Asahi KASEI

Annual Report 2008

ASAHI KASEI CORPORATION

Contents

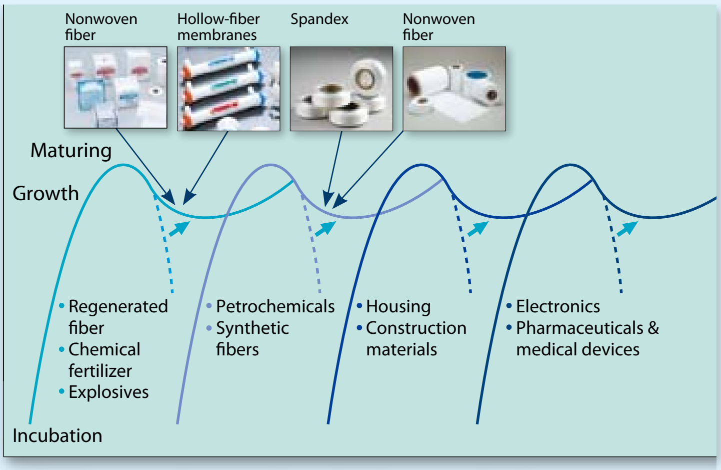
We the Asahi Kasei Group, through constant innovation and advances based in science and the human intellect, will contribute to human life and human livelihood.

History of Diversification, Operating Structure

The Asahi Kasei Group is a selectively diversified enterprise group centered in chemicals, with business extending to housing and semiconductors.

History of Diversification

A concerted drive to diversify into a broad range of fields began in the 1950s. A rapid pace of growth was sustained by successive advances into new fields of business, which were developed based on combinations of new technology with the technology of established businesses. When each business began to mature, its growth would naturally tend to slow. As this happened, there were other businesses which were new and growing quickly, ensuring that a high overall rate of growth was maintained.



1923
Ammonia
Ammonium sulfate
1924
Rayon
1931
Bemberg™
1932
Explosives

1953/1957
Saran™ fiber
Polystyrene
1959/1962
Acrylic fiber
Acrylonitrile
1964
Nylon fiber
Synthetic rubber
1972
Ethylene plant

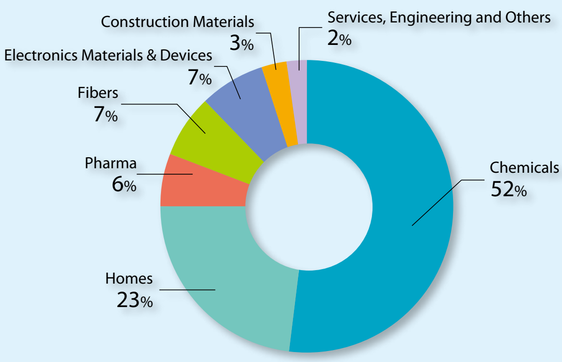
1967
Hebel™
1972
Hebel Haus™

1975
Artificial kidneys
1978
Hall elements
1981
Pharmaceuticals business unit
Dry film resist
1983
LSIs
Nonwoven

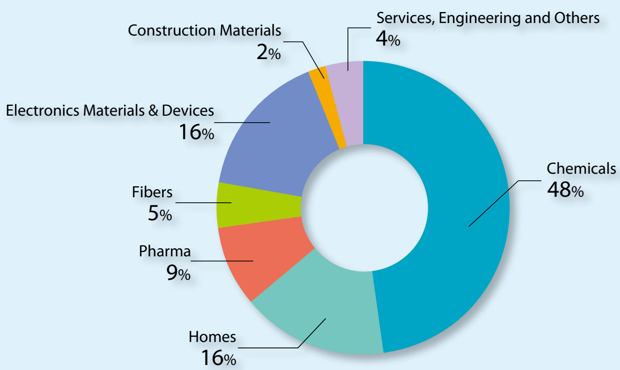
Business Configuration

Following this period of growth through diversification, we underwent a structural transformation with the business portfolio refocused with greater selectivity. Underperforming businesses were withdrawn, and resources were concentrated on growth in businesses with clear competitive superiority. A breakdown of sales and operating profit in our seven current operating segments is shown below.

Fiscal 2007 Sales by Segment



Fiscal 2007 Operating Profit by Segment



Operating Structure

Since October 2003 we have operated as a holding company with a wholly owned core operating company in each main field of business. The holding company is focused on strategic planning & analysis, administration of resources, oversight of management execution, and development of new businesses which extend beyond the scope of any single operating segment. The core operating companies enjoy broad independence and autonomy to swiftly adapt and respond to the distinct operating environment in their own segment of business. Corporate value for the group as a whole is further enhanced through synergies among the core operating companies, and between the holding company and each core operating company.

Holding Company

ASAHI KASEI CORPORATION

Segments, Core Operating Companies | **Businesses/Products**

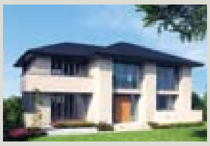
Chemicals
ASAHI KASEI CHEMICALS


Chemicals & derivative products


Polymer products


Specialty products

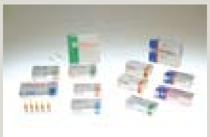
Homes
ASAHI KASEI HOMES


Hebel Haus™ unit homes


Hebel Maison™ apartments


Condominiums

Pharma
ASAHI KASEI PHARMA


Pharmaceuticals


APS™ polysulfone-membrane dialyzers


Planova™ virus removal filters

Fibers
ASAHI KASEI FIBERS


Roica™ elastic polyurethane filament

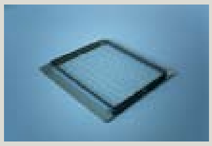

Bemberg™ regenerated cellulose


Lamous™ artificial suede

Electronics Materials & Devices
ASAHI KASEI EMD


LSIs


Sunfort™ dry film photoresist


Photomask pellicles

Construction Materials
ASAHI KASEI CONSTRUCTION MATERIALS


Hebel™ autoclaved lightweight concrete (ALC)


Eazet™ piling system


Neoma™ high-performance foam insulation

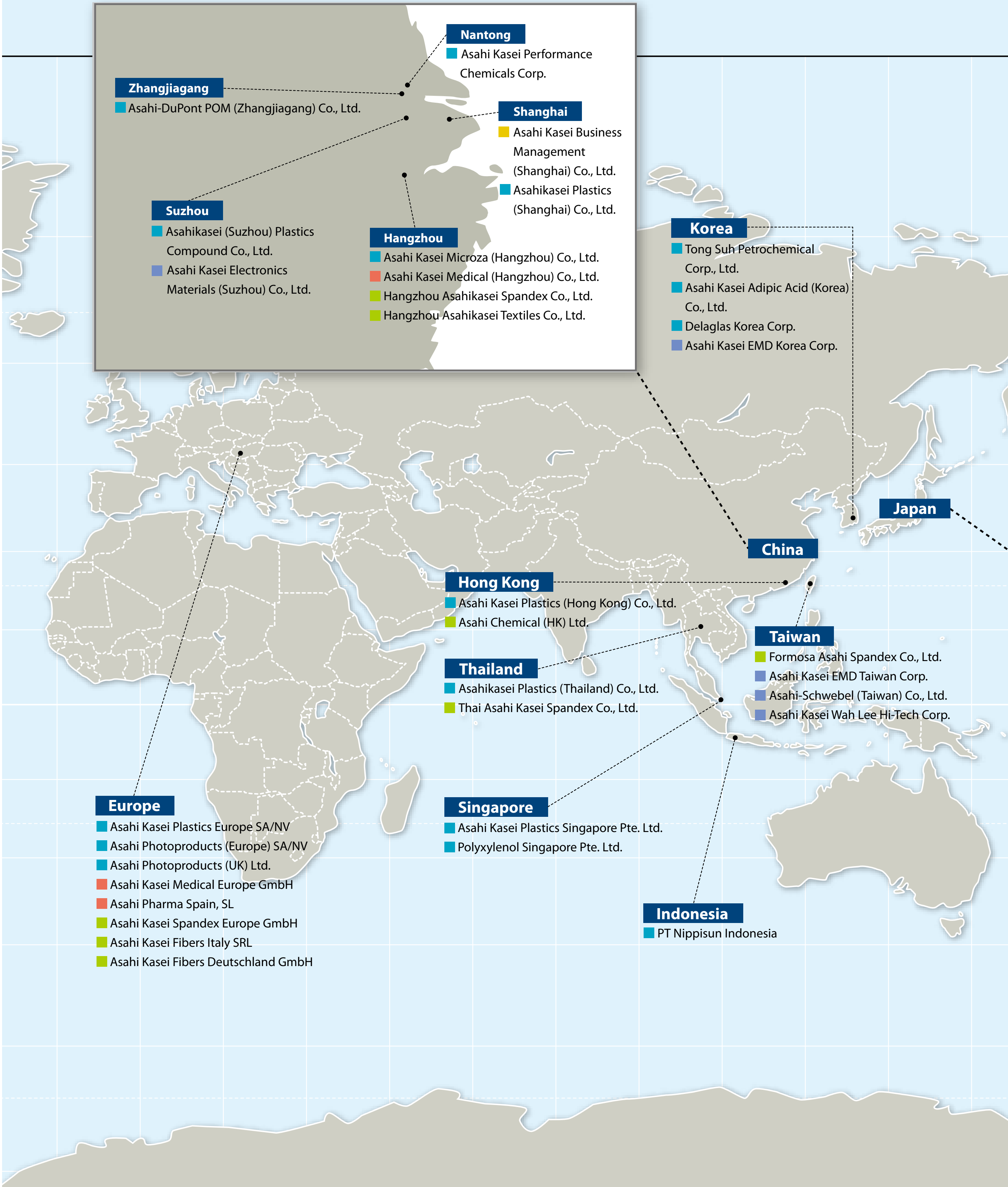
Services, Engineering and Others

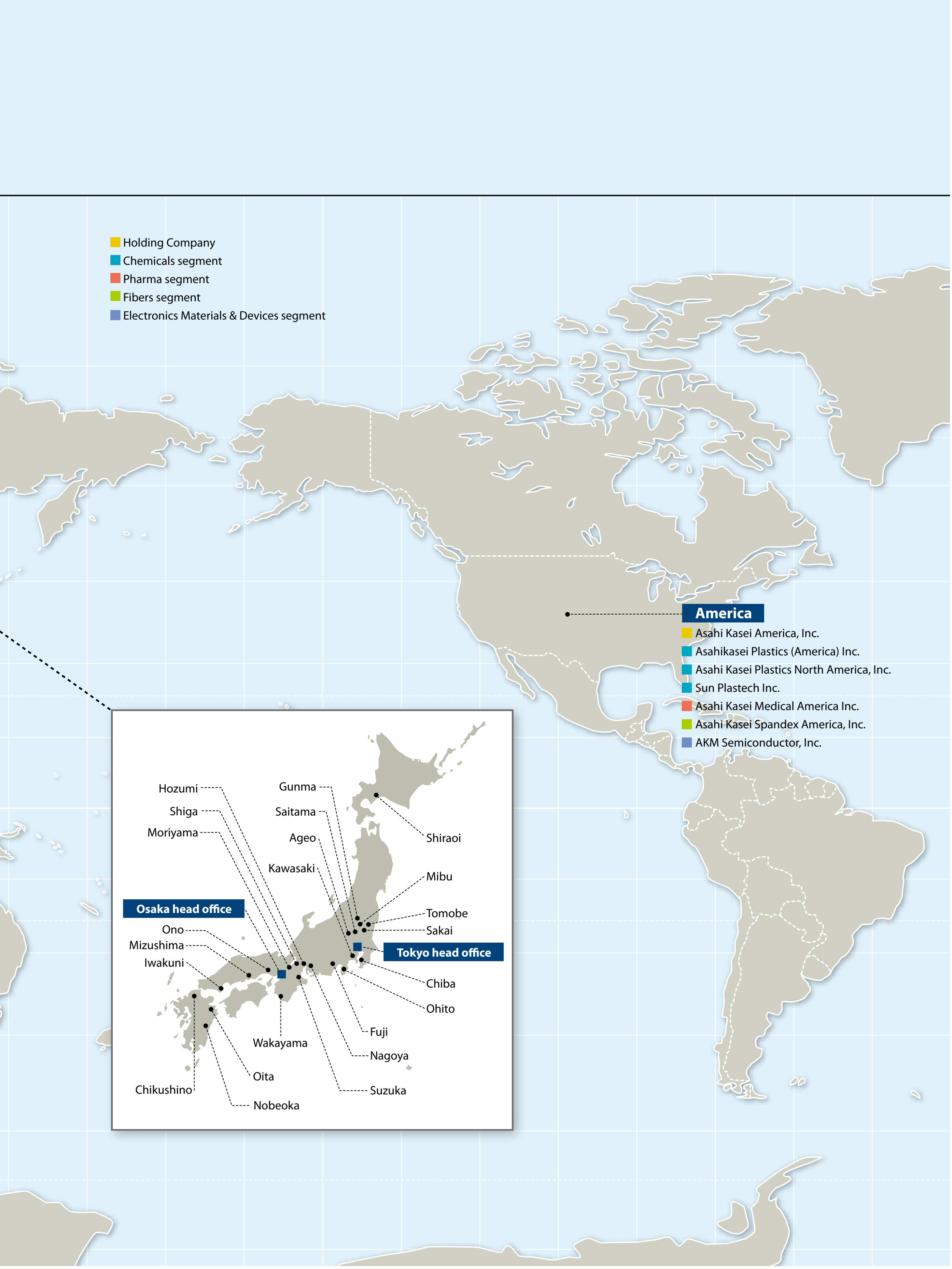

Engineering


Personnel staffing and placement

Asahi Kasei Group Operations, Worldwide

Operations of the Asahi Kasei Group extend to many locations throughout the world. The growth of these operations is a key element in the expansion of global businesses as part of our *Growth Action – 2010* strategic initiative.

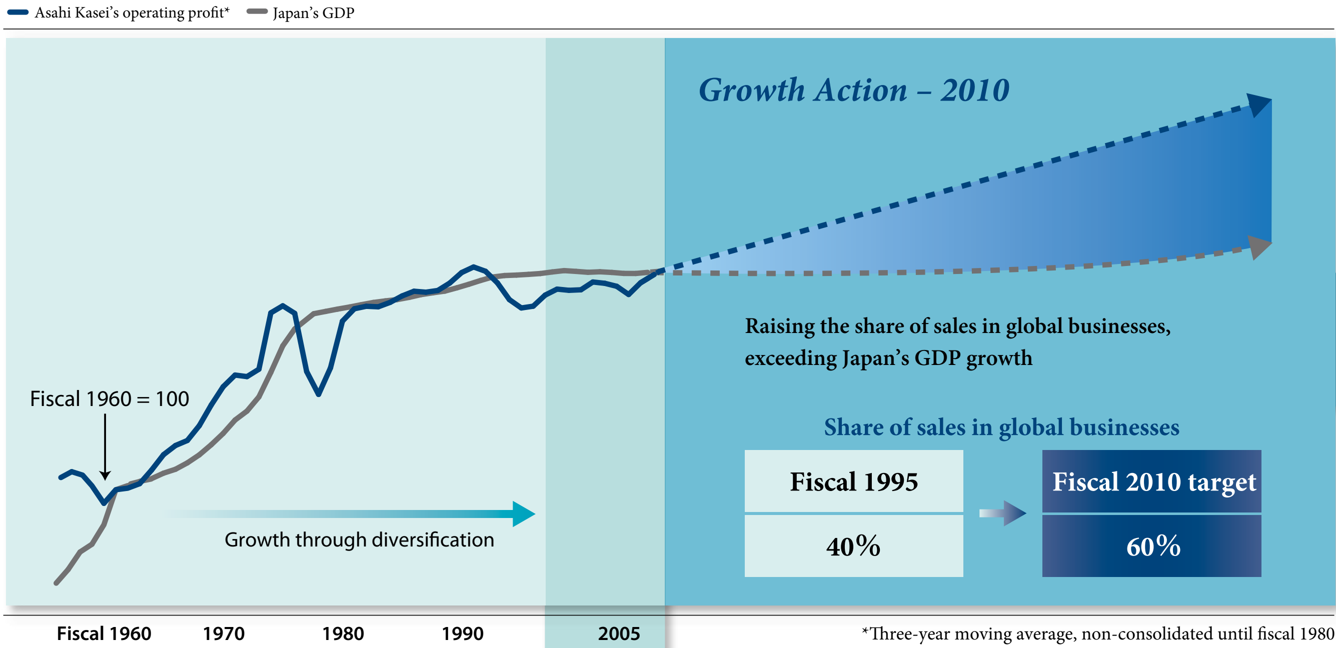




Holding Company
Chemicals segment
Pharma segment
Fibers segment
Electronics Materials & Devices segment
America
Asahi Kasei America, Inc.
Asahikasei Plastics (America) Inc.
Asahi Kasei Plastics North America, Inc.
Sun Plastech Inc.
Asahi Kasei Medical America Inc.
Asahi Kasei Spandex America, Inc.
AKM Semiconductor, Inc.
Hozumi
Shiga
Moriyama
Gunma
Saitama
Ageo
Kawasaki
Shiraoi
Mibu
Tomobe
Sakai
Osaka head office
Tokyo head office
Ono
Mizushima
Iwakuni
Chiba
Ohito
Fuji
Nagoya
Suzuka
Wakayama
Oita
Chikushino
Nobeoka

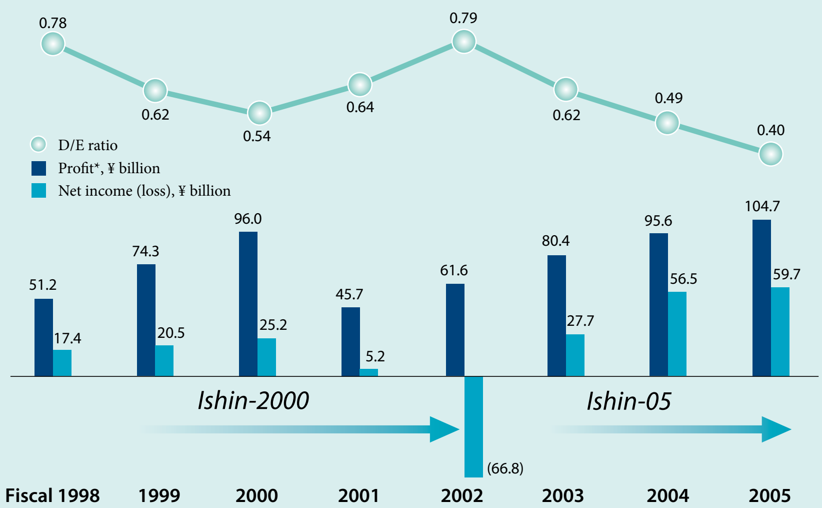
Strategic Management Initiatives

Having established a strong financial foundation through our previous management initiatives, we embarked on a new phase of expansion and growth for the fiscal years 2006 through 2010 in our *Growth Action – 2010* initiative, expanding global businesses and enhancing domestic businesses to bring greater corporate value and brand strength.



*Three-year moving average, non-consolidated until fiscal 1980.

Selective Diversification and Structural Transformation



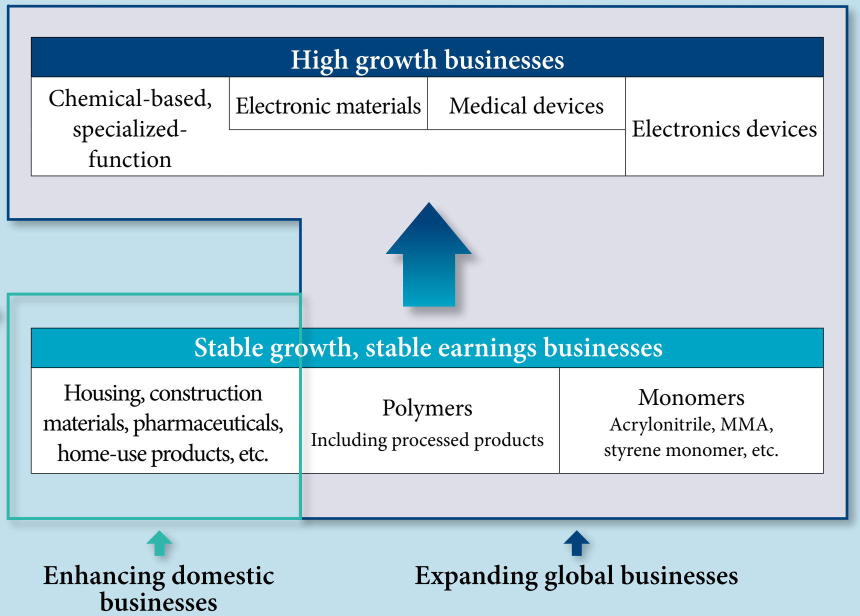
Ishin-2000
Selectivity and focus
- Focus on competitive-superiority businesses
- Fostering next-generation growth drivers
- Divestment or closure of businesses with low assets efficiency
- Stable financial foundation

Ishin-05
Selective diversification
- Building on strengths
- Creation of cash flow
- Management speed and autonomy

*Operating profit prior to amortization of actuarial differences in retirement benefits.

Growth Action – 2010

We are advancing a business portfolio transformation for expansion and growth through strategic investment, with the expansion of global businesses and the enhancement of domestic businesses as pillars of strategy, to obtain greater corporate value and brand strength.



Expanding global businesses

Enhancing domestic businesses

Fiscal 2010 Targets

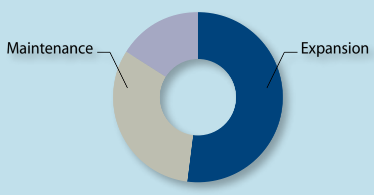
Greater corporate value and brand strength

Net sales	¥1,800 billion
Operating profit	¥150 billion
Net income	¥80 billion

Long-term Investment

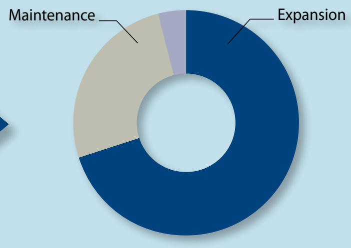
Strategic investment of ¥400 billion will be made over the five-year period, raising total long-term investment in *Growth Action – 2010* to ¥800 billion.

