise in subprime mortgage defaults in the US spread into the real economy worldwide. Sharply impacted by the global economic slump, the Japanese economy fell into an economic recession of historic proportions with a broad decline in exports and a rapid appreciation of the exchange value of the yen, which led to deteriorating corporate earnings, cuts in private sector capital investment, and curtailment of production, resulting in reduced employment and the emergence of related social problems.

The Asahi Kasei Group faced an extremely challenging operating climate, with high feedstock and fuel costs continuing through the first half of the fiscal year before falling sharply in the second half, and with the sharp rise in the value of the yen, steep declines in product demand, especially for petrochemicals and electronics products, and inventory adjustments among customers necessitating cutbacks in production for many products.

The Group's consolidated financial performance for the fiscal year thus saw a decline in sales and a substantial decline in profits. The year-end dividend was set at ¥3 per share for a total of ¥10 per share, ¥3 per share less than a year earlier.

Due to the effects of the global economic downturn, it has become highly unlikely that we will be able to achieve our original performance targets in the *Growth Action – 2010* mid-term initiative currently in progress. We therefore performed a strategic review, including a reexamination of strategies in place and a revision of financial performance forecasts. This review reinforced our view that there was no need to fundamentally change our management strategy focusing on the expansion of global businesses and the enhancement of domestic businesses. Rather, we will further accelerate our progress in advancing strategic actions to reinforce the stable foundation of earnings as a base for greater financial strength and the sustained expansion and growth of operations.

August 2009

N. Yamaguchi

Nobuo Yamaguchi
Chairman of the Board

Shiro Hiruta

Shiro Hiruta
President

A Message from the President

Transforming to a business portfolio for the future

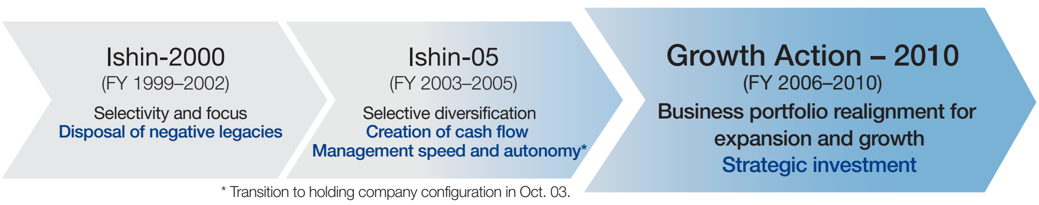
Steadily implementing strategic actions under *Growth Action – 2010*, advancing our business portfolio transformation for the future

We have performed a strategic review of *Growth Action – 2010*, our five-year management initiative for the fiscal years 2006 through 2010, given that the global economic downturn which began in autumn 2008, triggered by the spread of subprime mortgage defaults in the US, has dramatically altered the operating environment when compared to our initial assumptions.

Advancement of strategic management initiatives

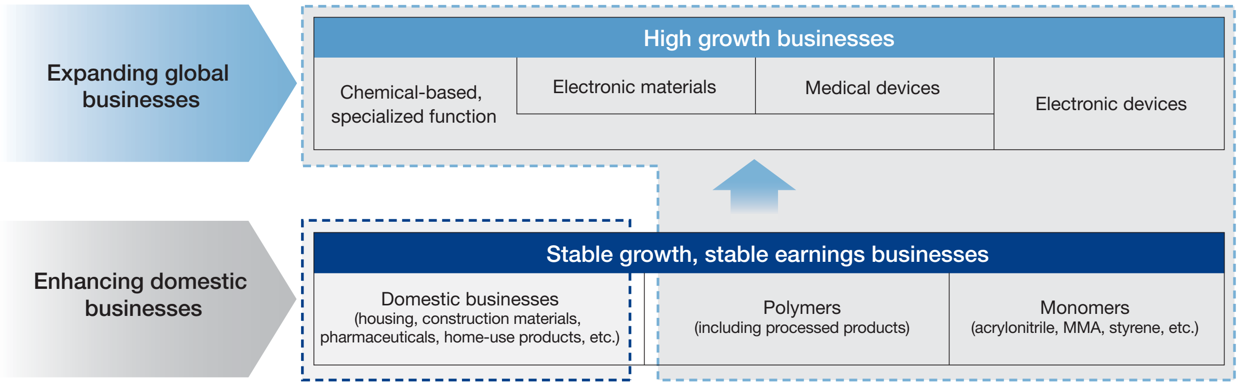
The development and growth of the Asahi Kasei Group over the years has been driven by constant realignments of the business portfolio, as we transformed from a fiber-centered operation to the diversified enterprise we are today – with fields of

Strategic management initiatives



* Transition to holding company configuration in Oct. 03.

Growth Action – 2010 concept



Long-term investments (¥ billion)

Investment from FY 2003 to FY 2005	70–80/year
Strategic investment for FY 2006 to FY 2010	400
Total for FY 2006 to FY 2010	800

Strategic investment 400 →

Organic	220
M&A	150
Resources for dividends	30

business spanning from chemicals to housing and construction, from health care to electronics. Since the 1990s we have achieved several notable structural transformations. From fiscal 1999 to 2002 we executed our *Ishin-2000* initiative to bring greater selectivity and focus to our business portfolio. This was followed by our *Ishin-05* initiative to strengthen operations as a selectively diversified enterprise group, building greater financial strength.

Based on this renewed strength, our *Growth Action – 2010* initiative is directed toward the expansion of global businesses and the enhancement of domestic businesses, advancing the transformation to a growth-oriented portfolio, for greater corporate value and brand strength. Our plan provided for some ¥400 billion in strategic investment focused on the fields of chemical-based/specialized function products, electronics products, and health care products. Together with ordinary investments, we targeted total capital expenditure over the five-year term of some ¥800 billion, with fiscal 2010 performance targets including sales of ¥1,800 billion and operating income of ¥150 billion.

Progress under *Growth Action – 2010*

As a result of progress under *Growth Action – 2010* in expanding global businesses and making proactive strategic investments including M&A, results in fiscal 2007 exceeded our targets for the year. The impact of the severe operating climate in fiscal 2008, however, resulted in sales of ¥1,553.1 billion and operating income of ¥35.0 billion, and with fiscal 2009 forecast to remain challenging, there is little prospect of achieving our initial targets for fiscal 2010.

There are three main factors behind this deterioration in financial performance. The first is a large decrease in sales and income from chemicals and electronics operations. In chemicals, despite progress in shifting to specialty products, we still have a high ratio of volume products in cyclical markets. The impact of petrochemical feedstock price fluctuations and the impact of falling demand both in Japan and overseas were substantial. In electronics, we have many products which are used in IT equipment and home electronics, where markets tend to be cyclical, and the launch of new products to extend our market coverage has been slower than planned.

The second factor is a gradual decrease in sales and income from housing and construction materials operations. Recognizing that Japan's declining population and ageing demographic mean that construction demand growth will be meager at best, we have achieved growth in housing-related operations

such as remodeling and real estate. Our portfolio realignment has nevertheless been insufficient to overcome shrinking markets in this field.

The third factor is a deterioration of financial strength. The sharp rise in feedstock and fuel prices followed by a drop in demand resulted in excessive cash-out for working capital, and the strategic investments we made under *Growth Action – 2010* have yet to bring sufficient results, particularly with the recent economic decline. The result has been an increase in borrowings and a rise in our D/E ratio.

Strategic review of *Growth Action – 2010*

Although the drastic change in the business environment has resulted in a substantial deterioration in the Asahi Kasei Group's consolidated financial performance, we have determined that no fundamental change in our *Growth Action – 2010* strategic management initiative is necessary. Rather, we will implement additional measures to accelerate the expansion of high-growth businesses such as electronics and health care, work to hold down inventories and cut fixed costs, and place greater management emphasis on profitability and investment efficiency, with accelerated streamlining of volume-product business operations and transformation of the business portfolio.

As, in light of operating performance in the second half of fiscal 2008, it has become highly unlikely that we will be able to achieve our original financial targets, the outlook for financial performance in fiscal 2010 has been revised to ¥1,350–1,500 billion of net sales and ¥60–80 billion of operating income.

Revision of financial performance forecasts

(¥ billion)

	FY 2007	FY 2008	FY 2009 forecast (as of May 2009)	FY 2010 outlook	FY 2010 original target
Net sales	1,696.8	1,553.1	1,355.0	1,350.0–1,500.0	1,800.0
Operating income	127.7	35.0	41.0	60.0–80.0	150.0
Net income	69.9	4.7	15.0	—	80.0

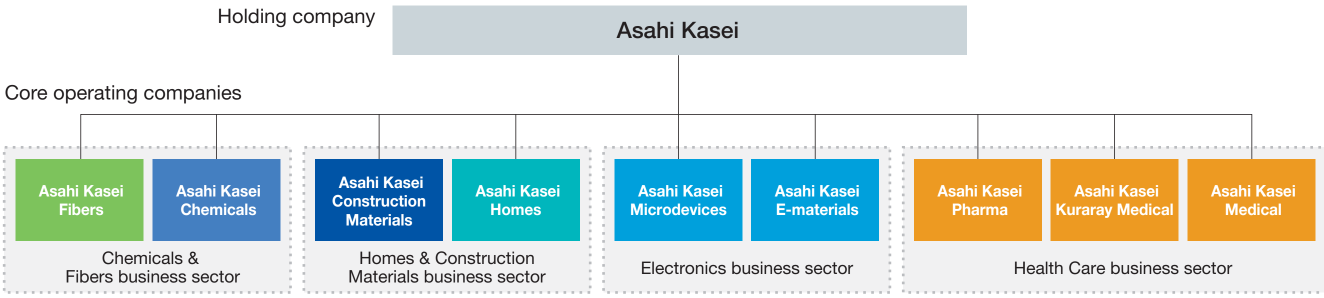
Revision of investment plan

(Decision adopted, ¥ billion)

	Original plan (a)	Results by FY08	Revised plan (b)	Decrease from original plan (b-a)
Maintenance	200	125	195	(5)
Expansion	360	198.8	240	(120)
R&D	40	22.4	40	0
M&A	150	39.8	150	0
Subtotal	550	261	430	(120)
Renewing petrochemical complex	20	12	15	(5)
Dividends, restructuring, etc.	30	17	30	0
Total	800	415	670	(130)

FY 09–10
¥255 billion

Four business sectors



Whereas strategic investment of ¥800 billion had been planned for the five-year period of *Growth Action – 2010,* this will now be reduced by ¥130 billion to ¥670 billion. Investments for expansion of volume-product businesses are put on hold for the time being, and other investments are subject to careful selectivity in consideration of the business environment. By maintaining our D/E ratio at 0.5 or less, we will retain the ability to raise capital under competitive terms.

Accelerating portfolio realignment and new businesses development

To accelerate our business portfolio realignment with an overall strengthening of the Asahi Kasei Group, holding company Executive Officers were installed with purview corresponding to each of our four main business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. In their capacity as Executive Officers of the holding company, they work to advance strategic and effective allocation of resources to each business sector from the company-wide perspective, including investment, human resources, and R&D. In addition, a group-wide system was established for new business development to accelerate growth with the installation of officers responsible for technology and business development in each key field, and enhanced business development capability at the holding company.

This portfolio realignment has also entailed the downsizing and withdrawal of underperforming businesses. At the end of September 2009, we will cease in-house production of polyester filament and withdraw from monofilament operations. At the end of December 2009, we will withdraw from PTT fiber operations by dissolving our joint-venture for PTT fiber with Teijin Fibers Ltd. At the end of September 2009 we will withdraw from coenzyme Q10 operations, and at the end of March 2010 will close our construction materials plant in Shiraoi, Hokkaido.

Even as further such restructuring will be implemented as necessary, we will continue to advance the creation and development of new businesses to effect a transformation of our business portfolio for healthy growth.

Actions by business sector

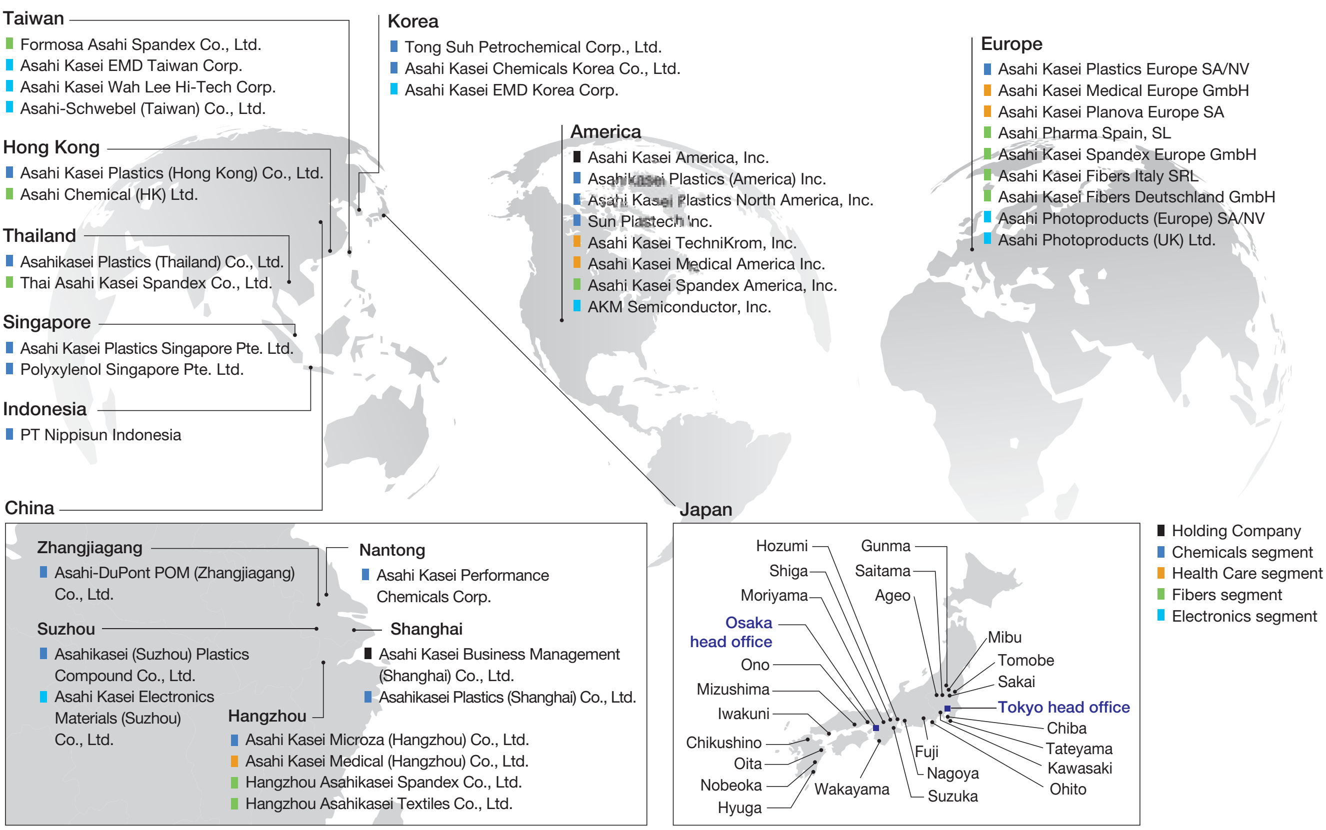
Chemicals & Fibers

With operating losses in fiscal 2008 and global oversupply forecast to continue, we are focused on heightening profitability rather than expanding the scale of operations. In chemicals, the efficiency of petrochemicals operations centered on the naphtha cracker in Mizushima will be raised, and the ratio of sales in specialty products will be increased through accelerated development of overseas business for water processing systems. In fibers, creation of new businesses will be accelerated through advancement of research and development at the new technology and R&D center in Moriyama.

Homes & Construction Materials

Under declining market conditions, stable earnings will be secured through expansion of peripheral businesses. In homes, new products featuring a new framing system and environmental compatibility will be launched to obtain increased orders for high-end urban homes, and housing-related businesses such as remodeling and real estate will be expanded. In construction materials, we will advance market development for Neoma™ foam high-performance insulation panels and expand other unique businesses such as piling systems for small-scale construction.

Global business operations



Electronics

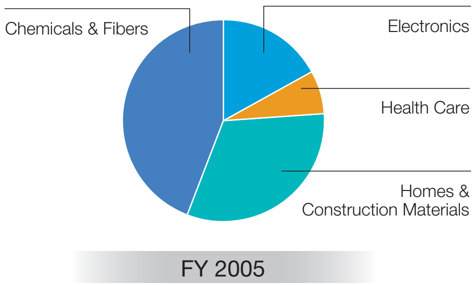
We will accelerate business expansion from the perspective of energy and resource conservation, adding new products in line with changing market trends. In electronic devices, the product lineup will be complimented with the power management semiconductor businesses acquired from Toko Inc. in April 2009. Development of products combining magnetic sensors and LSIs is advancing, and adoption of one such product, the electric compass, is expanding in cell phone applications. In electronic materials, Asahi Kasei E-materials began operation as a new core operating company in April 2009 to heighten management speed and efficiency. Production capacity for Hipore™ Li-ion rechargeable battery separators is being raised with an expansion of the plant in Moriyama and the construction of a new plant in Hyuga. To prepare for full-scale adoption of Li-ion batteries in automotive applications, R&D is being reinforced and an expansion of the business, including through M&A, is being studied.

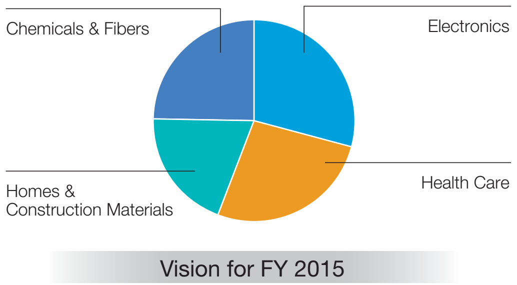
Health Care

We are advancing the expansion and globalization of business in line with heightening health-related needs. In pharmaceuticals, the first priority is on ramping up sales and obtaining profitability from the Recomodulin™ intravenous anticoagulant approved in Japan in fiscal 2008. By enhancing the sales network with an increased number of medical representatives, we will be able to obtain solid earnings from Recomodulin™ from fiscal year 2011 onward. Having acquired from Roche Diagnostics GmbH all intellectual property rights related to naftopidil, an agent for the treatment of benign prostatic hyperplasia (BPH) marketed as Flivas™, we will expand operations to include production as well as sale. Development of the two compounds we have in Phase III clinical trials is advancing smoothly.

In medical devices and related operations, we concluded alliance with NxStage Medical, Inc. of the US to secure a base in Germany for the assembly of Asahi Kasei Kuraray Medical's artificial kidneys. Following our assembly plant in China, this will serve

Operating income breakdown in FY 2015



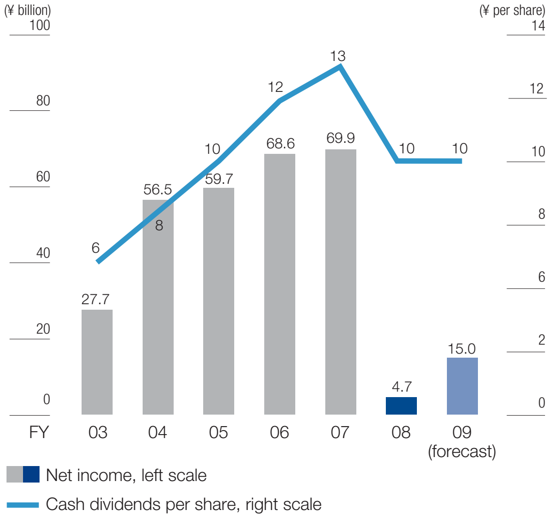


as our second overseas base for artificial kidney assembly. For the further global expansion of our dialysis products business, we are also considering the construction of new assembly lines in other overseas locations in line with market trends. Having acquired full ownership of TechniKrom's bioprocess business, Asahi Kasei Medical will expand operations in products for biopharmaceutical production by building on the combination of its separation media technology with TechniKrom's bioprocess equipment and systems technology. We have also entered into the field of advanced medical devices through the acquisition of exclusive rights for the sale in Japan of Medtronic Japan's Reveal™ DX insertable cardiac monitor. This was followed by the start of clinical trials for the Evaheart™ ventricular assist system in the US in cooperation with Misuzu & Sun Medical Holdings.

Return to shareholders

While we had successively increased dividends along with growth in consolidated financial performance, dividends for fiscal 2008 were reduced by ¥3 per share from a year earlier to ¥10 due to the substantial deterioration in operating results. Although the challenging operating climate is forecast to continue in fiscal 2009, we intend to maintain annual dividends at ¥10 per share. Over the longer term, we will heighten return to shareholders by achieving growth in consolidated earnings.

Net income and dividends



Vision for fiscal 2015

In fiscal 2005, the Chemicals & Fibers business sector earned around 40–45% of the Asahi Kasei Group's total operating income, and in fiscal 2007 this rose to around 50–55%. By steadily implementing strategic actions under *Growth Action – 2010* and advancing our business portfolio transformation for the future, growth will be concentrated in the Electronics and Health Care business sectors, resulting in a balanced structure where roughly a quarter of operating income is earned in each of our four main business sectors by fiscal 2015. At the same time we will advance preparations for the next phase of growth as a fast and lean enterprise coping effectively with challenges related to resources and the environment.

At a Glance

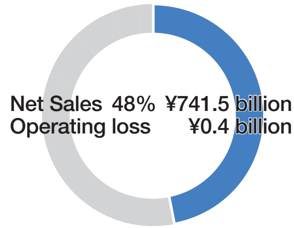
Operating Segments, Core Operating Companies | Core Operating Company Directors (As of April 1, 2009) | Fiscal 2008 Composition of Net Sales, Operating Income (Loss)

Chemicals

Asahi Kasei Chemicals Corp.

Asahi Kasei Chemicals Corp.

Masaki Sakamoto	President & Representative Director Presidential Executive Officer
Keiji Kamei	Director, Vice-Presidential Executive Officer
Masami Fujimori	Director, Primary Executive Officer
Koji Fujiwara	Director, Primary Executive Officer
Kyosuke Komiya	Director, Senior Executive Officer
Hajime Nagahara	Director, Senior Executive Officer
Tadashi Akaishi	Director, Senior Executive Officer
Yuji Kobayashi	Director, Senior Executive Officer
Heiichiro Obanawa	Director, Senior Executive Officer

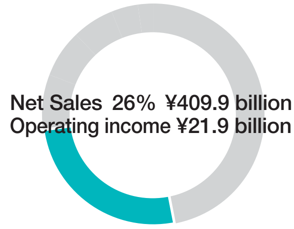


Homes

Asahi Kasei Homes Corp.

Asahi Kasei Homes Corp.

Shingo Hatano	President & Representative Director Presidential Executive Officer
Masahito Hirai	Director, Primary Executive Officer
Eisuke Ikeda	Director, Primary Executive Officer
Morio Watanabe	Director, Senior Executive Officer
Hiroshi Kobayashi	Director



Health Care

Asahi Kasei Pharma Corp.
Asahi Kasei Kuraray Medical Co., Ltd.
Asahi Kasei Medical Co., Ltd.

Asahi Kasei Pharma Corp.

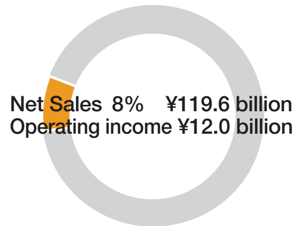
Tsutomu Inada	President & Representative Director Presidential Executive Officer
Akio Kobayashi	Director, Senior Executive Officer
Toshio Asano	Director, Senior Executive Officer
Yasuyuki Yoshida	Director

Asahi Kasei Kuraray Medical Co., Ltd.

Yasuyuki Yoshida	President & Representative Director Presidential Executive Officer
Hideo Horii	Director, Vice-Presidential Executive Officer
Naoyuki Ohya	Director, Primary Executive Officer
Takao Kiyota	Director, Primary Executive Officer
Tsutomu Inada	Director

Asahi Kasei Medical Co., Ltd.

Yasuyuki Yoshida	President & Representative Director Presidential Executive Officer
Naoyuki Ohya	Director, Primary Executive Officer
Takao Kiyota	Director, Primary Executive Officer
Tsutomu Inada	Director

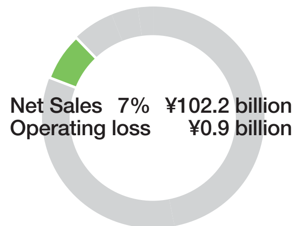


Fibers

Asahi Kasei Fibers Corp.

Asahi Kasei Fibers Corp.

Hidefumi Takai	President & Representative Director Presidential Executive Officer
Fujio Nishimura	Director, Senior Executive Officer
Masaki Sakamoto	Director



Electronics

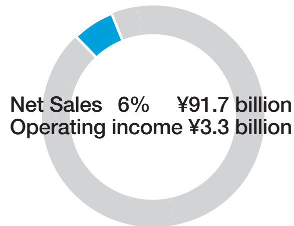
Asahi Kasei Microdevices Corp.
Asahi Kasei E-materials Corp.

Asahi Kasei Microdevices Corp.

Makoto Konosu	President & Representative Director Presidential Executive Officer
Hideki Kobori	Director, Primary Executive Officer
Masafumi Nakao	Director, Executive Officer

Asahi Kasei E-materials Corp.

