Asahi Kasei Corporation
Head Office: 3-3-23 Nakanoshima, Kita-ku, Osaka, Japan
Tokyo Head Office: 1-105 Kanda Jinbocho, Chiyoda-ku, Tokyo, Japan
Security code: 3407
Contact: Corporate Communications, Phone +81-3-3296-3008, Fax +81-3-3296-3162

November 2, 2009

Consolidated Results for 1st and 2nd Quarters Fiscal 2009: April 1, 2009 – September 30, 2009

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

I. Summary of Consolidated Results

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

	Q1–Q2 2009	Q1–Q2 2008
Net sales	658,648 [−21.9%]	843,185 [—]
Operating income (loss)	17,964 [−55.2%]	40,139 [—]
Ordinary income (loss)	15,077 [−62.9%]	40,665 [—]
Net income (loss)	4,242 [−81.9%]	23,415 [—]
Net income (loss) per share*	3.03	16.74
Diluted net income (loss) per share*	—	—

* Yen

2. Financial position

At end of	September 2009	March 2009
Total assets	1,375,086	1,379,337
Net assets	623,437	611,351
Net worth/total assets	44.8%	43.8%
Net worth per share*	440.54	431.77

* Yen

Notes:
- Net worth consists of shareholders' equity and valuation and translation adjustments.
- Net worth as of September 30, 2009, was ¥616,073 million; as of March 31, 2009, ¥603,846 million.

II. Cash Dividends

Fiscal year	Cash dividends per share*				
	Q1	Q2	Q3	Q4	Total annual
2008	—	7.00	—	3.00	10.00
2009	—	5.00			
2009 (forecast)			—	5.00	10.00

* Yen

Note: No revision of cash dividend forecast during the period.

III. Forecast for Fiscal 2009 (April 1, 2009 – March 31, 2010)

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

Net sales	1,437,000 [−7.5%]
Operating income	50,000 [+43.0%]
Ordinary income	47,000 [+44.6%]
Net income	16,000 [+237.2%]
Net income per share*	11.44

* Yen

2. Comparison of previous and revised fiscal 2009 forecasts

(billions of yen)

	Previous forecast	Revised forecast	Increase	*cf.* fiscal 2008 results
Net sales	1,355.0	1,437.0	82.0	1,553.1
Operating income	41.0	50.0	9.0	35.0
Ordinary income	39.0	47.0	8.0	32.5
Net income	15.0	16.0	1.0	4.7

Notes:

- Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.
- The forecast for fiscal 2009 announced on May 12, 2009, has been revised.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the fiscal quarter ended September 30, 2009: None.

2. Adoption of simplified accounting methods and special accounting methods for preparation of quarterly consolidated financial statements.

   1) Simplified accounting methods

   Method of calculating allowance for doubtful accounts: Because the rate of unrecoverable receivables as of September 30, 2009, was not significantly different than that estimated at the end of the previous fiscal year, the rate of unrecoverable receivables as of the end of the previous fiscal year was used as a basis for estimating allowance for doubtful accounts.

   Valuation of inventories: No physical inventory as of September 30, 2009, was performed. Rather, the value of inventories is calculated using a reasonable method based on the physical inventory performed at the end of the previous fiscal year. The carrying amount of inventories is reduced to the estimated net sale price only where a decrease in profitability is apparent.

   Method of calculating depreciation of noncurrent assets: For assets depreciated using the declining-balance method, depreciation expenses for the fiscal year are calculated in proportion to the fiscal period.

   Method of calculating deferred tax assets and liabilities: When there is no significant change in the operating environment or in the occurrence of temporary differences after the end of the previous fiscal year, collectibility of deferred tax assets is calculated based on the performance forecasts and tax planning used in the previous fiscal year. However, when there is significant change in the operating environment or in the occurrence of temporary differences after the end of the previous fiscal year, collectibility of deferred tax assets is calculated based on the performance forecasts and tax planning used in the previous fiscal year together with the effect of such significant change.