Fiscal 2003–2005



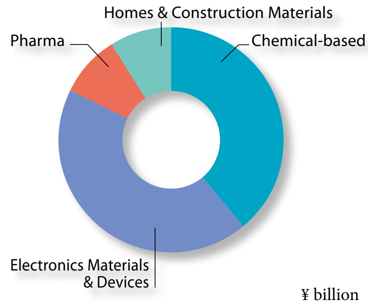
(a) ¥70 to ¥80 billion/year

Fiscal 2006–2010 Plan



¥800 billion over 5 years = (a) × 5 +
strategic investment of ¥400 billion

Breakdown of Strategic Investment



¥ billion

	Organic	M&A
Renewing ethylene center, etc.	20	–
Monomers	40	–
Specialized-function products	40	50
Electronics Materials & Devices	50	100
New business creation	40	–
Enhancing domestic businesses	30	–
Total	220	150

Consolidated Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

	¥ billion					US$ million*
Fiscal year beginning April 1	2007	2006	2005	2004	2003	2007
For the year						
Net sales	¥1,696.8	¥1,623.8	¥1,498.6	¥1,377.7	¥1,253.5	$16,968
Gross profit	407.8	399.8	371.1	367.2	329.3	4,078
Operating profit	127.7	127.8	108.7	115.8	60.9	1,277
Ordinary profit	120.5	126.5	104.2	112.9	53.6	1,205
Income before income taxes and minority interest	105.6	114.9	94.5	91.1	54.8	1,056
Net income	69.9	68.6	59.7	56.5	27.7	699
Capital expenditure	82.9	84.4	66.3	68.5	86.4	829
Depreciation and amortization	74.0	71.6	69.4	71.5	64.4	740
R&D expenditures	56.2	52.4	51.5	50.7	48.4	562
Domestic sales	1,209.5	1,195.8	1,125.5	1,067.9	1,011.4	12,095
Overseas sales	487.3	428.0	373.2	309.8	242.2	4,873
At year-end						
Total assets	¥1,425.4	¥1,459.9	¥1,376.0	¥1,270.1	¥1,249.2	$14,254
Net worth†	666.2	645.7	594.2	511.7	450.5	6,662

	¥					US$*
Fiscal year beginning April 1	2007	2006	2005	2004	2003	2007
Per share						
Net income	¥ 50.01	¥ 49.00	¥ 42.46	¥ 40.16	¥ 19.62	$0.50
Net worth‡	476.39	461.50	424.34	365.43	321.41	4.76
Cash dividends	13.00	12.00	10.00	8.00	6.00	0.13

* U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥100=US$1 as described in Note 4 of Notes to Consolidated Financial Statements.

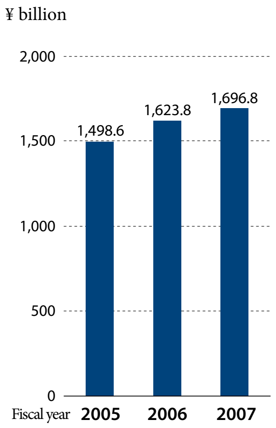
† Net assets less minority interest in consolidated subsidiaries. Through the year beginning April 1, 2005, figures for shareholders' equity shown.

‡ At fiscal year end.

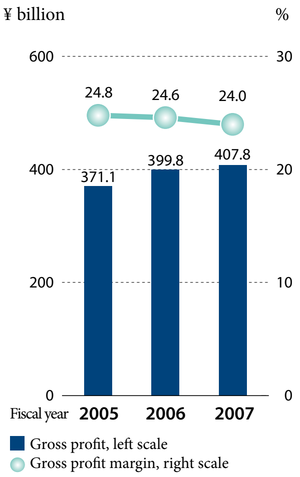
Fiscal year beginning April 1	2007	2006	2005	2004	2003
Key indexes					
Operating profit margin	7.5%	7.9%	7.3%	8.4%	4.9%
Payout ratio	26.0%	24.5%	23.6%	19.9%	30.6%
ROA	4.8%	4.8%	4.5%	4.5%	2.2%
ROE	10.7%	11.1%	10.8%	11.7%	6.4%
Net worth to total assets	46.7%	44.2%	43.2%	40.3%	36.1%
D/E ratio	0.32	0.34	0.40	0.49	0.62

Fiscal year beginning April 1	2007	2006	2005	2004	2003
Key operating factors					
Naphtha price (¥/kL, domestic)	61,450	49,950	42,350	32,150	25,575
¥/US$ exchange rate (market average)	114	117	113	108	113

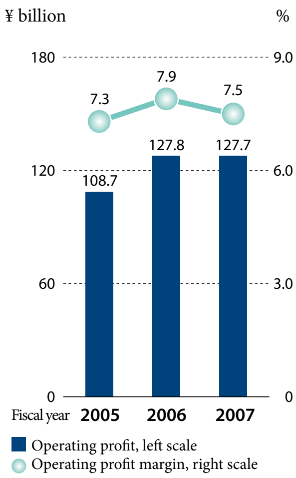
Net Sales



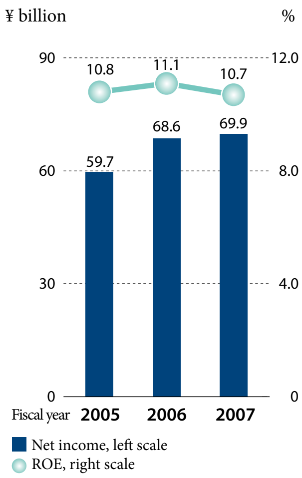
Gross Profit, Gross Profit Margin



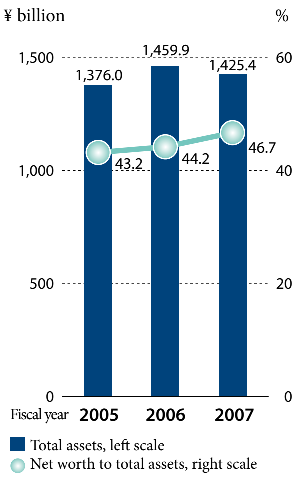
Operating Profit, Operating Profit Margin



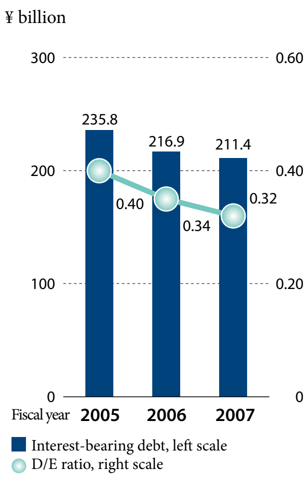
Net Income, ROE



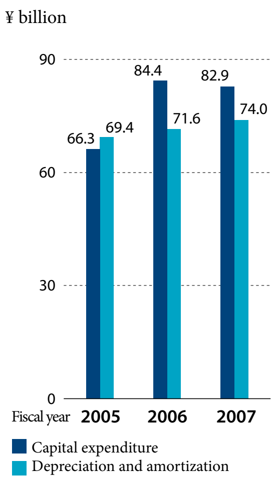
Total Assets, Net Worth to Total Assets



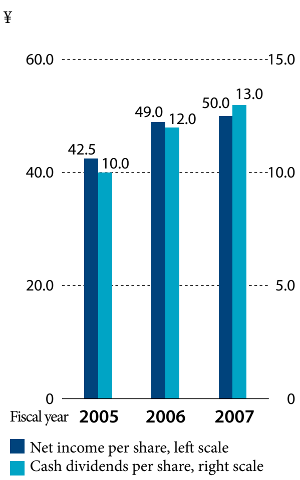
Interest-Bearing Debt, D/E Ratio



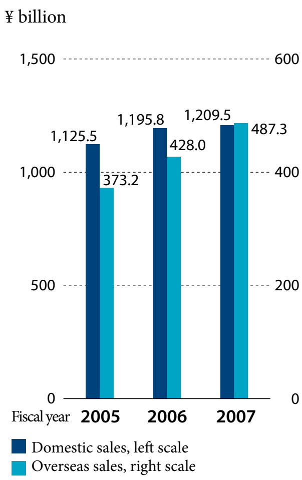
Capital Expenditure, Depreciation and Amortization



Net Income per Share, Cash Dividends per Share



Domestic Sales, Overseas Sales



To Our Shareholders

LEFT: Nobuo Yamaguchi, Chairman of the Board
RIGHT: Shiro Hiruta, President

Although economic expansion advanced in China and other developing countries, the global economy was destabilized by continuing rises in feedstock and fuel prices and by concerns about a slowdown in the US economy triggered by the rise in subprime mortgage defaults. While the Japanese economy saw firm corporate earnings and private sector capital investment, expansion slowed as an effect of concern about the outlook for the global economy and a rapid rise in the exchange value of the yen during the second half of the fiscal year. The operating environment in fiscal 2007 thus remained a challenging one.

Our performance was especially strong in the Chemicals segment, as high feedstock costs were reflected in high product prices. With consolidated net sales and net income reaching new record highs, we raised dividends by ¥1 per share to ¥13 per share. We will continue to endeavor to achieve higher earnings which will enable further dividends increases.

We adopted a number of notable investment decisions during fiscal 2007 which will contribute to the growth of operations from fiscal 2008 onward, enabling us to meet the performance targets of our *Growth Action – 2010* mid-term initiative. Investment decisions beginning in fiscal 2008 will be made with an outlook beyond fiscal 2010, as we work to sustain the expansion accomplished under *Growth Action – 2010*.

With respect to the improper acquisition of ministerial certification for fire-resistance of certain soffit panels by one of the suppliers of components used in our Hebel Haus™ homes, as came to light during fiscal 2007, we made a commitment to the homeowners that we would perform remediation as quickly as possible, and devoted every effort to addressing their concerns regarding the integrity and performance of their homes. At the same time we have reinforced our system of quality control to ensure against the recurrence of any similar situation. In fiscal 2008, we began remediation work to restore the original fire-resistance performance specification to all of the affected homes.

August 2008

Nobuo Yamaguchi
Chairman of the Board

Shiro Hiruta
President

Driving the Strategic Advance: *Growth Action – 2010*

Executing our strategies under *Growth Action – 2010*, we are adapting to dramatic changes in the operating climate and advancing the expansion and growth of the Asahi Kasei Group.

Shiro Hiruta
President

Expanding Global Businesses

We owe our emergence as a diversified chemicals manufacturer in large part to the broad effort to expand and diversify in the 1950s, with operations generally oriented toward the domestic Japanese market. Comparing our consolidated operating profit and Japan's GDP from the 1960s through the early 2000s, a loose correlation is apparent. This indicates that our operations were broadly dependent on growth in Japan's economy, an economy which has matured and can't be expected to mark rapid growth moving forward.

A new phase of expansion and growth for the Asahi Kasei Group, therefore, required a transformation not only of the management structure but also of the business portfolio, with greater emphasis on operations with global potential. In our previous management initiative we adopted the configuration of a holding company with core operating companies, established a strong focus on cash-flow creation, and advanced the transformation of our business portfolio as a selectively diversified enterprise group.

To achieve expansion and growth building on our renewed financial strength, we launched *Growth Action – 2010*, a strategic business initiative for the fiscal years 2006–2010, with the expansion of global businesses and the enhancement of domestic businesses as the pillars of our strategy. Cash generated in stable growth, stable earnings businesses is invested in high growth businesses as we advance the business portfolio transformation for expansion and growth which exceeds the growth of the Japanese economy.

Whereas in fiscal 1995 the ratio of sales between domestic businesses and global businesses was 60/40, we set a goal to turn this around to 40/60 by fiscal 2010. The goal was reached three years early, in fiscal 2007, an indication of the progress achieved in transforming our business portfolio.

Financial Performance

¥ billion

	Fiscal 2005	Fiscal 2006	**Fiscal 2007**	Fiscal 2010
	Results	Results	**Results**	Forecast
Net sales	1,498.6	1,623.8	**1,696.8**	1,800.0
Operating profit	108.7	127.8	**127.7**	150.0
Ordinary profit	104.2	126.5	**120.5**	–
Net income	59.7	68.6	**69.9**	80.0

Raising Operating Profit by 40%, Investing ¥800 Billion

Fiscal 2010 performance goals with *Growth Action – 2010* include consolidated sales of ¥1,800 billion, a 20% rise from fiscal 2005, and operating profit of ¥150 billion, a 40% rise. To achieve these goals we are augmenting our ordinary investment of around ¥70–80 billion per year with up to ¥400 billion in strategic investment, including funds for M&A and resources for increased dividends. Expansion of operations through strategic investment is centered on monomers, specialized-function chemical-based products, electronics materials and devices, and medical devices. Over the five-year period this will raise total investment to some ¥800 billion.

Ordinary investment and strategic investment decisions adopted in fiscal 2006 combined for approximately ¥100 billion, and this was ¥150 billion in fiscal 2007. In the current fiscal year, 2008, we plan to adopt decisions on ¥150 billion, and aim to keep this pace up in fiscal 2009 onward. Maintaining this rate of investment, we are not only on track to meet our fiscal 2010 performance targets, but are also looking ahead to the next phase of expansion and growth up to fiscal 2015.

Fiscal 2007 Results, Fiscal 2008 Outlook

In fiscal 2007 we marked record-high sales and net income, as strong performance in the Chemicals and Fibers segments more than made up for a tough year in the Homes and Construction Materials segments, which were affected by weak domestic demand and the construction slowdown following a revision of Japanese building codes. We got particularly strong results from chemicals & derivative products, and from high value-added products in globally competitive businesses where we have been concentrating resources for expansion. Businesses with a global No. 1 or No. 2 market share now earn 40–50% of our operating profit.

Although the price of oil leapt sharply during the second half of fiscal 2007, the negative effect on results was relatively modest. Unfortunately, we have to expect that the effect of high feedstock and fuel costs will be much more severe in fiscal 2008. We will do everything we can to cope with this dramatic shift in the operating climate by raising product prices and expanding businesses in high value-added products which are less directly affected by such costs.

Major Investments

	Segment	Project	Location
Completed in fiscal 2007	Chemicals	New plant for Duranate™ hexamethylene diisocyanate-based polyisocyanate	China
	Homes	New housing R&D center	Japan
	Pharma	Expansion of assembly plant for APS™ artificial kidneys	China
	Fibers	Installation of Roica™ production equipment at Asahi Kasei Spandex America plant	US
		New plant for Precisé™ nonwovens	Japan
Under construction at fiscal 2007 year-end	Chemicals	Expansion of plant for Hipore™ microporous membrane	Japan
		Expansion of plant for solution-polymerized styrene-butadiene rubber	Japan
	Pharma	New plant for APS™ artificial kidneys integrating spinning and assembly lines	Japan
		New plant for Sepacell™ leukocyte reduction filters	Japan
	Electronics Materials & Devices	Expansion of plant for photomask pellicles	Japan
		Expansion of plant for Sunfort™ dry film photoresist	China
	Fibers	Expansion of plant for Roica™ spandex	Thailand, Germany, US
		Construction of advanced technology center	Japan

Strategic Action, by Segment

The strategic position and actions we're taking in each segment to achieve our fiscal 2010 goals are as follows.

Chemicals

Volume products, being chemicals & derivative products and polymer products, are most directly affected by high feedstock and fuel costs. Short-term performance may fluctuate greatly depending on the extent to which we can pass these costs on through product price increases. Meanwhile, we will continue to confidently expand globally competitive businesses. The joint venture with PTT and Marubeni for new acrylonitrile (AN) and methyl methacrylate (MMA) plants in Thailand is a case in point. We finalized the joint-venture agreement in March 2008, and plant start-up is slated for late 2010. Even as construction progresses, we are looking ahead to the next phase of expansion of our AN business, in line with global demand trends. Our goal is to construct the next plant in the Middle East, making us the world's largest AN supplier. Other overseas plants for global businesses are also being studied.

We will continue to expand production capacity for specialty products with solid growth prospects, including global market leaders such as ion-exchange membranes for chlor-alkali and Hipore™ Li-ion rechargeable battery separators. To meet growing demand in batteries for cell phones and laptop computers, we are adding capacity at our Hipore™ plant in Moriyama, Shiga, and building a new Hipore™ plant in Hyuga, Miyazaki. One area of great potential demand growth is in next-generation hybrid electric vehicles, for which the adoption of Li-ion batteries is being evaluated. In August 2007 we began commercial operation at a new plant in Nantong, China, for Duranate™ hexamethylene diisocyanate-based polyisocyanate, which is used in high-performance paints in automotive and other demanding applications. We will continue to expand in many other fields where we have a healthy growth outlook, including the development of overseas operations for water-treatment membranes and systems.

Homes

For order-built Hebel Haus™ unit homes, we are supplementing the network of model home parks with a large increase in the number of "street-corner showrooms" in major urban centers throughout Japan to elicit demand for rebuilding and secure a stable base of new orders. We forecast solid growth in housing-related operations

such as remodeling, real estate, and financing, which provide services for Hebel Haus™ homeowners. With the October 2007 completion of our new housing R&D center in Fuji, we are accelerating the development of new products, functions, and features. Remediation work is advancing on all home units in which a supplier's improperly certified soffit panels were installed, as came to light in fiscal 2007.

Pharma

In May we launched sales of the Recomodulin™ anticoagulant and we are hiring more medical representatives to help promote this new drug, which we developed in-house. As part of our focus of management resources on our fields of focus, primarily orthopedics, we consigned marketing and sales of the Famvir™ anti-herpes agent, which was approved in April 2008, to Maruho Co., Ltd., which has dermatology as a specialty. We continue to advance work to reinforce our pharmaceutical product pipeline, including through the in-licensing of new drugs.

In medical devices-related businesses, which are a focus for expansion under *Growth Action – 2010*, we will continue to increase production capacity for APS™ polysulfone-membrane artificial kidneys for hemodialysis, and advance the global expansion of business through our marketing bases established in the US and Europe. Expansion of business in therapeutic apheresis devices will also continue to advance. At the same time we are transforming the operation, now centered on devices for extracorporeal circulation, for development as a comprehensive leader in blood-related healthcare systems. In October we will transfer ownership of Asahi Kasei Kuraray Medical and Asahi Kasei Medical from Asahi Kasei Pharma to the holding company, raising management efficiency for swifter decision-making and resource allocation to better facilitate the sustained expansion and growth of these operations. Of course we will retain our unique advantages as an enterprise group encompassing both pharmaceutical and medical device businesses, with synergies gained through mutual infrastructure utilization.

Fibers

We can expect that the operating climate will continue to be difficult, with high costs for feedstock and fuel and the possibility for the supply/demand balance in certain products to be temporarily upset by production capacity increases at competing producers. The immediate priority will be raising product prices to overcome inflated operating costs, and over the longer term we will advance the shift in our business portfolio for greater focus on non-apparel, industrial materials applications. For spandex, we established a global supply network with plants in Japan, Thailand, China, Taiwan, the US, and Germany, and will be raising capacity and advancing the development of specialty, high-function Roica™ grades. We are advancing applications development for Precisé™, the totally new nonwoven launched in September 2007, and will build this business as a new profit core. To accelerate the development of additional new businesses, we will set up a fibers technology center in autumn 2008 in Shiga, bringing R&D functions of the various divisions together in a unified organization.

Electronics Materials & Devices

In devices, we will expand sales by reinforcing the overseas marketing network, successively increase LSI fabrication capacity in line with demand growth, and develop new products for use in a broader field of applications. The materials business will be expanded with higher added value and increased production capacity for Sunfort™ dry film photoresist, Pimel™ semiconductor buffer coat, photomask pellicles, and other major products.

In April 2009 the electronics materials-related businesses of the holding company, Asahi Kasei Chemicals, and Asahi Kasei EMD will be integrated in a new core operating company. The combination of all the related technology and know-how throughout the Asahi Kasei Group in a single strategic entity will enable a heightened level of growth and development. Preparations are advancing for the market launch of new materials for flexible printed circuits and flat panel displays, including up-front investments.

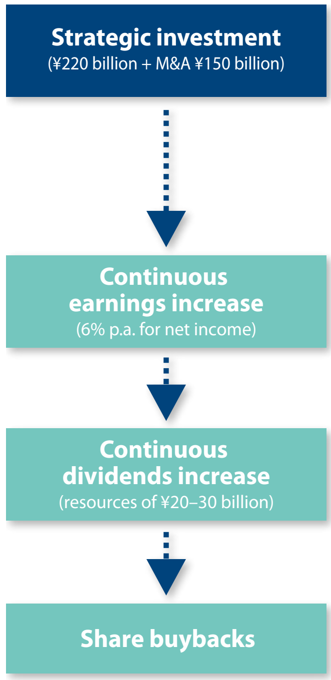
Construction Materials

Following a tough fiscal 2007 with the direct impact of suppressed construction activity due to a revision of Japanese building codes, the challenge in fiscal 2008 will be high material and fuel costs. To expand sales of our mainstay Hebel™ autoclaved lightweight concrete panels while ensuring high product value, marketing will be advanced from a customer-centric perspective. In foundation systems, the expansion of applications for piles in civil engineering will be advanced to supplement conventional demand in the construction of houses and small-scale buildings. Sales of Neoma™ high-performance insulation panels will be expanded in industrial applications in addition to housing and construction. The development of overseas business is being studied for this product line, which provides the highest level of thermal insulation available.