Katsuhiko Yamazoe	President & Representative Director Presidential Executive Officer
Koji Yamada	Director, Executive Officer
Tetsuro Ota	Director, Executive Officer
Makoto Konosu	Director

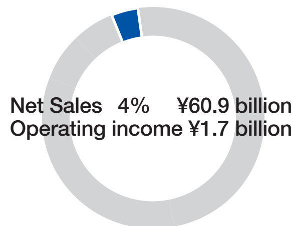


Construction Materials

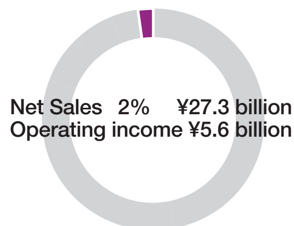
Asahi Kasei Construction Materials Corp.

Asahi Kasei Construction Materials Corp.

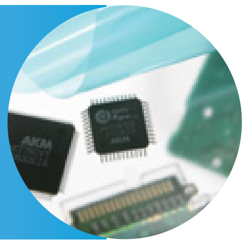
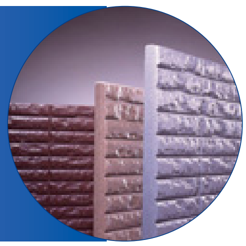
Hiroshi Kobayashi	President & Representative Director Presidential Executive Officer
Fumio Nakagawa	Director, Senior Executive Officer
Masafumi Funaki	Director, Senior Executive Officer
Shingo Hatano	Director



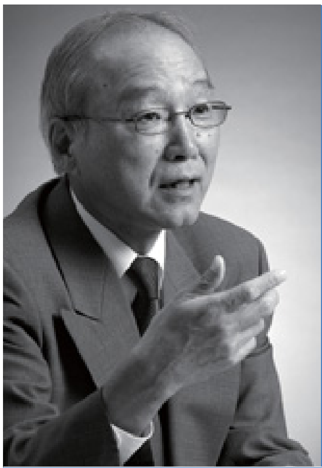
Services, Engineering and Others



Note: The former Pharma and Electronics Materials & Devices segments were renamed Health Care and Electronics, respectively, on April 1, 2009.

Main Businesses	Major Consolidated Subsidiaries	
Organic and inorganic industrial chemicals, synthetic resin, synthetic rubber, coating materials, latex, pharmaceutical and food additives, explosives, photopolymers and plate-making systems, separation and ion-exchange membranes, systems, and equipment.	Sanyo Petrochemical Co., Ltd. Asahi Kasei Pax Corp. Asahi Kasei Home Products Corp. Japan Elastomer Co., Ltd. Asahi Kasei Technoplus Co., Ltd. Tong Suh Petrochemical Corp., Ltd. Asahi Kasei Plastics Singapore Pte. Ltd. Asahikasei Plastics (America) Inc. Asahi Kasei Performance Chemicals Corp. Asahi Kasei Microza (Hangzhou) Co., Ltd.	
Hebel Haus™ houses, Hebel Maison™ apartments, condominiums, remodeling, real estate, residential land development, financial services.	Asahi Kasei Jyuko Co., Ltd. Asahi Kasei Mortgage Corp. Asahi Kasei Reform Co., Ltd. Asahi Kasei Real Estate, Ltd.	
Pharmaceuticals, pharmaceutical intermediates, diagnostic reagents, hemodialyzers and other medical devices.	Asahikasei Aime Co., Ltd. Asahi Kasei Medical (Hangzhou) Co., Ltd.	
Roica™ elastic polyurethane filament (spandex), Eltas™ spunbond, Lamous™ artificial suede, Bemliese™ cupro cellulosic nonwoven, Bemberg™ cupro cellulosic fiber, polyester filament, Solotex™ polytrimethylene terephthalate (PTT) fiber.	Kyokuyo Sangyo Co., Ltd. Thai Asahi Kasei Spandex Co., Ltd. Hangzhou Asahikasei Spandex Co., Ltd. Asahi Kasei Spandex Europe GmbH Asahi Kasei Spandex America, Inc. Asahi Chemical (HK) Ltd. Hangzhou Asahikasei Textiles Co., Ltd.	
Pimel™ photosensitive polyimide precursor, Sunfort™ dry film photoresist, Hall elements, LSIs, glass fabric for printed circuit boards, photomask pellicles.	Asahi Kasei Electronics Materials (Suzhou) Co., Ltd. Asahi-Schwebel (Taiwan) Co., Ltd.	
Hebel™ autoclaved aerated concrete, construction piles, Neoma™ foam and other thermal insulation.	Asahi Kasei Foundation Systems Corp.	
Plant, equipment, process engineering, employment agency, think tank	Asahi Research Center Co., Ltd. Asahi Finance Co., Ltd. Asahi Kasei Engineering Co., Ltd. Asahi Kasei Amidas Co., Ltd.	

Operating Segments



With *Creating the Future with Chemistry* as our basic ideal, we will contribute to environmental protection and human health through our diverse business operations, advancing as a vigorous, high-earnings company.

Masaki Sakamoto
President, Asahi Kasei Chemicals

Chemicals

MAJOR PRODUCTS

■ **Chemicals and derivative products**
Ammonia, nitric acid, caustic soda, acrylonitrile (AN), styrene, adipic acid, methyl methacrylate (MMA), Suntec™ polyethylene (PE), synthetic rubber and elastomer.

■ **Polymer products**
Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), Leona™ nylon 66 polymer and filament*, Saran Wrap™ cling film, Ziploc™ storage bags, plastic film, sheet, and foam.

■ **Specialty products**
Coating materials, styrene-butadiene latex, Ceolus™ microcrystalline cellulose, explosives, APR™ photosensitive resin**, AFP™ photosensitive plates**, printing plate-making systems**, Microza™ UF and MF membranes and systems, Hipore™ microporous membrane**, ion-exchange membranes and electrolysis systems.

* Leona™ filament transferred to Fibers operating segment on April 1, 2009.
** Products transferred to Electronics operating segment on April 1, 2009.

Growth Action – 2010

Each business is classified either as a strategic expansion business, with management resources focused on achieving growth and high earnings, or as a stable growth, stable earnings business, with efforts focused on strengthening and enhancement to heighten profitability.

Strategic expansion businesses, characterized by the potential to attain greater earnings and stronger market position through expansion of scale, include AN, MMA, and synthetic rubber and elastomers. Those characterized by the potential to attain growth through linkage with growing market segments, building on established strengths, and extension into peripheral fields, include water treatment systems and ion-exchange membrane systems.

Stable earnings businesses, characterized by the potential to attain greater added value and stable earnings growth through a leading position in growing market segments, include polymers/compounds and performance chemicals. Those characterized by the potential to maintain stable earnings through a strengthened operational base and structure include petrochemicals, basic chemicals, and ethylene center derivatives with the exception of those marked for strategic expansion.

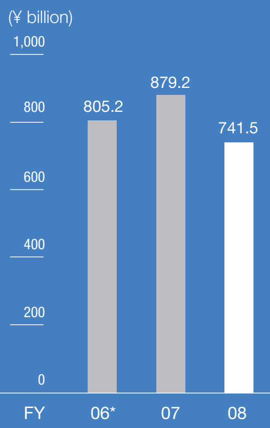
Fiscal 2008 Review

Sales decreased by ¥137.7 billion (15.7%) from a year ago to ¥741.5 billion and an operating loss of ¥0.4 billion resulted with a ¥65.6 billion decline in profitability.

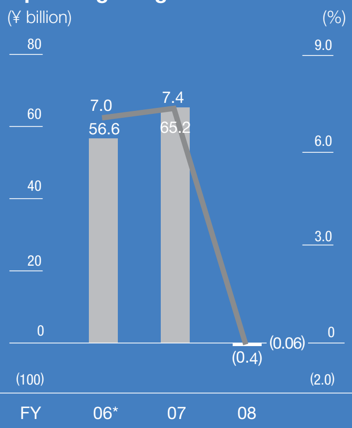
In volume products operations, both chemicals and derivative products and polymer products, profitability fell with the sharp impact of high feedstock prices in the first half of the fiscal year and with a steep decline in shipment volumes due to deteriorating market conditions both in Japan and worldwide, the sharp impact of the appreciation of the yen, and the impact of devaluation of inventories in the second half of the fiscal year.

Although specialty products operations performed well during the first half of the fiscal year, shipments of Hipore™ Li-ion rechargeable battery separator membranes and of ion-exchange membranes for chlor-alkali electrolysis decreased with the sudden deterioration of market conditions in the second half of the fiscal year, and operating income decreased.

Net Sales



Operating Income (Loss), Operating Margin



* Including former Life & Living segment.

Fiscal 2009 Outlook

The severe operating climate which began in the second half of fiscal 2008 is expected to continue, with weak product demand and a strong yen. For volume products, we forecast falling prices for naphtha and other feedstocks, some extent of recovery in sales volumes, and lower inventory valuation losses. In specialty products operations, we forecast falling feedstock prices and recovering sales volumes.

R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	19.2	2.6%	45.7	36.7
Fiscal 2007	18.5	2.1%	34.3	37.1

Major Capital Investments

Completed in fiscal 2008	Capacity expansion of solution-polymerized styrene-butadiene rubber production facility
Under construction in fiscal 2008	New boiler and power generation turbine using SDA pitch
	New AN and MMA plants in Thailand
	Capacity expansion for Hipore™ Li-ion rechargeable battery separators
	New plant for Hipore™ Li-ion rechargeable battery separators

R&D

Technology development in line with the basic ideal of *Creating the Future with Chemistry* is directed toward the fields of petrochemicals, electronics and optics, and environment and energy.

The focus in petrochemicals and monomers is on advances and innovations in catalysts and chemical processes for diversification of feedstocks, as with the world's first propane process for acrylonitrile (AN) which was recently developed. In electronics and optics, a wide range of functional sheets and films are nearing commercialization. Development in the field of energy will be expanded from the base of Hipore™ Li-ion rechargeable battery separator technology to various materials for distributed energy systems. In ecology, development of water treatment materials technology is advancing for expansion into promising new markets. In polymers/compounds and performance chemicals, the focus is on obtaining higher added value.

HIGHLIGHTS

Wastewater recycling plant in Suzhou, China

In February 2009, Asahi Kasei Chemicals began operation of a plant to provide wastewater recycling service to Sony Chemicals (Suzhou) Co., Ltd. in a BOO (build-own-operate) project. In addition to design and construction, Asahi Kasei Chemicals owns and operates the plant, treating recovered wastewater and supplying industrial water to the client. This project marks a milestone for further expansion of the water treatment business of Asahi Kasei Chemicals, enabling full utilization of the company's superior membrane performance, experience, and operating know-how, extending the business model beyond the sale of Microza™ filtration membrane modules and systems.

Sony Chemicals (Suzhou), site of the first BOO project for wastewater recycling

Expansion of production capacity for Hipore™

Hipore™ Li-ion rechargeable battery separators used in notebook PCs and cell phones hold a global market share of over 50%. To meet strong demand growth, Asahi Kasei Chemicals is expanding production capacity at its existing plant in Moriyama, Shiga, Japan, and at the same time building a new plant in Hyuga, Miyazaki, Japan.

Market development is also being advanced, particularly in the field of batteries for hybrid electric vehicles and all-electric vehicles, an example of chemical technology helping to contribute to ecological compatibility.

Hipore™ Li-ion rechargeable battery separator

Marketing capability is strengthened through a reconfiguration of the sales organization, and the Long Life Home product strategy for maintaining and enhancing customer satisfaction over the long term is advanced to obtain growth in new orders. Expansion of housing-related businesses will be built on the established base of Hebel Haus™ homes sold to date.

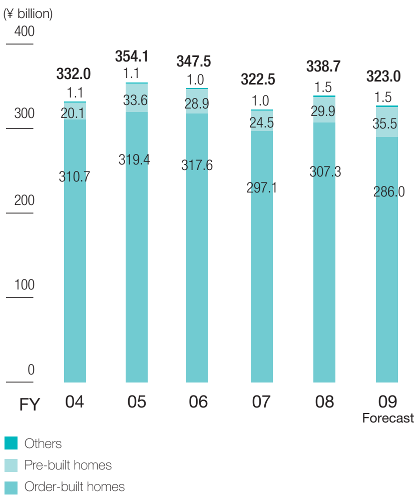
Shingo Hatano
President, Asahi Kasei Homes

Homes

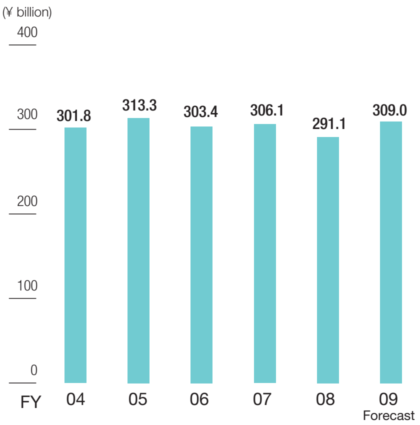
MAJOR PRODUCTS

Hebel Haus™ houses, Hebel Maison™ apartments, condominiums, remodeling, real estate, residential land development, home financing.

Sales Trends
(Asahi Kasei Homes non-consolidated)



Orders Received



Growth Action – 2010

Marketing of order-built homes is focused on demand for home rebuilding in major urban areas, as a high-earnings operational structure is reinforced and expanded.

Specific actions include:
- Successive development of new products tailored to specific market characteristics in different regions.
- Advancement of cost reductions through shared procurement and logistical networks with other home builders.
- Productivity enhancements through reduced home construction time.
- Advanced development of technology to enhance the Long Life Home product strategy.

Long-term customer relationships are maintained through the provision of remodeling, real estate, and financial services.

Specific actions include:
- Expansion of real estate operations in brokerage of used Hebel Haus™ homes.
- Expansion of remodeling operations through high value-added services for long-term maintenance and enhancement of home asset value.
- Establishment of stable earnings in home financing operations with mortgage securitization and development of homeowners insurance business.
- Development of new businesses utilizing proprietary technology, know-how, and the asset value of Hebel Haus™ homes.

Fiscal 2008 Review

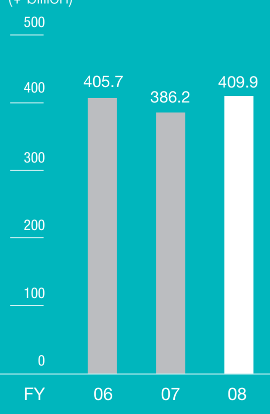
Sales increased by ¥23.7 billion (6.1%) from a year ago to ¥409.9 billion and operating income increased by ¥0.5 billion (2.3%) to ¥21.9 billion.

Although deliveries of Hebel Haus™ unit homes recovered from the decline a year ago due to falsification of the performance of certain components as came to light in late October 2007, and there were deliveries of condominium units with the completion of a large construction project, operating income in order-built and pre-built homes operations decreased with the impact of high costs for materials and a devaluation of real estate held as inventory for sale.

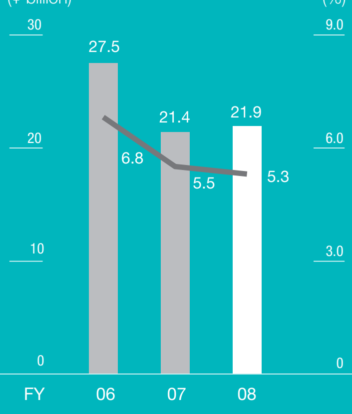
Although real estate operations struggled, operating income from housing-related operations increased with remodeling and financing operations performing well.

New orders for order-built homes decreased by ¥15.0 billion from a year ago to ¥291.1 billion as an effect of a sharp decline in market conditions beginning in the second half of the fiscal year.

Net Sales



Operating Income, Operating Margin



Fiscal 2009 Outlook

Deliveries of large condominiums will increase and housing-related operations will expand. Deliveries of unit homes will decline due to decreased orders received.

R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	2.5	0.6%	7.0	3.4
Fiscal 2007	2.1	0.5%	7.5	2.7

R&D

R&D is focused on enhancing core technologies. Shelter technology brings greater safety and security through earthquake resistance, seismic damping, and fire resistance; greater long-term usability through physical durability/evaluation, systematic maintenance, and ease of remodeling; enhanced livability through thermal insulation, air circulation, and sound barrier; and enhanced ecology through energy conservation and reduced CO_2 emissions. Lifestyle technology brings greater comfort, convenience, and satisfaction, while evaluation/simulation technology is being enhanced to enable buyers to more intuitively appreciate the real-world effects of variations and modifications to a home design so that it is optimized to taste before building. Additional research is focused on the physiological and psychological aspects of comfort, and how these can be utilized through technological development to achieve greater energy efficiency and environmental compatibility in homes optimized for health and comfort.

In October 2007, the main functions for housing R&D were transferred to a new center in Fuji, the central location of R&D facilities for the Asahi Kasei Group. The location of the new R&D center in Fuji affords a larger scale and wider range of facilities, with housing R&D further advanced by the synergy of interaction with other Asahi Kasei research facilities at the same site.

HIGHLIGHTS

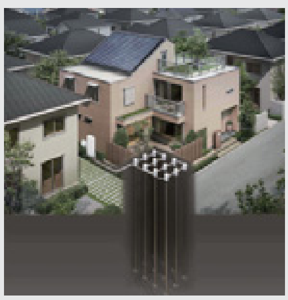
New Hebel Haus™ structure

The Fine Hebel Haus™ series of home products featuring high-endurance thermal insulation and airtight structure was launched in September 2008, extending performance from the perspective of long-term home durability. By separating the insulation layer and airtight barrier layer from interior walls and ceilings, the new product line enables future remodeling with no loss of insulation performance. This new structure marks a notable advance in the Long Life Home concept for maintenance of high asset value over the long term.
In May 2009 it was adopted for all Hebel Haus™ products, supplanting the Fine series.

Fine Hebel Haus™

Hebel Haus™ homes featuring electric power generation

A promotion campaign for Hebel Haus™ homes featuring electric power generation with leading-edge performance began in January 2009. The homes are available with a solar panel array combined with either an “Ene Farm” residential fuel cell or the geothermal heating/cooling system developed by Asahi Kasei Homes. The company will continue to advance the development of eco-efficient homes which facilitate energy conservation and reduced CO_2 emissions while maintaining convenience and comfort.



Hebel Haus™ with power generation

The pharmaceutical business is advancing as a specialized, R&D-centered operation, expanding earnings through the launch of new drugs and reinforcing the operational foundation through the steady advancement of R&D.

Tsutomu Inada
President, Asahi Kasei Pharma

With the expansion of medical devices-related operations identified as a strategic objective for the group, the global development of business will be advanced through proactive capital investment and R&D for innovative therapeutic and medical-related devices and systems.

Yasuyuki Yoshida
President, Asahi Kasei Kuraray Medical & Asahi Kasei Medical

Health Care (formerly Pharma segment)

MAJOR PRODUCTS

■ **Pharmaceutical-related**
Elcitonin™, Bredinin™, Flivas™, Toledomin™, Recomodulin™, and other pharmaceuticals, diagnostic enzymes and reagents.

■ **Medical device-related**
APS™ artificial kidneys, Cellsorba™ leukocyte adsorption columns, Planova™ virus removal filters, Sepacell™ leukocyte reduction filters.

Growth Action – 2010

Pharmaceutical-related:

Advancement as a specialized, R&D-centered operation, with management resources focused on selected therapeutic fields. Expansion of operations through structural reform and slim, robust management, building on an established presence in selected therapeutic fields in the Japanese market. In diagnostics, investment of management resources is focused on products with strong growth prospects.

Medical device-related:

Based on established leadership in devices for extracorporeal circulation, the business is being transformed for development as a comprehensive leader in blood-related healthcare systems, spanning from disease treatment to preventive medicine and blood-based risk-factor analysis/diagnosis. Over the longer term, healthcare systems will be developed in regenerative medicine, the nervous system, and other fields.

Fiscal 2008 Review

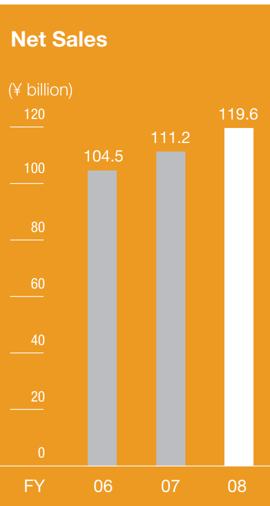
Sales increased by ¥8.4 billion (7.5%) from a year ago to ¥119.6 billion and operating income decreased by ¥0.6 billion (5.0%) to ¥12.0 billion.

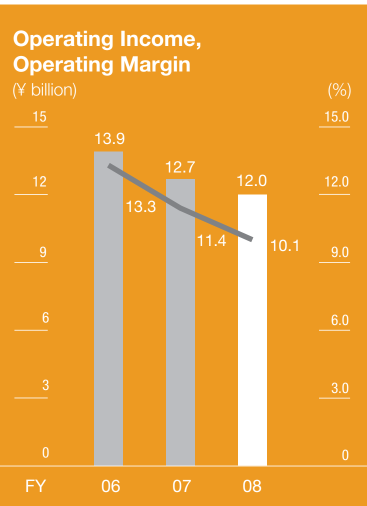
Although reimbursement prices decreased and R&D expenses increased, operating income from pharmaceutical operations increased with licensing income for the anti-herpes agent Famvir™.

Although shipments of APS™ polysulfone-membrane artificial kidneys and Planova™ virus removal filters increased, particularly exports, operating income in devices operations decreased with increased depreciation expenses following production capacity expansion and with the effect of the appreciating yen.

Fiscal 2009 Outlook

For the pharmaceutical business, we forecast an increase in sales volume for Flivas™ therapy for benign prostatic hyperplasia, a decrease in licensing income, and an increase in R&D expenditure for the development of new pharmaceuticals. For the medical device-related business, we forecast an increase in sales volume for APS™ artificial kidneys and Planova™ virus filters, and an impact on profitability from increased expenses for depreciation and R&D, and from appreciation of the yen.





R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	16.4	13.7%	31.6	10.3
Fiscal 2007	14.7	13.2%	10.0	6.1

Major Capital Investments

Completed in fiscal 2008	New plant with integrated spinning & assembly lines for APS™ polysulfone-membrane dialyzers
	New plant for Sepacell™ virus removal filters
Under construction in fiscal 2008	Capacity expansion for spinning polysulfone hollow-fiber membrane for APS™ dialyzers
	New assembly plant for Planova™ virus removal filters

R&D

In pharmaceuticals, the focus is on new drug development in the fields of orthopedics, the central nervous system, and urology; clinical development; and extension of market life through enhanced product conformation. In medical devices and related systems, developments are advancing in hemodialysis, therapeutic apheresis, leukocyte reduction, and virus removal, with next-generation fields of research including regenerative medicine utilizing autohemotherapy.

Pharmaceutical Product Pipeline

(as of May 2009)

Development stage	Product	Objective	Class	Indication
Phase III	AT-877 (injection)	Additional indication	Rho-kinase inhibitor	Acute cerebral thrombosis
	PTH (injection)	New biologic	Synthetic human parathyroid hormone	Osteoporosis
Preparing for Phase III	AK-120 (oral)	Additional indication	Famiclovir antiviral	Herpes simplex
Phase II	AT-877 (oral)	Additional indication	Rho-kinase inhibitor	Pulmonary hypertension
Preparing for Phase II	AK150 (injection)	New biologic	Pentosan polysulfate	Osteoarthritis
Phase II (overseas)	ART-123 (injection)	New biologic	Recombinant human thrombomodulin	Septicemia with disseminated intra-vascular coagulation
	AK106	New biologic	Anti-inflammatory	Rheumatoid arthritis

HIGHLIGHTS

Lucica™ GA-L selected by Japanese Red Cross Society

In March 2009, the Japan Red Cross Society (JRCS) selected Asahi Kasei Pharma's Lucica™ GA-L liquid reagent kit for the measurement of glycated albumin as a marker for glycemic control in diabetes. Having decided to add a marker for glycemic control to its slate of biochemical tests on donated blood, the JRCS selected the measurement of glycated albumin with Lucica™ GA-L for the low cost and ease of use enabled. Lucica™ GA-L thus now plays a key role in helping to counteract the increase in the number of diabetes patients in Japan.

Lucica™ GA-L liquid reagent kit

Acquisition of TechniKrom's bioprocess business

In March 2009, Asahi Kasei Medical acquired the bioprocess business of TechniKrom, Inc., a world leader in bioprocess equipment technology. This acquisition accelerates Asahi Kasei Medical's expansion of business in the growing bioprocess market, enabling the provision of a wide range of equipment and separation media used in biopharmaceutical production in addition to Planova™ virus removal filters.

Planova™ virus removal filter

We are advancing our business portfolio realignment through development of business in non-apparel and industrial-use materials, expansion of global business, and enhancement of production infrastructure, in line with our basic strategy to reinforce the operational foundation and achieve stable growth.

Hidefumi Takai
President, Asahi Kasei Fibers

Fibers

MAJOR PRODUCTS

Roica™ elastic polyurethane filament, Eltas™ spunbond, Lamous™ artificial suede and other nonwovens, Bemberg™ cupro cellulosic fiber, polyester filament.

Growth Action – 2010

Advancing a transformation from a business structure centered on products for the Japanese market for apparel through expansion of overseas business and development of business in non-apparel and industrial-use materials. Strengthening base for profitability in domestic business operations. Developing new businesses as next-generation core fields of operation.

For greater earnings in established businesses:

- Advancement of global development.
- Expansion and development of non-apparel and industrial-use materials.
- Securing profitability by heightening facilities utilization and enhancing the processing and production infrastructure.
- Continuous cost reduction.