2) Special accounting methods for presentation of quarterly consolidated financial statements.

Income tax expenses: A reasonable estimate of the effective tax rate after applying tax-effect accounting for the current fiscal year is made, and quarterly income before income taxes is multiplied by the corresponding effective tax rate. The amount shown as "income taxes" includes both "income taxes – current" and "income taxes – deferred."

3. Changes in accounting principles/procedures, changes in methods of presentation in preparation of quarterly consolidated financial statements.

1) Change in standards for recording amount of completed work and cost of completed work.

Accounting Standard for Construction Contracts (ASBJ Statement No. 15) and Guidance on Accounting Standard for Construction Contracts (ASBJ Guidance No. 18) are applied beginning with the quarter ended June 30, 2009. For construction contracts commencing during the quarter ended June 30, 2009, and thereafter, the percentage-of-completion method is applied to the portion completed by September 30, 2009, for which the outcome of the construction activity is deemed certain (progress of work estimated by percentage of cost incurred) and the completed-contract method is applied to other work. The impact of this change on the consolidated quarterly financial statements is immaterial.

4. Number of shares outstanding

	Q1–Q2 2009	FY 2008
Number of shares outstanding at end of period	1,402,616,332	1,402,616,332
Number of shares of treasury stock at end of period	4,156,354	4,070,731
Average number of shares outstanding during period	1,398,501,222	1,398,467,549*

* Q1–Q2 2008

V. Overview of Consolidated Results

1. Consolidated group results

The global economy experienced a phase of recovery during the April to September period, with the effect of economic stimulus packages implemented in China and elsewhere to counter the severe economic downturn which began last autumn. For the Japanese economy, although there were some signs of improvement in corporate earnings, consumer spending remained sluggish, and the operating environment for Asahi Kasei and its consolidated subsidiaries (the Asahi Kasei Group) remained challenging.

Although results for the period were substantially better than previously forecast due to the recovery in market conditions, Asahi Kasei's consolidated net sales were ¥658.6 billion, a decrease of ¥184.5 billion (21.9%) from a year ago, with lower market prices in the Chemicals segment as an effect of declining feedstock prices. While operating cost reductions were achieved in the Homes segment, operating income decreased by ¥22.2 billion (55.2%) to ¥18.0 billion as market conditions for the Electronics and Fibers segments were sluggish to recover and the Health Care segment had decreased licensing income. Ordinary income decreased by ¥25.6 billion (62.9%) to ¥15.1 billion, and net income decreased by ¥19.2 billion (81.9%) to ¥4.2 billion.

2. Results by operating segment

Six operating segments correspond to the main fields of business, and the Services, Engineering and Others segment comprises the remainder of operations. The following segment names have been revised beginning with the first quarter of fiscal 2009 for greater clarity and correspondence with the fields of businesses under operation.

Previously	*Changed to*
Electronics Materials & Devices segment	Electronics segment
Pharma segment	Health Care segment

The electronic materials operations of Asahi Kasei Corp., Asahi Kasei Chemicals, and Asahi Kasei EMD (renamed Asahi Kasei Microdevices on April 1, 2009) were transferred to Asahi Kasei E-materials on April 1, 2009. In consideration of the similarity of product types and characteristics to those of electronics operations, the operations of Asahi Kasei E-materials are reported in the Electronics segment. For comparison purposes, results for the year-ago period have been revised to reflect the transfer of the corresponding operations from the Chemicals segment and Corporate Expenses to the Electronics segment.

The Leona™ nylon 66 filament business of Asahi Kasei Chemicals was transferred to Asahi Kasei Fibers on April 1, 2009. For comparison purposes, results for the year-ago period in the Chemicals and Fibers segments have been revised to reflect this transfer.

CHEMICALS

Sales decreased by ¥128.9 billion (30.5%) from a year ago to ¥293.3 billion and operating income decreased by ¥1.6 billion (12.2%) to ¥11.5 billion.