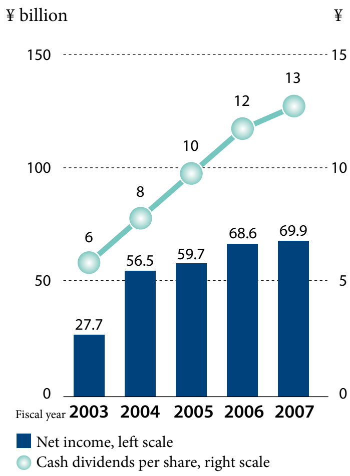
Return to Shareholders

Our unwavering goal is to obtain greater corporate value as we achieve our *Growth Action – 2010* targets through these and other strategic actions. Between fiscal 2003 and 2006 we raised dividends from ¥6 per share to ¥12 per share, and raised it again in fiscal 2007, to ¥13. We will continue to perform strategic investments to sustain profit growth and enable further continuous dividend increases. Although we don't employ a specific target for payout ratio, our goal is to maintain dividend payments in the range of 25–30% of net income as part of our commitment to provide a satisfactory return to shareholders.

Shareholder Returns



Net Income, Cash Dividends per Share



Dividend Payout Ratio %

Fiscal year	2003	2004	2005	2006	2007
	30.6	19.9	23.6	24.5	**26.0**

At a Glance

Segments, Core Operating Companies | Core Operating Company Directors*

Chemicals

ASAHI KASEI CHEMICALS CORPORATION

Taketsugu Fujiwara	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
Katsuhiko Yamazoe	Director, Primary Executive Officer
Shigeru Mizutani	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

Homes

ASAHI KASEI HOMES CORPORATION

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

Pharma

ASAHI KASEI PHARMA CORPORATION

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

Fibers

ASAHI KASEI FIBERS CORPORATION

Masaki Sakamoto	President & Representative Director, Presidential Executive Officer
Ryo Matsui	Director, Primary Executive Officer
Hidefumi Takai	Director, Senior Executive Officer

Electronics Materials & Devices

ASAHI KASEI EMD CORPORATION

Makoto Konosu	President & Representative Director, Presidential Executive Officer
Hideki Kobori	Director, Senior Executive Officer
Katsuhiko Yamazoe	Director, Senior Executive Officer
Koji Yamada	Director, Executive Officer

Construction Materials

ASAHI KASEI CONSTRUCTION MATERIALS CORPORATION

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

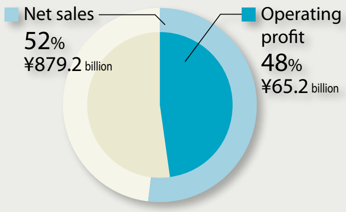
Services, Engineering and Others

*As of April 1, 2008

Fiscal 2007 Composition of Net Sales, Operating Profit*

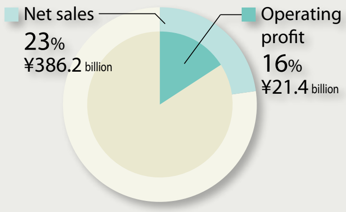
Major Consolidated Subsidiaries

Main Businesses



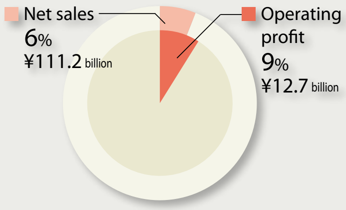
Sanyo Petrochemical Co., Ltd.
Asahi Kasei Pax Corporation
Asahi Kasei Home Products Corporation
Japan Elastomer Co., Ltd.
Asahi Kasei Technoplus Co., Ltd.
Tong Suh Petrochemical Corp., Ltd.
Asahi Kasei Plastics Singapore Pte. Ltd.
Asahikasei Plastics (America) Inc.
Asahi Kasei Performance Chemicals Corp.

Organic and inorganic industrial chemicals, synthetic resin, synthetic rubber, high-compound fertilizer, coating materials, latex, pharmaceutical and food additives, explosives, photopolymers and platemaking systems, separation and ion-exchange membranes, systems, and equipment.



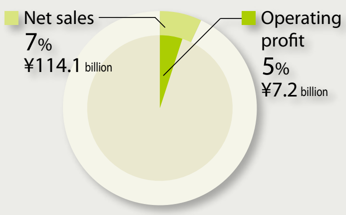
Asahi Kasei Jyuko Co., Ltd.
Asahi Kasei Mortgage Corp.
Asahi Kasei Reform Co., Ltd.
Asahi Kasei Real Estate, Ltd.

Hebel Haus™ houses, Hebel Maison™ apartments, condominiums, remodeling, real estate, residential land development, financial services.



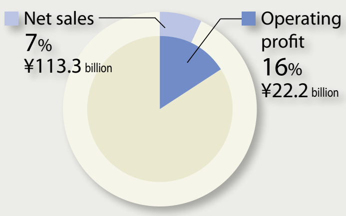
Asahi Kasei Medical Co., Ltd.
Asahi Kasei Kuraray Medical Co., Ltd.
Asahi Kasei N&P Co., Ltd.
Asahikasei Aime Co., Ltd.
Asahi Kasei Medical (Hangzhou) Co., Ltd.

Pharmaceuticals, pharmaceutical intermediates, feed additives, diagnostic reagents, hemodialyzers and other medical devices.



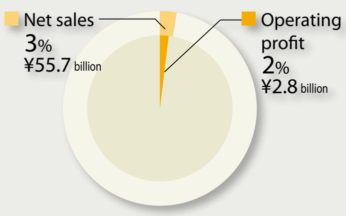
Kyokuyo Sangyo Co., Ltd.
Thai Asahi Kasei Spandex Co., Ltd.
Hangzhou Asahikasei Spandex Co., Ltd.
Asahi Kasei Spandex Europe GmbH
Asahi Kasei Spandex America, Inc.
Asahi Chemical (HK) Ltd.
Hangzhou Asahikasei Textiles Co., Ltd.

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.



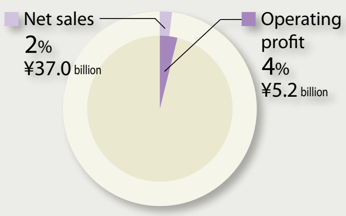
Asahi Kasei Electronics Materials (Suzhou) Co., Ltd.
Asahi-Schwebel (Taiwan) Co., Ltd.

Pimel™ photosensitive polyimide precursor, Sunfort™ dry film photoresist, Hall elements, LSIs, glass fabric for printed circuit boards, photomask pellicles.



Asahi Kasei Foundation Systems Corp.

Hebel™ autoclaved lightweight concrete, construction piles, Neoma™ foam and other thermal insulation.



Asahi Research Center Co., Ltd.
Asahi Finance Co., Ltd.
Asahi Kasei Engineering Co., Ltd.
Asahi Kasei Amidas Co., Ltd.

Plant, equipment, process engineering, employment agency, think tank.

*Before corporate expenses and eliminations

Operating Segment Chemicals

With the basic ideal *Creating the Future with Chemistry* to guide the advancement and growth of operations, all businesses have been classified as those for strategic expansion and those for stable earnings. Management resources are focused on advancing the growth of strategic expansion businesses, while stable earnings businesses are strengthened and enhanced to heighten profitability.

Taketsugu Fujiwara
President, Asahi Kasei Chemicals

Major Products

Chemicals and derivative products
Ammonia, nitric acid, caustic soda, acrylonitrile (AN), styrene, adipic acid, methyl methacrylate (MMA), polymethyl methacrylate (PMMA).

Polymer products
Suntec™ polyethylene (PE), Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadiene-styrene, synthetic rubber and elastomer, styrene-butadiene latex, Tenac™ polyacetal, Xyron™ modified polyphenylene ether (mPPE), Leona™ nylon 66 polymer and filament.

Specialty products
Coating materials, Ceolus™ microcrystalline cellulose, explosives, explosion-bonded metal clad, 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, Saran Wrap™ cling film, Ziploc™ storage bags, plastic film, sheet, and foam.

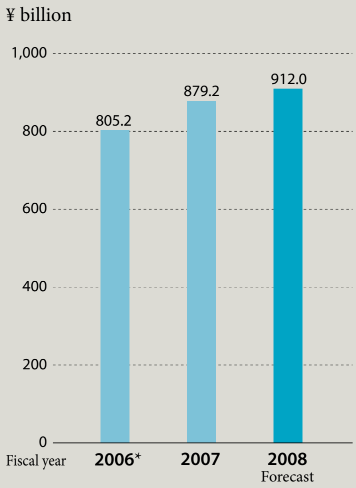
Growth Action – 2010

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 battery/fuel cell materials and water treatment systems.

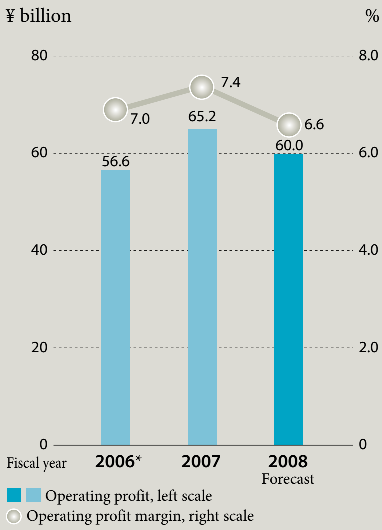
Stable earnings businesses, characterized by the potential to attain greater added value and stable earnings growth through a leading position in growing market segments, include polymers/compounds and performance chemicals. Those characterized by the potential to maintain stable earnings through a strengthened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

Net Sales



* Including Life & Living.

Operating Profit, Operating Profit Margin



* Including Life & Living.

The Year in Review

Sales increased by ¥74.0 billion (9.2%) from a year ago to ¥879.2 billion and operating profit increased by ¥8.7 billion (15.3%) to ¥65.2 billion.

Volume products operations were affected by high feedstock costs, but operating profit nevertheless increased with strong market conditions for chemicals and derivative products, particularly acrylonitrile, and with polymer products performing well.

Operating profit from specialty products grew with strong demand for Hipore™ Li-ion rechargeable battery separator membranes resulting in increased shipments and with sales growth of ion-exchange membranes and systems for chlor-alkali electrolysis.

Market Environment Outlook for Fiscal 2008

Operations in chemicals/derivative products and polymer products will remain challenging due to increased feedstock and fuel costs. Focus will be on the maintenance of appropriate product pricing, energy conservation and other operating cost reductions, and further development of differentiated and specialized polymer products.

In specialty products, businesses having advantages in growing, high-end markets will be expanded strategically, in line with emerging dynamics such as shortened product lifecycles and heightened emphasis on environmental problems. Development of new specialty products businesses will be accelerated.

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

Launching ceremony for AN/MMA project in Thailand

Construction of AN and MMA plants in Thailand

Asahi Kasei Chemicals, PTT Plc., and Marubeni Corp. have agreed to construct acrylonitrile (AN) and methyl methacrylate (MMA) plants in Thailand through a joint venture. AN is a production material for acrylic fiber and ABS resin, which is used in home appliances, and MMA is a production material for acrylic resin.

The new AN plant will employ the propane process, a world-leading development of Asahi Kasei Chemicals, enabling the production of AN without the use of naphtha or other petroleum-based feed and thus enhancing the competitiveness of the AN business. With the world's second largest AN production capacity, Asahi Kasei Chemicals is strengthening and expanding its AN business as a focus for global growth under the Asahi Kasei Group's *Growth Action – 2010* mid-term initiative. An additional AN plant in the Middle East that will secure the company's place as the world's largest AN supplier is being studied.

The new MMA plant will achieve superior cost competitiveness through close integration with the AN plant, enabling Asahi Kasei Chemicals to further expand its MMA business.

Hipore™ Li-ion rechargeable battery separators

Expansion of Hipore™ production capacity

To meet strong demand growth, Asahi Kasei Chemicals will substantially expand its production capacity for Li-ion rechargeable battery separators, increasing production capacity in two phases at its existing plant in Moriyama, with start-up in fiscal 2008 and 2009, and constructing a new plant in Hyuga, with start-up in early 2010.

Hipore™ separators currently hold a 50% share of the world market. Demand growth is forecast to continue in cell phones, laptop computers, and other mobile IT products, and with the adoption of Li-ion batteries in hybrid electric vehicles.

These capacity expansions will reinforce the world-leading market position for Hipore™, as Asahi Kasei Chemicals fulfills its commitment as the market leader to maintain stable supply growth.

Asahi Kasei Performance Chemicals Corp.

Start-up of a new plant for Duranate™ in China

Asahi Kasei Performance Chemicals Corp., wholly owned subsidiary of Asahi Kasei Chemicals, has completed construction of a new plant for Duranate™ hexamethylene diisocyanate (HDI)-based polyisocyanate in China, and began operation in August 2007.

Duranate™, a curing agent for high-performance polyurethane coatings, is widely used in automotive and architectural applications, with particularly strong demand growth in Asia. The new plant will enable further expansion of the Duranate™ HDI-based curing agent business.

Homes

Marketing resources are focused on demand for rebuilding in urban areas backed by the Long Life Home product strategy to maintain and enhance customer satisfaction over the long term.

Shingo Hatano
President, Asahi Kasei Homes

Major Products

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

Growth Action – 2010

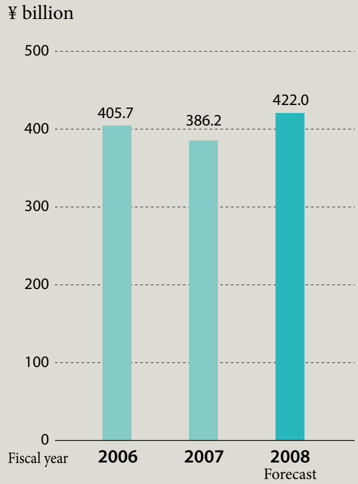
Marketing of order-built homes is focused on demand for home rebuilding in major urban areas, as a high-earnings operational structure is reinforced and expanded.

Specific actions include:
- Successive development of new products tailored to specific market characteristics in different regions.
- Advancement of cost reductions through shared 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.

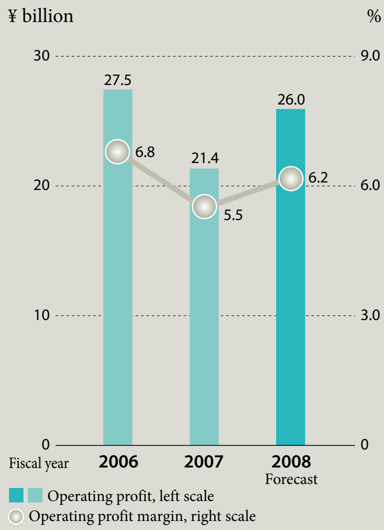
Long-term customer relationships are maintained through the provision of remodeling, real estate, and financial services.

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.

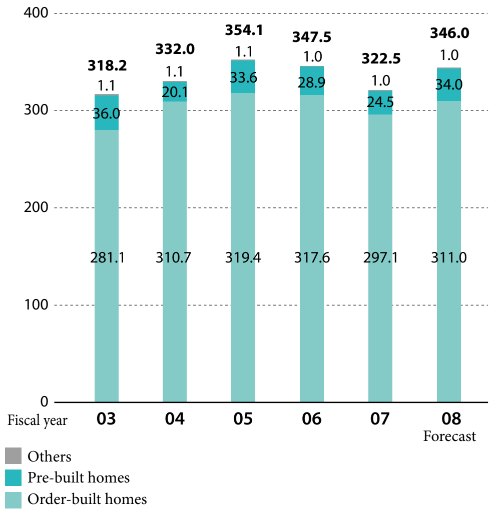
Net Sales



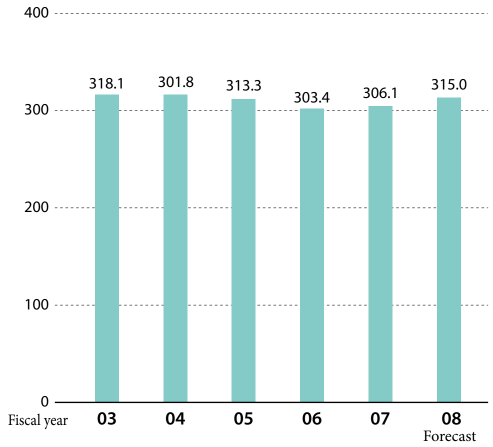
Operating Profit, Operating Profit Margin



Sales Trends of Home Segment
¥ billion



Orders Received
¥ billion



The Year in Review

Sales decreased by ¥19.5 billion (4.8%) from a year ago to ¥386.2 billion and operating profit decreased by ¥6.1 billion (22.3%) to ¥21.4 billion.

Operating profit from order-built and pre-built homes decreased with the number of deliveries of unit homes significantly lower as an effect of fewer orders received through the first half of 2007 and postponement of delivery of some units due to improper acquisition of ministerial certification by a supplier of certain components as came to light in late October 2007. New orders for order-built homes increased by ¥2.7 billion from a year ago to ¥306.1 billion.

Operating profit from housing-related operations increased with remodeling operations performing well.

Market Environment Outlook for Fiscal 2008

Grounds for optimism in the Japanese economy are few, particularly in view of the negative trends in share prices and in the US economy. Although the inhibiting effect of a revision of Japanese building codes is expected to gradually pass, lacking clear prospects for solid economic growth the operating environment for housing will remain challenging. Asahi Kasei Homes will work to gain increased orders for Hebel Haus™ homes by expanding the use of "street-corner showrooms" throughout Japan and strengthening its strategic focus on the market for rebuilding. Recovery in condominiums operations and growth in housing-related operations are forecast.

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 recycling and incorporation of greenery. 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.

Highlights

Hebel Haus Frex™
with piloti garage

Hebel Haus Frex™ with piloti garage

A new Hebel Haus Frex™ series featuring a piloti garage was launched in August 2007, targeting the market for home rebuilding in dense urban areas. The new series takes advantage of a robust framing system to support the building on pilotis, opening the ground-level space for use as a garage. Elevation of the living space provides more sunlight and natural ventilation, a superior view, and greater security than is obtained in conventional ground-level construction in an urban setting. This new series is part of the continuing development and expansion of Long Life Home product designs for lasting comfort, quality, and security in urban living.

Housing R&D center in Fuji

Housing R&D center

A new housing R&D center in Fuji was inaugurated in October 2007, supplanting and expanding on the functions of the laboratory in Tokyo which had served as a base for housing R&D. The new center provides an enhanced range of capabilities, with greater scale and more advanced facilities. Its location in Fuji will foster synergies with the other Asahi Kasei Group laboratories and research facilities at the same site for new business creation and R&D in a broad range of fields. Advancing research on basic technologies for the Long Life Home concept, the new R&D center will drive the development of next-generation products.

A Hebel Haus™ built as a
street-corner showroom

Street-corner showrooms

The use of "street-corner showrooms" to promote Hebel Haus™ sales was extended to target regions throughout Japan in April 2007. A street-corner showroom is a Hebel Haus™ built in a residential neighborhood to serve as a model home for nearby residents to examine. A building plot is purchased in a strategic location, and a home design which matches the atmosphere and surroundings of the neighborhood is selected, with the construction process open to observation by neighborhood residents from start to finish. This generates interest among owners of older houses in the prospect of rebuilding, heightens awareness of Hebel Haus™ design and quality characteristics, and facilitates rapport in the community with local sales representatives. Street-corner showrooms are proving to be a vital complement to conventional marketing activities, serving to elicit purchasing interest among potential customers other than those who visit model home parks.

The pharmaceutical business is advancing as a specialized, R&D-centered operation, with the field of orthopedics the central focus of management resources. The medical device business is directed toward the development of global leadership in blood-related healthcare systems.

Tsutomu Inada
President, Asahi Kasei Pharma

Major Products

Elcitonin™, Bredinin™, Flivas™, Toledomin™, and other pharmaceuticals, pharmaceutical intermediates, functional food additives, diagnostic reagents, APS™ artificial kidneys, Sepacell™ leukocyte reduction filters, Cellsorba™ leukocyte adsorption columns, Planova™ virus removal filters, contact lenses.

Growth Action – 2010

Pharmaceuticals:
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 pharmaceutical intermediates and diagnostic reagents, structural reform is advancing to enable global growth and expansion in selected fields of competitive superiority.

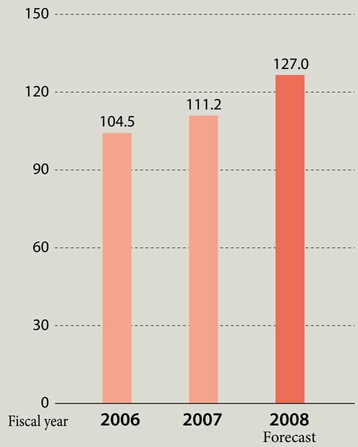
Devices and systems:
Based on established leadership in devices for extracorporeal circulation, the business is being transformed for development as a comprehensive leader in blood-related healthcare systems, spanning from disease treatment to preventive medicine and blood-based risk-factor analysis/diagnosis.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

Pharmaceutical Product Pipeline

Development stage	Product	Objective	Class	Indication
Approved on January 25, 2008	ART-123 (injection)	New biologic	Recombinant human thrombomodulin	Disseminated intravascular coagulation (DIC)
Approved on April 16, 2008	AK-120 (oral)	New chemical entity	Antiviral	Herpes zoster
Phase III	AT-877 (injection)	Additional indication	*Rho*-kinase inhibitor	Acute cerebral thrombosis
	PTH (injection)	Additional indication	Synthetic human parathyroid hormone	Osteoporosis
Phase II	AT-877 (oral)	Additional indication	*Rho*-kinase inhibitor	Pulmonary hypertension
	KT-611 (oral)	Additional indication	α-1 blocker	Neurogenic bladder
Phase II (overseas)	ART-123 (injection)	New biologic	Recombinant human thrombomodulin	DIC in sepsis

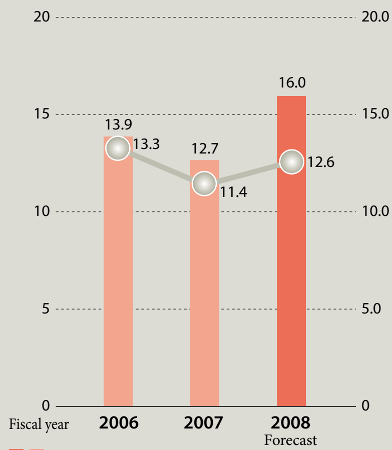
Net Sales

¥ billion



Operating Profit, Operating Profit Margin

¥ billion %



The Year in Review

Sales increased by ¥6.8 billion (6.5%) from a year ago to ¥111.2 billion and operating profit decreased by ¥1.2 billion (8.6%) to ¥12.7 billion.