For expansion of new businesses:

- Commercialization of Cyberlon™ polyketone fiber business.
- Development of new businesses peripheral to established cellulosic fibers and nonwovens businesses. Rapid scale-up to form new core business.
- Extension of business domain based on established technology and know-how, in growth fields not limited to fiber production.
- Advancement of alliances and joint projects with partners within and outside the Asahi Kasei Group.

Fiscal 2008 Review

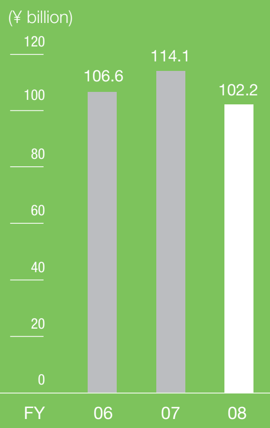
Sales decreased by ¥11.9 billion (10.4%) from a year ago to ¥102.2 billion and an operating loss of ¥0.9 billion resulted with an ¥8.1 billion decline in profitability.

Operating income in elastic polyurethane filament operations decreased as deteriorating overseas market conditions resulted in lower product prices and shipment volumes, and with the effect of the appreciating yen.

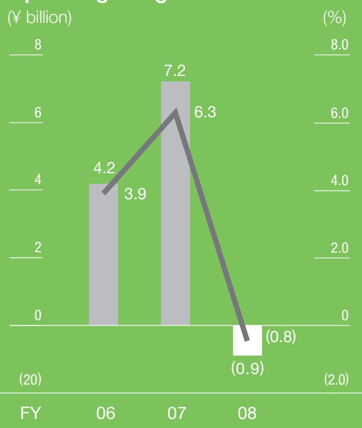
Although shipments to overseas markets remained firm, operating income in Bemberg™ regenerated cellulose fiber operations decreased with high feedstock and fuel costs and with the effect of the appreciating yen.

Profitability of nonwovens operations fell with high feedstock and fuel costs and decreased shipment volumes as an effect of deteriorating market conditions.

Net Sales



Operating Income (Loss), Operating Margin



Fiscal 2009 Outlook

Feedstock and fuel costs will be lower and shipments of Lamous™ artificial suede will increase in automobile interior applications, but recovery in shipments of other products will take more time.

R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	3.8	3.7%	12.3	6.4
Fiscal 2007	3.4	3.0%	9.3	5.7

Major Capital Investments

Completed in fiscal 2008	Capacity expansion for Roica™ elastic polyurethane filament in Thailand
	New technology and R&D center
Under construction in fiscal 2008	Capacity expansion for Roica™ elastic polyurethane filament in Thailand

R&D

R&D is focused on the development of new materials and high value-added grades of existing materials. In September 2008, a new technology and R&D center was opened in Moriyama, Shiga, as a base for R&D of Asahi Kasei Fibers. R&D for new materials includes development of Cyberlon™ polyketone, creation of new cellulose-related business, and development of new nonwovens. R&D on existing materials is directed toward the development of new high-value added grades of Roica™ spandex, Bemberg™ cupro, Leona™ nylon 66, and nonwovens which meet market needs for advanced performance.

HIGHLIGHTS

Completion of new technology and R&D center

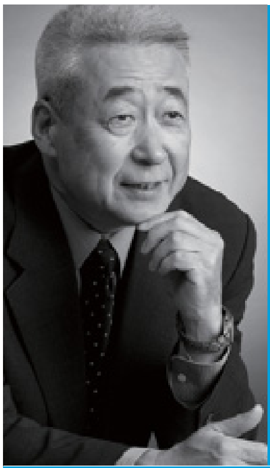
In June 2008, a new fibers technology and R&D center was completed in Moriyama, Shiga. The functions of two former research centers of Asahi Kasei Fibers in Moriyama and Takatsuki, Osaka, were integrated and expanded in the new R&D center. With its enhanced capabilities, the new center will enable Asahi Kasei Fibers to accelerate R&D to achieve its mid-range strategic objectives to expand overseas business and develop new applications for industrial-use materials, accelerating the establishment of new core businesses.

New technology and R&D center

Leona ™ nylon 66 filament business transfer

The Leona™ filament business was transferred from Asahi Kasei Chemicals to Asahi Kasei Fibers in April 2009. Leona™ filament is used in industrial applications such as tire cord, with strong growth forecast in automobile air-bag applications. The addition of Leona™ filament to the product family of Asahi Kasei Fibers will accelerate the realignment of the business portfolio through expansion in the field of industrial-use materials. Asahi Kasei Fibers will further reinforce and expand the Leona™ filament business through applications development based on its advanced technical know-how in the field of fibers.

Leona™ nylon 66 filament



Growth of a high-earnings operational structure is obtained through leadership in the development of products for emerging applications in electronic devices markets.

Makoto Konosu
President, Asahi Kasei Microdevices

Profitable growth in market share is obtained through ongoing development of competitive grades and advancement of cost performance as well as development of new products which provide new value to customers.

Katsuhiko Yamazoe
President, Asahi Kasei E-materials

Electronics (formerly Electronics Materials & Devices segment)

MAJOR PRODUCTS

Pimel™ photosensitive polyimide precursor (PSPI), Sunfort™ dry film photoresist (DF), glass fabric, photomask pellicles, mixed-signal LSIs, Hall elements, fine-pattern coils.

A new core operating company of the Asahi Kasei Group, Asahi Kasei E-materials Corp., integrating businesses in electrochemicals-related* product fields, was established in April 1, 2009.

The "E" represents the company's main business fields – "energy materials" and "electronic materials" – and "ecology" as a key focus in products and operations.

Asahi Kasei E-materials is committed to contributing to sustainable growth and prosperity, using chemical technology for green electronic materials, enhancing the environmental performance of electronic products.

Operating performance of Asahi Kasei E-materials will be reported in the Electronics segment beginning with fiscal 2009.

Profile of Asahi Kasei E-materials:
President: Katsuhiko Yamazoe
Paid-in capital: ¥3 billion
Address: 1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo 101-8101 Japan
Phone: +81-(0)3-3296-3939

Main products:
Hipore™ microporous membrane, photomask pellicles, plastic optical fiber, light-diffusion plates, APR™ photosensitive resin and systems, epoxy resin, Pimel™ photosensitive polyimide precursor, Sunfort™ dry film photoresist, glass fabric.

* Electronic materials based on chemical technology used in applications such as semiconductor packaging, displays, and batteries.

Growth Action – 2010

Advancement of high-earnings operations securing industry leadership status in each market segment and functional category, building a presence as a vital partner which provides customers with materials and functions that are indispensable for production processes and final products, utilizing superior development, design, and production technologies and marketing strength.

In electronic devices:

Expansion of business maintaining high profitability through addition of peripheral functions in established applications and market development in new high-growth fields, based on the two core technologies of sensor technology and analog/digital mixed-signal LSI technology, including new developments which combine the two core technologies. Further business expansion in markets in Europe and the US with synergies between our proprietary technologies and the IP cores and process technologies for power management semiconductors held by the business obtained from Toko Inc.

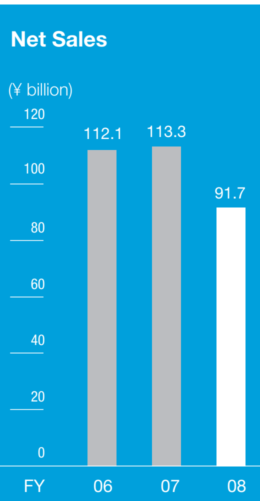
In electronic materials:

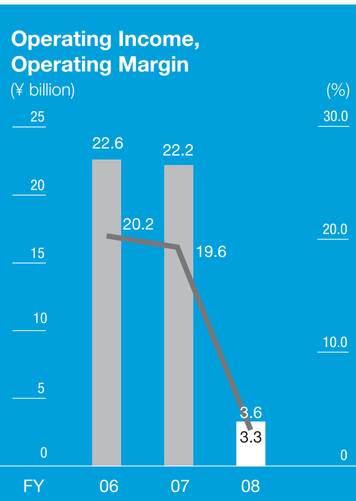
Expansion and reinforcement of No. 1 businesses including Hipore™ Li-ion rechargeable battery (LiB) separators, Sunfort™ dry film photoresist, and large photomask pellicles, while launching new products featuring reduced environmental burden. For Hipore™, reinforcement of the No. 1 position in portable applications and establishment of a leading position in the promising market for automobile applications. For Sunfort™, with the world's largest production capacity, solidifying the market position in high-end applications and heightening competitiveness to further expand market share.

Fiscal 2008 Review

Sales decreased by ¥21.5 billion (19.0%) from a year ago to ¥91.7 billion and operating income decreased by ¥18.9 billion (85.0%) to ¥3.3 billion.

Operating income in electronics materials and electronics devices operations decreased as a broad and rapid deterioration of market conditions occurred throughout all product sectors including cell phones, notebook PCs, and other IT and home electronics products, resulting in decreased shipment volumes, and with a sharp impact of the appreciating yen.





Fiscal 2009 Outlook

For electronic materials, we forecast growing sales volume in line with a recovery of market conditions beginning in the second half of the fiscal year, although product prices are likely to decline. For electronic devices, the semiconductor business purchased from Toko Inc. will contribute to sales and a cost-cutting effort will yield positive effects.

R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	11.2	12.2%	21.6	15.4
Fiscal 2007	9.7	8.5%	17.0	13.9

Major Capital Investments

Completed in fiscal 2008	Construction of a new production line for photomask pellicles
	Capacity expansion for Sunfort™ dry film photoresist in China

R&D

Swift R&D keeping pace with the rapid technology innovation of the electronics industry is directed toward the creation of products which meet emerging needs and demanding requirements, as identified through close interaction with the customer. In electronic devices, advanced development of high-performance products is based on compound semiconductor process technology gained through development of high-sensitivity magnetic sensors and digital/analog mixed-signal LSI technology.

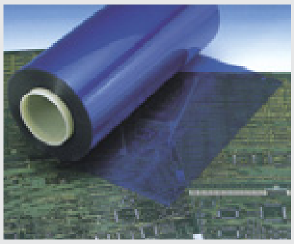
Development of new electronic materials compatible with emerging standards for fine patterning, high density, and high transmission speeds in the field of semiconductors and package substrates is based on technologies for the design, synthesis, thin-film coating, and fine-pattern processing of photosensitive polymers. Other advanced developments include materials with new added value for flat-panel displays.

HIGHLIGHTS

Capacity expansion for Sunfort™ dry film photoresist*

To meet growing demand for dry film photoresist (dry film) used to form circuit patterns for cell phones and home electronics, Asahi Kasei EMD completed a large expansion of production capacity at its plant in China for Sunfort™ dry film in June 2008. With this expansion, the company has obtained the world's largest dry film capacity, securing stable product supply as demand grows, particularly in China.

* Sunfort™ business transferred to Asahi Kasei E-materials on April 1, 2009.

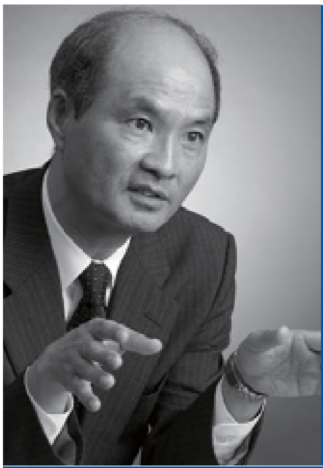


Sunfort™ dry film photoresist

Transfer of semiconductor business from Toko Inc.

In January 2009 Asahi Kasei EMD concluded an agreement to acquire the semiconductor business of Toko Inc., and Asahi Kasei Toko Power Device Corp. began operation in April 2009 as a consolidated subsidiary. Demand for LSIs with higher performance is forecast to grow as consumer electronics products feature greater functionality, smaller size, and lower power consumption. Integration of the power management semiconductor business from Toko will enable higher added value, faster product development, provision of products and services more closely aligned with consumer needs, and advancement of the global expansion of operations.

LSI products



With a reinforced commitment to customer focus, safety, security, and comfort, we contribute to a heightening of the quality of construction through enhancement of our unique product family, development of promising peripheral businesses, and establishment of new business models.

Hiroshi Kobayashi
President, Asahi Kasei Construction Materials

Construction Materials

MAJOR PRODUCTS

Hebel™ autoclaved aerated concrete (AAC) panels, steel-frame structural components, piles and foundation systems, Neoma™ foam insulation panels.

Growth Action – 2010

AAC-related:

Thorough reduction of operating costs and strengthening of operations. Development of peripheral businesses.

Foundation systems:

Expansion and reinforcement of Eazet™ and ATT Column™ small-scale piles business. Development of new construction methods.

Insulation materials:

Expansion of sales of Neoma™ high-performance foam insulation panels in line with extended implementation of next-generation energy conservation standards. Development of new applications for Neoma™ foam.

Structural materials:

Expansion of sales through reinforced marketing capability and enhanced product lineup, with demand supported by the revision of Building Standards Act.

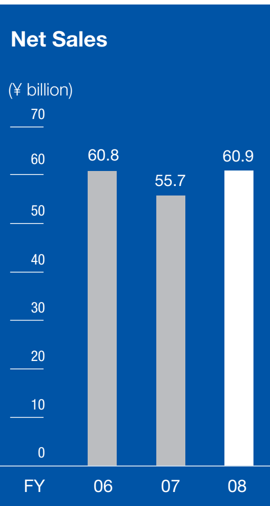
Fiscal 2008 Review

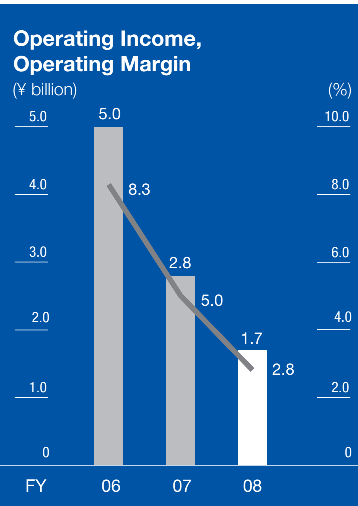
Sales increased by ¥5.2 billion (9.3%) from a year ago to ¥60.9 billion and operating income decreased by ¥1.1 billion (39.5%) to ¥1.7 billion.

Although the BasePack™ earthquake-resistant column base attachment system performed well and shipments of Hebel™ autoclaved aerated concrete panels were maintained, operating income in building materials and housing materials operations decreased with increased costs for fuel and materials.

Operating income in foundation systems operations increased as shipments of the Eazet™ and ATT Column™ piling systems for small-scale construction, and of the DynaWing™ pre-cast concrete piling system featuring minimal soil disposal and high load-bearing capacity, increased.

Despite increased costs for fuel and materials, profitability of insulation materials operations improved with higher product prices.





Fiscal 2009 Outlook

Although a decline of sales volume is forecast due to decreasing construction demand, we will cut fixed costs, including through optimization of the production infrastructure.

R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	1.0	1.7%	2.4	3.6
Fiscal 2007	0.9	1.7%	2.5	3.1

R&D

The Neoma™ phenolic foam thermal insulation business will be expanded through developments to enhance production efficiency and enable composite product variations. High-performance materials for housing, ecoefficient building foundation systems, and AAC panels with additional functions are under development.

HIGHLIGHTS

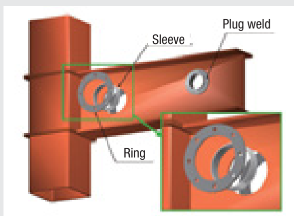
Launch of CSV™ system in Japan

Having acquired an exclusive license from Bauer Spezialtiefbau GmbH to use the CSV™ process and related equipment in Japan, Asahi Kasei Construction Materials launched business with the CSV™ system in the Kanto area in October 2008. The original system has been widely used in Germany, including for reinforcement of the roadbed for the Inter City Express high-speed train and for an extension of the Autobahn. Enabling the formation of foundations with no waste soil generation and minimal noise and vibration, the CSV™ system was modified by Asahi Kasei Construction Materials to match conditions in Japan. Orders for foundations made using the system in small-scale construction projects are growing.

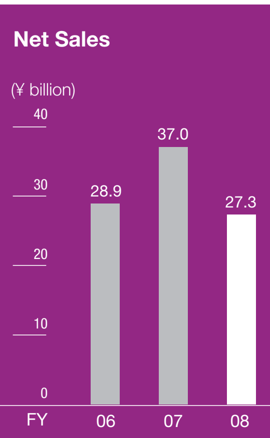
Foundation formed with CSV™ system

Expansion of FreeDonut™ product lineup

Four new products were added to the FreeDonut™ lineup in January 2008. The FreeDonut™ system for reinforcement of openings to pass plumbing and wiring through steel I-beams has been used in a wide range of buildings since its launch in 2006, enabling freedom in design, cost savings, and shortened construction periods. In response to customer demand, the new products are applicable for larger openings. This expansion of the FreeDonut™ lineup is part of a strategic expansion of business by Asahi Kasei Construction Materials in the field of innovative structural components and systems for steel frames.



FreeDonut™ installation schematic



Services, Engineering and Others

MAJOR PRODUCTS

Plant engineering, environmental engineering, personnel staffing and placement, think tank services.

Fiscal 2008 Review

Sales decreased by ¥9.7 billion (26.3%) from a year ago to ¥27.3 billion and operating income increased by ¥0.5 billion (9.2%) to ¥5.6 billion.

Although overseas plant engineering decreased with the completion of a major phase of work, operating income in engineering operations increased with business related to the provision of services for Asahi Kasei Group operations performing well.

Fiscal 2009 Outlook

Sales and operating income will decline due to deterioration of performance in plant engineering operations.

R&D and Capital Expenditure

(¥ billion except %)

	R&D expenditure	R&D expenditure as % of net sales	Capital expenditure	Depreciation and amortization
Fiscal 2008	0.09	0.3%	1.1	0.8
Fiscal 2007	0.05	0.1%	0.8	0.8

R&D

Engineering developments in progress include technology to inspect for internal pipe corrosion and a joint project for next-generation automotive safety features.

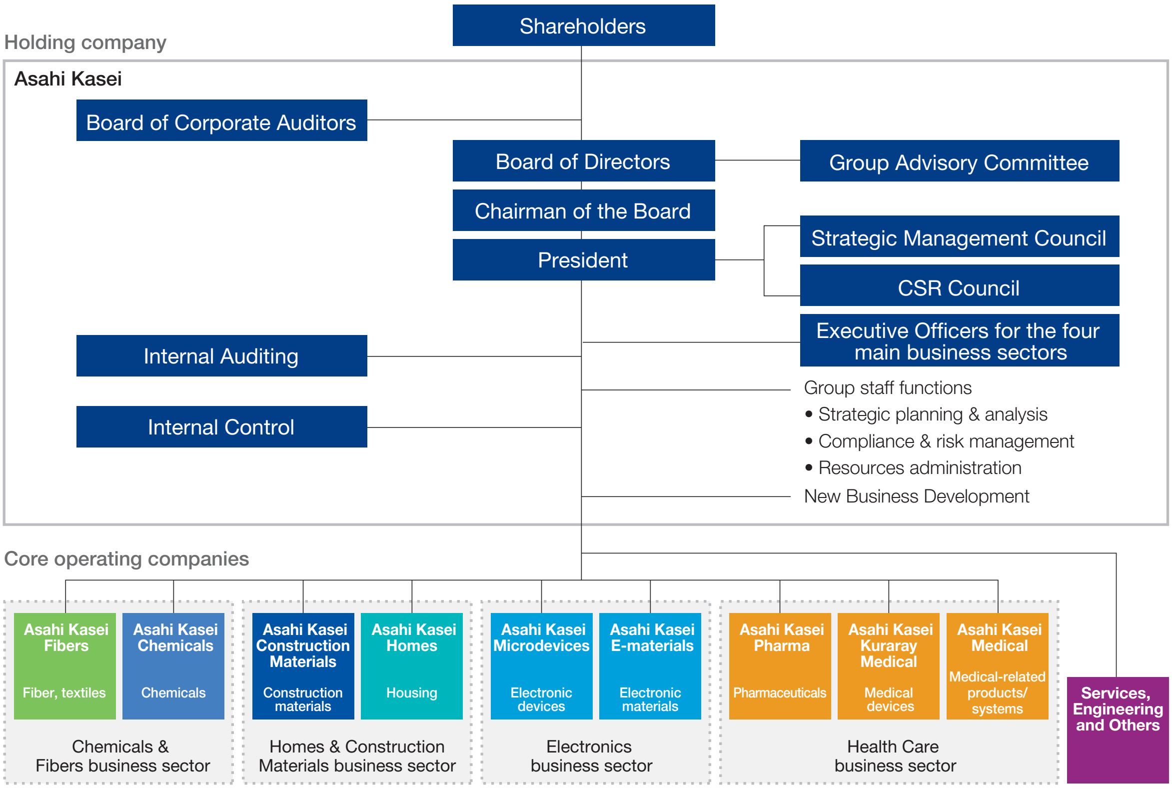
Toward Sustainable Growth

CONTENTS

Corporate Governance

The Asahi Kasei Group constantly endeavors to heighten fast-moving and transparent management as essential for maximum corporate value and greater earnings. The effort for enriched and enhanced corporate governance is ongoing, building on the October 2003 transformation to a holding company configuration with separate execution and oversight functions which established a management framework with clear delineation of executive authority and responsibility.

Corporate Governance System



(As of April 1, 2009)

Board of Directors

Oversees group management, and deliberates and decides on basic group policy and strategy, and on substantive proposals by the Strategic Management Council. The Chairman of the holding company chairs meetings of the Board of Directors. Meets once or twice per month.

Strategic Management Council

Deliberates and decides on substantive matters relating to the operation of the holding company and of the group. Its decisions are made by the President of the holding company, who chairs meetings of the council, after deliberation by the attending constituent members. Meets twice per month.

Group Advisory Committee

The advisory body to the holding company Board of Directors, composed of the Chairman and the President of the holding company and outside advisors. Meets twice per year.

Board of Corporate Auditors

Comprises four Corporate Auditors, two of whom are Outside Corporate Auditors. Corporate Auditors exchange views, deliberate, and decide on substantive matters relating to auditing. Meets at least once per quarter.

Executive Officer System

Authority and responsibility for the management of each core operating company is held by the President and the other Executive Officers of that company. Authority and responsibility for the management of the holding company and of the group is held by the President and the other Executive Officers of the holding company.

The President of the holding company oversees the executive management and performance of the core operating companies and of their Presidents. The holding company Board of Directors oversees the executive management and performance of the holding company President and of the group.

Installation of Executive Officers for the main business sectors

In April 2009, holding company Executive Officers were installed with purview corresponding to the four main business sectors: Chemicals & Fibers, Homes & Construction Materials, Electronics, and Health Care. In their capacity as Executive Officers of the holding company, they work to advance strategic and effective allocation of resources to each business sector, and the enhancement of synergies within the group.

Election of Outside Directors

Three Outside Directors, Yuzo Seto, former President and Representative Director of Asahi Breweries, Ltd., Yukiharu Kodama, former Administrative Vice Minister of the Ministry of International Trade and Industry, and Morio Ikeda, former President and CEO of Shiseido Co., Ltd., were elected at the 117th Ordinary General Meeting of Shareholders held in June 2008. Outside Directors now comprise 30% of the membership of the Board of Directors.

Audits

Internal Auditing is a corporate organ under the direct authority of the President of the holding company. Each year, Internal Auditing prepares plans for an internal audit in accordance with basic corporate regulations for internal audits, obtains the President's approval for these plans, and then performs the internal audit.

In accordance with the audit policy adopted by the Board of Corporate Auditors, each Corporate Auditor attends meetings of the Board of Directors and audits Directors in the discharge of their duties through examination of business performance. The Corporate Auditors Office provides staff to support Corporate Auditors in their duties.

PricewaterhouseCoopers Aarata is contracted as the Independent Auditors to perform financial audits in accordance with the Companies Act and Financial Instruments and Exchange Act. Partners of the Independent Auditors designated to perform the audit for fiscal 2008 were Mr. Katsunori Sasayama and Mr. Masahiko Hagimori. The Independent Auditors form a team of assistants for performance of the audit in accordance with its audit plan. The team mainly comprises certified public accountants and junior accountants, and also includes certified information systems accountants and other specialist accountants.

Internal Auditing, the Board of Corporate Auditors, and the Corporate Auditors of core operating companies and other subsidiaries regularly meet to confirm the effectiveness of internal governance systems for legal compliance and risk management. The Board of Corporate Auditors provides counsel to the Independent Auditors with respect to its audit plan, and receives the results of the consolidated financial audit of Asahi Kasei each quarter and each fiscal year.

Adoption of Shareholder Rights Plan

The Asahi Kasei Group has established a basic corporate policy concerning the nature of parties who would control the company's financial and operational decisions. The adoption of a Shareholder Rights Plan, comprising measures in response to large acquisition of shares to prevent control of the company's financial and operational decisions by inappropriate parties in light of this basic corporate policy, was approved at the Ordinary General Meeting of Shareholders held in June 2008.

The purpose of the Shareholder Rights Plan is to secure and heighten the company's corporate value and the common interest of shareholders in the event of a purchase of 20% or more of the company's shares, by ensuring necessary and sufficient information and time for shareholders to make proper judgment, by obtaining an opportunity to negotiate with the purchasing party, and otherwise. Please refer to the relevant news release at www.asahi-kasei.co.jp/asahi/en/news/2008/e080423.html for more details.