Although prices for chemicals and derivative products fell as an effect of a sharp drop in feedstock prices, terms of trade improved. Shipments of polymer products for electronics and automotive applications were sluggish. In specialty products operations, performance was firm in Duranate™ HDI-based polyisocyanate but recovery of operating performance was sluggish in water-treatment and ion-exchange membrane business operations.

HOMES

Sales decreased by ¥12.6 billion (7.4%) from a year ago to ¥157.7 billion and operating income increased by ¥1.1 billion (36.5%) to ¥4.1 billion. Orders for order-built homes decreased by ¥2.6 billion to ¥154.6 billion.

Although deliveries of order-built Hebel Haus™ unit homes decreased substantially, performance improved with the implementation of operating cost reductions and other measures to raise operating efficiency and with firm results in remodeling and other housing-related operations.

Health Care

Sales decreased by ¥6.5 billion (10.3%) from a year ago to ¥56.3 billion and operating income decreased by ¥6.8 billion (66.5%) to ¥3.4 billion.

In pharmaceuticals operations, shipments of the Flivas™ agent for the treatment of benign prostatic hyperplasia and the Elcitonin™ calcitonin formulation increased, but licensing income decreased substantially. While shipments of Planova™ virus removal filters and Sepacell™ leukocyte reduction filters to overseas markets increased, devices-related operations were sharply impacted by the appreciation of the yen.

Fibers

Sales decreased by ¥15.4 billion (24.1%) from a year ago to ¥48.7 billion and an operating loss of ¥2.9 billion resulted with a ¥4.2 billion decrease in profitability.

Market prices of Roica™ elastic polyurethane filament fell substantially due to deteriorating overseas market conditions. Bemberg™ regenerated cellulose was impacted by the appreciation of the yen and a decrease in shipments to both domestic and overseas markets. Shipments of nonwovens, particularly spunbond, and Leona™ nylon 66 filament for tire cord applications also decreased.

Electronics

Sales decreased by ¥10.2 billion (12.9%) from a year ago to ¥68.5 billion and operating income decreased by ¥9.8 billion (77.6%) to ¥2.8 billion.

The electronics industry in general entered the path toward moderate recovery. Electronic devices operations were impacted by the appreciation of the yen, and while shipments of LSIs for new applications increased, recovery of shipments of LSIs for conventional applications was sluggish and shipments of magnetic sensors decreased. In electronic materials operations, shipments of Hipore™ Li-ion rechargeable battery separator, Sunfort™ dry film photoresist, and glass fabric decreased.

Construction Materials

Sales decreased by ¥6.7 billion (21.4%) from a year ago to ¥24.6 billion and operating income decreased by ¥0.2 billion (29.0%) to ¥0.6 billion.

Although development of new applications and reduction of operating costs were advanced, shipments of building materials and housing materials such as Hebel™ autoclaved aerated concrete (AAC) panels and other AAC-related products, piles and other foundation systems, and thermal insulation panels decreased with a decline in new construction starts.

Services, Engineering and Others

Sales decreased by ¥4.3 billion (30.9%) from a year ago to ¥9.6 billion and operating income decreased by ¥2.0 billion (66.4%) to ¥1.0 billion.

Decreased orders were received in engineering operations due to a curtailment of capital investments.