Sales of main pharmaceutical products, notably Elcitonin™ calcitonin formulation, grew, but operating profit from pharmaceutical operations decreased with lower licensing income and higher R&D expenditures.

Operating profit in devices operations grew with increased domestic and overseas shipments in each product line, most notably in APS™ polysulfone-membrane artificial kidneys following production capacity expansion.

Market Environment Outlook for Fiscal 2008

The environment for pharmaceuticals operations will remain challenging, with reduced reimbursement prices under Japanese National Health Insurance and higher R&D expenditures. Business will benefit from increased sales of major products, the launch of sale of Recomodulin™ recombinant thrombomodulin alpha, and income from licensing the sales rights to the Famvir™ antiviral for herpes zoster. The environment for medical devices will also be challenging, with reduced reimbursement prices, higher costs for material inputs, and the effect of a strong yen. Sales of APS™ artificial kidneys will grow both in Japan and overseas, particularly with a reinforced overseas sales configuration. An expansion of health insurance coverage to include hepatitis C will contribute to sales growth in therapeutic apheresis devices.

R&D

In pharmaceuticals, the focus is on new drug development in the fields of orthopedics, the central nervous system, and urology, and on extension of market life through enhanced product conformation. In medical devices, developments are advancing in fields related to hemodialysis, apheresis, leukocyte removal, and virus removal. Next-generation fields of research include autohemotherapy and cell therapy.

Highlights

Recomodulin™ anticoagulant

Launch of Recomodulin™

Having gained Japanese regulatory approval for the production and sale of recombinant thrombomodulin alpha for the treatment of disseminated intravascular coagulation, Asahi Kasei Pharma (AKP) began selling the new drug under the brand Recomodulin™ in May 2008. Developed by AKP, Recomodulin™ is the world's first thrombomodulin formulation cloned by genetic recombination technology. It features a novel mechanism of action which distinguishes it from other available anticoagulants. AKP is increasing the number of medical representatives handling Recomodulin™, both to expand sales and to enhance the gathering and dissemination of information related to proper use, giving the highest priority to the safety

APS™ artificial kidneys

Strengthening medical devices-related operations

The dialyzer businesses of Kuraray Medical Inc. was integrated with that of Asahi Kasei Medical, with integrated operation beginning in October 2007 as Asahi Kasei Kuraray Medical. The company completed a new production facility for ethylene-vinyl alcohol copolymer (EVOH) hollow-fiber membrane in Nobeoka, Miyazaki, in May 2008, and is now constructing a new plant in Nobeoka with integrated spinning and assembly lines for APS™ polysulfone-membrane artificial kidneys, with scheduled start-up in September 2008. Further expansions of production capacity will be advanced to meet ongoing demand growth worldwide.

To better facilitate the sustained expansion and growth of medical device-related operations with greater management efficiency for swifter decision-making and resource allocation, the management structure for Asahi Kasei Kuraray Medical and Asahi Kasei Medical, currently operated as subsidiaries of Asahi Kasei Pharma, will be reconfigured in October 2008 with their transformation into direct subsidiaries of Asahi Kasei Corp., the holding company for the Asahi Kasei Group.

Fibers

The focus is on achieving growth by 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, industrial-use materials.

Masaki Sakamoto
President, Asahi Kasei Fibers

Major Products

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

Growth Action – 2010

Achieving continuous growth by advancing a transformation from a business structure centered on products for the Japanese market for apparel through expansion of overseas business, and research and development of business in non-apparel, industrial-use materials. R&D is focused on driving the growth of business in industrial-use materials to develop as a new core field of operation.

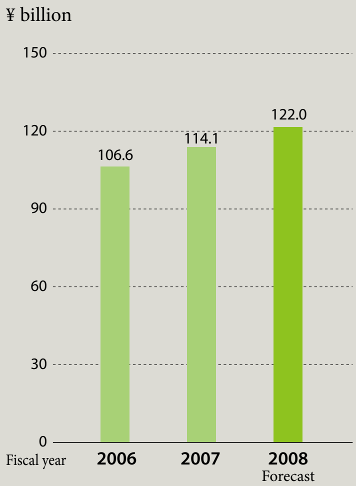
For greater earnings in established businesses:

- Development and expansion in global markets and industrial materials.
- Full utilization of available resources to expand earnings. Proactive investment for expansion.
- Establishment of new pricing structure through a shift of resources to high earnings application fields and geographic regions.
- Continuous cost reduction.

For expansion of new businesses:

- Expansion of Solotex™ polytrimethylene terephthalate (PTT) fiber business in new application fields. 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.

Net Sales



Operating Profit, Operating Profit Margin

The Year in Review

Sales increased by ¥7.4 billion (7.0%) from a year ago to ¥114.1 billion and operating profit increased by ¥3.1 billion (73.9%) to ¥7.2 billion.

Operating profit from elastic polyurethane filament increased as overseas operations, notably those in Europe and the US, performed well with strong demand.

Operating profit from Bemberg™ regenerated cellulose fiber grew with increased exports. Operating profit from nonwovens operations decreased as operating cost reductions could not overcome the large effect of increased feedstock costs.

Market Environment Outlook for Fiscal 2008

Demand for Roica™ elastic polyurethane filament is forecast to remain firm, but the operating environment will remain challenging with high feedstock costs and declining market prices. Processing costs for Bemberg™ will increase and demand in Japan will be weak, but increased sales volume is forecast in non-lining applications and in overseas markets. Shipments of Lamous™ will increase, mainly for car seats in the US and Europe, and development will be advanced for nonwovens.

R&D

R&D is focused on the development of new materials and high value-added grades of existing materials. R&D on new materials is directed toward the development of unique products which will elicit new demand. A pilot plant for polyketone filament started up at the beginning of 2006, with samples supplied to users for evaluation. R&D on existing materials is directed toward the development of new high-value added grades of Roica™ spandex, Bemberg™ cupro, and nonwovens which meet market needs for advanced performance.

Highlights

The November 2007 fashion show featuring Bemberg™

Award for Fashion Design Creativity in China

Two of China's leading fashion designers were honored as recipients of the Asahi Kasei Award for Fashion Design Creativity in China, with fashion shows of apparel featuring Bemberg™ fabric held together with the award ceremonies in Beijing in November 2007 and March 2008. The shows and awards, jointly held by Asahi Kasei and Asahi Kasei Fibers, received wide coverage by the Chinese media—raising brand recognition for Asahi Kasei in China and reinforcing a strong presence for Bemberg™ in the world of Chinese fashion and apparel.

Asahi Kasei's plant complex in Moriyama

Completion of plant for Precisé™ nonwoven

With the September 2007 completion of a large new production line at its Spunbond Plant in Moriyama, Shiga, Asahi Kasei Fibers made a full-scale commercial launch of the Precisé™ nonwoven business.

Precisé™ is a new polyester nonwoven with a highly uniform structure of layers of filament with different denier, providing outstanding barrier performance and functionality in wide range of applications including filtration and separation, food packaging, and medical-use products.

Electronics Materials and Devices

Growth of a high-earnings operational structure is obtained through leadership in the development of products for emerging applications in each market segment for electronic materials and electronic devices.

Makoto Konosu
President, Asahi Kasei EMD

Major Products

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

Growth Action – 2010

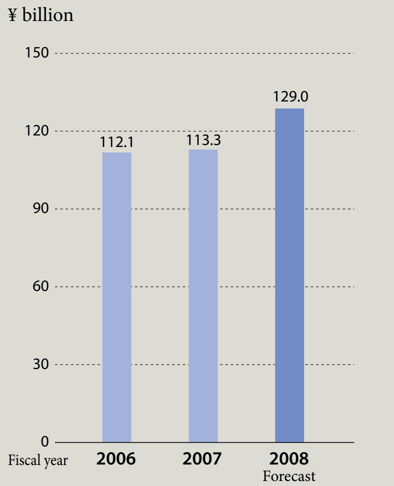
In electronic devices:

- Established LSI and sensor businesses are being expanded.
- New high-performance hybrid devices combining sensors and LSIs are being developed.
- Marketing is being expanded world-wide.
- Continuous cost reduction.

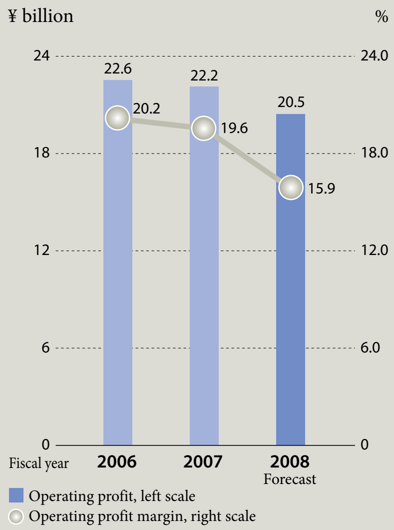
In electronic materials:

- Industry-leading positions are being reinforced for Sunfort™ DFR, Pimel™ PSPI, and photomask pellicles for LCD panel production.
- Other core businesses including glass fabric are also being expanded.
- Development of new applications is being advanced, including materials for flatpanel displays using established core technology in photosensitive materials and materials for semiconductor packaging.

Net Sales



Operating Profit, Operating Profit Margin



The Year in Review

Sales increased by ¥1.2 billion (1.0%) from a year ago to ¥113.3 billion and operating profit decreased by ¥0.4 billion (1.7%) to ¥22.2 billion.

Operating profit from electronics materials increased as shipment volumes generally rose with strong overseas demand, especially in China.

Operating profit from electronics devices decreased with fewer shipments of LSIs and lower product prices as an effect of inventory adjustments in home electronics markets.

Market Environment Outlook for Fiscal 2008

Given the deteriorating macroeconomic climate, the operating environment is expected to be challenging. Appropriate capacity expansions for both materials and devices will be performed in line with medium-term demand growth forecasts. To achieve *Growth Action – 2010* targets, development of differentiated, high value-added products will be advanced together with productivity enhancements to maintain and heighten cost competitiveness.

R&D

Keeping pace with fast-moving technological advances, R&D is directed toward meeting needs and providing solutions to problems identified through interaction with the customer. Developments in electronics devices include combinations of sensor technology with digital/analog mixed-signal LSI technology for hybrid devices with unique functions. Utilizing core technologies in the design and synthesis of photopolymers and in microfabrication, developments in electronics materials include next-generation semiconductor and package substrate materials compatible with emerging standards for fine pitch, high density, and high transmission speeds. Other high value-added product developments being advanced include new materials for flat-panel displays.

Highlights

Pellicle plant in Nobeoka

New production line for pellicles

Asahi Kasei EMD is constructing a production line for large photomask pellicles compatible with the 10th-generation (10G) LCD panel production process in Nobeoka, Miyazaki, with start-up in November 2008. Asahi Kasei EMD is the world's de facto standard supplier of large pellicles for LCD, which prevent the adherence of dust on photomasks during photolithographic exposure. The new line will enable Asahi Kasei EMD to meet growing demand for larger pellicles, maintaining its market-leading position.

Pimel™ PSPI

New plant for Pimel™

In February 2008 Asahi Kasei EMD began operation of a new plant for Pimel™ photosensitive polyimide precursor (PSPI) in Fuji, Shizuoka. Pimel™ is the world's leading material for the formation of semiconductor buffer coats. The market for semiconductor buffer coats is forecast to grow with strong demand in cell-phone and home electronics applications. The new plant will not only enable Asahi Kasei EMD to keep pace with demand growth, it will also serve as a base for production of innovative new materials that meet emerging performance demands in line with technological advances in the rapidly evolving semiconductor industry.

Construction Materials

With a reinforced commitment to customer focus, safety, security, and comfort, operational reform is advancing for heightened competitiveness of established businesses, expansion and development of new business, and establishment of new business models.

Hiroshi Kobayashi
President, Asahi Kasei Construction Materials

Major Products

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

Growth Action – 2010

Further enhancing competitiveness of the established businesses with growth through the expansion and development of new businesses and the establishment of new business models.

Enhancing competitiveness of established businesses:

- Ongoing operating cost reductions and enhanced product quality and service to ensure stable profitability of the Hebel™ ALC business.
- Expansion and reinforcement of business for Hebel Powerboard™ and for Eazet™ and ATT Column™ small-scale piles.

Expansion and development of new businesses:

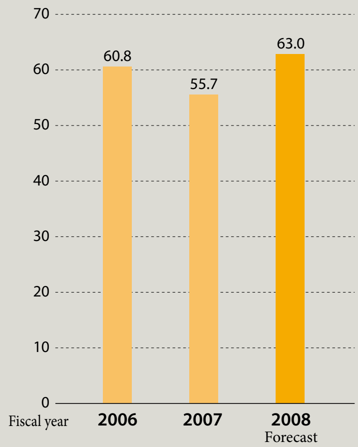
- Wide-ranging study of new business opportunities, both domestic and overseas.
- Swift commercialization of projects under development.
- Collaboration with Asahi Kasei Homes.

Establishment of new business models:

- Expansion of installation business for piles and foundation systems and for ALC panels and other exterior wall products.
- Identification of new research projects based on customer needs.
- Intensified marketing of housing materials and insulation materials with customer-focused solutions for builders and contractors.

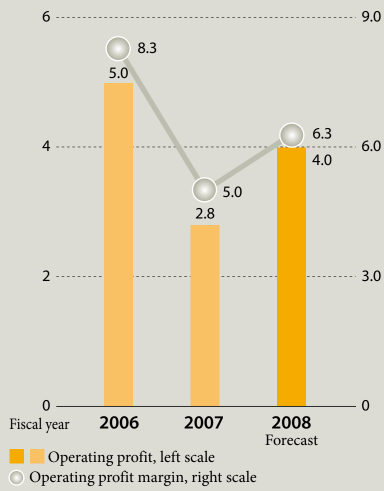
Net Sales

¥ billion



Operating Profit, Operating Profit Margin

¥ billion
%



The Year in Review

Sales decreased by ¥5.1 billion (8.4%) from a year ago to ¥55.7 billion and operating profit decreased by ¥2.3 billion (44.7%) to ¥2.8 billion.

Operating profit from building materials and housing materials decreased with fewer shipments of Hebel™ autoclaved lightweight concrete (ALC) panels as an effect of the decline in construction starts for unit homes following a revision of building codes in Japan.

Development of new markets for Eazet™ piles for small-scale construction advanced but demand for large-scale piles decreased, and operating profit from foundation systems operations was on par with a year ago. Operating profit from insulation materials also decreased as an effect of the decline in new housing starts, especially for wood-frame houses.

Market Environment Outlook for Fiscal 2008

A recovery of construction starts in Japan is forecast, enabling increased shipments of major products. The challenge will be to swiftly raise product prices to overcome the effect of significantly elevated costs for fuel and materials such as steel and cement. In the Hebel™ ALC business, development of new applications and high-value added products will be advanced together with further reductions in operating costs. In the Neoma™ foam insulation business, the application range will be expanded in transportation and other industrial fields as well as in housing and construction, and enhanced product functionality will be achieved with composites of Neoma™ foam and other materials. In the foundation systems business, new markets for Eazet™ and ATT Column™ piles will be developed in the fields of civil engineering and seismic reinforcement.

R&D

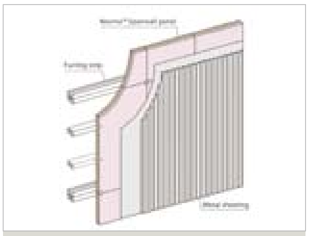
The Neoma™ phenolic foam thermal insulation business will be expanded through developments to enhance production efficiency and enable new composite product variations. High performance materials for housing, ecoefficient building foundation systems, and Hebel™ ALC panels with additional functions are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

Highlights

Civil engineering application example: Pedestrian bridge

JICE certification for Eazet™

The Japan Institute of Construction Engineering (JICE) issued a Construction Technology Review and Certification (CTRC) for Eazet™ in spring 2007. The CTRC provides official recognition of the Eazet™ piling system's environmental performance for low-noise, low-vibration installation in confined spaces with no soil disposal. Demand for piling systems with these features is growing in civil engineering applications such as cell phone towers, pedestrian bridges, and train-station elevators, in addition to the main application in home and building foundations. With the issuance of the CTRC, the Eazet™ business gains new impetus for growth in the field of civil engineering.



Fireproof wall configuration

Neoma™ Spanwall fire-resistant insulation

One new high-performance composite product in the insulation panel lineup is Neoma™ Spanwall, composed of fire-resistant Neoma™ foam bonded to cement-board backing, for use as insulation lining in fireproof metal walls. Featuring versatile compatibility with a variety of metal wall designs, Neoma™ Spanwall meets the rising demand for fireproof structures in a wide range of fields, including stores, shops, plants, and distribution centers.

Major Products

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

The Year in Review

Sales increased by ¥8.1 billion (28.2%) from a year ago to ¥37.0 billion and operating profit increased by ¥1.3 billion (33.6%) to ¥5.2 billion.

Operating profit from engineering increased with overseas plant engineering operations performing well.

Market Environment Outlook for Fiscal 2008

With the slowdown in the US economy and the sharp rise in steel prices, there is growing concern that the pace of capital investment in Japan may slacken. While business related to the provision of services for Asahi Kasei Group operations will remain strong, orders for services to non-Group customers will be accepted with careful selectivity based on profitability.

R&D

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

Highlights

Health guidance materials

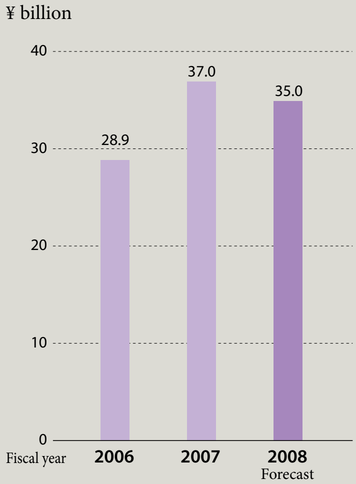
Health Guidance Business

Asahi Kasei Corp. began operation of a new business for the provision of health guidance in June 2007, and Asahi Kasei Life Support Corp. was established in April 2008 to advance the commercial development of this business as a wholly owned subsidiary.

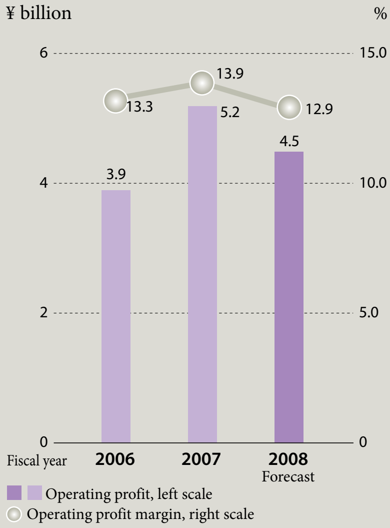
Beginning in April 2008, employee health insurance societies, local governments which administer the National Health Insurance, and other health insurers have a legal obligation to provide a specified array of physical examinations and health guidance to insured individuals and their dependents aged forty or older.

Asahi Kasei Life Support provides the specified health guidance on consignment from insurers who chose to outsource this obligation. The business builds on the internet-based personal diet management system developed by Asahi Kasei, and an alliance with the Japan Dietetic Association provides access to the services of a large number of registered dieticians throughout Japan.

Net Sales



Operating Profit, Operating Profit Margin



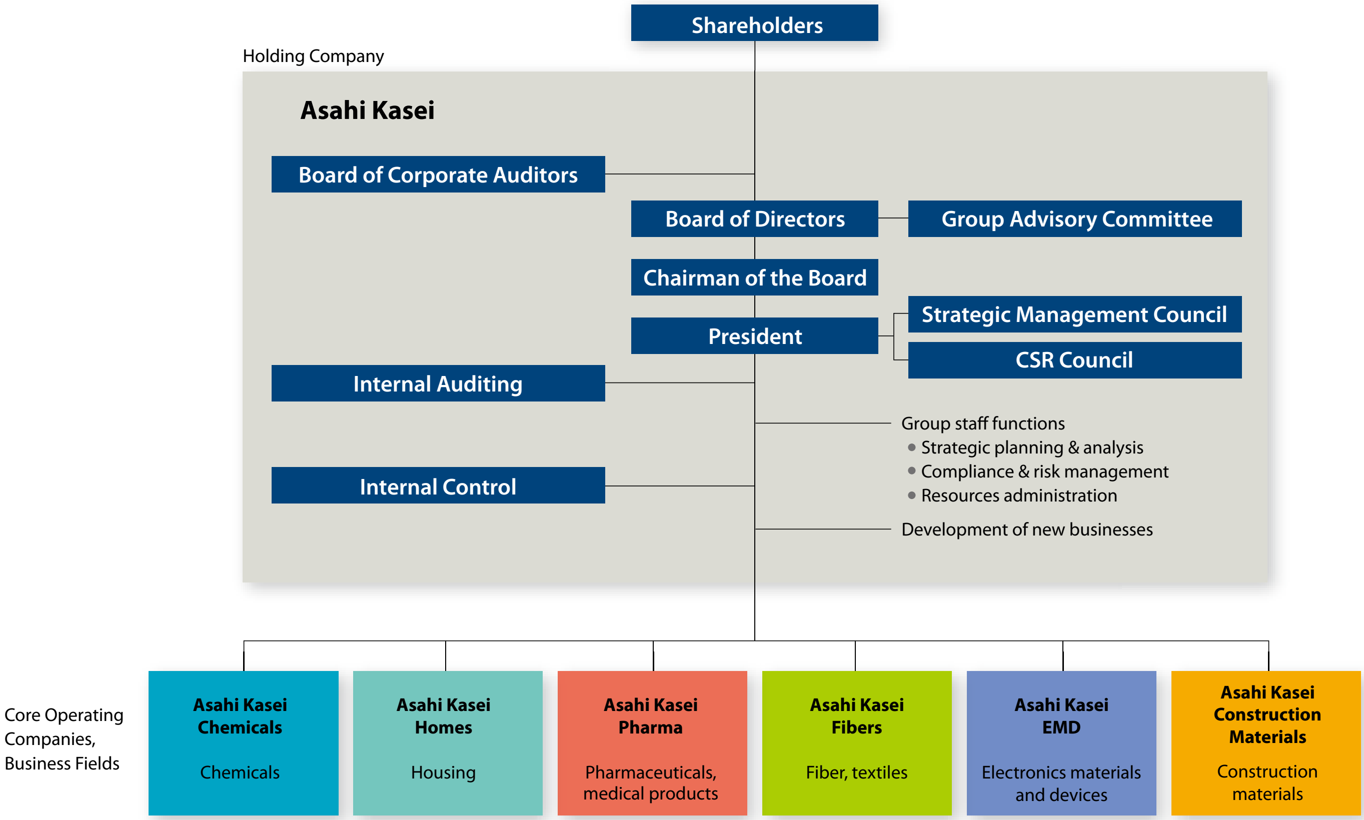
Toward Sustainable Growth

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 July 1, 2008)

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, of which two 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

An executive officer system of management is employed at the holding company and at each core operating company. 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.