Compliance

Corporate Ethics

Our *Corporate Ethics – Basic Policy and Code of Conduct* is the standard and guide for ethical conduct throughout the day-to-day work of each and every member of the Asahi Kasei Group. It has been translated into English and Chinese, and in principle applies to all majority-held subsidiaries the world over.

Protection of Personal Information

Asahi Kasei is committed to the proper handling and use of personal information, in accordance with our basic policy shown below. Education and training for all employees includes the distribution of an information security handbook which covers issues related to personal information protection, is monitored by the Corporate Ethics Committee.

Corporate Ethics – Basic Policy

- Creating value, contributing to society
- Caring for environment, health, and safety
- Honoring law and norms of society
- Excluding subversive elements
- Respecting the individual
- Ensuring transparency
- Respecting information and intellectual property
- Practicing corporate ethics

Basic Policy for Protection of Personal Information

- We handle personal information properly and in compliance with the Personal Information Protection Law and other applicable statutes, and in conformance with generally accepted norms and standards.
- We ensure that personnel throughout the Asahi Kasei Group thoroughly understand and faithfully comply with corporate standards and regulations for the handling of personal information.
- We use personal information only for the specific purposes which have been indicated or announced at the time of its receipt.
- We employ appropriate measures in the maintenance and management of personal information to ensure against unauthorized alteration, disclosure, and loss of personal information.
- We will respond in good faith to requests to confirm, revise, cease using, or delete personal information.

Information Disclosure Policy

The Asahi Kasei Group has established an Information Disclosure Policy, enhancing the management and disclosure of corporate information to obtain greater corporate value. Corporate regulations for information disclosure based on this policy were adopted on July 1, 2008. The basic principles of the Information Disclosure Policy are shown below.

- With our Basic Credo of "contributing to human life and human livelihood through constant innovation and advances based in science and the human intellect," we hold "progressing in concert with society, and honoring the laws and standards of society as a good corporate citizen" as a Guiding Precept. "Ensuring transparency" is a fundamental element of our *Corporate Ethics – Basic Policy*. We proactively engage in information disclosure and communication based on these basic concepts.
- Corporate information is disclosed fairly, impartially, accurately, and as swiftly as possible to stakeholders such as customers, suppliers, shareholders, investors, employees, and local communities, and to the general public.
- In our communication with stakeholders and with the general public, we strive for dialog which fosters a relationship of trust, promoting greater understanding of the Asahi Kasei Group and its operations, to increase brand strength and heighten corporate value.

Compliance Monitoring by the Corporate Ethics Committee

Monitoring of compliance and oversight of education and training for compliance throughout the Asahi Kasei Group are performed by the Corporate Ethics Committee, which was formed in July 1998. Where shortcomings are discovered, the committee formulates and implements measures for improvement.

The committee discusses the training programs implemented at each group company, measures for prevention of sexual harassment, environmental countermeasures, the state of compliance with personal information protection law, and operation of the Compliance Hotline.

Risk Management

Risk Management Committee

The Risk Management Committee was established in April 2005 to enhance the risk management system for prevention of operational crises and minimization of the effects should a crisis occur. The Board of Directors enacted Basic Risk Management Regulations, effective April 1, 2007, providing clear guidelines to heighten the capability and effectiveness for risk management and emergency response throughout the Asahi Kasei Group.

Corporate Risk Management

Corporate Risk Management works with the various divisions and departments to guide the proper response to any major accidents, incidents, or problems which cause significant damage to Asahi Kasei Group operations or which may foreseeably cause Asahi Kasei Group operations to have adverse effects on the general public. In fiscal 2008, a New Influenza Response Manual was instituted in preparation for any global pandemic of a new strain of influenza.

Role of Corporate Risk Management

Corporate Social Responsibility

CSR at the Asahi Kasei Group

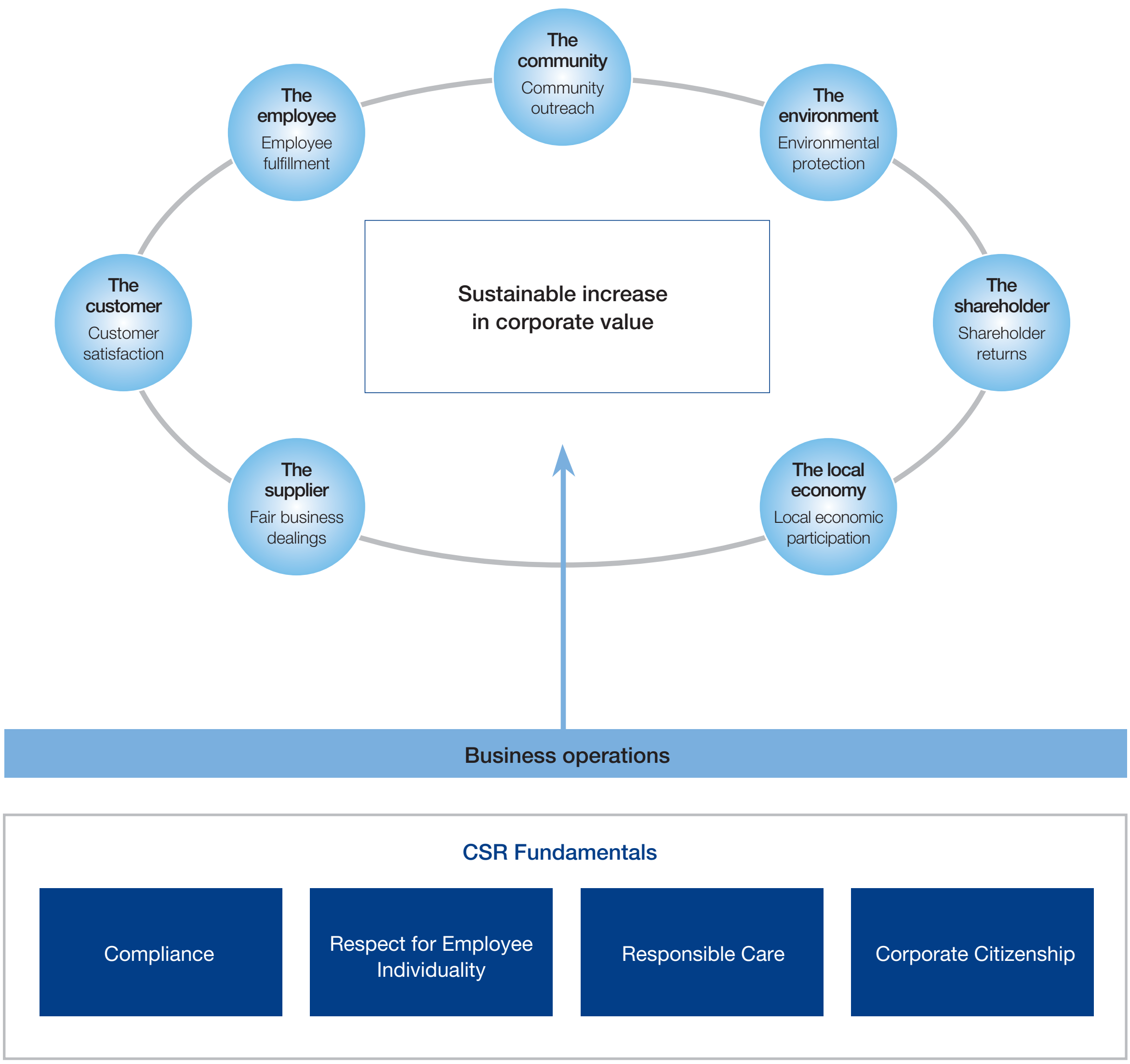
CSR in Action

We believe that CSR is achieved through the sustainable expansion of operations effecting increased corporate value, enabling fulfillment of the needs and expectations of our various stakeholders, in accordance with our basic tenets of contribution to human life and human livelihood through constant innovation and advances based in science and the human intellect.

CSR Fundamentals

Based in an understanding of the effects of our operations on the global environment and the global community, efforts and actions related to CSR are based in our four CSR Fundamentals: Compliance, Respect for Employee Individuality, Responsible Care*, and Corporate Citizenship.

Asahi Kasei Group CSR



* Responsible Care represents the commitment and initiative to secure and improve safety and environmental protection at every step of the product life-cycle through the individual determination and responsibility of each firm producing and handling chemical products. As of October 2008, fifty-three countries throughout the world have a Responsible Care program.

Highlight Life-cycle CO_2 emissions reduced by 7.2 million tons/year in three product families

CO_2 reduction equivalent to emission from some 1.34 million households

Products and technologies of the Asahi Kasei Group used in production processes of caustic soda, water for injection, colloidal silica, and polycarbonate, have an annual reduction of CO_2 emissions of approximately 7.2 million tons, as quantified by Life Cycle Assessment, when compared with the CO_2 emissions generated with the conventional production processes. This reduction is equivalent to the annual CO_2 emissions from some 1.34 million households in Japan (average 5.35 tons/year per household*).

* According to *The GHGs Emissions Data of Japan (1990–2007)* by the Greenhouse Gas Inventory Office of Japan.

Caustic soda production

Conventionally mercury process and diaphragm process

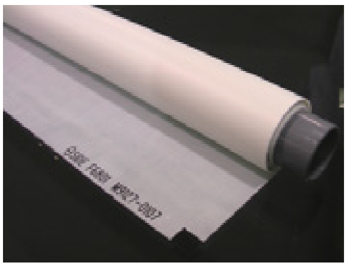
CO_2 reduced by 5.2 million tons/year

Asahi Kasei's ion-exchange membrane process

There are three production processes which are generally employed in the production of caustic soda: The membrane process, the diaphragm process, and the mercury process.

Asahi Kasei Chemicals produces ion-exchange membranes for production of caustic soda by the membrane process.

Among those processes, the ion-exchange membrane process features highest energy-efficiency and lowest power consumption, thus reducing the CO_2 emissions generated for production of the required electricity.



Ion-exchange membrane

Water treatment in production of water for injection and colloidal silica

Conventionally evaporation and distillation

CO_2 reduced by 1.2 million tons/year

Water treatment with Asahi Kasei's microfiltration membrane

Production of water for injection conventionally requires distillation, and production of colloidal conventionally requires concentration of silica sol by evaporation. Each of these processes requires a large amount of energy.

Microfiltration using Microza™ modules from Asahi Kasei Chemicals enables water for injection to be produced without distillation and colloidal silica to be produced without evaporation.

As the process of water circulation and filtration using Microza™ requires much less energy than distillation and evaporation, generation of CO_2 is reduced.

Microza™ microfiltration membrane

Polycarbonate production

Conventionally phosgene process, etc.

CO_2 reduced by 0.8 million tons/year

Asahi Kasei's non-phosgene process

Asahi Kasei Chemicals has developed a phosgene-free polycarbonate production process which uses CO_2 as a starting material, and is licensing the process to polycarbonate producers around the world.

By using CO_2 as a starting material, and by eliminating the need to use phosgene and caustic soda, whose production is energy-intensive, the non-phosgene process results in lower CO_2 release than the conventional processes.

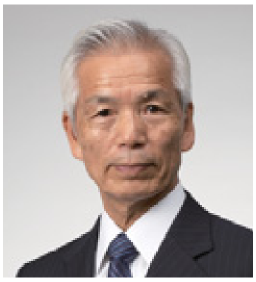
CDs made of polycarbonate

Directors, Corporate Auditors, Executive Officers

(As of June 26, 2009)

Nobuo Yamaguchi

Chairman of the Board &
Representative Director



Shiro Hiruta

President & Representative Director
Presidential Executive Officer

Ichiro Itoh

Director
Vice-Presidential Executive Officer
(Strategy, Accounting & Finance, Internal Control)

Taketsugu Fujiwara

Director
Vice-Presidential Executive Officer
(Production Technology, ESH, PL, Procurement, Logistics, IT)

Kiyoshi Tsujita

Director
Senior Executive Officer
(HR, Compliance)

Yuji Mizuno

Director
Lead Executive Officer
(General Affairs, Compliance)

Yoshio Hayashi

Director
Lead Executive Officer
(R&D)

Yuzo Seto

Outside Director

Yukiharu Kodama

Outside Director

Morio Ikeda

Outside Director

Yuji Tsuchiya
Corporate Auditor

Kenji Nakamae
Corporate Auditor

Kazuo Tezuka
Outside Corporate Auditor

Yuji Aoki
Outside Corporate Auditor

Ryo Matsui
Lead Executive Officer

Masanori Mizunaga
Lead Executive Officer

Toshikatsu Sunami
Lead Executive Officer

Yutaka Shibata
Lead Executive Officer

Makoto Konosu
Executive Officer

Masaki Sakamoto
Executive Officer

Shingo Hatano
Executive Officer

Tsutomu Inada
Executive Officer

Haruyuki Yoneda
Executive Officer

Shinichiro Nei
Executive Officer

Financial Section

CONTENTS

Consolidated Eleven-Year Summary

Asahi Kasei Corporation and consolidated subsidiaries

For the years ended March 31	2009	2008	2007	2006
Net sales	¥1,553,108	¥1,696,789	¥1,623,791	¥1,498,620
Chemicals	741,486	879,235	752,632	660,402
Life & Living[a]	—	—	52,558	51,942
Chemical and Chemical-related	—	—	—	—
Chemicals and Plastics	—	—	—	—
Homes	409,882	386,227	405,695	404,539
Housing and Construction Materials	—	—	—	—
Pharma[b]	119,619	111,232	104,474	105,842
Fibers[b]	102,176	114,072	106,639	89,704
Electronics Materials & Devices[b]	91,721	113,267	112,094	102,859
Construction Materials	60,927	55,732	60,818	56,512
Special Products and Services	—	—	—	—
Electronics	—	—	—	—
Membranes and Systems	—	—	—	—
Biotechnology and Medical Products	—	—	—	—
Foods and Liquors	—	—	—	—
Engineering and Others[b]	—	—	—	—
Services, Engineering and Others[b]	27,297	37,024	28,881	26,821
Domestic sales	1,159,143	1,209,452	1,195,751	1,125,454
Overseas sales	393,965	487,337	428,040	373,166
Operating income	34,959	127,656	127,801	108,726
Ordinary income	32,500	120,456	126,507	104,166
Income (loss) before income taxes	19,031	105,599	114,883	94,481
Net income (loss)	4,745	69,945	68,575	59,668
Net income (loss) per share, yen	3.39	50.01	49.00	42.46
Capital expenditure	126,725	82,911	84,413	66,310
Depreciation and amortization	79,436	73,983	71,646	69,399
R&D expenditures	60,849	56,170	52,426	51,467
Cash dividends per share, yen	10.00	13.00	12.00	10.00

As of March 31	2009	2008	2007	2006
Total assets	¥1,379,337	¥1,425,367	¥1,459,922	¥1,376,044
Inventories	273,539	272,372	240,006	214,062
Property, plant and equipment	441,271	424,193	426,959	414,368
Investments and other assets	218,477	234,873	281,502	284,390
Net worth[c]	603,846	666,244	645,655	594,211
Net worth per share, yen	431.77	476.39	461.50	424.34
Net worth/total assets, %	43.8	46.7	44.2	43.2
Number of employees	24,244	23,854	23,715	23,030

a. The Life & Living segment was combined with the Chemicals segment in the year ended March 31, 2008.

b. For continuity, figures for business categories which were renamed are shown on the same line.

- Through the year ended March 31, 2003: Figures shown as Pharma are those for the previous Health Care sector, figures shown as Fibers are those for the previous Fibers and Textiles sector, figures shown as Electronics Materials & Devices are those for the previous Electronics sector, and figures shown as Services, Engineering and Others are those for the previous Liquors, Services and Others sector.
- With the divestment of foods operations, the “foods and liquors” and “engineering and services” segments are combined as “engineering and others.” Through the year ended March 31, 1999, figures shown as “engineering and others” are those for the previous “engineering and services” segment.

c. Net assets less minority interest. Though the year ended March 31, 2006, figures for shareholders’ equity shown.

d. For comparison purposes, results for the year ended March 31, 2005, are recalculated to reflect the April 2005 transfer of Leona™ nylon 66 filament operations from the Fibers segment to the Chemicals segment.

Millions of yen, except where noted

2005[d]	2004	2003[e]	2003	2002	2001[f]	2001	2000	1999
¥1,377,697	¥1,253,534	¥1,193,614	¥1,193,614	¥1,195,393	¥1,269,415	¥1,269,415	¥1,194,462	¥1,171,845
570,182	453,707	424,673	—	—	—	—	—	—
59,149	59,813	52,908	—	—	—	—	—	—
—	—	—	477,581	440,698	449,470	—	—	—
—	—	—	—	—	—	430,934	379,677	375,048
375,755	361,273	320,553	—	—	—	—	—	—
—	—	—	383,654	408,474	433,440	433,440	412,954	372,649
103,933	105,965	105,463	105,463	98,686	95,481	—	—	—
91,518	101,514	110,551	110,551	125,908	134,791	134,791	139,181	148,277
93,024	82,484	71,579	71,579	64,062	95,999	—	—	—
59,908	60,622	63,101	—	—	—	—	—	—
—	—	—	—	—	—	270,250	262,650	275,871
—	—	—	—	—	—	96,228	80,653	66,212
—	—	—	—	—	—	18,307	17,967	18,133
—	—	—	—	—	—	95,481	93,460	88,050
—	—	—	—	—	—	—	—	90,068
—	—	—	—	—	—	60,234	70,570	13,408
24,228	28,156	44,786	44,786	57,565	60,234	—	—	—
1,067,893	1,011,366	981,064	981,064	1,006,810	1,086,219	1,086,219	1,044,630	1,009,439
309,804	242,168	212,550	212,550	188,583	183,196	183,196	149,832	162,406
115,809	60,932	61,555	61,555	45,664	96,024	96,024	74,323	51,237
112,876	53,643	50,389	50,389	39,849	86,747	86,747	85,853	42,443
91,141	54,820	(100,869)	(100,869)	10,679	50,318	50,318	39,615	37,525
56,454	27,672	(66,791)	(66,791)	5,180	25,177	25,177	20,525	17,392
40.16	19.62	(47.63)	(47.63)	3.61	17.45	17.45	14.23	12.06
68,479	86,387	93,985	93,985	74,826	69,188	69,188	63,213	70,461
71,531	64,408	60,808	60,808	60,676	62,222	62,222	63,629	63,845
50,715	48,420	49,311	49,311	49,574	49,768	49,768	50,015	56,844
8.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

2005	2004	2003[e]	2003	2002	2001[f]	2001	2000	1999
¥1,270,057	¥1,249,206	¥1,212,374	¥1,212,374	¥1,193,011	¥1,240,008	¥1,240,008	¥1,180,372	¥1,185,249
202,521	181,609	176,788	176,788	180,826	196,510	196,510	181,771	193,691
419,969	428,302	427,188	427,188	415,193	419,168	419,168	416,881	435,005
223,958	226,825	198,697	198,697	181,618	176,177	176,177	127,013	132,251
511,726	450,451	407,639	407,639	496,826	516,013	516,013	476,159	464,339
365.43	321.41	290.92	290.92	353.16	357.70	357.70	330.07	321.88
40.3	36.1	33.6	33.6	41.6	41.6	41.6	40.3	39.2
23,820	25,011	25,730	25,730	26,227	26,695	26,695	26,580	29,263

e. For comparison purposes, results by business category for the year ended March 31, 2003, are recalculated in accordance with the revised categories for the year ended March 31, 2004, which are aligned with the core operating companies in the holding company configuration adopted on October 1, 2003.

- The "fabricated home products" segment of the Chemical and Chemical-related sector is separated to an independent Life & Living segment. The remainder of the Chemical and Chemical-related sector is reclassified as the Chemicals segment.
- The Housing and Construction Materials sector is separated into the Homes segment and the Construction Materials segment.
- The Health Care sector is renamed the Pharma segment.
- The Fibers and Textiles sector is renamed the Fibers segment.
- The Electronics sector is renamed the Electronics Materials & Devices segment.
- With the divestment of liquors operations, the Liquors, Services and Others sector is renamed the Services, Engineering and Others segment.

f. For comparison purposes, results by business category for the year ended March 31, 2001, are recalculated in accordance with the revised categories for the year ended March 31, 2002.

- Operations of the "membranes and systems" segment combine with the Chemicals and Plastics sector to form the Chemical and Chemical-related sector.
- The "electronics" segment is reclassified as the Electronics sector.
- Operations of the "biotechnology and medical products" segment are reclassified as the Health Care sector.
- The remaining operations comprise the Liquors, Services and Others sector, in place of the "engineering and others" segment.

Management's Discussion and Analysis

Fiscal year 2008 (April 1, 2008 – March 31, 2009)

Overview of fiscal 2008 consolidated results

Operating environment

The global economy entered a severe economic downturn beginning in the second half of the fiscal year as the financial crisis triggered by the rise in subprime mortgage defaults in the US spread into the real economy worldwide. Sharply impacted by the global economic slump, the Japanese economy fell into an economic recession of historic proportions with a broad decline in exports and a rapid appreciation of the exchange value of the yen, which led to deteriorating corporate earnings, cuts in private sector capital investment, and curtailment of production, resulting in reduced employment and the emergence of related social problems.

The Asahi Kasei Group faced an extremely challenging operating climate, with high feedstock and fuel costs continuing through the first half of the fiscal year before falling sharply in the second half, and with the sharp rise in the value of the yen, steep declines in product demand, and inventory adjustments among customers necessitating cutbacks in production for many products.

Net sales, operating income

Consolidated net sales for the fiscal year decreased by ¥143.7 billion (8.5%) from a year ago to ¥1,553.1 billion. Overseas sales decreased, largely in Chemicals, by ¥93.4 billion (19.2%) to ¥394.0 billion, a 3.3 percentage point decrease from 28.7% to 25.4% of consolidated net sales. Domestic sales decreased by ¥50.3 billion (4.2%) to ¥1,159.1 billion due to a decrease in demand and a steep decline in product shipments, particularly in Chemicals.

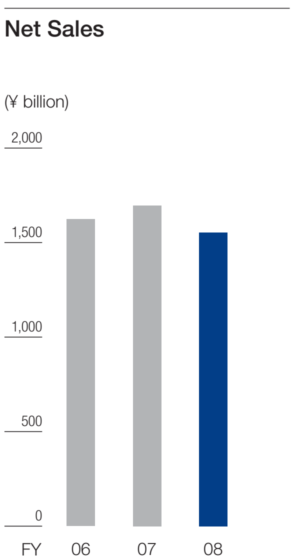
Operating income decreased by ¥92.7 billion to ¥35.0 billion, a 72.6% decline. As a percentage of net sales, cost of sales increased by 3.7 percentage points to 79.7%, largely due to increases in the cost of feedstock and fuel in the first half of the year and reduced operating rates in line with decreased demand. SG&A increased by ¥0.2 billion and increased as a percentage of net sales by 1.5 percentage points to 18.0% as an effect of the sales decline. Operating income as a percentage of net sales decreased by 5.2 percentage points to 2.3%.

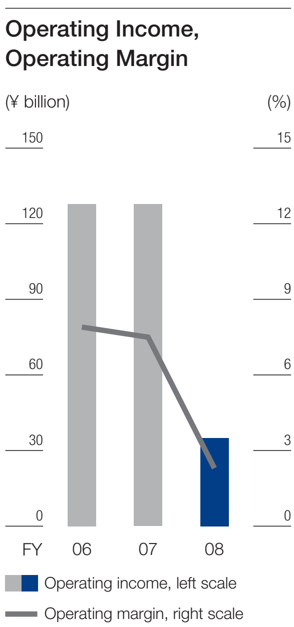
Non-operating income and expenses, ordinary income

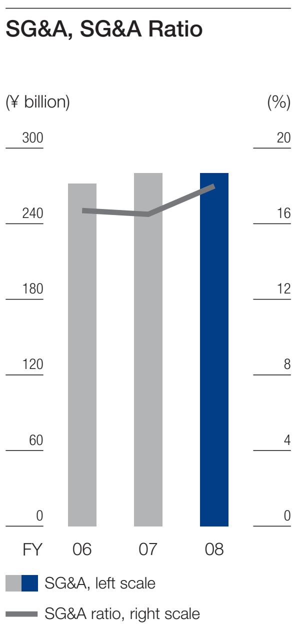
Net non-operating expenses were ¥2.5 billion, ¥4.7 billion lower than the ¥7.2 billion of a year earlier. This was largely due to lower foreign exchange loss and a change to recording loss on disposal of inventories under cost of sales, although equity in earnings of affiliates decreased by ¥2.9 billion. As a result, ordinary income decreased by ¥88.0 billion to ¥32.5 billion, a 73.0% decline.

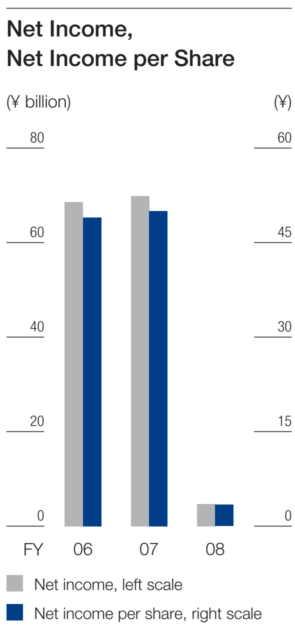
Extraordinary income and loss

The net extraordinary loss was ¥13.5 billion, ¥1.4 billion lower than the ¥14.9 billion of a year earlier. Although business structure improvement expenses increased by ¥3.7 billion, impairment loss decreased by ¥4.5 billion and loss on disposal of noncurrent assets decreased by ¥0.9 billion.