VI. Consolidated Balance Sheets

	At end of Sept. 2009	At end of March 2009
Assets		
Current assets		
Cash and deposits	71,676	97,969
Notes and accounts receivable – trade	236,630	208,868
Short-term investment securities	588	406
Merchandise and finished goods	119,371	138,098
Work in process	96,145	82,832
Raw materials and supplies	50,683	52,609
Deferred tax assets	19,184	18,444
Other	60,112	85,626
Allowance for doubtful accounts	(1,634)	(2,648)
Total current assets	652,754	682,205
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	404,594	381,725
Accumulated depreciation	(225,662)	(217,710)
Buildings and structures, net	178,932	164,014
Machinery, equipment and vehicles	1,190,268	1,138,427
Accumulated depreciation	(1,015,016)	(977,646)
Machinery, equipment and vehicles, net	175,252	160,781
Land	54,662	53,740
Lease assets	4,322	2,540
Accumulated depreciation	(592)	(227)
Lease assets, net	3,730	2,313
Construction in progress	27,106	44,140
Other	113,617	109,437
Accumulated depreciation	(97,206)	(93,155)
Other, net	16,411	16,282
Subtotal	456,093	441,271
Intangible assets		
Goodwill	8,365	7,449
Other	30,836	29,935
Subtotal	39,202	37,384
Investments and other assets		
Investment securities	166,912	157,091
Long-term receivables	6,081	2,670
Deferred tax assets	24,288	28,874
Other	29,908	29,993
Allowance for doubtful accounts	(152)	(151)
Subtotal	227,036	218,477
Total noncurrent assets	722,331	697,132
Total assets	1,375,086	1,379,337

	At end of Sept. 2009	At end of March 2009
Liabilities		
Current liabilities		
Notes and accounts payable, trade	111,667	113,378
Short-term loans payable	100,925	100,786
Commercial paper	64,000	55,000
Current portion of bonds	—	20,000
Lease obligations	832	489
Income taxes payable	7,039	4,097
Accrued expenses	79,129	86,947
Advances received	48,668	40,203
Provision for repairs	6,705	1,674
Provision for product warranties	6,180	9,396
Other	49,099	55,951
Total current liabilities	474,243	487,921
Noncurrent liabilities		
Bonds payable	5,000	5,000
Long-term loans payable	130,376	132,474
Lease obligations	2,912	1,845
Deferred tax liabilities	6,361	4,257
Provision for retirement benefits	111,360	109,864
Provision for directors' retirement benefits	1,034	1,046
Provision for repairs	458	4,499
Long-term guarantee deposited	17,810	19,149
Other	2,094	1,931
Total noncurrent liabilities	277,406	280,065
Total liabilities	751,648	767,986
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,403	79,404
Retained earnings	418,061	418,292
Treasury stock	(1,983)	(1,946)
Total shareholders' equity	598,869	599,139
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	32,401	23,301
Deferred gains or losses on hedges	77	(178)
Foreign currency translation adjustment	(15,274)	(18,416)
Total valuation and translation adjustments	17,204	4,708
Minority interests	7,364	7,504
Total net assets	623,437	611,351
Total liabilities and net assets	1,375,086	1,379,337

VII. Consolidated Statements of Income

	Q1–Q2 2008	Q1–Q2 2009
Net sales	843,185	658,648
Cost of sales	657,996	507,540
Gross profit	185,189	151,108
Selling, general and administrative expenses	145,050	133,144
Operating income	40,139	17,964
Non-operating income		
Interest income	607	616
Dividends income	1,607	1,248
Equity in earnings of affiliates	590	—
Foreign exchange gain	334	—
Other	1,768	1,471
Total non-operating income	4,906	3,336
Non-operating expenses		
Interest expense	2,135	1,904
Equity in losses of affiliates	—	189
Foreign exchange loss	—	2,193
Other	2,246	1,937
Total non-operating expenses	4,381	6,222
Ordinary income	40,665	15,077
Extraordinary income		
Gain on sales of investment securities	12	102
Gain on sales of noncurrent assets	58	24
Total extraordinary income	70	126
Extraordinary loss		
Loss on valuation of investment securities	178	727
Loss on disposal of noncurrent assets	1,033	1,294
Impairment loss	216	74
Environmental expenses	—	1,180
Business structure improvement expenses	—	1,441
Total extraordinary loss	1,427	4,715
Income before income taxes	39,307	10,488
Income taxes	15,398	6,366
Minority interests in income (loss)	495	(120)
Net income	23,415	4,242