For both the holding company and the core operating companies, the number of Directors and Executive Officers is as small as possible. In all cases, the term of office is one year, and management results and performance are reviewed each fiscal year.

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.

Internal Control System

Objectives for internal control include reliable financial reporting, legal compliance, effective and efficient operations execution, and safeguarding of assets. As a market-listed company, beginning in fiscal 2008 Asahi Kasei's management is required by the Financial Instruments and Exchange Law to assess the effectiveness of internal controls for financial reporting, and to have these assessments audited by independent CPAs or auditing firms.

Internal Control was established in May 2008 as a corporate organ dedicated to maintenance and enhancement of our system for internal control, replacing the Internal Control Project which had focused on the design and development of the system since October 2005.

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 Commercial Code and Securities Law. Partners of the Independent Auditors designated to perform the audit for fiscal year 2007 were as follows.

- Katsunori Sasayama
- Takahiro Nakazawa

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, holds periodic meetings with them, and receives the results of the consolidated financial audit of Asahi Kasei.

Adoption of Shareholder Rights Plan

On April 23, 2008, the Asahi Kasei Board of Directors established a basic corporate policy concerning the nature of parties who would control the company's financial and operational decision. At the 117th Ordinary General Meeting of Shareholders held on June 27, 2008, 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 by the majority votes of shareholders present.

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 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.

Risk Management

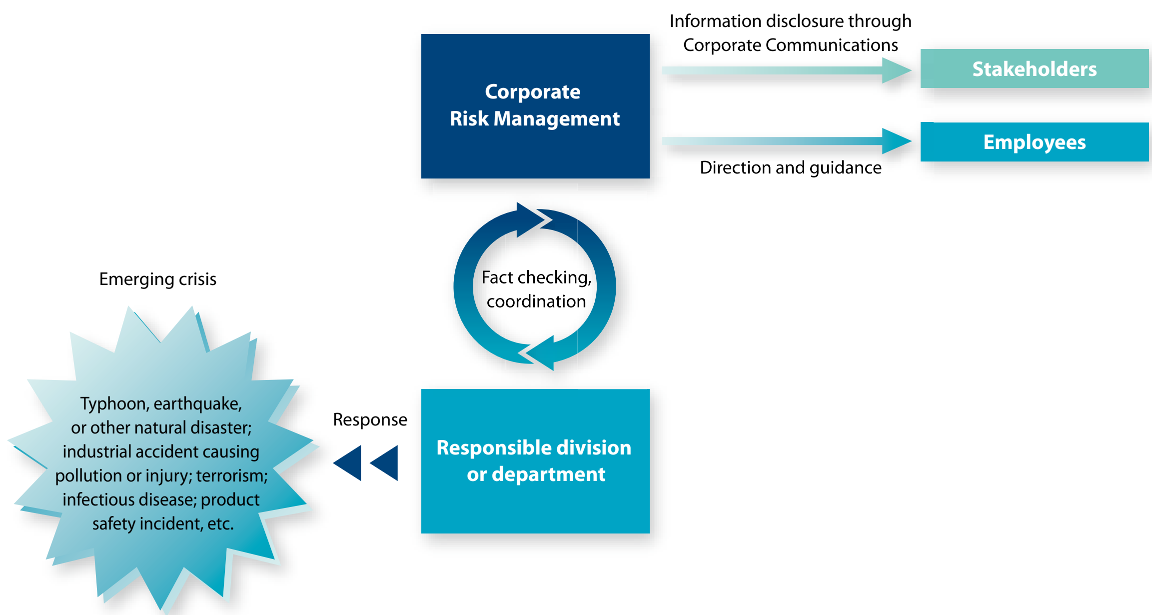
Risk Management Committee

The Risk Management Committee was established under the CSR Council in April 2005 to enhance the risk management system for prevention of operational crises and minimization of the effects of crises which occur. The Board of Directors in March 2007 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 2007, Corporate Risk Management coordinated the response to the improper acquisition of fire-resistance certification by a supplier of soffit panels used in our housing products, and provided guidance to personnel traveling abroad on business or stationed abroad.

Role of Corporate Risk Management



CSR at the Asahi Kasei Group

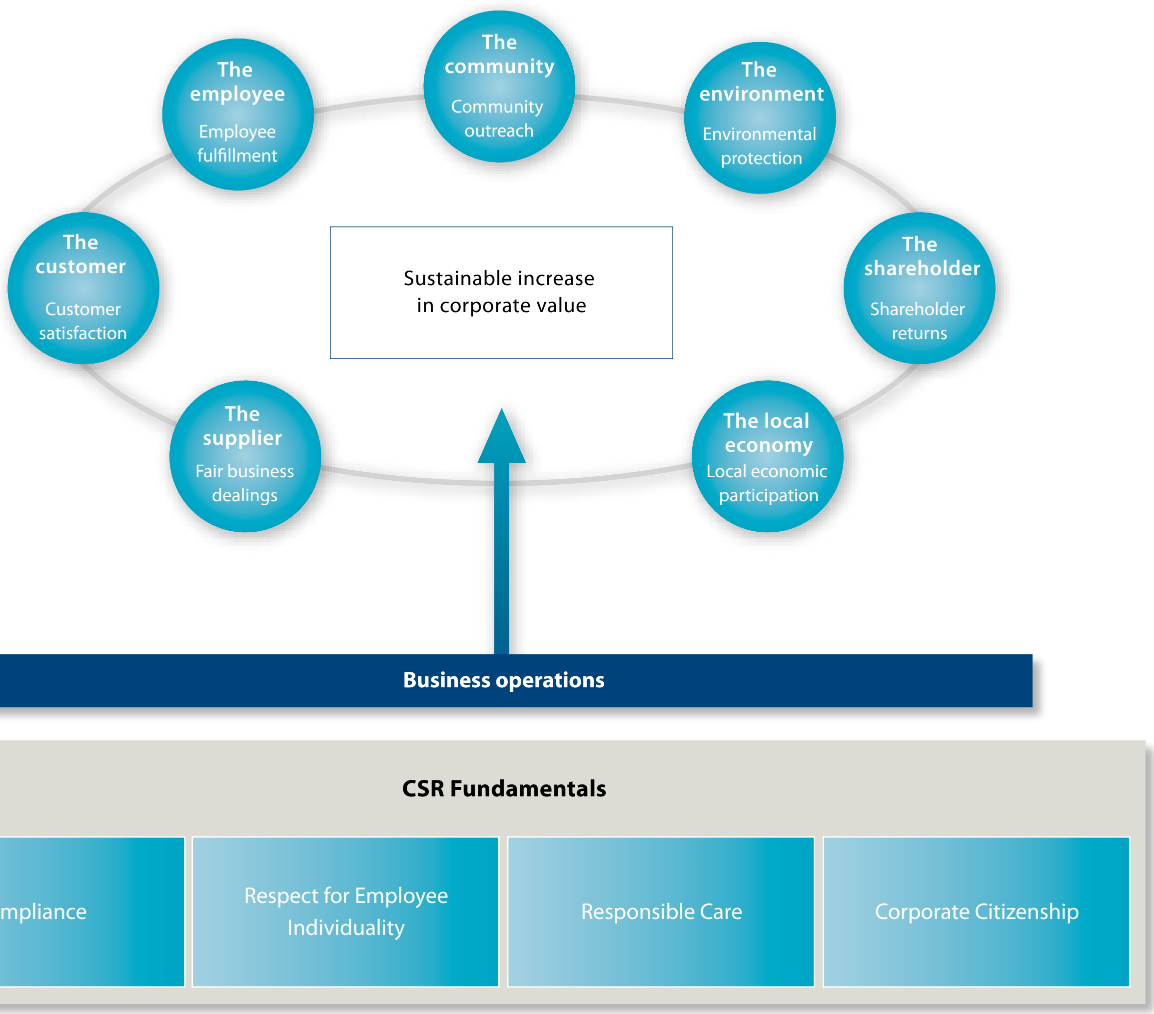
CSR in Action

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 2007, fifty-three countries throughout the world have a Responsible Care program.

Framework for Advancement

The CSR Council, formed in April 2005 with the holding company President serving as chair, formulates CSR policy and guides the CSR effort throughout the Asahi Kasei Group. Specific CSR initiatives are implemented by the committees under the authority of the CSR Council, including the Corporate Ethics Committee to ensure regulatory compliance and the Responsible Care Committee to guide efforts for environment, health, and safety. The Risk Management Committee formulates the response to contingencies such as a major earthquake. The Community Fellowship Committee promotes and coordinates the effort for outreach and fellowship in each local community where we operate.

President — **CSR Council**

- Formulation of unified policy and action plans
- Guidance and counsel for the subordinate committees
- Preparation of reports
- Monitoring of independent evaluation
- Disclosure of CSR information

Corporate Ethics Committee	Advancement of ethics education and operation of compliance hotline
Market Compliance Committee	Compliance with Antimonopoly Law and prevention of violation
Export Control Committee	Compliance with export-related regulations and prevention of violation
Responsible Care Committee	Environmental preservation, product safety, physical integrity and safe operation, workplace safety, hygiene, and health, and community outreach
Risk Management Committee	Crisis prevention and damage minimization
Community Fellowship Committee	Advancement of community fellowship activities

Environmental Technology Seminar in China

In July 2007 we were invited to co-host a seminar for environmental technology at the Great Hall of the People in Beijing, commemorating the 35th anniversary of the establishment of diplomatic relations between China and Japan. Environmental challenges and water treatment technology were in focus at the seminar, with a lively exchange of opinions among the attendants.

A "Beijing Declaration" on sustainable growth through international cooperation in harmony with the environment was adopted, and Asahi Kasei proposed the establishment of a fund to support the advancement and development of environmental technology in China by combining Chinese and Japanese know-how in the field.

The environmental technology seminar in Beijing

Directors, Corporate Auditors, Executive Officers

(As of June 27, 2008)

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; Compliance

Kiyoshi Tsujita

Director, Senior Executive Officer
Human Resources; Compliance

Katsuhiko Sato

Director, Senior Executive Officer
Procurement

Yuji Mizuno

Director, Executive Officer
Legal & General Affairs; Compliance

Yoshio Hayashi

Director, Executive Officer
ESH; PL; R&D

Yuzo Seto

Outside Director

Yukiharu Kodama

Outside Director

Morio Ikeda

Outside Director

Yuji Tsuchiya

Auditor

Kenji Nakamae

Auditor

Kazuo Tezuka

Outside Auditor

Hiroo Kato

Outside Auditor

Katsuhiko Yamazoe

Senior Executive Officer

Masanori Mizunaga

Lead Executive Officer

Toshikatsu Sunami

Lead Executive Officer

Tsutomu Inada

Executive Officer

Haruyuki Yoneda

Executive Officer

Shoichiro Tonomura

Executive Officer

Yutaka Shibata

Executive Officer

Financial Section

Contents

Consolidated Eleven-Year Summary

Asahi Kasei Corporation and consolidated subsidiaries

For the year ended March 31	2008	2007	2006	2005[d]	2004
Net sales	**¥1,696,789**	¥1,623,791	¥1,498,620	¥1,377,697	¥1,253,534
Chemicals	**879,235**	752,632	660,402	570,182	453,707
Life & Living[a]	–	52,558	51,942	59,149	59,813
Chemical and Chemical-related	–	–	–	–	–
Chemicals and Plastics	–	–	–	–	–
Homes	**386,227**	405,695	404,539	375,755	361,273
Housing and Construction Materials	–	–	–	–	–
Pharma[b]	**111,232**	104,474	105,842	103,933	105,965
Fibers[b]	**114,072**	106,639	89,704	91,518	101,514
Electronics Materials & Devices[b]	**113,267**	112,094	102,859	93,024	82,484
Construction Materials	**55,732**	60,818	56,512	59,908	60,622
Special Products and Services	–	–	–	–	–
Electronics	–	–	–	–	–
Membranes and Systems	–	–	–	–	–
Biotechnology and Medical Products	–	–	–	–	–
Speciality Products	–	–	–	–	–
Foods and Liquors	–	–	–	–	–
Engineering and Others[b]	–	–	–	–	–
Services, Engineering and Others[b]	**37,024**	28,881	26,821	24,228	28,156
Domestic sales	**1,209,452**	1,195,751	1,125,454	1,067,893	1,011,366
Overseas sales	**487,337**	428,040	373,166	309,804	242,168
Operating profit	**127,656**	127,801	108,726	115,809	60,932
Ordinary profit	**120,456**	126,507	104,166	112,876	53,643
Income (loss) before income taxes	**105,599**	114,883	94,481	91,141	54,820
Net income (loss)	**69,945**	68,575	59,668	56,454	27,672
Net income (loss) per share, yen	**50.01**	49.00	42.46	40.16	19.62
Capital expenditure	**82,911**	84,413	66,310	68,479	86,387
Depreciation and amortization	**73,983**	71,646	69,399	71,531	64,408
R&D expenditures	**56,170**	52,426	51,467	50,715	48,420
Cash dividends per share, yen	**13.00**	12.00	10.00	8.00	6.00

As of March 31	2008	2007	2006	2005	2004
Total assets	**¥1,425,367**	¥1,459,922	¥1,376,044	¥1,270,057	¥1,249,206
Inventories	**272,372**	240,006	214,062	202,521	181,609
Property, plant and equipment	**424,193**	426,959	414,368	419,969	428,302
Investments and other assets	**234,873**	281,502	284,390	223,958	226,825
Net worth[c]	**666,244**[c]	645,655[c]	594,211	511,726	450,451
Net worth per share, yen	**476.39**	461.50	424.34	365.43	321.41
Net worth/total assets, %	**46.7**	44.2	43.2	40.3	36.1
Number of employees	**23,854**	23,715	23,030	23,820	25,011

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 in consolidated subsidiaries. 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.
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 in 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.

Millions of yen, except where noted

2003[e]	2003	2002	2001[f]	2001	2000	1999	1998[g]	1998
¥1,193,614	¥1,193,614	¥1,195,393	¥1,269,415	¥1,269,415	¥1,194,462	¥1,171,845	¥1,281,675	¥1,281,675
424,673	–	–	–	–	–	–	–	–
52,908	–	–	–	–	–	–	–	–
–	477,581	440,698	449,470	–	–	–	–	–
–	–	–	–	430,934	379,677	375,048	400,420	373,874
320,553	–	–	–	–	–	–	–	–
–	383,654	408,474	433,440	433,440	412,954	372,649	425,553	424,532
105,463	105,463	98,686	95,481	–	–	–	–	–
110,551	110,551	125,908	134,791	134,791	139,181	148,277	181,542	181,542
71,579	71,579	64,062	95,999	–	–	–	–	–
63,101	–	–	–	–	–	–	–	–
–	–	–	–	270,250	262,650	275,871	274,160	301,727
–	–	–	–	96,228	80,653	66,212	63,235	62,337
–	–	–	–	18,307	17,967	18,133	20,828	–
–	–	–	–	95,481	93,460	88,050	82,703	82,703
–	–	–	–	–	–	–	–	33,593
–	–	–	–	–	–	90,068	88,478	88,478
–	–	–	–	60,234	70,570	13,408	18,916	34,616
44,786	44,786	57,565	60,234	–	–	–	–	–
981,064	981,064	1,006,810	1,086,219	1,086,219	1,044,630	1,009,439	1,127,590	1,127,590
212,550	212,550	188,583	183,196	183,196	149,832	162,406	154,085	154,085
61,555	61,555	45,664	96,024	96,024	74,323	51,237	62,814	62,814
50,389	50,389	39,849	86,747	86,747	85,853	42,443	56,271	56,271
(100,869)	(100,869)	10,679	50,318	50,318	39,615	37,525	40,264	40,264
(66,791)	(66,791)	5,180	25,177	25,177	20,525	17,392	20,809	20,809
(47.63)	(47.63)	3.61	17.45	17.45	14.23	12.06	14.43	14.43
93,985	93,985	74,826	69,188	69,188	63,213	70,461	74,981	74,981
60,808	60,808	60,676	62,222	62,222	63,629	63,845	67,117	67,117
49,311	49,311	49,574	49,768	49,768	50,015	56,844	57,023	57,023
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

2003	2003	2002	2001	2001	2000	1999	1998	1998
¥1,212,374	¥1,212,374	¥1,193,011	¥1,240,008	¥1,240,008	¥1,180,372	¥1,185,249	¥1,206,872	¥1,206,872
176,788	176,788	180,826	196,510	196,510	181,771	193,691	198,651	198,651
427,188	427,188	415,193	419,168	419,168	416,881	435,005	424,499	424,499
198,697	198,697	181,618	176,177	176,177	127,013	132,251	141,388	141,388
407,639	407,639	496,826	516,013	516,013	476,159	464,339	455,250	455,250
290.92	290.92	353.16	357.70	357.70	330.07	321.88	315.64	315.64
33.6	33.6	41.6	41.6	41.6	40.3	39.2	37.7	37.7
25,730	25,730	26,227	26,695	26,695	26,580	29,263	27,792	27,792

- 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.

g. For comparison purposes, results by business category for the year ended March 31, 1998 are recalculated in accordance with the revised categories for the year ended March 31, 1999.
- Photopolymer and explosives operations are transferred from the Special Products and Services sector to the Chemicals and Plastics sector.
- Artificial fish reef operations are transferred from the Special Products and Services sector to the Housing and Construction Materials sector.
- Within the Special Products and Services sector, functional membrane operations are transferred from the "speciality products" segment to the "membranes and systems" segment, and ion-exchange product operations are transferred from the "engineering and services" segment to the "membranes and systems" segment.

Overview of Fiscal 2007 Consolidated Results

Operating Environment

Although economic expansion advanced in China and other developing countries, the global economy was destabilized by continuing rises in feedstock and fuel prices and by concerns about a slowdown in the US economy triggered by the rise in subprime mortgage defaults. While the Japanese economy saw firm corporate earnings and private sector capital investment, expansion slowed as an effect of concern about the outlook for the global economy and a rapid rise in the exchange value of the yen during the second half of the fiscal year. The operating environment in fiscal 2007 thus remained a challenging one.

Net sales, Operating Profit

Consolidated net sales grew by ¥73.0 billion from a year ago to ¥1,696.8 billion, a 4.5% increase. Sales growth was greatest in chemicals operations, as high feedstock costs were reflected in high product prices.

Operating profit decreased by ¥0.1 billion to ¥127.7 billion, a 0.1% decline. By segment, lower operating profit was most notable in Homes, as an effect of decreased deliveries, and in Construction Materials, as an effect of the construction slowdown following a revision of Japanese building codes, but operating profit growth in the Chemicals and Fibers segments helped keep the overall decline to a minimum. As a percentage of net sales, cost of sales increased by 0.6 percentage points to 76.0%, largely due to increases in the cost of naphtha and other feedstocks. SG&A increased by ¥8.2 billion, but decreased as a percentage of net sales by 0.2 percentage points to 16.5% due to the higher rate of growth in net sales. Operating profit as a percentage of net sales increased by 0.4 percentage points to 7.5%.

Non-operating Income and Expenses, Ordinary Profit

Net non-operating expenses were ¥7.2 billion, ¥5.9 billion higher than the ¥1.3 billion of a year earlier. As a result, ordinary profit decreased by ¥6.1 billion to ¥120.5 billion, a 4.8% decline.

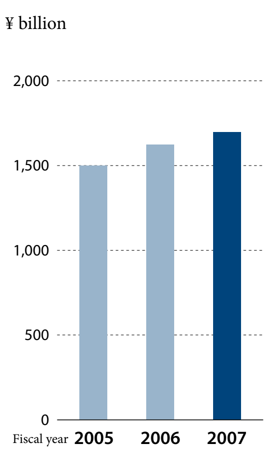
Special Gains and Losses

Special gains of ¥4.3 billion included a ¥3.4 billion gain on sale of investment securities. Special losses of ¥19.2 billion included a ¥6.8 billion loss on sale disposal of property, plant, and equipment and a ¥4.8 billion impairment loss. The net special loss of ¥14.9 billion was ¥3.2 billion higher than a year earlier.