Net income

With ordinary income of ¥32.5 billion and the net extraordinary loss of ¥13.5 billion, income before income taxes was ¥19.0 billion. Currently payable income taxes of ¥8.5 billion and deferred income tax obligation of ¥5.2 billion combined for an income tax expense of ¥13.7 billion. Minority interest in income of consolidated subsidiaries was ¥0.6 billion. As a result, net income decreased by ¥65.2 billion to ¥4.7 billion, a 93.2% decrease, and net income per share decreased by ¥46.62 to ¥3.39 from the ¥50.01 of a year earlier.

Results by segment

Operating segments

Six operating segments correspond to the main fields of business, and the Services, Engineering and Others segment comprises the remainder of operations. Consolidated net sales and consolidated operating income and loss in each operating segment were as follows.

Chemicals

Sales decreased by ¥137.7 billion (15.7%) from a year ago to ¥741.5 billion and an operating loss of ¥0.4 billion resulted with a ¥65.6 billion decline in profitability.

In volume products operations, both chemicals and derivative products and polymer products, profitability fell with the sharp impact of high feedstock prices in the first half of the fiscal year and with a steep decline in shipment volumes due to deteriorating market conditions both in Japan and worldwide, the sharp impact of the appreciation of the yen, and the impact of devaluation of inventories in the second half of the fiscal year.

Although specialty products operations performed well during the first half of the fiscal year, shipments of Hipore™ Li-ion rechargeable battery separator membranes and of ion-exchange membranes for chlor-alkali electrolysis decreased with the sudden deterioration of market conditions in the second half of the fiscal year, and operating income decreased.

Homes

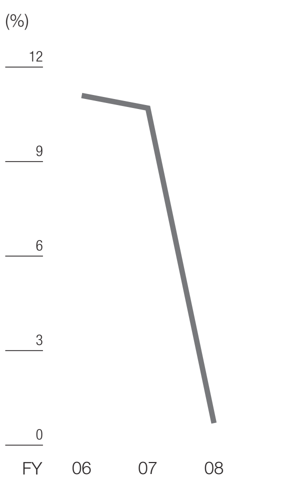
Sales increased by ¥23.7 billion (6.1%) from a year ago to ¥409.9 billion and operating income increased by ¥0.5 billion (2.3%) to ¥21.9 billion.

Although deliveries of Hebel Haus™ unit homes recovered from the decline a year ago due to falsification of the performance of certain components as came to light in late October 2007, and there were deliveries of condominium units with the completion of a large construction project, operating income in order-built and pre-built homes operations decreased with the impact of high costs for materials and a devaluation of real estate held as inventory for sale.

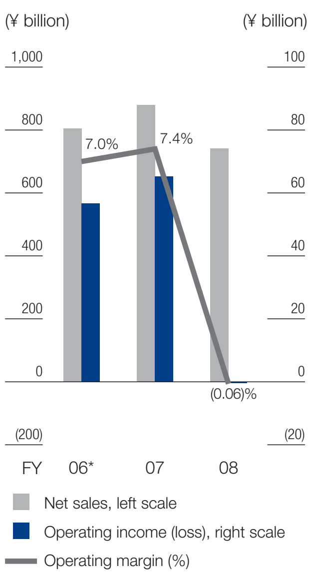
Although real estate operations struggled, operating income from housing-related operations increased with remodeling and financing operations performing well.

New orders for order-built homes decreased by ¥15.0

ROE

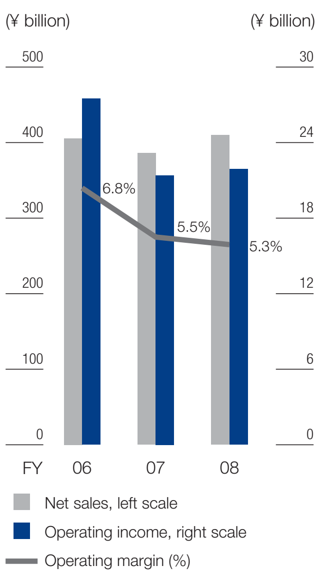


Chemicals



* Including former Life & Living segment.

Homes



billion from a year ago to ¥291.1 billion as an effect of a sharp decline in market conditions beginning in the second half of the fiscal year.

Pharma

Sales increased by ¥8.4 billion (7.5%) from a year ago to ¥119.6 billion and operating income decreased by ¥0.6 billion (5.0%) to ¥12.0 billion.

Although reimbursement prices decreased and R&D expenses increased, operating income from pharmaceutical operations increased with licensing income for the anti-herpes agent Famvir™.

Although shipments of APS™ polysulfone-membrane artificial kidneys and Planova™ virus removal filters increased, particularly exports, operating income in devices operations decreased with increased depreciation expenses following production capacity expansion and with the effect of the appreciating yen.

Fibers

Sales decreased by ¥11.9 billion (10.4%) from a year ago to ¥102.2 billion and an operating loss of ¥0.9 billion resulted with an ¥8.1 billion decline in profitability.

Operating income in elastic polyurethane filament operations decreased as deteriorating overseas market conditions resulted in lower product prices and shipment volumes, and with the effect of the appreciating yen.

Although shipments to overseas markets remained firm, operating income in Bemberg™ regenerated cellulose fiber operations decreased with high feedstock and fuel costs and with the effect of the appreciating yen.

Profitability of nonwovens operations fell with high feedstock and fuel costs and decreased shipment volumes as an effect of deteriorating market conditions.

Electronics Materials & Devices

Sales decreased by ¥21.5 billion (19.0%) from a year ago to ¥91.7 billion and operating income decreased by ¥18.9 billion (85.0%) to ¥3.3 billion.

Operating income in electronics materials and electronics devices operations decreased as a broad and rapid deterioration of market conditions occurred throughout all product sectors including cell phones, notebook PCs, and other IT and home electronics products, resulting in decreased shipment volumes, and with the sharp impact of the appreciating yen.

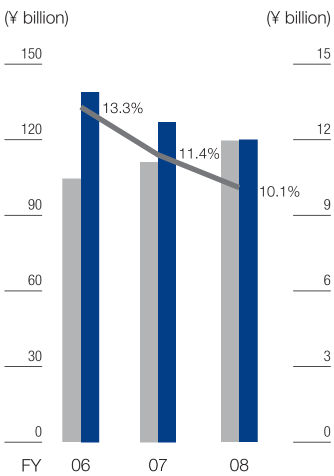
Construction Materials

Sales increased by ¥5.2 billion (9.3%) from a year ago to ¥60.9 billion and operating income decreased by ¥1.1 billion (39.5%) to ¥1.7 billion.

Although the BasePack™ earthquake-resistant column base attachment system performed well and shipments of Hebel™ autoclaved aerated concrete panels were maintained, operating income in building materials and housing materials operations decreased with increased costs for fuel and materials.

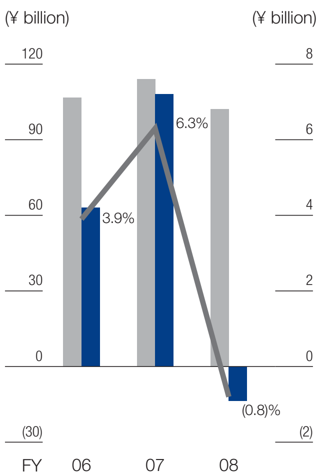
Operating income in foundation systems operations

Pharma



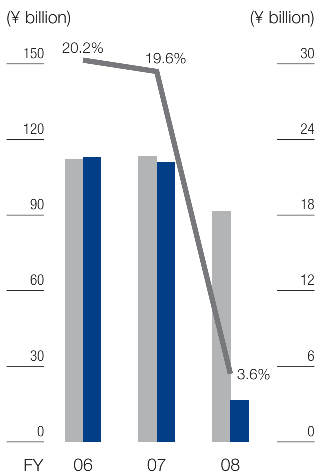
Net sales, left scale
Operating income, right scale
Operating margin (%)

Fibers



Net sales, left scale
Operating income (loss), right scale
Operating margin (%)

Electronics Materials & Devices



Net sales, left scale
Operating income, right scale
Operating margin (%)

increased as shipments of the Eazet™ and ATT Column™ piling systems for small-scale construction, and of the DynaWing™ pre-cast concrete piling system featuring minimal soil disposal and high load-bearing capacity, increased.

Despite increased costs for fuel and materials, profitability of insulation materials operations improved with higher product prices.

Services, Engineering and Others

Sales decreased by ¥9.7 billion (26.3%) from a year ago to ¥27.3 billion and operating income increased by ¥0.5 billion (9.2%) to ¥5.6 billion.

Although overseas plant engineering decreased with the completion of a major phase of work, operating income in engineering operations increased with business related to the provision of services for Asahi Kasei Group operations performing well.

Geographical information

Geographic 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.

Liquidity and capital resources

Financial position

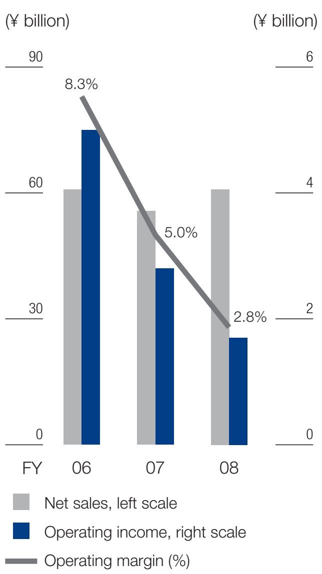
Total assets at fiscal year end were ¥1,379.3 billion, ¥46.0 billion (3.2%) lower than a year earlier.

Although cash and deposits were increased by ¥15.1 billion to secure liquidity, current assets decreased by ¥57.9 billion (7.8%) to ¥682.2 billion, with notes and accounts receivable, trade, decreasing by ¥89.9 billion as net sales declined due to lower product market prices and decreased shipment volumes.

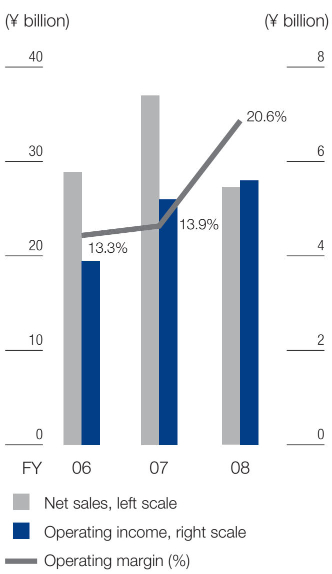
Although the market value of investment securities decreased by ¥33.9 billion, noncurrent assets increased by ¥11.8 billion (1.7%) to ¥697.1 billion. Property, plant and equipment increased by ¥17.1 billion and intangible assets increased by ¥11.2 billion as increases from capital expenditure exceeded depreciation and amortization combined with loss on disposal of noncurrent assets. Deferred tax assets increased by ¥16.1 billion. Notable capital expenditure included the construction of a plant with integrated spinning and assembly lines for APS™ polysulfone-membrane dialyzers, a new assembly plant for Planova™ virus removal filters, and a new R&D complex in Fuji, Shizuoka, Japan.

Although short-term loans payable were increased by ¥57.6 billion as necessary for operating funds due to deteriorating financial performance, current liabilities decreased by ¥25.5 billion (5.0%) to ¥487.9 billion. Notes and accounts payable, trade, decreased by ¥41.7 billion

Construction Materials



Services, Engineering and Others



due to lower feedstock and fuel prices and reduced operating rates at production facilities, and accrued expenses decreased by ¥22.0 billion.

Noncurrent liabilities increased by ¥42.3 billion (17.8%) to ¥280.1 billion, with a ¥69.3 billion increase in long-term loans payable.

Although ¥25.0 billion in bonds were redeemed, interest-bearing debt increased by ¥104.2 billion to ¥315.6 billion, with a ¥126.9 increase in borrowings from financial institutions.

Net assets decreased by ¥62.8 billion (9.3%) from the ¥674.2 billion of a year ago to ¥611.4 billion. With net income of ¥4.7 billion, dividend payments were ¥19.6 billion, valuation difference on available-for-sale securities decreased by ¥27.8 billion, and foreign currency translation adjustment decreased by ¥19.6 billion. Net worth per share decreased by ¥44.62 to ¥431.77. Net worth/total assets decreased from 46.7% to 43.8%, and debt-to-equity ratio increased by 0.20 to 0.52.

Capital expenditure

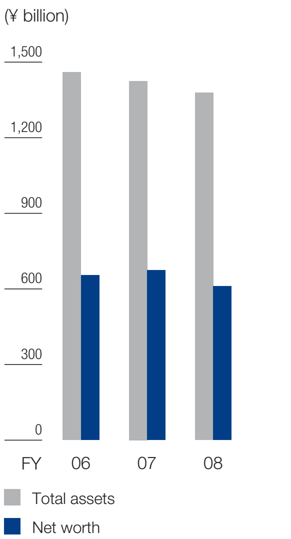
Capital expenditure was primarily for new and expanded production plant and equipment in long-term growth fields. Investments were also made for rationalization, modification, maintenance, and IT systems to bring greater product reliability and cost reductions. Capital expenditure by operating segment shown below is for property, plant and equipment and intangible assets, combined, before consumption tax.

	Totals for the year (¥ million)	Compared to previous year (%)
Chemicals	45,667	133.0
Homes	7,037	94.4
Pharma	31,569	315.5
Fibers	12,257	132.4
Electronics Materials & Devices	21,557	126.7
Construction Materials	2,430	96.9
Services, Engineering and Others	1,082	136.4
Combined	121,598	149.4
Corporate assets and eliminations	5,127	333.8
Consolidated	126,725	152.8

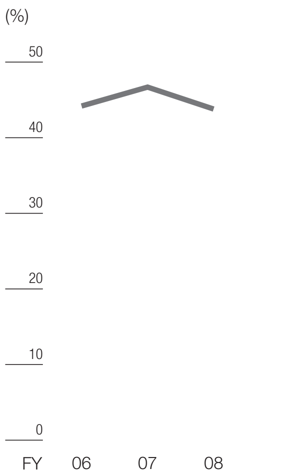
Notable capital expenditure by operating segment was as follows.

- Chemicals: Expansion of capacity for Hipore™ Li-ion rechargeable battery separators; plant modification, rationalization, and maintenance.
- Homes: Leases; construction system modification, rationalization, and maintenance.
- Pharma: Acquisition of intellectual property rights for Flivas™ agent for treatment of benign prostatic hyperplasia; expansion of capacity for assembly of APS™ polysulfone-membrane artificial kidneys; expansion of capacity for Planova™ virus removal filters; plant modification, rationalization, and maintenance.

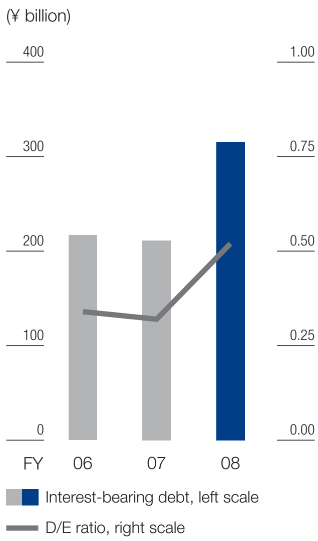
Total Assets, Net Worth



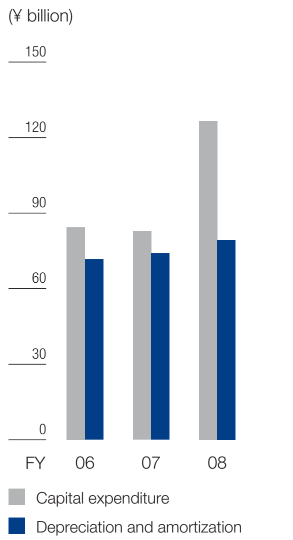
Net Worth to Total Assets



Interest-Bearing Debt, D/E Ratio



Capital Expenditure, Depreciation and Amortization



- Fibers: Expansion of capacity for Roica™ elastic polyurethane filament; construction of new R&D and technology center; plant modification, rationalization, and maintenance.
- Electronics Materials & Devices: Expansion of capacity for LSIs; expansion of capacity for Sunfort™ dry film photoresist; plant modification, rationalization, and maintenance.
- Construction Materials: Plant modification, rationalization, and maintenance.
- Services, Engineering and Others: IT systems, rationalization, labor-saving, and maintenance.
- Corporate assets: Corporate research facilities; maintenance.

Cash flows

Free cash flows were a negative ¥66.9 billion as cash used, principally for acquisition of noncurrent assets and investment securities, exceeded cash generated, principally operating income and depreciation and amortization. Cash flows from financing activities, principally increased borrowings, were a net ¥87.3 billion cash generated. Effect of exchange rate change on cash and cash equivalents was a ¥5.4 billion decrease. As a result, cash and cash equivalents at fiscal year end were ¥98.1 billion, ¥15.1 billion more than a year earlier.

Cash flows from operating activities

Cash used included ¥37.3 billion for decrease in notes and accounts payable, trade, ¥21.5 billion for decrease in accrued expenses, and ¥25.0 billion for income taxes, paid. Income before income taxes generated ¥19.0 billion, depreciation and amortization generated ¥79.4 billion, and decrease in notes and accounts receivable, trade, largely in Chemicals and Homes, generated ¥83.7 billion. Net cash generated from operating activities was ¥68.8 billion, ¥4.1 billion less than a year earlier.

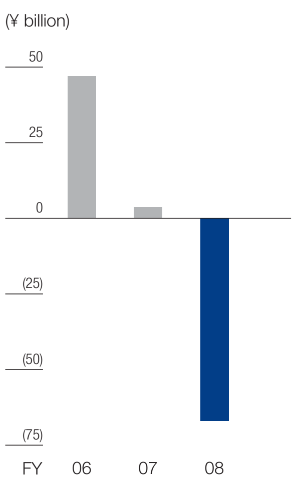
Cash flows from investing activities

Cash used included ¥97.2 billion for purchase of property, plant and equipment for continuing expansion of competitively superior operations and enhancement of overall competitiveness, ¥22.0 billion for purchase of intangible assets, and ¥17.5 billion for purchase of investment securities. Net cash used in investing activities was ¥135.7 billion, ¥66.6 billion more than a year earlier.

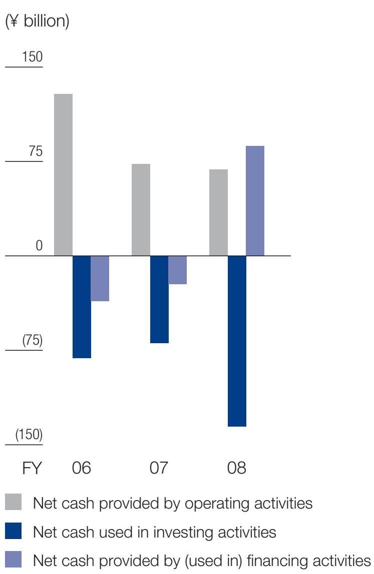
Cash flows from financing activities

In addition to ¥25.0 billion for redemption of bonds, ¥19.6 billion was used for payment of parent-company dividends. Fund-raising including through borrowing generated ¥132.0 billion. A net ¥87.3 billion was generated by financing activities, ¥109.6 billion more than a year earlier.

Free Cash Flows



Cash Flows



Risk Analysis

Operating risks and non-operating risks which may influence investor decisions are described below. The management maintains awareness of the possibility that these scenarios may emerge, and measures to avoid their emergence and to minimize their impact on corporate performance in the event that they do emerge are implemented to the fullest possible extent.

The description of risks given here includes elements which may emerge in the future, but being based on current evaluations as this report is being prepared it does not include risks which could not be foreseen at this time.

Crude oil and naphtha prices

Operating costs in operations based on petrochemicals are affected by prices for crude oil and naphtha. If crude oil and naphtha prices rise, selling prices for products derived from these feedstocks must be increased in a timely manner to maintain sufficient price spreads. Price spreads may diminish, thereby affecting our consolidated performance and financial condition.

Exchange rate fluctuation

Operations based overseas maintain accounts in the local currency where they operate. The yen value of items carried in these accounts is affected by the rate of exchange at the time of conversion to yen. Although measures such as currency exchange hedges are utilized to minimize the short-term effects of exchange rate fluctuations, such fluctuations may exceed the foreseeable range over the short to long term, thereby affecting our consolidated performance and financial condition.

Overseas operations

Overseas operations may face a variety of risks which cannot be foreseen, including the existence or emergence of economically unfavorable circumstances due to legal and regulatory changes, vulnerability of infrastructure, difficulty in hiring/retaining qualified employees, or other factors, and social or political instability due to terrorism, war, or other factors. Overseas operations may be impaired by such scenarios, thereby affecting our consolidated performance and business plans.

Housing-related tax policy, interest rate fluctuation

Operations in the Homes segment are affected by Japanese tax policies as they relate to home acquisition and by fluctuations in Japanese interest rates. Changes in Japanese tax policy, including consumption taxes, or fluctuations in Japanese interest rates may result in diminished housing demand, thereby affecting our consolidated performance and financial condition.

Profitability of electronics-related businesses

The electronics industry is characterized by sharp market cycles. The profitability of electronics-related businesses may decline significantly in a relatively short time, thereby affecting our consolidated performance and financial condition. Because products in this field rapidly become obsolete, the timely development and commercialization of leading-edge devices and materials is required. New product development may be delayed, or demand fluctuations may exceed expectations, thereby affecting our consolidated performance and financial condition.

Pharmaceuticals and medical devices

Pharmaceutical and medical device businesses may be significantly affected by government measures to curtail health care expenditure or other changes in government policy. Unforeseeable side effects or complications may emerge, significantly affecting these businesses. The pharmaceutical business additionally faces the possibility that product approval may be withdrawn as a result of

Japan's reexamination system, and that competition may intensify as a result of the market entry of generics. For pharmaceuticals and medical devices under development, regulatory approval may fail to be obtained, market demand may be lower than expected, and the national reimbursement prices may be lower than expected. Such scenarios may affect our consolidated performance and financial condition.

Industrial accidents and natural disasters

The occurrence of a significant industrial accident or natural disaster at a plant or elsewhere may result in a loss of public trust, the emergence of costs associated with accident response, including compensation, and the emergence of costs associated with plant shutdown, including opportunity loss and compensation to customers, thereby affecting our consolidated performance and financial condition.

Intellectual property, product liability, and legal regulation

An unfavorable ruling may emerge in a dispute relating to intellectual property, a product defect resulting in a large-scale recall and compensation whose costs exceed insurance coverage may emerge, and detrimental legal and regulatory changes may emerge in any country where we operate. Such scenarios may affect our consolidated performance and financial condition.

Irrecoverable credits

Credits extended to customers may become irrecoverable to an unforeseeable extent, necessitating additional losses or allowances to be recorded in financial accounts, and thereby affecting our consolidated performance and financial condition.