VIII. Cash flows

	Q1–Q2 2008	Q1–Q2 2009
Cash flows from operating activities:		
Income (loss) before income taxes	39,307	10,488
Depreciation and amortization	37,507	39,541
Impairment loss	216	74
Amortization of goodwill	262	525
Amortization of negative goodwill	(46)	(19)
Increase (decrease) in provision for repairs	(1,353)	991
Increase (decrease) in provision for product warranties	6,385	(3,217)
Increase (decrease) in provision for retirement benefits	(3,139)	(84)
Interest and dividend income	(2,214)	(1,865)
Interest expense	2,135	1,904
Equity in (earnings) losses of affiliates	(590)	189
Loss (gain) on sales of investment securities	(12)	(102)
Loss (gain) on valuation of investment securities	178	727
Loss (gain) on sales of property, plant and equipment	(58)	(24)
Loss (gain) on disposal of noncurrent assets	1,033	1,294
Decrease (increase) in notes and accounts receivable, trade	(9,239)	(25,998)
Decrease (increase) in inventories	(38,398)	11,823
Increase (decrease) in notes and accounts payable, trade	20,804	(2,677)
Increase (decrease) in accrued expenses	(10,421)	(8,423)
Increase (decrease) in advances received	15,489	8,459
Other, net	(21,866)	11,464
Subtotal	35,980	45,069
Interest and dividend income, received	3,690	2,899
Interest expense, paid	(2,225)	(1,992)
Income taxes (paid) refund	(10,237)	6,630
Net cash provided by (used in) operating activities	27,209	52,607
Cash flows from investing activities:		
Purchase of property, plant and equipment	(45,847)	(46,887)
Proceeds from sales of property, plant and equipment	788	154
Purchase of intangible assets	(16,310)	(4,491)
Purchase of investment securities	(5,973)	(5,623)
Proceeds from sales of investment securities	125	5,147
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	—	1,106
Payments of loans receivable	(3,475)	(6,429)
Collection of loans receivable	3,485	4,946
Other, net	(810)	(1,644)
Net cash provided by (used in) investing activities	(68,016)	(53,720)

	Q1–Q2 2008	Q1–Q2 2009
Cash flows from financing activities:		
Net increase (decrease) in short-term loans payable	1,251	(1,166)
Increase (decrease) in commercial paper	40,000	9,000
Proceeds from long-term loans payable	10,700	4,792
Repayment of long-term loans payable	(1,329)	(13,794)
Redemption of bonds	(20,000)	(20,000)
Repayments of lease obligations	(37)	(363)
Purchase of treasury stock	(154)	(62)
Proceeds from disposal of treasury stock	64	21
Cash dividends paid	(9,791)	(4,196)
Cash dividends paid to minority shareholders	(298)	(268)
Other	(153)	63
Net cash provided by (used in) financing activities	20,254	(25,974)
Effect of exchange rate change on cash and cash equivalents	(2,334)	621
Net increase (decrease) in cash and cash equivalents	(22,887)	(26,466)
Cash and cash equivalents at beginning of period	83,033	98,092
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	360
Cash and cash equivalents at end of period	60,146	71,986

IX. Operating Segment Information

Note: For comparison purposes, results by segment for the previous year are revised to reflect the April 1, 2009, transfer of electronic materials operations from the Chemicals segment and corporate expenses to the Electronics segment and the April 1, 2009, transfer of nylon 66 filament operations from the Chemicals segment to the Fibers segment.