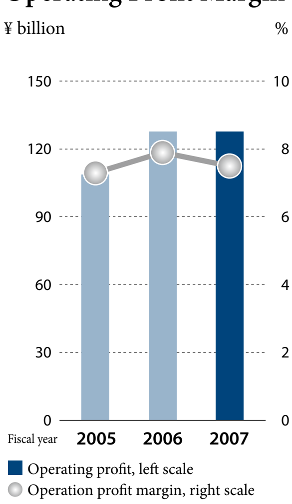
Net Income

With ordinary profit of ¥120.5 billion and the net special loss of ¥14.9 billion, income before income taxes and minority interests was ¥105.6 billion. Currently payable income taxes of ¥34.6 billion and deferred income tax obligation of ¥0.5 billion combined for an income tax expense of ¥35.0 billion. Minority interest in income of consolidated subsidiaries was ¥0.6 billion. As a result, net income grew by ¥1.4 billion to ¥69.9 billion, a 2.0% increase, and net income per share increased by ¥1.01 to ¥50.01 from the ¥49.00 of a year earlier.

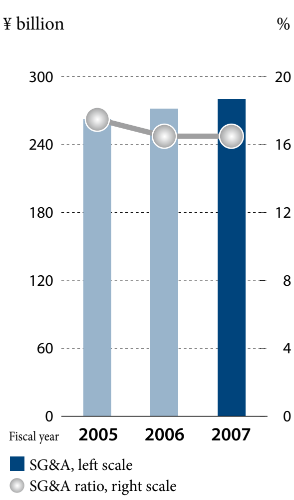
Net Sales



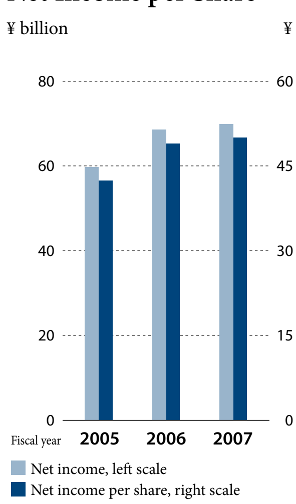
Operating Profit, Operating Profit Margin



SG&A, SG&A Ratio



Net Income, Net Income per Share



Results by Segment

Operating Segments

Six operating segments correspond to the core operating companies, and the Services, Engineering and Others segment comprises the remainder of operations. With the April 1, 2007, merger of Asahi Kasei Life & Living with Asahi Kasei Chemicals, the Life & Living segment was combined with the Chemicals segment. For comparison purposes, results for the year-ago period in the Chemicals segment have been revised to include those in the Life & Living segment.

Chemicals

Sales increased by ¥74.0 billion (9.2%) from a year ago to ¥879.2 billion and operating profit increased by ¥8.7 billion (15.3%) to ¥65.2 billion.

Volume products operations were affected by high feedstock costs, but operating profit nevertheless increased with strong market conditions for chemicals and derivative products, particularly acrylonitrile, and with polymer products performing well.

Operating profit from specialty products grew with strong demand for Hipore™ Li-ion rechargeable battery separator membranes resulting in increased shipments and with sales growth of ion-exchange membranes and systems for chlor-alkali electrolysis.

Homes

Sales decreased by ¥19.5 billion (4.8%) from a year ago to ¥386.2 billion and operating profit decreased by ¥6.1 billion (22.3%) to ¥21.4 billion.

Operating profit from order-built and pre-built homes decreased with the number of deliveries of unit homes significantly lower as an effect of fewer orders received through the first half of 2007 and postponement of delivery of some units due to improper acquisition of ministerial certification by a supplier of certain components as came to light in late October 2007. New orders for order-built homes increased by ¥2.7 billion from a year ago to ¥306.1 billion.

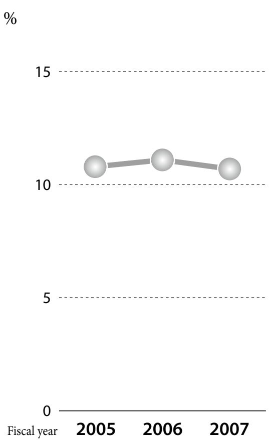
Operating profit from housing-related operations increased with remodeling operations performing well.

Pharma

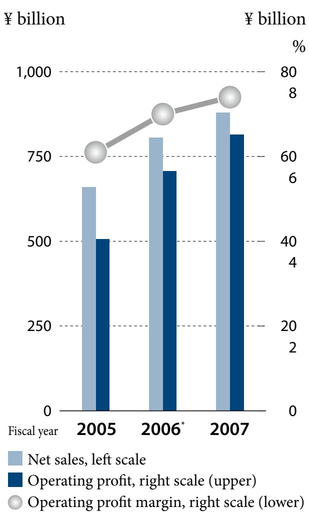
Sales increased by ¥6.8 billion (6.5%) from a year ago to ¥111.2 billion and operating profit decreased by ¥1.2 billion (8.6%) to ¥12.7 billion.

Sales of main pharmaceutical products, notably Elcitonin™ calcitonin formulation, grew, but operating profit from pharmaceutical operations decreased with lower licensing income and higher R&D expenditures.

ROE

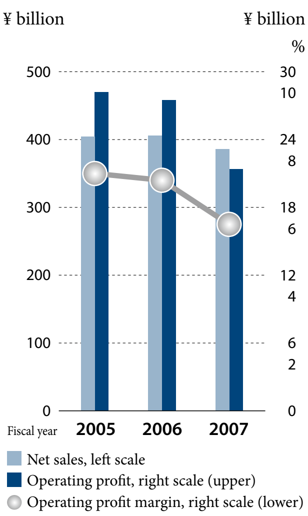


Chemicals



*Including Life & Living.

Homes



Operating profit in devices operations grew with increased domestic and overseas shipments in each product line, most notably in APS™ polysulfone-membrane artificial kidneys following production capacity expansion.

Fibers

Sales increased by ¥7.4 billion (7.0%) from a year ago to ¥114.1 billion and operating profit increased by ¥3.1 billion (73.9%) to ¥7.2 billion.

Operating profit from elastic polyurethane filament increased as overseas operations, notably those in Europe and the US, performed well with strong demand.

Operating profit from Bemberg™ regenerated cellulose fiber grew with increased exports. Operating profit from nonwovens operations decreased as operating cost reductions could not overcome the large effect of increased feedstock costs.

Electronics Materials & Devices

Sales increased by ¥1.2 billion (1.0%) from a year ago to ¥113.3 billion and operating profit decreased by ¥0.4 billion (1.7%) to ¥22.2 billion.

Operating profit from electronics materials increased as shipment volumes generally rose with strong overseas demand, especially in China.

Operating profit from electronics devices decreased with fewer shipments of LSIs and lower product prices as an effect of inventory adjustments in home electronics markets.

Construction Materials

Sales decreased by ¥5.1 billion (8.4%) from a year ago to ¥55.7 billion and operating profit decreased by ¥2.3 billion (44.7%) to ¥2.8 billion.

Operating profit from building materials and housing materials decreased with fewer shipments of Hebel™ autoclaved lightweight concrete (ALC) panels as an effect of the decline in construction starts following a revision of building codes in Japan.

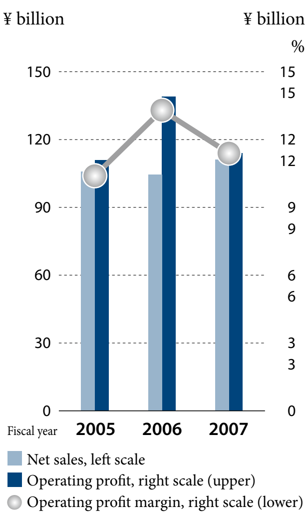
Development of new markets for Eazet™ piles for small-scale construction advanced but demand for large-scale piles decreased, and operating profit from foundation systems operations was on par with a year ago. Operating profit from insulation materials decreased as an effect of the decline in new housing starts, especially for wood-frame houses.

Services, Engineering and Others

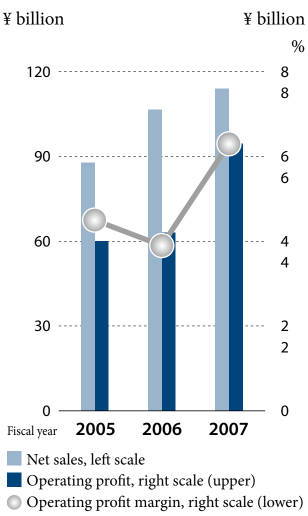
Sales increased by ¥8.1 billion (28.2%) from a year ago to ¥37.0 billion and operating profit increased by ¥1.3 billion (33.6%) to ¥5.2 billion.

Operating profit from engineering increased with overseas plant engineering operations performing well.

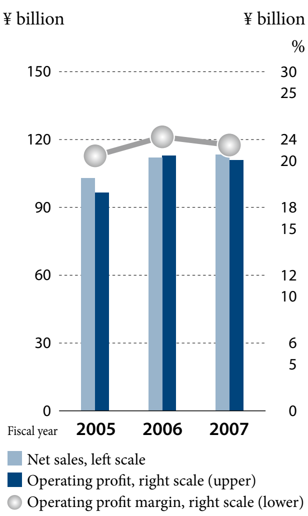
Pharma



Fibers



Electronics Materials & Devices



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.

Overseas Sales

Overseas sales increased, largely in Chemicals, by ¥59.3 billion to ¥487.3 billion, a 13.9% increase and a 2.3 percentage point increase to 28.7% of consolidated net sales.

Liquidity and Capital Resources

Financial Position

Total assets at fiscal year end were ¥1,425.4 billion, ¥34.6 billion (2.4%) lower than a year earlier.

Current assets increased by ¥17.1 billion (2.4%) to ¥740.1 billion. Inventories increased by ¥32.4 billion, largely in Chemicals and Homes. Cash on hand and in banks decreased by ¥18.6 billion.

Fixed assets decreased by ¥51.6 billion (7.0%) to ¥685.3 billion. Tangible fixed assets decreased by ¥2.8 billion as depreciation and amortization combined with loss on disposal of property, plant and equipment exceeded the value of investment in plant and equipment. Intangible fixed assets decreased by ¥2.2 billion, and the market value of investment securities decreased by ¥50.7 billion.

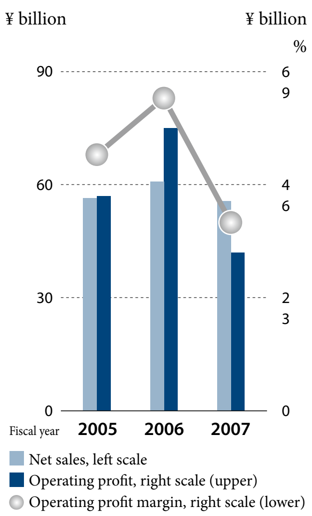
Current liabilities increased by ¥9.8 billion (2.0%) to ¥513.4 billion. While commercial paper increased by ¥55.0 billion, notes and accounts payable, trade, decreased by ¥31.8 billion as the previous year's closing date fell on a bank holiday and the closing date of the year under review came during a maintenance turnaround in Chemicals.

Long-term liabilities decreased by ¥65.0 billion (21.5%) to ¥237.8 billion, with a ¥35.0 billion decrease in bonds.

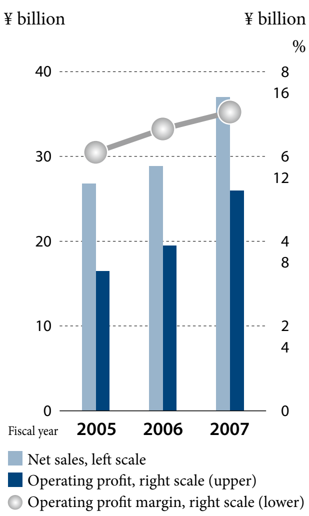
Interest-bearing debt decreased by ¥5.5 billion to ¥211.4 billion as repayment of bonds and borrowings exceeded the value of commercial paper issued.

Net assets increased by ¥20.6 billion (3.2%) from the ¥653.5 billion of a year ago to ¥674.2 billion. With net income of ¥69.9 billion, dividend payments were ¥18.2 billion and net unrealized gain on securities decreased by ¥28.7 billion. Net worth per share increased by ¥14.89 to ¥476.39. Net worth/total assets increased from 44.2% to 46.7%, and debt-to-equity ratio decreased slightly to 0.32.

Construction Materials



Services, Engineering and Others



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 tangible and intangible fixed assets, combined, before consumption tax.

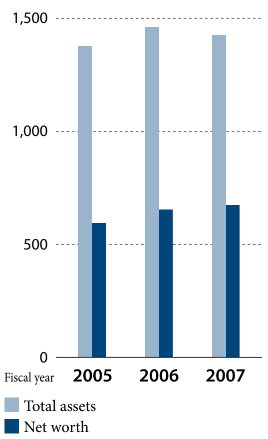
	Totals for the year (¥ million)	Compared to previous year (%)
Chemicals	34,344	74.6
Homes	7,451	275.9
Pharma	10,007	174.9
Fibers	9,255	145.5
Electronics Materials & Devices	17,018	104.8
Construction Materials	2,507	108.9
Services, Engineering and Others	793	104.3
Combined	81,375	101.6
Corporate assets and eliminations	1,536	35.7
Consolidated	82,911	98.2

Notable capital expenditure by operating segment was as follows:

- Chemicals: New facility for production of Duranate™ hexamethylene diisocyanate-based polyisocyanate; plant modification, rationalization, and maintenance.
- Homes: New R&D center, construction system modification, rationalization, and maintenance.
- Pharma: Expansion of capacity for assembly of APS™ polysulfone-membrane artificial kidneys in China, new facility for production of ethylene-vinyl alcohol copolymer hollow-fiber membrane, expansion of capacity for assembly of Planova™ virus removal filters; plant modification, rationalization, and maintenance.
- Fibers: Production capacity expansion for Roica™ elastic polyurethane filament in the US and Thailand, new facility for production of Precisé™ polyester nonwoven; plant modification, rationalization, and maintenance.
- Electronics Materials & Devices: Production capacity expansion for Pimel™ photosensitive polyimide precursor; 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.

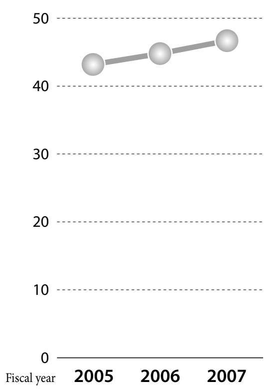
Total Assets, Net Worth

¥ billion



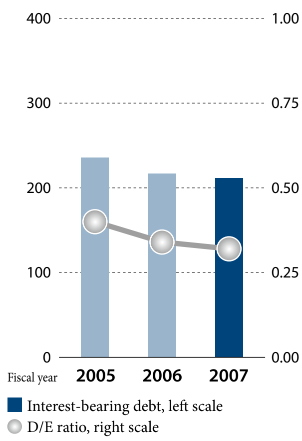
Net Worth to Total Assets

%



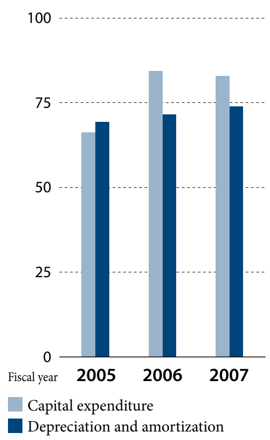
Interest-Bearing Debt, D/E Ratio

¥ billion



Capital Expenditure, Depreciation and Amortization

¥ billion



Cash Flows

Free cash flows were ¥3.8 billion as cash generated, principally operating profit and depreciation and amortization, exceeded cash used, principally for acquisition of fixed assets and investment securities. Cash flows from financing activities, principally for payment of dividends, were a net ¥22.3 billion cash used. After including ¥0.1 billion cash and cash equivalents held by newly consolidated subsidiaries, cash and cash equivalents at fiscal year end were ¥83.0 billion, ¥18.7 billion less than a year earlier.

Cash flows from operating activities

Increased inventories, notably in Chemicals and Homes, resulted in ¥33.3 billion cash used. Decreases in notes and accounts payable, trade, with the previous year's closing date falling on a bank holiday, resulted in ¥30.6 billion cash used. Income tax payments were ¥45.6 billion. Income before income taxes and minority interest generated ¥105.6 billion, while depreciation and amortization generated ¥74.0 billion. Net cash generated from operating activities was ¥72.9 billion, ¥55.5 billion less than a year earlier.

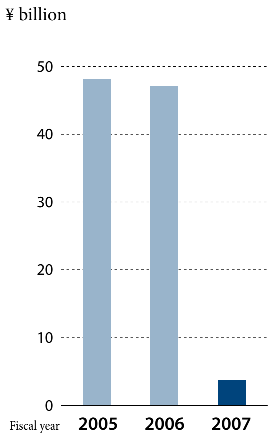
Cash flows from investing activities

Cash used included ¥68.8 billion for acquisition of tangible fixed assets for continuing expansion of competitively superior operations and enhancement of overall competitiveness and ¥7.4 billion for acquisition of intangible fixed assets. Cash generated from sales of investment securities aggregated ¥10.2 billion. Net cash used in investing activities was ¥69.1 billion, ¥12.2 billion less than a year earlier.

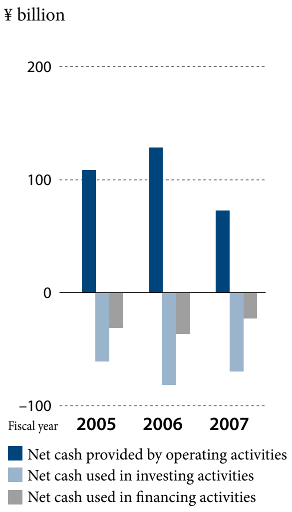
Cash flows from financing activities

A net ¥3.8 billion was used to repay interest-bearing debt such as borrowings and bonds. A further ¥18.2 billion was used for payment of parent-company dividends. A net ¥22.3 billion was used in financing activities, ¥13.7 billion less 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, 2008 and 2007

ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 4) 2008
Current assets:			
Cash on hand and in banks (Note 6)	¥ 82,903	¥ 101,514	$ 829,035
Notes and accounts receivable, trade	298,788	300,386	2,987,883
Marketable securities (Notes 6 and 7)	303	400	3,028
Inventories	272,372	240,006	2,723,718
Deferred income taxes (Note 11)	26,130	26,650	261,299
Other current assets	61,239	55,831	612,390
Allowance for doubtful accounts	(1,660)	(1,791)	(16,598)
Total current assets	740,075	722,995	7,400,754
Fixed assets:			
Property, plant and equipment, net of accumulated depreciation (Notes 8 and 9) –			
Buildings	159,951	158,953	1,599,510
Machinery and equipment	165,220	174,775	1,652,196
Land	54,096	55,192	540,955
Construction in progress	29,339	21,935	293,385
Other	15,588	16,103	155,882
Subtotal	424,193	426,959	4,241,928
Intangible fixed assets –			
Goodwill	5,707	6,045	57,067
Other	20,519	22,421	205,192
Subtotal	26,226	28,466	262,259
Investments and other assets –			
Investment securities (Note 7)	190,991	241,696	1,909,908
Long-term receivables	4,703	4,636	47,035
Deferred income taxes (Note 11)	12,777	10,479	127,770
Other	26,514	24,768	265,143
Allowance for doubtful accounts	(113)	(78)	(1,126)
Subtotal	234,873	281,502	2,348,729
Total fixed assets	685,292	736,927	6,852,916
Total assets	¥1,425,367	¥1,459,922	$14,253,670

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2008	2007	Thousands of U.S. dollars (Note 4) 2008
Liabilities:			
Current liabilities –			
Notes and accounts payable, trade	¥ 155,120	¥ 186,900	$ 1,551,199
Short-term borrowings (Note 9)	34,116	51,273	341,164
Commercial Paper (Note 9)	55,000	–	550,000
Current portion of long-term debt (Note 9)	34,104	36,555	341,039
Accrued income taxes	9,730	18,232	97,296
Deferred income taxes (Note 11)	58	–	579
Accrued expenses	108,947	103,155	1,089,471
Advances received	49,718	48,874	497,181
Allowance for repairs	4,716	4,506	47,163
Allowance for after-care of products (Note 2 (d) iii))	6,018	3,401	60,184
Other current liabilities	55,885	50,674	558,855
Total current liabilities	513,413	503,570	5,134,130
Long-term liabilities –			
Long-term debt (Note 9)	88,187	129,074	881,872
Deferred income taxes (Note 11)	9,155	26,210	91,547
Accrued pension and severance costs (Note 10)	117,130	126,266	1,171,295
Allowance for repairs	2,078	–	20,775
Customers' guarantee deposits	18,935	18,660	189,353
Other long-term liabilities	2,314	2,632	23,139
Total long-term liabilities	237,798	302,842	2,377,981
Total liabilities	751,211	806,412	7,512,111
Net assets:			
Shareholders' equity:			
Common stock –			
Authorized – 4,000,000,000 shares			
Issued and outstanding – 1,402,616,332 shares	103,389	103,389	1,033,885
Capital surplus	79,427	79,396	794,268
Retained earnings (Note 20)	432,246	380,515	4,322,457
Treasury stock, at cost			
(2008 – 4,080,805 shares, 2007 – 3,570,390 shares)	(2,019)	(1,544)	(20,187)
Total shareholders' equity	613,042	561,755	6,130,422
Valuation, translation adjustments, and others			
Net unrealized gain on securities	51,091	79,823	510,915
Net deferred profit on hedges	11	58	112
Revaluation surplus (Note 12)	873	1,106	8,729
Cumulative translation adjustments	1,226	2,913	12,257
Total valuation, translation adjustments, and others	53,201	83,900	532,013
Minority interest in consolidated subsidiaries	7,912	7,855	79,124
Total net assets	674,156	653,510	6,741,559
Commitments and contingent liabilities (Notes 16 and 21)			
Total liabilities and net assets	¥1,425,367	¥1,459,922	$14,253,670