Consolidated Balance Sheets

Asahi Kasei Corporation and consolidated subsidiaries
March 31, 2009 and 2008

ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Current assets:			
Cash and deposits (Note 8 (a))	¥ 97,969	¥ 82,903	$ 999,681
Notes and accounts receivable, trade	208,868	298,788	2,131,305
Short-term investment securities (Notes 8 (a) and 10)	406	303	4,143
Merchandise and finished goods (Note 3 (a))	138,098	131,505	1,409,168
Work in progress (Note 3 (a))	82,832	93,597	845,227
Raw materials and supplies (Note 3 (a))	52,609	47,269	536,823
Deferred tax assets (Note 13)	18,444	26,130	188,206
Other	85,626	61,239	873,737
Allowance for doubtful accounts	(2,648)	(1,660)	(27,019)
Total current assets	682,205	740,075	6,961,272
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5 (c), (e))	381,725	377,385	3,895,149
Accumulated depreciation	(217,710)	(217,434)	(2,221,533)
Buildings and structures, net	164,014	159,951	1,673,616
Machinery, equipment and vehicles (Note 5 (c), (e))	1,138,427	1,123,378	11,616,606
Accumulated depreciation	(977,646)	(958,159)	(9,975,980)
Machinery, equipment and vehicles, net	160,781	165,220	1,640,626
Land (Note 5 (e))	53,740	54,096	548,372
Lease assets (Notes 3 (c) and 9)	2,540	—	25,922
Accumulated depreciation	(227)	—	(2,318)
Lease assets, net	2,313	—	23,604
Construction in progress	44,140	29,339	450,405
Other (Note 5 (c), (e))	109,437	103,908	1,116,700
Accumulated depreciation	(93,155)	(88,320)	(950,557)
Other, net	16,282	15,588	166,144
Subtotal	441,271	424,193	4,502,766
Intangible assets—			
Goodwill	7,449	5,707	76,013
Other	29,935	20,519	305,459
Subtotal	37,384	26,226	381,472
Investments and other assets—			
Investment securities (Notes 3 (e), 5 (b) and 10)	157,091	190,991	1,602,973
Long-term receivables	2,670	4,703	27,244
Deferred tax assets (Note 13)	28,874	12,777	294,632
Other	29,993	26,514	306,048
Allowance for doubtful accounts	(151)	(113)	(1,539)
Subtotal	218,477	234,873	2,229,357
Total noncurrent assets	697,132	685,292	7,113,596
Total assets	¥1,379,337	¥1,425,367	$14,074,868

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 1) 2009
Liabilities:			
Current liabilities—			
Notes and accounts payable, trade	¥ 113,378	¥ 155,120	$ 1,156,914
Short-term loans payable (Notes 5 (c) and 18)	100,786	43,220	1,028,433
Commercial paper (Note 18)	55,000	55,000	561,224
Current portion of bonds (Note 18)	20,000	25,000	204,082
Lease obligations (Notes 3 (c) and 9)	489	—	4,987
Income taxes payable	4,097	9,730	41,804
Deferred tax liabilities (Notes 3 (e) and 13)	—	58	—
Accrued expenses	86,947	108,947	887,215
Advances received	40,203	49,718	410,236
Provision for repairs	1,674	4,716	17,080
Provision for product warranties (Note 2 (d) iii))	9,396	6,018	95,881
Other	55,951	55,885	570,933
Total current liabilities	487,921	513,413	4,978,790
Noncurrent liabilities—			
Bonds payable (Note 18)	5,000	25,000	51,020
Long-term loans payable (Notes 5 (c) and 18)	132,474	63,187	1,351,776
Lease obligations (Notes 3 (c) and 9)	1,845	—	18,825
Deferred tax liabilities (Notes 3 (e) and 13)	4,257	9,155	43,443
Provision for retirement benefits	109,864	116,133	1,121,065
Provision for directors' retirement benefits	1,046	997	10,671
Provision for repairs	4,499	2,078	45,904
Long-term guarantee deposited	19,149	18,935	195,396
Other	1,931	2,314	19,707
Total noncurrent liabilities	280,065	237,798	2,857,807
Total liabilities	767,986	751,211	7,836,597
Net assets:			
Shareholders' equity:			
Capital stock—			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,402,616,332 shares	103,389	103,389	1,054,985
Capital surplus	79,404	79,427	810,244
Retained earnings (Note 7 (b) (2))	418,292	432,246	4,268,288
Treasury stock— (2009—4,070,731 shares, 2008—4,080,805 shares)	(1,946)	(2,019)	(19,858)
Total shareholders' equity	599,139	613,042	6,113,659
Valuation and translation adjustments			
Valuation difference on available-for-sale securities (Note 3 (e))	23,301	51,091	237,766
Deferred gains or losses on hedges	(178)	11	(1,813)
Revaluation surplus (Notes 3 (b) and 5 (a))	—	873	—
Foreign currency translation adjustment	(18,416)	1,226	(187,916)
Total valuation and translation adjustments	4,708	53,201	48,038
Minority interest	7,504	7,912	76,575
Total net assets	611,351	674,156	6,238,271
Commitments and contingent liabilities (Notes 5 (d) and 9)			
Total liabilities and net assets	¥1,379,337	¥1,425,367	$14,074,868

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and consolidated subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Net sales (Note 15)	¥1,553,108	¥1,696,789	$15,848,038
Cost of sales (Note 6 (a), (b))	1,237,815	1,288,965	12,630,767
Gross profit	315,293	407,824	3,217,271
Selling, general and administrative expenses (Note 6 (a))	280,333	280,168	2,860,543
Operating income (Note 15)	34,959	127,656	356,728
Non-operating income:			
Interest income	1,021	879	10,419
Dividends income	2,594	3,188	26,469
Equity in earnings of affiliates	831	3,757	8,477
Insurance income	1,131	941	11,536
Other	2,963	3,335	30,239
Total non-operating income	8,540	12,100	87,139
Non-operating expenses:			
Interest expense	4,284	4,202	43,718
Loss on disposal of inventories (Note 6 (b))	—	2,658	—
Foreign exchange loss	1,359	5,428	13,869
Other	5,356	7,012	54,652
Total non-operating expenses	10,999	19,300	112,238
Ordinary income	32,500	120,456	331,629
Extraordinary income:			
Gain on sales of investment securities (Note 7)	17	3,432	171
Gain on sales of noncurrent assets (Note 6 (c))	524	309	5,343
Gain on change in equity	—	559	—
Total extraordinary income	540	4,300	5,514
Extraordinary loss:			
Loss on sales of investment securities	70	—	710
Loss on valuation of investment securities	721	1,027	7,359
Loss on disposal of noncurrent assets (Note 6 (d))	5,943	6,821	60,639
Impairment loss (Notes 6 (e) and 15)	343	4,802	3,495
Environmental expenses (Note 6 (f))	1,932	2,239	19,717
Charge for remediation of homes delivered in previous years	—	3,000	—
Business structure improvement expenses (Notes 6 (g) and 15)	5,001	1,269	51,032
Total extraordinary loss	14,009	19,157	142,952
Income before income taxes	19,031	105,599	194,192
Income taxes (Note 13)—current	8,521	34,555	86,945
—deferred	5,174	450	52,797
Total income taxes	13,695	35,005	139,741
Minority interest in income	592	649	6,036
Net income	¥ 4,745	¥ 69,945	$ 48,414

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and consolidated subsidiaries

Years ended March 31, 2009 and 2008

Millions of yen

	Shareholders' equity					Valuation, translation adjustments						
	Capital stock	Capital surplus	Retained earnings (Note 7 (b))	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation surplus (Note 5 (a))	Foreign currency translation adjustment	Total valuation, translation adjustments	Minority interest	Total net assets
Balance at March 31, 2008	¥103,389	¥79,427	¥432,246	¥(2,019)	¥613,042	¥ 51,091	¥ 11	¥ 873	¥ 1,226	¥ 53,201	¥7,912	¥674,156
Reversal of revaluation reserve due to unification of accounting standards at overseas subsidiaries (Note 3 (b))			**873**		**873**			**(873)**		**(873)**		**—**
Changes during the fiscal year												
Dividends from surplus			**(19,581)**		**(19,581)**							**(19,581)**
Net income			**4,745**		**4,745**							**4,745**
Purchase of treasury stock				**(241)**	**(241)**							**(241)**
Disposal of treasury stock		**(23)**		**314**	**291**							**291**
Change of scope of equity method			**10**		**10**							**10**
Net changes of items other than shareholders' equity						**(27,790)**	**(189)**	**—**	**(19,642)**	**(47,621)**	**(408)**	**(48,029)**
Total changes of items during the period	**—**	**(23)**	**(14,826)**	**73**	**(14,777)**	**(27,790)**	**(189)**	**—**	**(19,642)**	**(47,621)**	**(408)**	**(62,805)**
Balance at March 31, 2009	**¥103,389**	**¥79,404**	**¥418,292**	**¥(1,946)**	**¥599,139**	**¥ 23,301**	**¥(178)**	**¥ —**	**¥(18,416)**	**¥ 4,708**	**¥7,504**	**¥611,351**

Millions of yen

	Shareholders' equity					Valuation, translation adjustments						
	Capital stock	Capital surplus	Retained earnings (Note 7 (b))	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation surplus (Note 5 (a))	Foreign currency translation adjustment	Total valuation, translation adjustments	Minority interest	Total net assets
Balance at March 31, 2007	¥103,389	¥79,396	¥380,515	¥(1,544)	¥561,755	¥ 79,823	¥ 58	¥1,106	¥ 2,913	¥ 83,900	¥7,855	¥653,510
Changes during the fiscal year												
Dividends			(18,188)		(18,188)							(18,188)
Net income			69,945		69,945							69,945
Purchase of treasury stock				(542)	(542)							(542)
Disposal of treasury stock		31		67	98							98
Decrease due to merger			(26)		(26)							(26)
Net increase (decrease) in net assets others than shareholders' equity						(28,732)	(47)	(233)	(1,687)	(30,699)	57	(30,642)
Total changes during the fiscal year	—	31	51,731	(475)	51,287	(28,732)	(47)	(233)	(1,687)	(30,699)	57	20,646
Balance at March 31, 2008	¥103,389	¥79,427	¥432,246	¥(2,019)	¥613,042	¥ 51,091	¥ 11	¥ 873	¥ 1,226	¥ 53,201	¥7,912	¥674,156

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Valuation, translation adjustments						
	Capital stock	Capital surplus	Retained earnings (Note 7 (b))	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation surplus (Note 5 (a))	Foreign currency translation adjustment	Total valuation, translation adjustments	Minority interest	Total net assets
Balance at March 31, 2008	$1,054,985	$810,477	$4,410,670	$(20,599)	$6,255,533	$ 521,342	$ 114	$ 8,907	$ 12,507	$ 542,870	$80,738	$6,879,142
Reversal of revaluation reserve due to unification of accounting standards at overseas subsidiaries (Note 3 (b))			**8,907**		**8,907**			**(8,907)**		**(8,907)**		**—**
Changes during the fiscal year												
Dividends from surplus			**(199,807)**		**(199,807)**							**(199,807)**
Net income			**48,414**		**48,414**							**48,414**
Purchase of treasury stock				**(2,458)**	**(2,458)**							**(2,458)**
Disposal of treasury stock		**(234)**		**3,200**	**2,966**							**2,966**
Change of scope of equity method			**103**		**103**							**103**
Net changes of items other than shareholders' equity						**(283,575)**	**(1,927)**	**—**	**(200,423)**	**(485,926)**	**(4,163)**	**(490,089)**
Total changes of items during the period	**—**	**(234)**	**(151,289)**	**742**	**(150,781)**	**(283,575)**	**(1,927)**	**—**	**(200,423)**	**(485,926)**	**(4,163)**	**(640,870)**
Balance at March 31, 2009	**$1,054,985**	**$810,244**	**$4,268,288**	**$(19,858)**	**$6,113,659**	**$ 237,766**	**$(1,813)**	**$ —**	**$(187,916)**	**$ 48,038**	**$76,575**	**$6,238,271**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Asahi Kasei Corporation and consolidated subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2009	2008	2009
Cash flows from operating activities:			
Income before income taxes	¥ 19,031	¥105,599	$ 194,192
Depreciation and amortization	79,436	73,983	810,569
Impairment loss	343	4,802	3,495
Amortization of goodwill	619	478	6,321
Amortization of negative goodwill	(90)	(171)	(923)
Increase (decrease) in provision for repairs	(621)	2,287	(6,341)
Increase in provision for product warranties	3,380	2,617	34,491
Decrease in provision for retirement benefits	(6,011)	(9,211)	(61,337)
Interest and dividend income	(3,615)	(4,067)	(36,887)
Interest expense	4,284	4,202	43,718
Equity in earnings of affiliates	(831)	(3,757)	(8,477)
Loss (gain) on sales of investment securities	53	(3,432)	539
Loss on valuation of investment securities	721	1,027	7,359
Gain on sale of property, plant and equipment	(524)	(309)	(5,343)
Loss on disposal of noncurrent assets	5,943	6,821	60,639
Decrease (increase) in notes and accounts receivable, trade	83,714	(104)	854,223
Increase in inventories	(6,737)	(33,295)	(68,740)
Decrease in notes and accounts payable, trade	(37,272)	(30,571)	(380,324)
Increase (decrease) in accrued expenses	(21,530)	6,120	(219,690)
Increase (decrease) in advances received	(9,498)	553	(96,915)
Other, net	(18,728)	(6,168)	(191,099)
Subtotal	92,068	117,403	939,468
Interest and dividend income, received	5,925	5,613	60,462
Interest expense, paid	(4,185)	(4,497)	(42,700)
Income taxes, paid	(24,996)	(45,572)	(255,063)
Net cash provided by operating activities	68,812	72,947	702,167
Cash flows from investing activities:			
Purchase of property, plant and equipment	(97,214)	(68,822)	(991,981)
Proceeds from sales of property, plant and equipment	1,948	1,026	19,876
Purchase of intangible assets	(22,016)	(7,384)	(224,654)
Purchase of investment securities	(17,518)	(2,115)	(178,759)
Proceeds from sales of investment securities	516	10,231	5,266
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	998	—
Payments of loans receivable	(6,374)	(9,748)	(65,038)
Collection of loans receivable	5,791	8,333	59,089
Other, net	(839)	(1,654)	(8,564)
Net cash used in investing activities	(135,707)	(69,135)	(1,384,766)
Cash flows from financing activities:			
Increase in short-term loans payable	81,230	27,057	828,876
Decrease in short-term loans payable	(34,439)	(45,147)	(351,420)
Proceeds from issuance of commercial paper	135,000	75,000	1,377,551
Redemption of commercial paper	(135,000)	(20,000)	(1,377,551)
Proceeds from long-term loans payable	97,131	2,585	991,133
Decrease in long-term loans payable	(11,947)	(9,258)	(121,911)
Redemption of bonds	(25,000)	(34,000)	(255,102)
Repayment of lease obligations	(206)	—	(2,097)
Purchase of treasury stock	(249)	(551)	(2,542)
Proceeds from disposal of treasury stock	147	89	1,496
Cash dividends paid	(19,581)	(18,174)	(199,807)
Cash dividends paid to minority shareholders	(352)	(145)	(3,595)
Other	581	213	5,925
Net cash provided by (used in) financing activities	87,314	(22,330)	890,957
Effect of exchange rate change on cash and cash equivalents	(5,360)	(219)	(54,696)
Net increase (decrease) in cash and cash equivalents	15,059	(18,736)	153,662
Cash and cash equivalents at beginning of year	83,033	101,719	847,277
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	50	—
Cash and cash equivalents at end of year (Note 8 (a))	¥ 98,092	¥ 83,033	$ 1,000,939

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and consolidated subsidiaries

1. Major policies for preparing the consolidated financial statements:

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the financial statements. In addition, the notes to the consolidated financial statements include certain financial information which is not required under the disclosure regulations in Japan, but is presented herein as additional information. In addition, certain reclassifications of previously reported amounts have been made to conform to current classifications. Such modifications or reclassifications have no effect on net income or retained earnings.

The U.S. dollar amounts presented in the financial statements are included solely for the convenience of readers. These translations should not be construed as representations that the Japanese yen amounts actually represent, or have been or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥98=US$1 prevailing on March 31, 2009, has been used.

Consolidation and investments in affiliated companies—
The consolidated financial statements consist of the accounts of the parent company and 103 subsidiaries (106 subsidiaries at March 31, 2008, hereinafter collectively referred to as the "Company") which, with minor exceptions due to materiality, are all majority and wholly owned companies, including 8 core operating companies (Asahi Kasei Chemicals Corp., Asahi Kasei Homes Corp., Asahi Kasei Pharma Corp., Asahi Kasei Kuraray Medical Co., Ltd., Asahi Kasei Medical Co., Ltd., Asahi Kasei Fibers Corp., Asahi Kasei EMD Corp. [English name changed to Asahi Kasei Microdevices Corp. on April 1, 2009], and Asahi Kasei Construction Materials Corp.), Tong Suh Petrochemical Corp. Ltd. (Korea), and Sanyo Petrochemical Co., Ltd. Material inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and 20% to 50% owned companies in which the Company exercises significant influence are accounted for, with minor exceptions due to materiality, using the equity method of accounting. There were 51 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2009 (50 at March 31, 2008), including Asahi Kasei Metals Ltd., Asahi Kasei Finechem Co., Ltd., and Asahi Organic Chemicals Industry Co., Ltd.

Certain subsidiaries results are reported in the consolidated financial statements using a December 31 or a February 28 year-end. Material differences in inter-company transactions and accounts arising from the use of different fiscal year-ends are appropriately adjusted for through consolidation procedures.

The excess of the cost over the underlying net equity of investments in subsidiaries and affiliated companies accounted for using the equity method of accounting is allocated to identifiable assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill or negative goodwill. The Company amortizes goodwill and negative goodwill using the straight-line method over the estimated period of benefit over a five or twenty-year period, with the exception of minor amounts, which are charged to income in the year of acquisition.

2. Significant accounting policies:

(a) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash and are so near maturity that they present an insignificant risk of changes in value due to changes in interest rates.

(b) Inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. Residential lots and dwellings for sale are stated at specifically identified costs.

(c) Noncurrent assets and depreciation/amortization

Property, plant and equipment (except lease assets) are stated at cost. Significant renewals and improvements are capitalized at cost, while maintenance and repairs are charged to income as incurred. Depreciation is provided for under the declining-balance method for property, plant and equipment, except for buildings which are depreciated using the straight-line method, at rates based on estimated useful lives of the assets, principally ranging from five to sixty years for buildings and from four to twenty-two years for machinery and equipment.

Intangible fixed assets (except lease assets), including software for internal use, are amortized using the straight-line method over the estimated useful lives of the assets. The estimated useful life of software for internal use is mainly five years.

Lease assets are depreciated/amortized on a straight-line basis over the period of the lease with no residual value. For financial lease transactions without title transfer whose transaction date is before March 31, 2008, the previous method of accounting for lease transactions continues to be applied, with periodic lease charges for financing leases charged to income as incurred. (See (c) Application of Accounting Standard for Lease Transactions and related guidance., Sec. 3 Changes in significant accounting policies.)

(d) Significant allowances

i) Allowance for doubtful accounts

Estimates of the unrecoverable portion of receivables, generally based on historical rates and for specific receivables of particular concern based on individual estimates of recoverability, are recognized as allowance for doubtful accounts.

ii) Provision for repairs

The portion of foreseeable repair expenses deemed to correspond to normal wear and tear of plant and equipment as of the closing date of the consolidated fiscal period is recognized as provision for repairs.

iii) Provision for product warranties

Estimates of product warranty expenses based on historical rates and the amount required for remediation of deficient eave assembly specification are recognized as provision for product warranties.

iv) Provision for retirement benefits

Provision for retirement benefits represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. Unrecognized actuarial gains/losses, resulting from variances between actual results and economic estimates or actuarial assumptions, are amortized on a straight-line basis primarily over the following ten years. Unrecognized prior service costs are amortized on a straight-line basis primarily over the following ten years.

v) Provision for directors' retirement benefits

Provision is made for lump-sum indemnities to directors and corporate auditors equal to the estimated liability calculated under the internal rules of the Company.

(e) Financial instruments

i) Securities

Securities are classified into four categories; trading securities, held-to-maturity debt securities, equity securities of unconsolidated subsidiaries and affiliates, and other securities. At March 31, 2009 and 2008, the Company did not have trading securities or held-to-maturity debt securities.

Equity securities of unconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to materiality, using the equity method of accounting.

Other securities whose fair values are readily determinable are carried at fair value with net unrealized gains or losses included as a component of net assets, net of related taxes. Other securities whose fair values are not readily determinable are stated at cost. In cases where any significant decline in the realizable value is assessed to be other than temporary, the cost of other securities is devalued by the impaired amount and is charged to income.

Realized gains and losses are determined using the average cost method and are reflected in the income statement.

ii) Derivative financial instruments

All derivatives are stated at fair value. Gains or losses arising from changes in fair value are charged or credited to income for the period in which they arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of these qualifying hedges are deferred as "Deferred gains or losses on hedges" to be offset against gains or losses of the underlying hedged assets and liabilities.

(f) Taxes

Accrued income taxes are stated at the estimated amount payable for corporation, enterprise, and inhabitant taxes. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

In Japan, the consumption tax system is designed so that all goods and services are taxed at a flat rate of 5% unless specified otherwise. Assets, liabilities, and profit and loss accounts are stated net of consumption tax.

The Company has elected to file its return under the consolidated tax filing system.

(g) Translation of foreign currencies

Foreign currency receivables and payables are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting gains and losses are charged or credited to income for the period.

Assets and liabilities of foreign subsidiaries and 20% to 50% owned companies accounted for using the equity method of accounting are translated into Japanese yen at year-end exchange rates, and income and expenses of same are translated into Japanese yen at the average exchange rate for the fiscal year. Shareholders' equity of foreign subsidiaries and 20% to 50% owned companies is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustment in the balance sheets.

A portion of the foreign currency translation adjustment is allocated to "Minority interest" and the Company's portion is presented as a separate component of net assets in the balance sheets.

3. Changes in significant accounting policies:

(a) Accounting Standards for Measurement of Inventories

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories." The Company has adopted the Standard, effective from the fiscal year ended March 31, 2009, while inventories were stated at the lower of cost or market value (residential lots and dwellings of sale were stated at specifically identified costs) until previous years. The Standard requires that inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value. The effect is to lower operating income by ¥12,923 million (US$131,864 thousand), ordinary income and income before income taxes by ¥2,536 million (US$25,882 thousand), respectively than they would have been using the previous method.

Further, losses on devaluation of inventories using the previous method have been recorded in the non-operating expenses previously, whereas loss on devaluation of inventories is currently recorded in the cost of sales. The effect is to lower operating income by ¥10,386 (US$105,982 thousand) than it would have been using the previous method.

In addition, whereas loss on disposal of inventories was previously classified in non-operating expenses, it is currently classified into the cost of sales with the application of the Accounting Standard. The effect is to lower operating income by ¥3,933 million (US$40,134 thousand) than it would have been using the previous method.

The effect of this application by industry segment is presented in Note 15.

(b) Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements

ASBJ issued ASBJ Practical Issues Task Force No. 18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements." The Company has adopted the Standard in the fiscal year ended March 31, 2009, and necessary adjustments have been made for consolidation accounts. The effect of the application is not significant.

(c) Accounting Standard for Lease Transactions and its Implementation Guidance

ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" and ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions." The Company has adopted these Standards, effective form the fiscal year ended March 31, 2009, that require the finance lease transactions, which do not transfer its ownership, to be accounted for in a similar manner with ordinary sale and purchase transactions. Previously, finance lease transactions that do not transfer ownership to be accounted for in a manner similar to accounting treatment for ordinary rental transactions. At the inception of the lease, a lessee shall recognize the leased asset and the related lease obligation at present value.

Depreciation expenses arising from a leased asset in a finance lease transaction that does not transfer ownership shall be calculated based on the assumption that the useful life equals to the lease term and the residual value equals to zero. Depreciation is provided for under the straight-line method.

With respect to lease transactions whose commencement day falls prior to the first year of implementation of the Accounting Standard, the accounting treatment has continued to be applied for similar method used for ordinary rental transactions. The impact of this change is immaterial.

(d) Change in translation method of income and expenses of foreign subsidiaries and affiliates

Previously income and expense accounts of foreign subsidiaries and affiliates were translated at the prevailing exchange rates at fiscal year end of the subsidiaries and the affiliates. However, effective from the fiscal year ended March 31, 2009, the conversion rate into reporting currency in Japanese yen is changed to use the average exchange rate during the period. This change allows more realistic translations of all income and expense items that accrue during the fiscal year.

The effect is to increase net sales by ¥21,505 million (US$219,439 thousand), operating income by ¥1,235 million (US$12,597 thousand), ordinary income by ¥1,559 million (US$15,906 thousand), income before income taxes by ¥1,330 million (US$13,567 thousand), and net income by ¥921 million (US$9,397 thousand), than they would have been using the previous method. The effect by industry segment is shown in Note 15.

(e) Changes in a valuation basis of other securities

Effective for the year ended March 31, 2009, the Company has changed its accounting method relating to valuation of fair value for such equity securities from using mark-to-market on an average current-value for one month prior to the year end to mark-to-market on a current value as of the year end. This change was applied for in order to present the financial condition in better.

As a result, investment securities are increased by ¥1,758 million (US$17,941 thousand), deferred tax liabilities by ¥714 million (US$7,283 thousand), valuation difference on available-for-sale securities by ¥1,040 million (US$10,615 thousand), and income before income taxes by ¥4 million (US$43 thousand), respectively than they would have been using the previous basis.

4. Additional information:

With regard to the cost of remediation work to restore deficient eave assembly specifications for certain order-built homes delivered by consolidated subsidiary Asahi Kasei Homes Corp. other than that attributable to the company, a memorandum has been concluded with the supplier of soffit panels, and expenses forecast to be incurred are seen to be recoverable.

Expenses forecast for remediation work including that attributable to the company are included in provision for product warranties in the consolidated balance sheets, and the amount to be recovered from the supplier is included in other under current assets and in other under investments and other assets in the consolidated balance sheets.

5. Notes to Consolidated Balance Sheets:

(a) Revaluation surplus

A revaluation surplus which had been recorded by a consolidated foreign subsidiary in accordance with applicable law was reversed in the year ended March 31, 2009, due to the application of Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements. (See Note 3 (b).)

(b) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2009 and 2008, amounted to ¥62,170 million (US$634,384 thousand) and ¥51,247 million, respectively. Included in those amounts are investments in joint ventures of ¥25,583 million (US$261,047 thousand) and ¥17,238 million, respectively.

(c) Hypothecated assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2009 and 2008, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Hypothecated assets			
Buildings and structures	¥534	¥642	$5,446
Machinery, equipment and vehicles	21	34	217
Land	—	97	—
Other	1	1	6
	¥556	¥774	$5,669
Secured debt			
Short-term loans payable	¥ 4	¥113	$ 46
Long-term loans payable	8	757	79
	¥ 12	¥870	$ 124

Besides the above, investment securities pledged to suppliers as transaction guarantee at March 31, 2009 and 2008, were ¥80 million (US$817 thousand) and ¥112 million, respectively.

(d) Contingent liabilities

Contingent liabilities at March 31, 2009 and 2008, arising in the ordinary course of business are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loans guaranteed	¥ 8,525	¥ 9,737	$ 86,991
Commitment for guarantees	1,394	1,738	14,221
Letters of awareness	637	267	6,500
Completion guarantees	4,764	—	48,614
Notes discounted	152	208	1,554
	¥15,472	¥11,950	$157,880

The parent company and certain of its subsidiaries and affiliates are defendants in several pending lawsuits. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that any damages from such lawsuits will not have a material effect on the Company's consolidated financial statements.

(e) Reduction entries due to state subsidies, etc.