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

1) Consolidated net sales

(billions of yen)

	Q1–Q2 2008	Q1–Q2 2009	Increase (decrease)	Fiscal 2009 forecast
Chemicals	422.1	293.3	(128.9)	606.0
Homes	170.3	157.7	(12.6)	394.0
Health Care	62.8	56.3	(6.5)	118.0
Fibers	64.1	48.7	(15.4)	101.0
Electronics	78.7	68.5	(10.2)	147.0
Construction Materials	31.3	24.6	(6.7)	50.0
Services, Engineering and Others	13.9	9.6	(4.3)	21.0
Total	843.2	658.6	(184.5)	1,437.0

2) Consolidated operating income (loss)

(billions of yen)

	Q1–Q2 2008	Q1–Q2 2009	Increase (decrease)	Fiscal 2009 forecast
Chemicals	13.1	11.5	(1.6)	21.5
Homes	3.0	4.1	1.1	22.0
Health Care	10.2	3.4	(6.8)	8.0
Fibers	1.3	(2.9)	(4.2)	(3.0)
Electronics	12.6	2.8	(9.8)	8.0
Construction Materials	0.8	0.6	(0.2)	1.0
Services, Engineering and Others	3.1	1.0	(2.0)	1.5
Combined	44.1	20.6	(23.5)	59.0
Corporate expenses and eliminations	(4.0)	(2.6)	1.3	(9.0)
Consolidated	40.1	18.0	(22.2)	50.0

2. Operating income increases/decreases by segment

(billions of yen)

	Increase (decrease) due to:				Net increase (decrease)
	Sales volume	Sales prices [*of which, due to foreign exchange*]		Operating costs and others	
Chemicals	(6.3)	(71.0)	(5.3)	75.7	(1.6)
Homes	(5.1)	1.6	—	4.6	1.1
Health Care	2.8	(2.3)	(1.5)	(7.3)	(6.8)
Fibers	(2.0)	(4.7)	(1.5)	2.6	(4.2)
Electronics	(1.6)	(6.6)	(1.3)	(1.6)	(9.8)
Construction Materials	(2.5)	1.0	—	1.2	(0.2)
Services, Engineering and Others	(2.0)	0.0	0.0	(0.0)	(2.0)
Corporate expenses and eliminations	—	—	—	1.3	1.3
Consolidated	(16.7)	(82.0)	(9.7)	76.5	(22.2)

3. Major financial metrics (consolidated)

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

	Q1–Q2 2008	Q1–Q2 2009	Fiscal 2009 forecast
Capital expenditure (tangible)	50.7	43.2	84.0
Capital expenditure (intangible)	16.2	3.9	6.0
Purchase of investment securities	6.0	5.6	12.0
Depreciation and amortization	37.5	39.5	86.0
Balance of payments	0.0	(0.1)	(0.8)
of which, dividends received	*1.6*	*1.2*	*2.0*
R&D expenses	29.6	30.1	62.5
Employees at end of quarter	24,330	25,076	
D/E ratio	0.36	0.49	

4. Contract trends for home construction operations

	Q1–Q2 2008	Q1–Q2 2009	Increase (decrease)	Fiscal 2009 forecast
No. of orders received (home units)	6,412	6,680	268	13,280
Value of orders received (¥ billion)	157.1	154.6	(2.6)	309.0
Backlog of orders (¥ billion)	326.6	321.3	(5.2)	306.5
No. of sales (home units)	5,148	4,687	(461)	12,300
Value of sales (¥ billion)	129.4	115.8	(13.5)	285.0

5. Key operating factors

		Q1–Q2 2008	Q1–Q2 2009	Increase (decrease)	Fiscal 2009 forecast
Naphtha price (yen/kL, domestic)		78,350	37,250	(41,100)	38,625
Exchange rates (market average)	Yen/US$	106	95	(11)	93
	Yen/€	163	133	(30)	134

6. Interest-bearing debt

(billions of yen)

	At end of March 2009	At end of Sept. 2009	Increase (decrease)
Short-term borrowings	100.8	100.9	0.1
Commercial paper	55.0	64.0	9.0
Long-term debt	132.5	130.4	(2.1)
Corporate bonds	25.0	5.0	(20.0)
Lease obligations	2.3	3.7	1.4
Total	315.6	304.0	(11.5)