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and consolidated subsidiaries
Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	2008
Net sales (Note 18)	¥1,696,789	¥1,623,791	$16,967,890
Cost of sales (Note 13)	1,288,965	1,224,041	12,889,649
Gross profit	407,824	399,750	4,078,241
Selling, general and administrative expenses (Note 13)	280,168	271,949	2,801,680
Operating profit (Note 18)	127,656	127,801	1,276,562
Non-operating income:			
Interest income	879	508	8,786
Dividend income	3,188	2,507	31,882
Equity in net earnings of unconsolidated subsidiaries and affiliates	3,757	2,647	37,566
Insurance recoveries	941	4,558	9,408
Other	3,335	2,861	33,354
Total non-operating income	12,100	13,081	120,996
Non-operating expenses:			
Interest expense	4,202	4,118	42,015
Loss on disposal of inventories	2,658	4,381	26,582
Foreign exchange loss, net	5,428	289	54,279
Other	7,012	5,588	70,121
Total non-operating expenses	19,300	14,376	192,998
Ordinary profit	120,456	126,507	1,204,560
Special gains:			
Gain on sale of investment securities (Note 7)	3,432	1,516	34,323
Gain on sale of property, plant and equipment	309	919	3,091
Gain on change in equity	559	657	5,587
Total special gains	4,300	3,091	43,001
Special losses:			
Loss on devaluation of investment securities	1,027	701	10,267
Loss on disposal of property, plant and equipment	6,821	9,073	68,209
Impairment loss (Note 14)	4,802	189	48,017
Charge for environmental countermeasures	2,239	–	22,387
Charge for remediation of homes delivered in previous years (Note 2 (d) iii))	3,000	–	30,000
Restructuring charges (Notes 14 and 15)	1,269	4,751	12,690
Total special losses	19,157	14,715	191,570
Income before income taxes and minority interest	105,599	114,883	1,055,991
Income taxes (Note 11) – currently payable	(34,555)	(42,247)	(345,551)
– deferred (obligation)/benefit	(450)	(3,553)	(4,499)
Minority interest in income of consolidated subsidiaries	(649)	(508)	(6,487)
Net income	¥ 69,945	¥ 68,575	$ 699,453

	Yen		U.S. dollars (Note 4)
Per share data:	2008	2007	2008
Net income (Note 22) – Basic	¥50.01	¥49.00	$0.50
– Diluted	¥ –	¥ –	$ –
Cash dividends	¥13.00	¥12.00	$0.13

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, 2008 and 2007

Millions of yen

	Shareholders' equity					Valuation, translation adjustments, and others						
	Common stock	Capital surplus	Retained earnings (Note 20)	Treasury stock at cost	Total shareholders' equity	Net unrealized gain on securities	Net deferred profit on hedges	Revaluation surplus (Note 12)	Cumulative translation adjustments	Total valuation, translation adjustments, and others	Minority interest in consolidated subsidiaries	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
Decrease due to merger			(26)		(26)							(26)
Purchase of treasury stock				(542)	(542)							(542)
Disposal of treasury stock		31		67	98							98
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

Millions of yen

	Shareholders' equity					Valuation, translation adjustments, and others						
	Common stock	Capital surplus	Retained earnings (Note 20)	Treasury stock at cost	Total shareholders' equity	Net unrealized gain on securities	Net deferred profit on hedges	Revaluation surplus (Note 12)	Cumulative translation adjustments	Total valuation, translation adjustments, and others	Minority interest in consolidated subsidiaries	Total net assets
Balance at March 31, 2006	¥103,389	¥79,433	¥342,450	¥(17,311)	¥507,960	¥85,384	¥ –	¥ 966	¥ (99)	¥86,251	¥6,917	¥601,128
Changes during the fiscal year												
Year-end dividend			(6,999)		(6,999)							(6,999)
Interim dividend			(6,998)		(6,998)							(6,998)
Bonuses to directors and corporate auditors			(228)		(228)							(228)
Net income			68,575		68,575							68,575
Increase due to newly consolidated subsidiaries			22		22							22
Decrease due to newly consolidated subsidiaries			(1)		(1)							(1)
Increase due to unconsolidated subsidiaries and affiliates for which the equity method is newly applies			20		20							20
Purchase of treasury stock				(634)	(634)							(634)
Disposal of treasury stock		18		21	39							39
Cancellation of treasury stock		(55)	(16,325)	16,380	–							–
Net increase (decrease) in net assets others than shareholders' equity						(5,561)	58	140	3,012	(2,351)	938	(1,413)
Total changes during the fiscal year	–	(37)	38,065	15,767	53,795	(5,561)	58	140	3,012	(2,351)	938	52,382
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

Thousands of U.S. dollars (Note 4)

	Shareholders' equity					Valuation, translation adjustments, and others						
	Common stock	Capital surplus	Retained earnings (Note 20)	Treasury stock at cost	Total shareholders' equity	Net unrealized gain on securities	Net deferred profit on hedges	Revaluation surplus (Note 12)	Cumulative translation adjustments	Total valuation, translation adjustments, and others	Minority interest in consolidated subsidiaries	Total net assets
Balance at March 31, 2007	$1,033,885	$793,962	$3,805,146	$(15,441)	$5,617,553	$ 798,232	$ 584	$11,055	$ 29,125	$ 838,996	$78,554	$6,535,103
Changes during the fiscal year												
Dividends			(181,881)		(181,881)							(181,881)
Net income			699,453		699,453							699,453
Decrease due to merger			(262)		(262)							(262)
Purchase of treasury stock				(5,421)	(5,421)							(5,421)
Disposal of treasury stock		305		675	980							980
Net increase (decrease) in net assets others than shareholders' equity						(287,317)	(472)	(2,327)	(16,868)	(306,983)	569	(306,415)
Total changes during the fiscal year	–	305	517,310	(4,746)	512,869	(287,317)	(472)	(2,327)	(16,868)	(306,983)	569	206,456
Balance at March 31, 2008	$1,033,885	$794,268	$4,322,457	$(20,187)	$6,130,422	$ 510,915	$ 112	$ 8,729	$ 12,257	$ 532,013	$79,124	$6,741,559

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, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2008	2007	2008
Cash flows from operating activities:			
Income before income taxes and minority interest	¥105,599	¥ 114,883	$1,055,991
Depreciation and amortization	73,983	71,646	739,830
Impairment loss	4,802	189	48,017
Amortization of goodwill	478	824	4,780
Amortization of negative goodwill	(171)	(196)	(1,713)
Increase in allowance for repairs	2,287	(3,500)	22,873
Increase in allowance for after-care of products	2,617	97	26,169
Decrease in accrued pension and severance costs	(9,211)	(6,701)	(92,106)
Interest and dividend income	(4,067)	(3,015)	(40,668)
Interest expense	4,202	4,118	42,015
Equity in net earnings of unconsolidated subsidiaries and affiliates	(3,757)	(2,647)	(37,566)
Gain on sale of investment securities	(3,432)	(1,516)	(34,323)
Loss on devaluation of investment securities	1,027	701	10,267
Gain on sale of property, plant and equipment	(309)	(919)	(3,091)
Loss on disposal of property, plant and equipment	6,821	9,073	68,209
Increase in notes and accounts receivable, trade	(104)	(26,425)	(1,045)
Increase in inventories	(33,295)	(23,005)	(332,954)
Increase (decrease) in notes and accounts payable, trade	(30,571)	51,605	(305,711)
Increase in accrued expenses	6,120	3,015	61,204
Increase (decrease) in advances received	553	(85)	5,526
Other	(6,168)	(14,931)	(61,678)
Subtotal	117,403	173,209	1,174,028
Interest and dividend income, received	5,613	4,941	56,131
Interest expense, paid	(4,497)	(4,210)	(44,966)
Income taxes, paid	(45,572)	(45,508)	(455,718)
Net cash provided by operating activities	72,947	128,432	729,474
Cash flows from investing activities:			
Payments for purchase of time deposits	(15)	(192)	(146)
Proceeds from maturity of time deposits	9	473	88
Payments for purchase of marketable securities	–	(14)	–
Proceeds from sale of marketable securities	43	1	428
Payments for acquisition of property, plant and equipment	(68,822)	(77,357)	(688,220)
Proceeds from sale of property, plant and equipment	1,026	2,976	10,258
Payments for acquisition of intangible fixed assets	(7,384)	(4,872)	(73,838)
Payments for purchase of investment securities	(2,115)	(3,003)	(21,153)
Proceeds from sale of investment securities	10,231	2,557	102,312
Proceeds from sale of consolidated subsidiaries	998	–	9,985
Payments for loan receivables	(9,748)	(5,655)	(97,476)
Collections of loan receivables	8,333	4,195	83,328
Other	(1,691)	(456)	(16,913)
Net cash used in investing activities	(69,135)	(81,347)	(691,348)
Cash flows from financing activities:			
Proceeds from short-term borrowings	27,057	39,760	270,574
Repayment of short-term borrowings	(45,147)	(36,293)	(451,472)
Proceeds from issuance of commercial paper	75,000	150,000	750,000
Repayment of commercial paper	(20,000)	(150,000)	(200,000)
Proceeds from long-term loans	2,585	8,337	25,852
Repayment of long-term loans	(9,258)	(10,456)	(92,584)
Repayment of bonds	(34,000)	(23,000)	(340,000)
Payments for purchase of treasury stock	(551)	(501)	(5,507)
Proceeds from sale of treasury stock	89	40	893
Dividends paid by parent company	(18,174)	(13,991)	(181,741)
Dividends paid to minority interests in consolidated subsidiaries	(145)	(135)	(1,445)
Other	213	216	2,131
Net cash used in financing activities	(22,330)	(36,025)	(223,300)
Effect of exchange rate changes on cash and cash equivalents	(219)	643	(2,186)
Net increase in cash and cash equivalents	(18,736)	11,703	(187,360)
Cash and cash equivalents at beginning of year	101,719	86,390	1,017,187
Cash and cash equivalents held by newly consolidated subsidiaries	50	3,625	504
Cash and cash equivalents at end of year (Note 6)	¥ 83,033	¥ 101,719	$ 830,331

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 Japanese Ministry of Finance (hereinafter called the "MOF") as required by the Financial Instruments and Exchange Law 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 MOF 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.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 106 subsidiaries (111 subsidiaries at March 31, 2007, hereinafter collectively referred to as the "Company") which, with minor exceptions due to materiality, are all majority and wholly owned companies, including 6 core operating companies (Asahi Kasei Chemicals Corp., Asahi Kasei Homes Corp., Asahi Kasei Pharma Corp., Asahi Kasei Fibers Corp., Asahi Kasei EMD Corp., and Asahi Kasei Construction Materials Corp.), Tong Suh Petrochemical Corp. Ltd. (Korea), Sanyo Petrochemical Co., Ltd., Asahi Kasei Kuraray Medical Co., Ltd., and Asahi Kasei Medical 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 50 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2008 (53 at March 31, 2007), 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 29 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 are principally stated at the lower of average cost or market value. Residential lots and dwellings for sale are stated at specifically identified costs.

(c) Fixed assets and depreciation/amortization

Property, plant and equipment 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, 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.

(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) Allowance 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 allowance for repairs.

iii) Allowance for after-care of products

Estimates of product warranty expenses based on historical rates and the amount required for remediation of deficient eave assembly specification are recognized as allowance for after-care of products.

(addendum)

During the fiscal year ended March 31, 2008, it was ascertained that it was necessary to perform remediation work to restore a deficient eave assembly specification on certain order-built homes delivered by Asahi Kasei Homes Corp., a subsidiary of the company. The amount of ¥3,000 million (US$30,000 thousand) estimated for the cost of this remediation work is recorded as charge for remediation of homes delivered in previous years under special losses in the consolidated statements of income and is included in allowance for after-care of products in the consolidated balance sheets.

The cost of remediation work required in relation to improper acquisition by Nichias Corp. of ministerial certification for soffit panels procured by Asahi Kasei Homes Corp. which came to light during the fiscal year ended March 31, 2008, is not expected to have any effect the on the consolidated financial statements for the year ended March 31, 2008, as the full amount will be claimed from Nichias Corp.

(e) Accrued pension and severance costs

Accrued pension and severance costs at March 31, 2008 and 2007, represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. Unrecognized prior service costs are amortized on a straight-line basis primarily over ten years. 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.

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.

(f) 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, 2008 and 2007, 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 "Net deferred profit on hedges" to be offset against gains or losses of the underlying hedged assets and liabilities.

(g) 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.

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

(h) Leases

Under Japanese accounting practices, financing leases must be capitalized by the lessee except for those leases that do not transfer ownership of the leased asset to the lessee as part of the lease. Such exceptions can be accounted for either as financing leases or operating leases with an appropriate footnote disclosure.

Periodic lease charges for financing leases entered into by the parent company and its Japanese subsidiaries, where lessors retain the ownership of the leased assets, are charged to income as incurred.

(i) 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, liabilities, and income and expenses 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. 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 cumulative translation adjustments in the balance sheets.

A portion of the cumulative translation adjustments is allocated to "Minority interest in consolidated subsidiaries" and the Company's portion is presented as a separate component of net assets in the balance sheets.

3. Changes in significant accounting policies

Change in method of depreciation of tangible fixed assets

Due to a revision of the Corporation Tax Law (effected by Law No. 6 of 2007 (Law Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007, and by Cabinet Ordinance No. 83 of 2007 (Cabinet Ordinance Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007), the parent company and its Japanese subsidiaries, beginning with the fiscal year ended March 31, 2008, adopted a change in the method of depreciation of tangible fixed assets acquired on or after April 1, 2007, in accordance with the revised Corporation Tax Law.

The effect of this change for the year ended March 31, 2008, is that operating profit, ordinary profit, and income before income taxes and minority interests are each ¥2,141 million (US$21,413 thousand) lower than they would have been under the previous method of depreciation. The effect by industry segment is shown in Note 18.

(addendum)

Due to a revision of the Corporation Tax Law (effected by Law No. 6 of 2007 (Law Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007, and by Cabinet Ordinance No. 83 of 2007 (Cabinet Ordinance Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007), the parent company and its Japanese subsidiaries, beginning with the fiscal year in which the residual value of an asset purchased on or before March 31, 2007, reaches 5% of the purchase price through application of the method of depreciation in effect prior to the revision of the Corporation Tax Law, are depreciating the difference between 5% of the purchase price and the memorandum price using the straight-line method over five years, and recognizing this as a component of depreciation expense.

The effect of this for the year ended March 31, 2008, is that operating profit, ordinary profit, and income before income taxes and minority interests are each ¥1,909 million (US$19,086 thousand) lower than they would otherwise have been. The effect by industry segment is shown in Note 18.

4. United States dollar amounts

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 ¥100=US$1 prevailing on March 31, 2008, has been used.

5. 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 currency 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 nonperformance 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 "Net deferred profit 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, 2008, is as follows:

			Millions of yen	Thousands of U.S. dollars
Classification	Items		2008	2008
Dealings other than market dealings	Interest rate swap receipt change/ payment fixation	Amount of contract	¥1,700	$17,000
		(Amount of contract over 1 year)	–	–
		Fair value	(46)	(459)
		Profit (loss) from valuation	(46)	(459)

6. 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 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash on hand and in banks	¥82,903	¥101,514	$829,035
Time deposits with deposit term of over 3 months	(170)	(192)	(1,705)
Money market funds, medium-term government bond funds, and others included in marketable securities	300	397	3,001
Cash and cash equivalents	¥83,033	¥101,719	$830,331

7. 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 are as follows:

	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

	Millions of yen		
	2007		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥39,675	¥173,612	¥133,937
Securities with unrealized losses:			
Equity securities	802	629	(173)
Debt securities	23	23	–
	825	652	(173)
	¥40,500	¥174,264	¥133,764

	Thousands of U.S. dollars		
	2008		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	$373,096	$1,238,468	$865,371
Securities with unrealized losses:			
Equity securities	39,435	32,606	(6,829)
Debt securities	230	230	–
	39,655	32,836	(6,829)
	$412,761	$1,271,303	$858,542

Losses on devaluation of other securities whose fair values are readily determinable for the year ended March 31, 2008, total ¥404 million (US$4,038 thousand).

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

	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Selling amount	¥8,673	¥1,310	$86,726
Gain on sales of securities	3,278	832	32,782
Loss on sales of securities	–	0	–

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

	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Equity investment in funds	¥5,001	¥10,001	$50,006
Equity investment in nonpublic companies	6,980	6,996	69,801

(d) Redemption schedules for maturity of debt securities at March 31 are as follows:

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	¥–	¥–

Millions of yen

	2007			
	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	¥2	¥–
	¥5	¥9	¥2	¥–

Thousands of U.S. dollars

	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	$50	$ 91	$–	$–
Corporate bonds	–	1,200	–	–
	$50	$1,291	$–	$–

8. Accumulated depreciation

Accumulated depreciation at March 31 is comprised of the following:

	Millions of yen 2008	2007	Thousands of U.S. dollars 2008
Buildings	¥ 217,434	¥ 213,372	$ 2,174,341
Machinery and equipment	958,159	935,316	9,581,586
Other	88,320	85,842	883,198
	¥1,263,913	¥1,234,530	$12,639,125

9. Borrowings

Short-term borrowings at March 31, 2008 and 2007, represent loans, principally from commercial paper and banks. The weighted average interest rates on these borrowings are 1.31% in 2008 and 1.84% in 2007.

Long-term debt at March 31, 2008 and 2007, is comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans, principally from banks and insurance companies, due 2008 to 2018 with weighted average interest rates of 2.72% (short-term portion) and 1.95% (long-term portion):			
Secured	¥ 870	¥ 1,003	$ 8,698
Unsecured	71,421	80,626	714,213
Unsecured 1.02% to 2.15% yen bonds due 2007 to 2009	35,000	45,000	350,000
Unsecured 1.0% to 1.8% step up coupon Euro yen bonds due 2011	–	10,000	–
Unsecured 0.29% to 2.83% Euro yen bonds due 2007 to 2009	4,000	17,000	40,000
Unsecured US$1.9% to 3.5% reversal dual currency Euro yen bonds due 2007 to 2013	11,000	12,000	110,000
	122,291	165,629	1,222,911
Less: Portion due within one year	(34,104)	(36,555)	(341,039)
	¥ 88,187	¥129,074	$ 881,872

The aggregate annual maturities of long-term debt after March 31, 2008, are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 34,104	$ 341,039
2010	37,828	378,281
2011	15,456	154,558
2012 and thereafter	34,903	349,032
	¥122,291	$1,222,911

A summary of assets pledged as collateral for short-term loans and long-term debt at March 31, 2008, is as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥774	$7,740

10. Accrued pension and severance costs

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 accrued severance and pension costs at March 31, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligations	¥(297,343)	¥(302,528)	$(2,973,432)
Fair value of plan assets	190,955	215,846	1,909,552
	(106,388)	(86,682)	(1,063,880)
Unrecognized actuarial gains/losses	2,639	(25,630)	26,389
Unrecognized prior service costs	(7,009)	(8,403)	(70,093)
Prepaid pension cost	(5,374)	(4,648)	(53,745)
Retirement benefits for employees	(116,133)	(125,364)	(1,161,329)
Retirement benefits for directors and corporate auditors	(997)	(902)	(9,967)
Accrued pension and severance costs	¥(117,130)	¥(126,266)	$(1,171,295)

Note: The figures in the above table do not include additional benefit payables amounting to ¥310 million (US$3,100 thousand) and ¥82 million at March 31, 2008 and 2007, respectively. The amounts are recorded as part of current liabilities on the consolidated balance sheets at March 31, 2008 and 2007.

Net periodic pension and severance costs for employees for the years ended March 31, 2008 and 2007, include the following components:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost (*1)	¥ 8,856	¥ 8,775	$ 88,562
Interest cost	7,325	7,385	73,253
Expected return on plan assets	(5,289)	(5,229)	(52,893)
Amortization of unrecognized actuarial gains/losses	(2,814)	(2,380)	(28,142)
Amortization of unrecognized prior service costs	(1,393)	(1,393)	(13,932)
Net pension and severance costs	¥ 6,685	¥ 7,157	$ 66,848

*1: The figures in the above table do not include the contributions made by employees.
*2: In addition to the above costs, additional benefits amounting to ¥1,303 million (US$13,029 thousand) and ¥782 million were charged to income for the year ended March 31, 2008 and 2007, respectively.

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

	2008	2007
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

11. 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 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Accrued pension and severance costs	¥ 46,847	¥ 50,524	$ 468,468
Accrued bonuses	8,722	8,612	87,221
Loss on disposal of property, plant and equipment	6,826	7,080	68,260
Tax loss carryforwards	5,795	4,674	57,948
Unrealized gain on fixed assets and others	4,354	4,107	43,537
Impairment loss	3,897	2,060	38,974
Devaluation of inventories	2,817	3,387	28,173
Allowance for repairs	2,644	–	26,437
Allowance for after-care of products	2,501	–	25,009
Accrued enterprise tax	1,409	2,401	14,087
Devaluation of investment securities	1,401	1,094	14,006
Charge for environmental countermeasures	874	–	8,737
Depreciation	551	353	5,512
Allowance for doubtful accounts	476	375	4,756
Other	8,741	12,561	87,412
Subtotal deferred tax assets	97,854	97,226	978,538
Less: Valuation allowance	(11,770)	(9,997)	(117,697)
Total deferred tax assets	86,084	87,229	860,841
Deferred tax liabilities:			
Unrealized gains on securities	(37,484)	(56,513)	(374,837)
Reserve for fixed assets reduction	(14,235)	(14,995)	(142,349)
Reserve for special depreciation	(537)	(1,070)	(5,367)
Other	(4,134)	(3,732)	(41,345)
Total deferred tax liabilities	(56,390)	(76,310)	(563,899)
Net deferred tax assets (liabilities)	¥ 29,694	¥ 10,919	$ 296,943

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the year ended March 31 is as follows:

	2008		2007
Statutory tax rate	40.7%	Statutory tax rate	40.7%
Increase (reduction) in taxes resulting from:		Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	2.7	Non-deductible expenses and non-taxable income	2.0
Equalization of inhabitants taxes	0.4	Equalization of inhabitants taxes	0.4
R&D expenses deductible from income taxes	(4.7)	R&D expenses deductible from income taxes	(3.9)
Amortization of goodwill	0.2	Amortization of goodwill	0.1
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.5)	Equity in earnings of unconsolidated subsidiaries and affiliates	(0.9)
Difference of tax rates for foreign subsidiaries	(3.3)		
Other	(1.3)	Other	1.5
Effective income tax rate	33.2%	Effective income tax rate	39.9%

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

12. Revaluation surplus

A revaluation surplus is recorded by a consolidated foreign subsidiary, based on the applicable laws.

13. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Freight and storage	¥35,086	¥34,287	$350,860
Salaries and benefits	89,729	87,819	897,288
Research and development (*)	39,618	37,307	396,178
Rent	28,566	28,392	285,659

(*) The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2008 and 2007, are ¥56,170 million (US$561,697 thousand) and ¥52,426 million, respectively.

14. Impairment loss

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.

In the fiscal year ended March 31, 2008, the book value of machinery and equipment with no specific prospect for conversion of use and of land with diminished market value was reduced to the recoverable amount, resulting in a special loss of ¥4,802 million (US$48,017 thousand) as impairment loss. In the fiscal year ended March 31, 2007, the book value of machinery and equipment with no specific prospect for conversion of use and of land with diminished market value was reduced to the recoverable amount, resulting in a special loss of ¥189 million as impairment loss and ¥1,659 million as a restructuring charge.

Recoverable amount for machinery and equipment was taken as disposable value less cost of disposal, and that for land was taken as net selling price mainly based on the appraisal value as determined by a real estate appraiser.

15. Restructuring charges

Major components of the restructuring charges are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loss on disposal and devaluation of assets and others	¥1,123	¥2,577	$11,229
Impairment of fixed assets	–	1,659	–
Loss on liquidation of subsidiaries and others	146	516	1,461
	¥1,269	¥4,751	$12,690

16. Leases

Periodic lease charges for the Company's financing leases, where lessors retain the ownership of the leased assets, are charged to income. Such lease charges are ¥4,628 million (US$46,278 thousand) and ¥4,551 million for the years ended March 31, 2008 and 2007, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Due within one year	¥3,761	¥ 4,287	$37,608
Due after one year	4,359	5,770	43,591
	¥8,120	¥10,057	$81,199

The leased assets under the Company's financing leases, where lessors retain ownership of the leased assets, are accounted for as operating leases by the Company. If the leases had been capitalized, then 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, 2008 and 2007, would have been as follows:

	Millions of yen			Thousands of U.S. dollars
	2008			2008
	Cost	Accumulated amortization	Net amount	Net amount
Buildings	¥15,191	¥8,421	¥6,770	$67,697
Machinery and equipment	457	258	199	1,992
Other tangible fixed assets	1,837	972	866	8,656
Intangible fixed assets – other	527	242	285	2,854
	¥18,012	¥9,892	¥8,120	$81,199

	Millions of yen		
	2007		
	Cost	Accumulated amortization	Net amount
Buildings	¥16,701	¥8,027	¥ 8,674
Machinery and equipment	553	327	225
Other tangible fixed assets	2,008	1,051	958
Intangible fixed assets – other	558	358	200
	¥19,819	¥9,762	¥10,057

The amortization amount of the leased assets, computed using the straight-line method over the term of the leases, are ¥4,628 million (US$46,278 thousand) and ¥4,551 million for the years ended March 31, 2008 and 2007, respectively.

No impairment loss is allocated to the leased assets.

17. Transactions under common control, etc.

Transactions under common control, etc. for the fiscal year ended March 31, 2008, are as follows.

1) Merger of Asahi Kasei Chemicals Corp. and Asahi Kasei Life & Living Corp.

Based on a resolution of the Company's Board of Directors dated October 31, 2006, resolutions concerning merger by absorption were adopted at meetings of the Board of Directors of both Asahi Kasei Chemicals Corp., and Asahi Kasei Life & Living Corp., consolidated subsidiaries of the Company, on January 16, 2007, and a Merger Agreement was concluded between the two companies on the same date.

The Merger Agreement was then approved at extraordinary general meetings of shareholders of both companies on March 1, 2007, and as a result Asahi Kasei Chemicals Corp. absorbed Asahi Kasei Life & Living Corp. in merger.

(1) Outline of business combination

i. Names of combining entities
Asahi Kasei Chemicals Corp., Asahi Kasei Life & Living Corp.

ii. Nature of business
Asahi Kasei Chemicals Corp.: Chemicals.
Asahi Kasei Life & Living Corp.: Household products.

iii. Statutory form of business combination
Merger by absorption with Asahi Kasei Chemicals Corp. as the surviving company.

iv. Name of company after business combination
Asahi Kasei Chemicals Corp.

v. Outline of transaction
This merger combining the diverse management resources held by both Asahi Kasei Chemicals Corp., and Asahi Kasei Life & Living Corp., by maximizing synergies to accelerate the further strengthening and expansion of the household consumer products business and the polymer processing business, was performed as a merger by absorption with Asahi Kasei Chemicals Corp., as the surviving company.

(2) Outline of the accounting treatment implemented

This merger 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 the Accounting Standard for Business Divestitures (Accounting Standard No. 7) 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.

2) Separation by absorption of Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd. to Asahi Kasei EMD

Resolutions were adopted at meetings of the Board of Directors of Asahi Kasei EMD Corp., a consolidated subsidiary of the Company, and its subsidiaries Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd. on December 4, 2006, concerning separation by absorption of the sales and development operations of Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd., and Separation Agreements were concluded between Asahi Kasei EMD Corp. and each of these subsidiaries on the same date.

The Separation Agreements were then approved at extraordinary general meetings of shareholders of each relevant company on January 22, 2007, and as a result Asahi Kasei EMD Corp. absorbed Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd. in separation.

(1) Outline of business combination

i. Names of combining entities
Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd. with Asahi Kasei EMD Corp.

ii. Nature of business
Asahi Kasei Microsystems Co., Ltd.: Electronics.
Asahi-Schwebel Co., Ltd.: Electronics.
Asahi Kasei Electronics Co., Ltd.: Electronics.
Asahi Kasei EMD Corp.: Electronics.

iii. Statutory form of business combination
Separation by absorption of Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd. each with Asahi Kasei EMD Corp.

iv. Name of company after business combination
No change for Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., Asahi Kasei Electronics Co., Ltd., or Asahi Kasei EMD Corp.

v. Outline of transaction
In this separation by absorption, the sales and development functions were separated from Asahi Kasei Microsystems Co., Ltd., Asahi-Schwebel Co., Ltd., and Asahi Kasei Electronics Co., Ltd. and absorbed by Asahi Kasei EMD Corp. to integrate electronics operations under unified management for swifter business operation.

(2) Outline of the accounting treatment implemented

This merger 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 the Accounting Standard for Business Divestitures (Accounting Standard No. 7) 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.

18. Business segment information

(1) Industry segments

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

Millions of yen

	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
	2008									
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 profit (loss)	¥ 65,218	¥ 21,380	¥ 12,678	¥ 7,220	¥ 22,230	¥ 2,784	¥ 5,151	¥ 136,661	¥ (9,005)	¥ 127,656

Millions of yen

	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
	2007									
Sales:										
Customers	¥805,190	¥405,695	¥104,474	¥106,639	¥112,094	¥60,818	¥28,881	¥1,623,791	¥ –	¥1,623,791
Intersegment	12,264	315	8	1,870	1,210	12,465	29,305	57,437	(57,437)	–
Total	817,454	406,011	104,483	108,509	113,303	73,283	58,186	1,681,228	(57,437)	1,623,791
Operating expenses	760,899	378,502	90,610	104,356	90,682	68,246	54,331	1,547,626	(51,635)	1,495,990
Operating profit (loss)	¥ 56,555	¥ 27,509	¥ 13,873	¥ 4,153	¥ 22,622	¥ 5,037	¥ 3,855	¥ 133,602	¥ (5,801)	¥ 127,801

Thousands of U.S. dollars

	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
	2008									
Sales:										
Customers	$8,792,350	$3,862,268	$1,112,325	$1,140,717	$1,132,671	$557,316	$370,243	$16,967,890	$ –	$16,967,890
Intersegment	140,807	859	56	21,201	10,446	117,419	275,344	566,132	(566,132)	–
Total	8,933,157	3,863,127	1,112,381	1,161,918	1,143,118	674,735	645,586	17,534,022	(566,132)	16,967,890
Operating expenses	8,280,981	3,649,326	985,601	1,089,718	920,814	646,896	594,075	16,167,411	(476,082)	15,691,329
Operating profit (loss)	$ 652,176	$ 213,801	$ 126,780	$ 72,200	$ 222,304	$ 27,839	$ 51,512	$ 1,366,611	$ (90,050)	$ 1,276,562

Millions of yen

	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
	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

	Millions of yen									
	2007									
	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
Identifiable assets	¥640,992	¥212,739	¥120,926	¥115,575	¥123,764	¥55,141	¥317,537	¥1,586,674	¥(126,751)	¥1,459,922
Depreciation and amortization	36,086	2,383	6,553	5,302	13,357	3,040	735	67,456	4,191	71,646
Impairment loss	164	–	1,659	–	–	–	–	1,823	25	1,848
Capital expenditure	46,024	2,701	5,722	6,362	16,234	2,301	760	80,104	4,308	84,413

	Thousands of U.S. dollars									
	2008									
	Chemicals	Homes	Pharma	Fibers	Electronics Materials & Devices	Construction Materials	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
Identifiable assets	$6,188,772	$2,138,456	$1,427,742	$1,132,505	$1,223,096	$449,930	$3,321,635	$15,882,138	$(1,628,468)	$14,253,670
Depreciation and amortization	371,220	26,905	61,022	57,272	139,020	31,381	7,917	694,738	45,092	739,830
Impairment loss	–	–	–	37,528	10,488	–	–	48,017	–	48,017
Capital expenditure	343,440	74,508	100,067	92,550	170,185	25,069	7,928	813,748	15,360	829,107

Note 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, high-compound fertilizers, 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 lightweight concrete (ALC) panels (such as Hebel™), piles, Neoma™ foam insulation panels, and artificial fish reefs.

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

Note 2) Change in industry segments
On April 1, 2007, Asahi Kasei Life & Living Corp., a wholly owned subsidiary, was merged into Asahi Kasei Chemicals Corp., a wholly owned subsidiary. Accordingly, as a result of re-evaluation of the Company's industry segment configuration, the Life & Living segment was combined with the Chemicals segment based on the similarity of product types and characteristics and the unification of the organization. For comparison purposes, results for the fiscal year ended March 31, 2007, in the Chemicals segment have been revised to include those in the Life & Living segment.

Note 3) Change in method of depreciation of tangible fixed assets
Due to a revision of the Corporation Tax Law (effected by Law No. 6 of 2007 (Law Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007, and by Cabinet Ordinance No. 83 of 2007 (Cabinet Ordinance Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007), the parent company and its Japanese subsidiaries, beginning with the fiscal year ended March 31, 2008, adopted a change in the method of depreciation of tangible fixed assets acquired on or after April 1, 2007, in accordance with the revised Corporation Tax Law.

The effect of this change for the year ended March 31, 2008, is that operating expenses are higher than they would have been under the previous method of depreciation by ¥742 million (US$7,419 thousand) in the Chemicals segment, ¥49 million (US$490 thousand) in the Homes segment, ¥131 million (US$1,314 thousand) in the Pharma segment, ¥154 million (US$1,538 thousand) in the Fibers segment, ¥865 million (US$8,645 thousand) in the Electronics Materials & Devices segment, ¥91 million (US$912 thousand) in the Construction Materials segment, ¥12 million (US$115 thousand) in the Services, Engineering and Others segment, and ¥98 million (US$980 thousand) in corporate expenses and eliminations, with operating profit (loss) correspondingly lower (higher) in each case.

(addendum)
Due to a revision of the Corporation Tax Law (effected by Law No. 6 of 2007 (Law Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007, and by Cabinet Ordinance No. 83 of 2007 (Cabinet Ordinance Partially Revising the Income Tax Law, Etc.), promulgated on March 30, 2007), the parent company and its Japanese subsidiaries, beginning with the fiscal year in which the residual value of an asset purchased on or before March 31, 2007, is reduced to 5% of the purchase price through application of the method of depreciation in effect prior to the revision of the Corporation Tax Law, are depreciating the difference between 5% of the purchase price and the memorandum price using the straight-line method over five years, and recognizing this as a constituent of depreciation.

The effect of this for the year ended March 31, 2008, is that operating expenses are higher than they would have been under the previous method of depreciation by ¥877 million (US$8,766 thousand) in the Chemicals segment, ¥26 million (US$256 thousand) in the Homes segment, ¥181 million (US$1,809 thousand) in the Pharma segment, ¥205 million (US$2,047 thousand) in the Fibers segment, ¥401 million (US$4,013 thousand) in the Electronics Materials & Devices segment, ¥115 million (US$1,153 thousand) in the Construction Materials segment, ¥36 million (US$356 thousand) in the Services, Engineering and Others segment, and ¥68 million (US$684 thousand) in corporate expenses and eliminations, with operating profit (loss) correspondingly lower (higher) in each case.

Note 4) Corporate operating expenses included in "Corporate expenses and eliminations" for the year ended March 31, 2008 and 2007, amount to ¥16,149 million (US$161,493 thousand) and ¥14,325 million, respectively.

Note 5) Corporate assets such as surplus funds (cash on hand and in banks), long-term-investment funds (investment securities etc.) and land etc. included in "Corporate assets and eliminations" as of the year ended march 31, 2008 and 2007, amount to ¥413,698 million (US$4,136,977 thousand) and ¥433,000 million, respectively.

(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, 2008 and 2007, are not significant.

(3) Overseas sales

Overseas sales for the years ended March 31, 2008 and 2007, are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
	East Asia	Others	Total	East Asia	Others	Total	East Asia	Others	Total
Overseas sales	¥287,862	¥199,475	¥ 487,337	¥245,276	¥182,764	¥ 428,040	$2,878,619	$1,994,747	$ 4,873,366
Consolidated net sales	–	–	1,696,789	–	–	1,623,791	–	–	16,967,890
Percentage of consolidated net sales (%)	17.0%	11.8%	28.7%	15.1%	11.3%	26.4%			

Note 1) Geographical distance is considered in the classification of country or area.
Note 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.
Note 3) Overseas sales represent the sales of the Company to countries and areas outside of Japan.

19. Related party transactions

There were no transactions for the year ended March 31, 2008, between the Company and related parties.

Transactions for the year ended March 31, 2007, between the Company and related parties are as follows:

Type of related parties	Name	Occupation	Equity ownership in the Company	Nature of transactions	Amount (*1) Millions of yen
Corporate Auditor	Yuichiro Miyake	Attorney	0.0%	Attorney's fees (*2)	58

*1: Not including consumption tax.
*2: Amounts of attorney's fees were determined using a reasonable method of calculation based on guidelines formerly issued by the Japan Federation of Bar Associations and other standards.

20. Appropriation of retained earnings

Appropriations of retained earnings are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period after approval by the Board of Directors. Retained earnings at March 31, 2008, include amounts representing final cash dividends of ¥9,791 million (US$97,911 thousand) which were approved at the Board meeting held on May 8,

21. Contingent liabilities

Contingent liabilities at March 31, 2008 and 2007, arising in the ordinary course of business are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Notes discounted	¥ 208	¥ 141	$ 2,077
Loans guaranteed	9,737	11,185	97,369
Commitment for guarantees	1,738	2,363	17,384
Letters of awareness	267	235	2,672
	¥11,950	¥13,924	$119,502

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.

22. 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, 2008 and 2007, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Net income	**¥69,945**	¥68,575	**$699,453**
Amount not allocated to the common stock	**–**	–	**–**
Net income allocated to the common stock	**¥69,945**	¥68,575	**$699,453**
Effect of dilutive securities	**–**	–	**–**
Net income allocated to the common stock for computation of diluted net income per share	**¥69,945**	¥68,575	**$699,453**

	Thousands of shares	
	2008	2007
Weighted-average shares	**1,398,704**	1,399,462
Effect of dilutive securities	**–**	–
Weighted-average shares for computation of diluted net income per share	**1,398,704**	1,399,462

	Yen		U.S. dollars
	2008	2007	**2008**
Basic net income per share	**¥50.01**	¥49.00	**$0.50**
Diluted net income per share	**¥ –**	¥ –	**$ –**

As the Company had no dilutive securities at March 31, 2008 and 2007, the Company does not disclose diluted net income for the years ended March 31, 2008 and 2007.

PRICEWATERHOUSECOOPERS

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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, 2008, 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, 2008, 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, 2008 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 4 to the consolidated financial statements.

PricewaterhouseCoopers Aarata.

August 20, 2008

Major Subsidiaries and Affiliates

As of April 1, 2008

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 Epoxy Co., Ltd.*	Epoxy resin	¥	300	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	29.9
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, microporous membrane	W	1,500	100.0
Delaglas Korea Corp.	PMMA sheet for light-guide plates	W	5,000	60.0
Asahikasei Plastics (Shanghai) Co., Ltd.	Sale of performance resin	CNY	18	100.0
Asahikasei (Suzhou) Plastics Compound Co., Ltd.	Coloring and compounding 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	29	100.0
Asahi Kasei Plastics (Hong Kong) Co., Ltd.	Sales 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 and compounding of performance resin	B	140	100.0
PT Nippisun Indonesia	Coloring and compounding of styrenic resin	US$	6.3	25.7
Asahi Kasei Plastics Europe SA/NV*	Sale of compounded performance resin	€	5.0	100.0
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
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	¥	500	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

* Consolidated subsidiary
** Including capital reserve

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
Pharma Segment				
Asahi Kasei Pharma Corp.*	Pharmaceuticals, medical products	¥	3,000	100.0
Asahi Kasei Medical Co., Ltd.*	Medical devices, medical systems	¥	200	100.0
Asahi Kasei N&P Co., Ltd.*	Functional food ingredients	¥	495	100.0
Asahikasei Aime Co., Ltd.*	Contact lenses	¥	480	100.0
Asahi Kasei Kuraray Medical Co., Ltd.*	Hemodialyzers, therapeutic apheresis devices	¥	800	93.0
Asahi Kasei Medical America Inc.	Sale of medical devices, medical systems	US$	0.5	100.0
Asahi Kasei Medical (Hangzhou) Co., Ltd.*	Hemodialyzers	CNY	163	100.0
Asahi Kasei Medical Europe GmbH	Sale of medical devices, medical systems	€	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
Solotex Corp.	Polytrimethylene terephthalate fiber	¥	250	50.0
Asahi Kasei Spandex America, Inc.*	Spandex	US$	10.2	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	850	60.0
Asahi Kasei Spandex Europe GmbH*	Spandex	€	14.6**	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 Materials & Devices Segment				
Asahi Kasei EMD Corp.*	Electronics materials and devices	¥	3,000	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
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$	1.0	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
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	¥	3,000	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, 2008

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,388,521,767
Employees	23,854 (Consolidated) 791 (Non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

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1-105 Kanda Jinbocho, Chiyoda-ku
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Phone: +81-3-3344-7111

Asahi Kasei Pharma*
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Asahi Kasei Fibers
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Phone: +81-6-6347-3600

Asahi Kasei EMD*
1-23-7 Nishi-shinjuku, Shinjuku-ku
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Phone: +81-3-6911-2700

Asahi Kasei Construction Materials*
2-12-7 Higashi-shinbashi, Minato-ku
Tokyo 105-0021, Japan
Phone: +81-3-5473-5251

* The Tokyo Head Office of Asahi Kasei Corp. and the Head Office of Asahi Kasei Pharma moved to Kanda Jinbocho in May 2008. The Head Office of Asahi Kasei Chemicals moved to Kanda Jinbocho in June 2008. The Head Offices of Asahi Kasei Construction Materials and Asahi Kasei EMD will move to Kanda Jinbocho in September 2008 and November 2008, respectively.

Investors Information

As of March 31, 2008

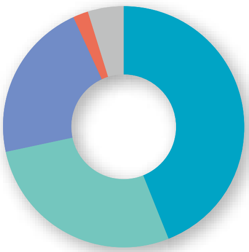
Stock Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Stock Code	3407
Authorized Shares	4,000,000,000
Outstanding Shares	1,402,616,332
Transfer Agent	Sumitomo Trust & Banking Co., Ltd. 4-5-33 Kitahama, Chuo-ku Osaka 541-8639, Japan
Independent Auditors	PricewaterhouseCoopers Aarata
Number of Shareholders	128,865

Largest Shareholders	% of equity*
Nippon Life Insurance Co.	5.22
Master Trust Bank of Japan, Ltd. TS	5.17
Japan Trustee Services Bank, Ltd. TS	4.42
Sumitomo Mitsui Banking Corp.	2.53
Employees' Stockholding	2.46
Dai-ichi Mutual Life Insurance Co.	2.30
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 Company.	1.40

* Percentage of equity ownership after exclusion of treasury stock.

Distribution by Type of Shareholder

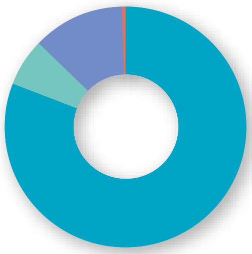
Japanese financial institutions	44.11%
Foreign investors	27.31%
Japanese individuals and groups	21.56%
Japanese securities companies	2.34%
Other Japanese companies	4.68%



1,402,616,332 shares

Distribution by Number of Shares Held

100,000 or more	80.53%
10,000～99,999	6.49%
1,000～9,999	12.56%
Less than 1,000	0.42%



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A copy of the Company's annual report and further information
will be made available upon request in writing to:

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