Cumulative reduction entries due to state subsidies, etc. for the acquisition of property, plant and equipment as of March 31, 2009 and 2008, were ¥4,078 million (US$41,609 thousand) and ¥2,454 million, respectively. The breakdown of reduction entries as of March 31, 2009, is as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Buildings and structures	¥2,105	$21,480
Machinery, equipment and vehicles	1,622	16,551
Land	238	2,431
Other	112	1,147
	¥4,078	$41,609

6. Notes to Consolidated Statements of Income:

(a) Selling, general and administrative expenses

Major components of selling, general and administrative expenses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Freight and storage	¥33,940	¥35,086	$346,331
Salaries and benefits	88,988	89,729	908,037
Research and development (*)	43,249	39,618	441,318

(*) The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2009 and 2008, were ¥60,849 million (US$620,909 thousand) and ¥56,170 million, respectively.

(b) Loss on devaluation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value as of March 31, 2009. Loss on devaluation of inventories of ¥12,923 million (US$131,864 thousand) was included in cost of sales for the year ended March 31, 2009.

(c) Gain on sales of noncurrent assets

Gain on sales of noncurrent assets for the years ended March 31, 2009 and 2008, was primarily gain on the sale of land, etc. amounting to ¥514 million (US$5,245 thousand) and ¥253 million, respectively.

(d) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2009 and 2008, was primarily loss on abandonment and sale, etc. of buildings, machinery and equipment, etc. The abandonment and sale of buildings, machinery and equipment, etc. was performed under a single, all-inclusive contract for each facility.

(e) Impairment loss

Impairment loss for the years ended March 31, 2009 and 2008, was as follows:

Use	Asset class	Location	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Production facility for autoclaved aerated concrete (AAC) panels and others	Machinery and equipment, etc.	Shiraoi, Hokkaido, and elsewhere	¥754	¥ —	$7,691
Production facility for polyester filament	Machinery and equipment, etc.	Nobeoka, Miyazaki	264	3,753	2,694
Production facility for functional food additives	Machinery and equipment, etc.	Shiraoi, Hokkaido	112	—	1,142
Production facility for fine-pattern devices	Machinery and equipment, etc.	Hyuga, Miyazaki	79	1,049	801

Grouping of operating assets is based on managerial accounting categories, with consideration given to production process, geographic location, and domain of authority for making investment decisions. Idle assets are recorded separately in each fixed assets class.

With respect to assets shown in the above table, the book value was reduced to the recoverable amount due to diminished profitability. The recoverable amount is stated as future cash flow less 5% as measured by usability value. The resulting extraordinary loss for production facility for autoclaved aerated concrete (AAC) panels and others and for production facility for functional food additives was recorded under business structure improvement expenses for the year ended March 31, 2009.

(f) Environmental expenses

Environmental expenses for the years ended March 31, 2009 and 2008, were mainly for decontamination of idle land etc.

(g) Business structure improvement expenses

Major components of the business structure improvement expenses are as follows:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Loss on disposal and devaluation of assets and others	¥3,271	¥1,123	$33,376
Impairment of fixed assets	866	—	8,833
Loss on liquidation of subsidiaries and others	865	146	8,823
	¥5,001	¥1,269	$51,032

7. Notes to Consolidated Statements of Changes in Net Assets:

(a) Class and total number of issued and outstanding shares and treasury stock

	Thousands of shares: Number of shares as of March 31, 2008	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2009
Issued and outstanding shares				
Capital stock	1,402,616	—	—	1,402,616
Total	1,402,616	—	—	1,402,616
Treasury stock				
Capital stock (Notes 1 & 2)	4,081	530	540	4,071
Total	4,081	530	540	4,071

Notes: 1. The increase of 530 thousand shares in capital stock of treasury stock was due to purchase of shares in quantities of less than one share unit.
2. Of the decrease of 540 thousand shares in capital stock of treasury stock, a decrease of 348 thousand was due to sale of shares in quantities of less than one share unit, and a decrease of 193 thousand was the portion of the Company's shares which had been recorded as the Company's treasury stock which were sold by an affiliate for which the equity method applies.

(b) Dividends

(1) Cash dividends paid

a) The following was resolved by the Board of Directors on May 8, 2008.

Regarding dividends for capital stock

Total dividends	¥9,791 million (US$99,909 thousand)
Dividend per share	¥7.00 (US$0.07)
Date of record	March 31, 2008
Payment date	June 6, 2008

b) The following was resolved by the Board of Directors on November 5, 2008.

Regarding dividends for capital stock

Total dividends	¥9,790 million (US$99,898 thousand)
Dividend per share	¥7.00 (US$0.07)
Date of record	September 30, 2008
Payment date	December 1, 2008

(2) Dividends for which the date of record falls within the fiscal year under review but the payment date occurs in the following fiscal year

a) The following was resolved by the Board of Directors on May 12, 2009.

Regarding dividends for capital stock

Total dividends	¥4,196 million (US$42,813 thousand)
Source of dividends	Retained earnings
Dividend per share	¥3.00 (US$0.03)
Date of record	March 31, 2009
Payment date	June 3, 2009

8. Note of Consolidated Statements of Cash Flows:

(a) Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the balance sheets at March 31, 2009 and 2008, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Cash and deposits	¥97,969	¥82,903	$ 999,681
Time deposits with deposit term of over 3 months	(163)	(170)	(1,662)
Money market funds, medium-term government bond funds, and others included in marketable securities	286	300	2,919
Cash and cash equivalents	¥98,092	¥83,033	$1,000,939

9. Leases:

(a) Financial lease transactions

Financial lease transactions without title transfer

i) Components of lease assets are as follows:

a) Property, plant and equipment: Mainly model homes (buildings and structures) for housing operations.

b) Intangible fixed assets: Software.

ii) Depreciation of lease assets:

As stated in 2. Significant accounting policies (c) Noncurrent assets and depreciation/amortization. For financial lease transactions without title transfer whose transaction date is before March 31, 2008, the previous method of accounting for lease transactions continues to be applied.

The cost of the assets and the related accumulated amortization, computed using the straight-line method over the term of the lease, at March 31, 2009 and 2008, would have been as follows:

	Millions of yen		
	2009		
	Cost	Accumulated amortization	Net amount
Buildings and structures	¥ 9,851	¥6,418	¥3,433
Machinery, equipment and vehicles	351	191	160
Property, plant and equipment—other	1,460	926	534
Intangible fixed assets—other	410	223	187
	¥12,072	¥7,758	¥4,315

	Millions of yen		
	2008		
	Cost	Accumulated amortization	Net amount
Buildings and structures	¥15,191	¥8,421	¥6,770
Machinery, equipment and vehicles	457	258	199
Property, plant and equipment—other	1,837	972	866
Intangible fixed assets—other	527	242	285
	¥18,012	¥9,892	¥8,120

	Thousands of U.S. dollars		
	2009		
	Cost	Accumulated amortization	Net amount
Buildings and structures	$100,521	$65,489	$35,032
Machinery, equipment and vehicles	3,582	1,949	1,633
Property, plant and equipment—other	14,903	9,452	5,451
Intangible fixed assets—other	4,180	2,271	1,910
	$123,186	$79,160	$44,026

The future lease payments under the Company's financing leases and non-cancelable operating leases at March 31, 2009 and 2008, including amounts representing interest, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Due within one year	¥2,353	¥3,761	$24,014
Due after one year	1,961	4,359	20,012
	¥4,315	¥8,120	$44,026

Lease charges were ¥3,459 million (US$35,293) and ¥4,628 million for the years ended March 31, 2009 and 2008, respectively. The amortization amounts of the leased assets, computed using the straight-line method over the term of the leases and no residual value, were ¥3,459 million (US$35,293 thousand) and ¥4,628 million for the years ended March 31, 2009 and 2008, respectively.

No impairment loss is allocated to the leased assets.

(b) Operating lease transactions

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2009, were as follows:

	Millions of yen	Thousands of U.S. dollars
	2009	2009
Due within one year	¥ 4,525	$ 46,170
Due after one year	16,172	165,017
	¥20,696	$211,187

10. Marketable securities and investment securities:

(a) Other securities with available fair value—

The aggregate cost, carrying amount which was identical to fair value, and gross unrealized gains and losses of debt and equity securities classified as other securities for which fair values were available at March 31, 2009 and 2008, were as follows:

	Millions of yen		
	2009		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥32,070	¥73,118	¥41,048
Securities with unrealized losses:			
Equity securities	11,177	9,478	(1,700)
Debt securities	0	0	—
	11,177	9,478	(1,700)
	¥43,247	¥82,596	¥39,349

	Millions of yen		
	2008		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥37,310	¥123,847	¥86,537
Securities with unrealized losses:			
Equity securities	3,943	3,261	(683)
Debt securities	23	23	—
	3,966	3,283	(683)
	¥41,276	¥127,130	¥85,854

	Thousands of U.S. dollars		
	2009		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$327,243	$746,102	$418,859
Securities with unrealized losses:			
Equity securities	114,055	96,712	(17,342)
Debt securities	1	1	—
	114,055	96,713	(17,342)
	$441,298	$842,815	$401,517

Losses on devaluation of other securities whose fair values are readily determinable for the years ended March 31, 2009 and 2008, totaled ¥497 million (US$5,074 thousand) and ¥404 million, respectively.

(b) The realized gains and losses on the sale of other securities during the year ended March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Selling amount	¥463	¥8,673	$4,728
Gain on sales of securities	17	3,278	171
Loss on sales of securities	70	—	712

(c) The carrying amounts of other securities for which fair values were not readily determinable at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Equity investment in funds	¥8,001	¥5,001	$81,639
Equity investment in nonpublic companies	3,907	6,980	39,869

(d) Redemption schedules for maturity of debt securities at March 31, 2009 and 2008, were as follows:

	Millions of yen			
	2009			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Debt securities:				
Government and municipal bonds	¥ 2	¥ 7	¥—	¥—
Corporate bonds	120	—	—	—
	¥122	¥ 7	¥—	¥—

	Millions of yen			
	2008			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Debt securities:				
Government and municipal bonds	¥ 5	¥ 9	¥—	¥—
Corporate bonds	—	120	—	—
	¥ 5	¥129	¥—	¥—

	Thousands of U.S. dollars			
	2009			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Debt securities:				
Government and municipal bonds	$ 23	$70	$—	$—
Corporate bonds	1,224	—	—	—
	$1,247	$70	$—	$—

11. Derivative financial instruments:

The Company operates internationally, giving rise to exposure to market risks from fluctuations in foreign currency exchange and interest rates. In the normal course of its risk management efforts, the Company uses a variety of derivative financial instruments, which include foreign currency forward exchange contracts, interest rate swap agreements and currency swap agreements, to reduce its exposures. In accordance with the Company's policy, these financial instruments are utilized solely for hedging purposes and the Company does not hold or issue financial instruments for trading or speculation purposes.

The Company has entered into foreign currency forward exchange contracts with banks as hedges against receivables and payables denominated in foreign currencies. As these foreign currencies forward exchange contracts are utilized solely for hedging purposes, the resulting gains or losses are offset against foreign exchange gains or losses on the underlying hedged assets and liabilities.

Interest rate swap agreements and currency swap agreements are used to limit the Company's exposure to losses in relation to interest expense from adverse fluctuations in foreign currency exchange and interest rates. The related differentials to be paid or received under the interest rate swap agreements are recognized in interest expense over the terms of the agreements. Currency swap agreements are accounted for in a manner similar to that used for foreign currency forward exchange contracts. Interest rate swap agreements for housing loan securitization transactions are used to reduce interest volatility risk between the time of execution of housing loans and the time of execution of their securitization.

The Company does not anticipate any credit loss from non-performance by the counter-parties to foreign currency forward exchange contracts, interest rate swap agreements, or currency swap agreements.

Hedging accounting is applied for all derivative financial instruments of the Company other than those for housing loan securitization, with gains or losses arising from changes in fair value deferred as "Deferred gains or losses on hedges" to be off-set against foreign exchange gains or losses on the underlying hedged assets and liabilities.

The fair value of the housing loan securitization transactions as of March 31, 2009 and 2008, was as follows:

Classification	Items		Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
Dealings other than market dealings	Interest rate swap receipt change / payment fixation	Amount of contract	¥750	¥1,700	$7,653
		(Amount of contract over 1 year)	—	—	—
		Fair value	8	(46)	77
		Profit (loss) from valuation	8	(46)	77

12. Provision for retirement benefits:

Upon terminating employment, employees of the parent company and its major subsidiaries in Japan are entitled, under most circumstances, to lump-sum severance indemnities and/or pension payments determined by reference mainly to their current basic rate of pay and length of service. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs. Certain foreign subsidiaries have defined benefit pension plans or defined contribution plans.

The obligation for these severance indemnity benefits is provided for through accruals, contributory funded defined benefit pension plans, contributory funded defined benefit enterprise pension plans and non-contributory funded tax-qualified pension plans.

Information on provision for retirement benefits at March 31, 2009 and 2008, was as follows:

	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars 2009
(a) Projected benefit obligations	¥(296,676)	¥(297,343)	$(3,027,310)
(b) Fair value of plan assets	152,927	190,955	1,560,484
(c) Unfunded benefit obligations [(a)+(b)]	(143,749)	(106,388)	(1,466,826)
(d) Unrecognized actuarial gains/losses	45,072	2,639	459,921
(e) Unrecognized prior service costs	(5,615)	(7,009)	(57,300)
(f) Amount shown on balance sheet [(c)+(d)+(e)]	(104,292)	(110,758)	(1,064,204)
(g) Prepaid pension cost	5,572	5,374	56,861
(h) Provision for retirement benefits [(f)-(g)]	¥(109,864)	¥(116,133)	$(1,121,065)

Note: The figures in the above table do not include additional benefit payables amounting to ¥59 million (US$597 thousand) and ¥310 million at March 31, 2009 and 2008, respectively. The amounts were recorded as part of current liabilities on the consolidated balance sheets at March 31, 2009 and 2008.

Periodic retirement benefit expenses for employees for the years ended March 31, 2009 and 2008, include the following components:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Service cost*	¥ 8,896	¥ 8,856	$ 90,777
Interest cost	7,282	7,325	74,303
Expected return on plan assets	(4,728)	(5,289)	(48,242)
Amortization of unrecognized actuarial gains/losses	(249)	(2,814)	(2,544)
Amortization of unrecognized prior service costs	(1,394)	(1,393)	(14,227)
Retirement benefit expenses	¥ 9,807	¥ 6,685	$100,068

Note: In addition to the above costs, additional benefits amounting to ¥453 million (US$4,619 thousand) and ¥1,303 million were charged to income for the years ended March 31, 2009 and 2008, respectively.

* Not including contributions made by employees.

The assumptions used in calculation of the above information are as follows:

	2009	2008
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	2.5%	2.5%
Method of attributing the projected benefits to periods of employee service	Straight-line basis	Straight-line basis
Amortization of unrecognized prior service costs	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial gains/losses	Mainly 10 years	Mainly 10 years

13. Taxes:

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax, and (3) inhabitants tax.

Significant components of the deferred tax assets and liabilities at March 31, 2009 and 2008, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Provision for retirement benefits	¥ 44,448	¥ 46,847	$ 453,550
Tax loss carryforwards	14,736	5,795	150,368
Accrued bonuses	6,496	8,722	66,289
Loss on disposal of noncurrent assets	3,764	6,826	38,407
Unrealized gain on noncurrent assets and others	3,225	4,354	32,907
Impairment loss	2,887	3,897	29,458
Provision for repairs	2,396	2,644	24,444
Devaluation of investment securities	2,141	1,401	21,843
Devaluation of inventories	1,947	2,817	19,869
Provision for product warranties	1,418	2,501	14,473
Environmental expenses	1,030	874	10,508
Depreciation	934	551	9,527
Allowance for doubtful accounts	801	476	8,175
Accrued enterprise tax	692	1,409	7,056
Other	8,452	8,741	86,247
Subtotal deferred tax assets	95,366	97,854	973,122
Less: Valuation allowance	(15,016)	(11,770)	(153,226)
Total deferred tax assets	80,350	86,084	819,896
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(18,479)	(37,484)	(188,563)
Reserve for noncurrent assets reduction	(13,585)	(14,235)	(138,619)
Reserve for special depreciation	(164)	(537)	(1,672)
Other	(5,061)	(4,134)	(51,647)
Total deferred tax liabilities	(37,289)	(56,390)	(380,502)
Net deferred tax assets	¥ 43,061	¥ 29,694	$ 439,394

Net deferred tax assets (liabilities) at March 31, 2009 and 2008, were included in the following entries on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Current assets—Deferred tax assets	¥18,444	¥26,130	$188,206
Non-current assets—Deferred tax assets	28,874	12,777	294,632
Current liabilities—Deferred tax liabilities	—	(58)	—
Non-current liabilities—Deferred tax liabilities	(4,257)	(9,155)	(43,443)

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the year ended March 31, 2009 and 2008, was as follows:

	2009
Statutory tax rate	40.7%
Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	15.0
Equalization of inhabitants taxes	2.2
Amortization of goodwill	0.9
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.4)
Difference of tax rates for foreign subsidiaries	(5.5)
Valuation allowance	17.1
Unrealized profit	8.0
Consolidated tax filing system	(3.8)
Other	(0.3)
Effective income tax rate	72.0%

	2008
Statutory tax rate	40.7%
Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	2.7
Equalization of inhabitants taxes	0.4
R&D expenses tax credit from income taxes	(4.7)
Amortization of goodwill	0.2
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.5)
Difference of tax rates for foreign subsidiaries	(3.3)
Other	(1.3)
Effective income tax rate	33.2%

14. Business combinations, etc.:

1. Transactions under common control, etc.

Transactions under common control, etc. in the fiscal year ended March 31, 2009, were as follows:

a) Transfer of common shares by Corporate Split under Company Law of Asahi Kasei Kuraray Medical Co., Ltd., and Asahi Kasei Medical Co., Ltd., subsidiaries of Asahi Kasei Pharma Corp., a consolidated subsidiary of Asahi Kasei Corp.

i. Names of entities combining subject to transaction
Asahi Kasei Corp., Asahi Kasei Pharma Corp.

ii. Nature of businesses
Shares of Asahi Kasei Kuraray Medical Co., Ltd. and Asahi Kasei Medical Co., Ltd., companies engaged in medical-related operations.

iii. Statutory form of business combination
Transfer of common shares of Asahi Kasei Kuraray Medical Co., Ltd. and Asahi Kasei Medical Co., Ltd., owned by Asahi Kasei Pharma Corp., to Asahi Kasei Corp. by Corporate Split under Corporate Law.

iv. Name of company after transaction
Asahi Kasei Corp. (unchanged)
Asahi Kasei Pharma Corp. (unchanged)
Asahi Kasei Kuraray Medical Co., Ltd. (becoming a subsidiary of Asahi Kasei Corp.)
Asahi Kasei Medical Co., Ltd. (becoming a subsidiary of Asahi Kasei Corp.)

v. Outline of transaction including purpose of transaction
Medical-related operations are positioned as a field of focus for growth in the Asahi Kasei Group, and a growth strategy including proactive business development and capital expenditure has been advanced. For continuous growth from fiscal 2010 onward, reconfiguration of the management configuration was considered necessary.

The transfer of common shares of Asahi Kasei Kuraray Medical Co., Ltd. and Asahi Kasei Medical Co., Ltd. to Asahi Kasei Corp. will both clarify medical-related operations as a field of focus for growth in the Asahi Kasei Group and facilitate greater management efficiency in a structure for swift execution of strategic decisions and resource investment.

b) Outline of the accounting treatment implemented
This transaction was accounted for as a transaction under common control based on the Accounting Standard for Business Combinations issued by the Business Accounting Council in Japan and Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (Accounting Standard Guidance No. 10) issued by the Accounting Standards Board of Japan.

15. Business segment information:

(1) Industry segments—

Sales and operating income (loss) for the year ended March 31:

	Millions of yen 2009									
	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
Sales:										
Customers	¥741,486	¥409,882	¥119,619	¥102,176	¥91,721	¥60,927	¥27,297	¥1,553,108	¥ —	¥1,553,108
Intersegment	15,728	71	11	1,990	654	12,676	32,567	63,697	(63,697)	—
Total	757,214	409,952	119,630	104,166	92,375	73,603	59,864	1,616,804	(63,697)	1,553,108
Operating expenses	757,632	388,082	107,590	105,027	89,030	71,919	54,237	1,573,519	(55,370)	1,518,148
Operating income (loss)	¥ (419)	¥ 21,871	¥ 12,040	¥ (861)	¥ 3,345	¥ 1,683	¥ 5,627	¥ 43,286	¥ (8,326)	¥ 34,959

	Millions of yen 2008									
	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
Sales:										
Customers	¥879,235	¥386,227	¥111,232	¥114,072	¥113,267	¥55,732	¥37,024	¥1,696,789	¥ —	¥1,696,789
Intersegment	14,081	86	6	2,120	1,045	11,742	27,534	56,613	(56,613)	—
Total	893,316	386,313	111,238	116,192	114,312	67,474	64,559	1,753,402	(56,613)	1,696,789
Operating expenses	828,098	364,933	98,560	108,972	92,081	64,690	59,407	1,616,741	(47,608)	1,569,133
Operating income (loss)	¥ 65,218	¥ 21,380	¥ 12,678	¥ 7,220	¥ 22,230	¥ 2,784	¥ 5,151	¥ 136,661	¥ (9,005)	¥ 127,656

	Thousands of U.S. dollars 2009									
	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
Sales:										
Customers	$7,566,181	$4,182,465	$1,220,605	$1,042,617	$935,928	$621,700	$278,543	$15,848,038	$ —	$15,848,038
Intersegment	160,488	723	109	20,305	6,676	129,349	332,315	649,966	(649,966)	—
Total	7,726,669	4,183,188	1,220,714	1,062,922	942,604	751,049	610,857	16,498,003	(649,966)	15,848,038
Operating expenses	7,730,944	3,960,018	1,097,861	1,071,708	908,471	733,872	553,440	16,056,313	(565,003)	15,491,309
Operating income (loss)	$ (4,274)	$ 223,170	$ 122,854	$ (8,786)	$ 34,133	$ 17,177	$ 57,418	$ 441,690	$ (84,962)	$ 356,728

Identifiable assets, depreciation and amortization, impairment loss and capital expenditure as of and for the year ended March 31:

	Millions of yen 2009									
	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
Identifiable assets	¥583,614	¥216,716	¥176,699	¥107,781	¥115,154	¥43,736	¥449,637	¥1,693,337	¥(314,000)	¥1,379,337
Depreciation and amortization	36,666	3,439	10,275	6,440	15,428	3,619	806	76,673	2,763	79,436
Impairment loss	—	—	112	264	79	754	—	1,208	—	1,208
Capital expenditure	45,667	7,037	31,569	12,257	21,557	2,430	1,082	121,598	5,127	126,725

	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
	Millions of yen									
	2008									
Identifiable assets	¥618,877	¥213,846	¥142,774	¥113,251	¥122,310	¥44,993	¥332,164	¥1,588,214	¥(162,847)	¥1,425,367
Depreciation and amortization	37,122	2,690	6,102	5,727	13,902	3,138	792	69,474	4,509	73,983
Impairment loss	—	—	—	3,753	1,049	—	—	4,802	—	4,802
Capital expenditure	34,344	7,451	10,007	9,255	17,018	2,507	793	81,375	1,536	82,911

	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
	Thousands of U.S. dollars									
	2009									
Identifiable assets	$5,955,240	$2,211,383	$1,803,054	$1,099,811	$1,175,037	$446,290	$4,588,134	$17,278,949	$(3,204,081)	$14,074,868
Depreciation and amortization	374,144	35,092	104,845	65,719	157,432	36,928	8,222	782,381	28,191	810,572
Impairment loss	—	—	1,142	2,694	801	7,691	—	12,328	—	12,328
Capital expenditure	465,988	71,803	322,135	125,069	219,972	24,792	11,036	1,240,795	52,320	1,293,115

Notes: 1. The Company's industry segments are aggregated into seven segments based primarily upon similarities of products, services, and economic characteristics.

Chemicals —
The Company produces, processes and sells chemicals and derivative products (such as ammonia, nitric acid, caustic soda, acrylonitrile, styrene monomer, methyl methacrylate (MMA) monomer, PMMA resin, and adipic acid), polymer products (such as Suntec™ polyethylene (PE), Stylac™-AS (styrene-acrylonitrile), Stylac™-ABS (acrylonitrile-butadiene-styrene), synthetic rubber, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), and Leona™ nylon 66 polymer and filament), specialty products (such as 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, Saran Wrap™ cling film, Ziploc™ storage bags, and plastic films, sheets, and foams).

Homes —
The Company builds Hebel Haus™ custom-built pre-fabricated homes and Hebel Maison™ apartments, and operates related businesses such as condominiums, remodeling, real estate, residential land development, and home financing.

Pharma —
The Company produces and sells pharmaceuticals (such as Elcitonin™, Bredinin™, Flivas™, and Toledomin™), pharmaceutical intermediates, and diagnostics reagents. The Company also manufactures APS™ artificial kidneys, Sepacell™ leukocyte reduction filters, Cellsorba™ leukocyte adsorption columns, Planova™ virus removal filters, and contact lenses.

Fibers —
The Company produces and sells Roica™ elastic polyurethane filament, nonwoven fabrics (such as Eltas™ spunbond and Lamous™ artificial suede), Bemberg™ cuprammonium rayon, and polyester filament.

Electronics Materials & Devices —
The Company produces and sells Pimel™ photosensitive polyimide, Sunfort™ dry-film photoresist (DF), photomask pellicles, LSIs, Hall elements, and glass fabric.

Construction Materials —
The Company produces and sells autoclaved aerated concrete (AAC) panels (such as Hebel™), piles, and Neoma™ foam insulation panels.

Services, Engineering and Others —
The Company provides plant engineering, environmental engineering, personnel staffing and placement, and think tank services.

2. Corporate operating expenses included in "Corporate expenses and eliminations" for the years ended March 31, 2009 and 2008, amounted to ¥14,726 million (US$150,263 thousand) and ¥16,149 million, respectively.
3. Corporate assets such as surplus funds (cash and deposits), long-term-investment funds (investment securities etc.), and land etc. included in "Corporate assets and eliminations" for the years ended March 31, 2009 and 2008, amounted to ¥457,979 million (US$4,673,258 thousand) and ¥413,698 million, respectively.
4. Among impairment losses for the year ended March 31, 2009, ¥112 million (US$1,142 thousand) in Pharma and ¥754 million (US$7,691 thousand) in Construction Materials are included in business structure improvement expenses under extraordinary losses.
5. Changes in the basis for preparation of consolidated financial statements

a) Accounting Standards for Measurement of Inventories

The Accounting Standards Board of Japan (ASBJ) issued ASBJ Statement No. 9, "Accounting Standards for Measurement of Inventories." The Company has adopted the Standard, effective from the fiscal year ended March 31, 2009, while inventories were stated at the lower of cost or market value (residential lots and dwellings of sale were stated at specifically identified costs) until previous years. The Standard requires that inventories held for sale in the ordinary course of business are stated at the lower of cost or net sales value.

The effect by segment of the change to statement of inventories at the lower of cost or net sales value is that operating income is lower by ¥9,286 million (US$94,751 thousand) in Chemicals, ¥2,536 million (US$25,882 thousand) in Homes, ¥862 million (US$8,794 thousand) in Pharma, ¥174 million (US$1,777 thousand) in Fibers, ¥53 million (US$542 thousand) in Electronics Materials & Devices, and ¥11 million (US$114 thousand) in Services, Engineering and Others than they would have been using the previous method.

The effect by segment of the change to recording loss on disposal of inventories under cost of sales is that operating income is lower by ¥1,055 million (US$10,765 thousand) in Chemicals, ¥15 million (US$155 thousand) in Homes, ¥1,008 million (US$10,281 thousand) in Pharma, ¥183 million (US$1,865 thousand) in Fibers, ¥1,598 million (US$16,311 thousand) in Electronics Materials & Devices, ¥68 million (US$696 thousand) in Construction Materials, and ¥6 million (US$61 thousand) in Services, Engineering and Others than they would have been using the previous method. As a result, consolidated operating income is lower by ¥3,933 million (US$40,134 thousand).

b) Change in translation method of income and expenses of foreign subsidiaries and affiliates

Previously income and expense accounts of foreign subsidiaries and affiliates were translated at the prevailing exchange rates at fiscal year end of the subsidiaries and the affiliates. However, effective from the fiscal year ended March 31, 2009, the conversion rate into reporting currency in Japanese yen is changed to use the average exchange rate during the period.

The effect by segment of the change to conversion of sales and costs at foreign subsidiaries and affiliates to yen at the average market value during the fiscal period is that net sales are higher by ¥16,847 million (US$171,909 thousand) in Chemicals, ¥3,052 million (US$31,144 thousand) in Fibers, ¥1,542 million (US$15,730 thousand) in Electronics Materials & Devices, and ¥64 million (US$656 thousand) in Services, Engineering and Others than they would have been using the previous method, and that operating income is higher by ¥877 million (US$8,954 thousand) in Chemicals, ¥27 million (US$280 thousand) in Pharma, ¥57 million (US$577 thousand) in Fibers, ¥270 million (US$2,758 thousand) in Electronics Materials & Devices, and ¥3 million (US$28 thousand) in Services, Engineering and Others than they would have been using the previous method. As a result, consolidated sales is higher ¥21,505 million (US$219,439 thousand) and consolidated operating income is higher by ¥1,235 million (US$12,597 thousand).

(2) Geographic areas—

Total sales and assets of consolidated subsidiaries located in countries or regions outside of Japan as of and for the years ended March 31, 2009 and 2008, were not significant.

(3) Overseas sales—

Overseas sales for the years ended March 31, 2009 and 2008, were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2009			2008			2009		
	East Asia	Others	Total	East Asia	Others	Total	East Asia	Others	Total
Overseas sales	¥233,219	¥160,746	¥393,965	¥287,862	¥199,475	¥487,337	$2,379,784	$1,640,263	$4,020,047
Consolidated net sales	—	—	1,553,108	—	—	1,696,789	—	—	15,848,038
Percentage of consolidated net sales (%)	15.0%	10.3%	25.4%	17.0%	11.8%	28.7%			

Notes: 1. Geographical distance is considered in the classification of country or area.
2. Major countries or areas included in each category are as follows;
East Asia: China, Korea, and Taiwan
Others: Southeast Asia (except East Asia), U.S.A., Europe, and others.
3. Overseas sales represent the sales of the Company to countries and areas outside of Japan.

16. Reconciliation of the differences between basic and diluted net income per share:

Reconciliation of the differences between basic and diluted net income per share for the years ended March 31, 2009 and 2008, was as follows:

	Yen		U.S. dollars
	2009	2008	2009
Basic net assets per share	¥431.77	¥476.39	$4.41
Basic net income per share	¥ 3.39	¥ 50.01	$0.03

(a) Net assets per share

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Total net assets	¥611,351	¥674,156	$6,238,271
Amount deducted from total net assets	7,504	7,912	76,575
Of which, minority interest	*7,504*	*7,912*	*76,575*
Net assets allocated to capital stock	¥603,846	¥666,244	$6,161,696
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,398,546	1,398,536	1,398,546

(b) Net income per share

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Net income	¥4,745	¥69,945	$48,414
Amount not allocated to capital stock	—	—	—
Net income allocated to capital stock	¥4,745	¥69,945	$48,414
Weighted-average number of shares of capital stock (thousand)	1,398,428	1,398,704	1,398,428

As the Company had no dilutive securities at March 31, 2009 and 2008, the Company does not disclose diluted net income for the years ended March 31, 2009 and 2008.

17. Subsequent events:

(1) Acquisition of company etc. through purchase of shares

On April 1, 2009, Asahi Kasei Microdevices Corp., subsidiary of Asahi Kasei Corp., purchased 80% of the issued and outstanding shares of Tateyama Device Inc. from Toko Inc. based on an agreement concluded on February 4, 2009, pertaining to share transfer, etc. Based on said agreement, Asahi Kasei Microdevices Corp. is scheduled to purchase the remaining issued and outstanding shares (20%) from Toko Inc., in principle three years later.

a) Reason for company acquisition through purchase of shares
It was determined that the IP cores and process technology related to power management semiconductors included in the acquired business would enable synergies in product development, and that it would be effective to utilize the company's commercial record in overseas markets in the further expansion of business in European and American markets.

b) Name of company from which shares were acquired
Toko Inc.

c) Acquired company name
Tateyama Device Inc.

d) Nature of business acquired
All semiconductor operations of Toko Inc. and its subsidiaries.

e) Scale of business acquired
The consolidated net sales of the semiconductor operations of Toko Inc. in the fiscal year ended March 31, 2008, were ¥15.6 billion.

f) Number of shares purchased, purchase price
Of the 2,000 issued and outstanding shares of Tateyama Device Inc., 1,600 shares were purchased on April 1, 2009. The purchase price is currently being calculated based on the March 31, 2009, book value of assets and liabilities transferred from Toko Inc.

(2) Change in classification of businesses within industry segments

Reconfiguration of electrochemicals-related operations

Asahi Kasei E-materials Corp. was established in April 1, 2009, by business split of Asahi Kasei Chemicals Corp. and Asahi Kasei EMD Corp. (renamed Asahi Kasei Microdevices Corp. on April 1, 2009). Beginning with the year ended March 31, 2010, the business of Asahi Kasei E-materials Corp. will be in the Electronics segment based on the similarity of product types and characteristics to those of electronics operations.

a. Main organizational entities transferred
  i. From Asahi Kasei Corp.
    Marketing Center for FPC/FPD Materials, New Business Development
  ii. From Asahi Kasei Chemicals Corp.
    • Hipore & Battery Materials Division (Hipore™ Li-ion rechargeable battery separators)
    • Photoproducts & Epoxy Resins Division (APR™ photopolymer and printing plate making systems, etc.)
    • Portions of Polymer Products Division (light diffusion plates)
  iii. From Asahi Kasei EMD Corp.
    • Electronics Materials Division (Pimel™ photosensitive polyimide precursor)
    • Electronics Interconnecting Materials Division (Sunfort™ dry film photoresist)
    • Electronics Insulation Materials Division (glass fabric for printed wiring boards)
    • Electronics Performance Products Division (photomask pellicles, etc.)

Note: No segment change for the entities listed under iii., above.

b. Effect of segment reclassification (based on results for the year ended March 31, 2009).
  i. From corporate expenses and eliminations to Electronics segment

	Millions of yen	Thousands of U.S. dollars
Operating income	¥(2,817)	$(28,745)
Assets	2,615	26,684

  ii. From Chemicals segment to Electronics segment

	Millions of yen	Thousands of U.S. dollars
Net sales	¥37,934	$387,082
Operating income	6,758	68,959
Assets	39,782	405,939

Transfer of Leona filament business

On April 1, 2009, Asahi Kasei Chemicals Corp., operating the Company's Leona™ businesses, performed a reorganization related to the Leona™ filament business, transferring said business to Asahi Kasei Fibers Corp, operating fibers businesses. As a result, beginning with the fiscal year ending March 31, 2010, the Leona™ filament business will be included in the Fibers segment.

a) Business transferred
Nylon 66 filament

b) Effect of segment reclassification

	Millions of yen	Thousands of U.S. dollars
Net sales	¥14,229	$145,194
Operating income	(648)	(6,612)
Assets	12,108	123,551

18. Borrowings:

(1) Bonds payable at March 31, 2009 and 2008, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unsecured 1.02% to 2.15% yen bonds due 2008 to 2009	¥20,000	¥35,000	$204,082
Unsecured 0.29% to 2.83% Euro yen bonds due 2007 to 2009	—	4,000	—
Unsecured 2.45%, US$1.90% to 3.10% reversal dual currency Euro yen bonds due 2008 to 2013	5,000	11,000	51,020
	¥25,000	¥50,000	$255,102

Notes: 1. Current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.
2. In the case of floating interest rates, the rate at the end of March is shown.
3. The interest rates of Euro yen bonds paid in yen and paid in US dollars are shown separately.
4. The aggregate annual maturities of long-term debt after March 31, 2009, are as follows:

	Millions of yen	Thousands of U.S. dollars
2009	¥20,000	$204,082
2010	—	—
2011	—	—
2012	—	—
2013 and thereafter	5,000	51,020
	¥25,000	$255,102

(2) Loans payable at March 31, 2009 and 2008, are comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Short-term loans payable with interest rate 1.23%	¥ 78,373	¥ 34,116	$ 799,726
Current portion of long-term loans payable with interest rate 1.63%	22,413	9,104	228,707
Current portion of lease obligations with interest rate 2.38%	489	—	4,987
Long-term loans payable (except portion due within one year) with interest rate 1.42%	132,474	63,187	1,351,776
Lease obligations (except portion due within one year) with interest rate 2.39%	1,845	—	18,825
Commercial papers with interest rate 0.57%	55,000	55,000	561,224
	¥290,594	¥161,407	$2,965,246

Notes: 1. Interest rates shown are weighted average interest rates for the balance outstanding at the end of March.
2. The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2009, are as follows:

	Long-term loans payable		Lease obligations	
Year ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2010	¥14,839	$151,421	¥500	$5,106
2011	30,217	308,337	512	5,526
2012	29,704	303,100	517	5,274
2013	23,229	237,036	307	3,134
2014 and thereafter	34,485	351,883	8	8

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Report of Independent Auditors

To the Board of Directors of Asahi Kasei Corporation

We have audited the accompanying consolidated balance sheet of Asahi Kasei Corporation ("the Company") and its subsidiaries as of March 31, 2009, and the related consolidated statements of income, changes in net assets and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its subsidiaries as of March 31, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Aarata
July 31, 2009

Major Subsidiaries and Affiliates

As of April 1, 2009

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
Chemicals Segment				
Asahi Kasei Chemicals Corp.*	Chemicals	¥	3,000	100.0
Sanyo Petrochemical Co., Ltd.*	Benzene, ethylene	¥	2,000	100.0
Asahi Kasei Pax Corp.*	Packaging products and solutions	¥	490	100.0
Asahi Kasei Home Products Corp.*	Cling film, other household products	¥	250	100.0
Asahi Kasei Metals Ltd.	Aluminum paste	¥	250	100.0
Asahi Kasei Finechem Co., Ltd.*	Specialty chemicals	¥	175	100.0
Asahi Kasei Geotechnologies Co., Ltd.	Sale of industrial explosives, civil engineering materials	¥	132	100.0
Asahi SKB Co., Ltd.	Shotgun cartridges	¥	100	100.0
Asahi Kasei Clean Chemical Co., Ltd.	Water treatment equipment, environmental chemicals	¥	100	100.0
Asahi Kasei Technoplus Co., Ltd.*	Processing and sale of plastic and fiber	¥	160	99.4
Japan Elastomer Co., Ltd.*	Synthetic rubber	¥	1,000	75.0
Sundic Inc.	Biaxially oriented polystyrene sheet	¥	1,050	50.0
Wacker Asahikasei Silicone Co., Ltd.	Silicone	¥	1,050	50.0
Okayama Chemical Co., Ltd.	Caustic soda, chlorine	¥	1,000	50.0
Kayaku Japan Co., Ltd.	Industrial explosives	¥	60	50.0
PS Japan Corp.	Polystyrene	¥	5,000	45.0
Chisso Asahi Fertilizer Co., Ltd.	Fertilizer	¥	305	35.0
Asahi Organic Chemicals Industry Co., Ltd.	Synthetic resin, fabricated plastic products	¥	5,000	30.1
Asahikasei Plastics (America) Inc.*	Compounded performance resin operations	US$	17.8**	100.0
Asahi Kasei Plastics North America, Inc.*	Coloring and compounding of performance resin	US$	21.7**	100.0
Sun Plastech Inc.*	Sale of purging compound	US$	1.0	100.0
Tong Suh Petrochemical Corp., Ltd.*	Acrylonitrile, sodium cyanide	W	50,642	100.0
Asahi Kasei Chemicals Korea Co., Ltd.	Adipic acid	W	1,500	100.0
Asahikasei Plastics (Shanghai) Co., Ltd.	Sale of performance resin	CNY	18	100.0
Asahikasei (Suzhou) Plastics Compound Co., Ltd.	Coloring, compounding, and sale of performance resin	CNY	50	51.0
Asahi-DuPont POM (Zhangjiagang) Co., Ltd.	Polyacetal	US$	32.0	50.0
Asahi Kasei Performance Chemicals Corp.*	High-performance HDI-based polyisocyanate	CNY	149	100.0
Asahi Kasei Microza (Hangzhou) Co., Ltd.*	Industrial membranes and systems	CNY	49	100.0
Asahi Kasei Plastics (Hong Kong) Co., Ltd.	Sale of performance resin	HK$	20	100.0
Asahi Kasei Plastics Singapore Pte. Ltd.*	Performance resin	US$	46.0	100.0
Polyxylenol Singapore Pte. Ltd.*	PPE powder	US$	35.0	70.0
Asahikasei Plastics (Thailand) Co., Ltd.	Coloring, compounding, and sale of performance resin	B	140	100.0
PT Nippisun Indonesia	Coloring, compounding, and sale of styrenic resin	US$	6.3	25.7
Asahi Kasei Plastics Europe SA/NV*	Sale of compounded performance resin	€	5.0	100.0
Homes Segment				
Asahi Kasei Homes Corp.*	Housing	¥	3,250	100.0
Asahi Kasei Jyuko Co., Ltd.*	Steel frames	¥	2,820	100.0
Asahi Kasei Mortgage Corp.*	Financial services	¥	1,000	100.0
Asahi Kasei Reform Co., Ltd.*	Home maintenance and remodeling	¥	250	100.0
Asahi Kasei Real Estate, Ltd.*	Home leasing, real estate brokerage	¥	200	100.0
Health Care Segment				
Asahi Kasei Pharma Corp.*	Pharmaceuticals, medical products	¥	3,000	100.0
Asahi Kasei Kuraray Medical Co., Ltd.*	Hemodialyzers, therapeutic apheresis devices	¥	800	93.0
Asahi Kasei Medical Co., Ltd.*	Medical devices, medical systems	¥	200	100.0
Asahikasei Aime Co., Ltd.*	Contact lenses	¥	480	100.0
Asahi Kasei TechniKrom, Inc.*	Bioprocess equipment and systems	US$	30.0	100.0
Asahi Kasei Medical America Inc.	Sale of medical devices, medical systems	US$	0.5	93.0

* Consolidated subsidiary
** Including capital reserve

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
Asahi Kasei Medical (Hangzhou) Co., Ltd.*	Hemodialyzers	CNY	163	93.0
Asahi Kasei Medical Europe GmbH	Sale of medical devices, medical systems	€	0.2	93.0
Asahi Kasei Planova Europe SA/NV	Sale of virus removal filters	€	0.2	100.0
Asahi Pharma Spain, SL	Pharmaceuticals	€	0.1	100.0
Fibers Segment				
Asahi Kasei Fibers Corp.*	Fiber, textiles	¥	3,000	100.0
Kyokuyo Sangyo Co., Ltd.*	Processing and sale of fiber, textiles	¥	80	100.0
Asahi Kasei AGMS Corp.*	Computerized grading, marking, and pattern-making systems	¥	50	100.0
DuPont-Asahi Flash Spun Products Co., Ltd.	Flash spun	¥	450	50.0
Asahi Kasei Spandex America, Inc.*	Spandex	US$	32.3**	100.0
Hangzhou Asahikasei Spandex Co., Ltd.*	Spandex	CNY	132	100.0
Hangzhou Asahikasei Textiles Co., Ltd.*	Warp-knit spandex textiles	CNY	78	82.5
Formosa Asahi Spandex Co., Ltd.	Spandex	NT$	801	50.0
Asahi Chemical (HK) Ltd.*	Promotion and marketing of fiber and textiles	HK$	65	100.0
Thai Asahi Kasei Spandex Co., Ltd.*	Spandex	B	1,350	60.0
Asahi Kasei Spandex Europe GmbH*	Spandex	€	19.6**	100.0
Asahi Kasei Fibers Italy SRL*	Sale of spandex and cupro cellulosic fiber	€	3.0	100.0
Asahi Kasei Fibers Deutschland GmbH	Sale of artficial suede	€	0.3	100.0
Electronics Segment				
Asahi Kasei Microdevices Corp.*	Electronic devices	¥	3,000	100.0
Asahi Kasei E-materials Corp.*	Electronic materials	¥	3,000	100.0
Asahi Kasei Epoxy Co., Ltd.*	Epoxy resin	¥	300	100.0
Asahi Kasei Microsystems Co., Ltd.*	LSIs	¥	50	100.0
Asahi-Schwebel Co., Ltd.*	Glass fabric	¥	50	100.0
Asahi Kasei Electronics Co., Ltd.*	Hall elements	¥	50	100.0
Asahi Kasei Toko Power Devices Corp.*	Power management semiconductors	¥	100	80.0
AKM Semiconductor, Inc.*	Sale of LSIs	US$	2.9	100.0
Asahi Kasei EMD Korea Corp.	Sale of pellicles	W	820	100.0
Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.*	Dry film photoresist	CNY	181	100.0
Asahi Kasei EMD Taiwan Corp.	Sale of pellicles	NT$	1	100.0
Asahi Kasei Wah Lee Hi-Tech Corp.*	Dry film photoresist	NT$	49	80.6
Asahi-Schwebel (Taiwan) Co., Ltd.*	Glass fabric	NT$	326	51.0
Asahi Photoproducts (Europe) SA/NV*	Sale of photopolymer, printing-plate making systems	€	3.4	100.0
Asahi Photoproducts (UK) Ltd.*	Sale of photopolymer, printing-plate making systems	£	0.3	100.0
Construction Materials Segment				
Asahi Kasei Construction Materials Corp.*	Construction materials	¥	3,000	100.0
Asahi Kasei Foundation Systems Corp.*	Installation of piles	¥	200	100.0
Services, Engineering and Others Segment				
Asahi Research Center Co., Ltd.*	Information and analysis	¥	1,000	100.0
Asahi Finance Co., Ltd.*	Investment, finance	¥	800	100.0
Asahi Kasei Engineering Co., Ltd.*	Plant, equipment, process engineering	¥	400	100.0
Asahi Kasei Trading Co., Ltd.*	Sale of Asahi Kasei products	¥	98	100.0
Sun Trading Co., Ltd.*	Sale of Asahi Kasei products	¥	94	100.0
Asahi Kasei Amidas Co., Ltd.*	Employment agency, consulting	¥	80	100.0
AJS Inc.	Computer software, IT systems	¥	800	49.0
Asahi Kasei America, Inc.*	Business support services	US$	0.1	100.0
Asahi Kasei Business Management (Shanghai) Co., Ltd.	Business support services	US$	3.0	100.0

* Consolidated subsidiary
** Including capital reserve

Corporate Profile

As of March 31, 2009

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,388,521,767
Employees	24,244 (consolidated)
	823 (non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

Tokyo Head Office
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3000
Fax: +81-3-3296-3161

Osaka Head Office*
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Osaka 530-8205 Japan
Phone: +81-6-7636-3111
Fax: +81-6-7636-3077

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Chao Yang District
Beijing 100022 China
Phone: +86-10-6569-3939
Fax: +86-10-6569-3938

Shanghai Office
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Shanghai Central Plaza
381 Huaihai Zhong Road
Shanghai 200020 China
Phone: +86-21-6391-6111
Fax: +86-21-6391-6686

Asahi Kasei America, Inc.
535 Madison Avenue, 33rd Floor
New York, NY 10022 USA
Phone: +1-212-371-9900
Fax: +1-212-371-9050

Core Operating Companies

Asahi Kasei Chemicals
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Tokyo 101-8101 Japan
Phone: +81-3-3296-3200

Asahi Kasei Homes
1-24-1 Nishi-shinjuku, Shinjuku-ku
Tokyo 160-8345 Japan
Phone: +81-3-3344-7111

Asahi Kasei Pharma
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3600

Asahi Kasei Kuraray Medical
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3750

Asahi Kasei Medical
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3750

Asahi Kasei Fibers*
3-3-23 Nakanoshima, Kita-ku
Osaka 530-8205 Japan
Phone: +81-6-7636-3500

Asahi Kasei Microdevices†
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3911

Asahi Kasei E-materials‡
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3939

Asahi Kasei Construction Materials
1-105 Kanda Jinbocho, Chiyoda-ku
Tokyo 101-8101 Japan
Phone: +81-3-3296-3500

* Moved to this address on May 7, 2009.
† Renamed from Asahi Kasei EMD on April 1, 2009.
‡ Began operation as a core operating company on April 1, 2009.

Investors Information

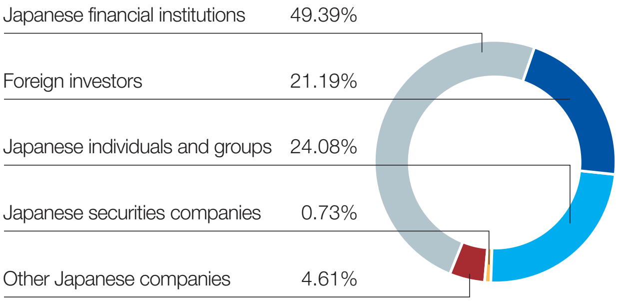
As of March 31, 2009

Stock Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Stock Code	3407
Authorized Shares	4,000,000,000
Outstanding Shares	1,402,616,332
Transfer Agent	Sumitomo Trust & Banking Co., Ltd. 4-5-33 Kitahama, Chuo-ku Osaka 541-8639 Japan
Independent Auditors	PricewaterhouseCoopers Aarata
Number of Shareholders	133,188

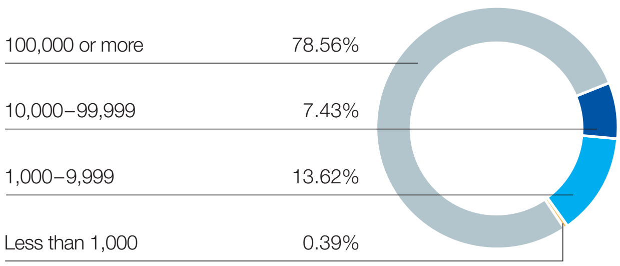
Largest Shareholders	% of equity*
Master Trust Bank of Japan, Ltd. (trust account)	6.18
Japan Trustee Services Bank, Ltd. (trust account 4G)	6.03
Japan Trustee Services Bank, Ltd. (trust account)	5.75
Nippon Life Insurance Co.	5.22
Employees' Stockholding	2.84
Sumitomo Mitsui Banking Corp.	2.53
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.22
Meiji Yasuda Life Insurance Co.	1.49
Mizuho Corporate Bank, Ltd.	1.45
Sumitomo Life Insurance Co.	1.40

* Percentage of equity ownership after exclusion of treasury stock.

Distribution by Type of Shareholder



Distribution by Number of Shares Held



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