Asahi KASEI
Annual Report 2005

ASAHI KASEI CORPORATION

The basic tenets of the Asahi Kasei Group are to contribute to human life and human livelihood through constant innovation and advances based in science and the human intellect. Our five guiding precepts are to create new value, thinking and working in unison with the customer, from the perspective of the customer; to respect the employee as an individual, and value teamwork and worthy endeavor; to contribute to our shareholders, and to all whom we work with and serve, as an international, high earnings enterprise; to strive for harmony with the natural environment and ensure the safety of our products, operations, and activities; and to progress in concert with society, and honor the laws and standards of society as a good corporate citizen. We constantly strive to advance as a selectively diversified enterprise group of high-earnings businesses which provide new value to the customer.

Breakthrough–Together

Move beyond the current limits, open the path, share the advance...

Focus – Customer

Act with the customer as the starting point.

Development – Global

Act in a global field of vision.

Dynamic – Group

Act for a group structure of independent enterprises in mutual rivalry.

Contents

Consolidated Financial Highlights 02

From the Management 03

To Our Shareholders 04

Extending the Advance – *Ishin-05* and Beyond 05

Operating Segments 11

At a Glance 12

Operating Segments 14

New Business Development and Intellectual Property 31

New Business Development 32

Intellectual Property 34

Toward Sustainable Growth 35

Corporate Governance 36

Corporate Social Responsibility 38

Directors, Auditors, Executive Officers 39

Responsible Care 40

Community Fellowship 42

Financial Section 43

Major Subsidiaries and Affiliates 74

Corporate Profile 76

Investors Information 77

Consolidated Financial Highlights

Asahi Kasei Corporation and consolidated subsidiaries

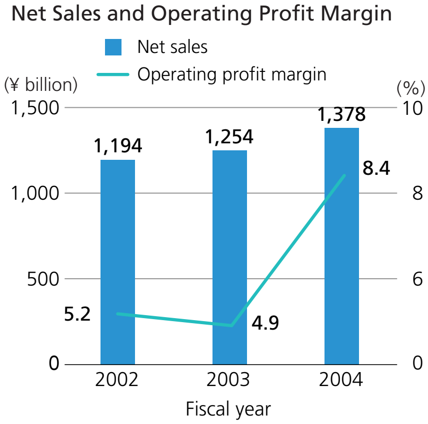
Fiscal year beginning April 1	¥ billion 2004	¥ billion 2003	US$ million* 2004
For the year			
Net sales	1,378	1,254	12,876
Operating profit	116	61	1,082
Income before income taxes and minority interest	91	55	852
Net income	57	28	528
Capital expenditure	69	86	640
Depreciation and amortization	72	64	669
R&D expenditures	51	48	474
At year-end			
Total assets	1,270	1,249	11,870
Total shareholders' equity	512	451	4,782

Fiscal year beginning April 1	¥ 2004	¥ 2003	US$* 2004
Per share			
Net income	40.16	19.62	0.38
Shareholders' equity**	365.43	321.41	3.42
Cash dividends	8.00	6.00	0.07

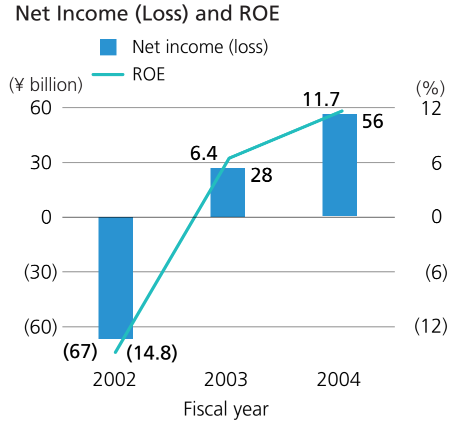
* U.S. dollar amounts in this annual report are translated from Japanese yen, for convenience only, at the rate of ¥107=US$1 as described in Note 3 of Notes to Consolidated Financial Statements.
** At fiscal year end.

Fiscal year beginning April 1	2004	2003
Key indexes		
Operating profit margin	8.4%	4.9%
ROE	11.7%	6.4%
Shareholders' equity to total assets	40.3%	36.1%
D/E ratio	0.49	0.62

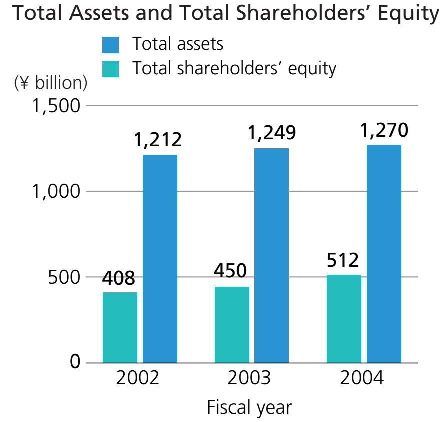
Net Sales and Operating Profit Margin



Net Income (Loss) and ROE



Total Assets and Total Shareholders' Equity



From the Management

Ishin-2000 *Ishin-05* *2010*

To Our Shareholders

Transition to a high-earnings operating structure and reformation of management systems have advanced throughout the Asahi Kasei Group. We will continue to serve the interests of our shareholders and other stakeholders through efforts to obtain greater corporate value.

The Japanese economy showed signs of recovery during fiscal 2004, including strong exports, increased private-sector capital investment, and improved corporate results. The operating environment nevertheless remained challenging, with high petroleum prices and sluggish personal consumption.

Sales increased in chemicals operations, with strong overseas demand, and in housing operations, with growing home orders during the previous term. Net sales increased by ¥124.2 billion to ¥1,377.7 billion.

Operating profit grew by ¥54.9 billion to ¥115.8 billion. This included amortization of a ¥20.2 billion surplus from actuarial differences in retirement benefit accounts.

Ordinary profit increased by ¥59.2 billion to ¥112.9 billion. Net income increased by ¥28.8 billion to ¥56.5 billion.

Based on these results, we have increased both interim and year-end dividends by ¥1 per share to ¥4 per share, for a total of ¥8 per share.

The notable investments and portfolio realignments of the past several years are steadily yielding increased earnings, and we are confident in achieving our *Ishin-05* targets for fiscal 2005. Moving ahead, we are shifting to a new phase of growth though strategic investment in the fields of electronics, medical, high-performance materials, and monomers, and through creation of new businesses which draw on synergies among our diverse operations to serve market needs.

Nobuo Yamaguchi
Chairman of the Board

N. Yamaguchi

Shiro Hiruta
President

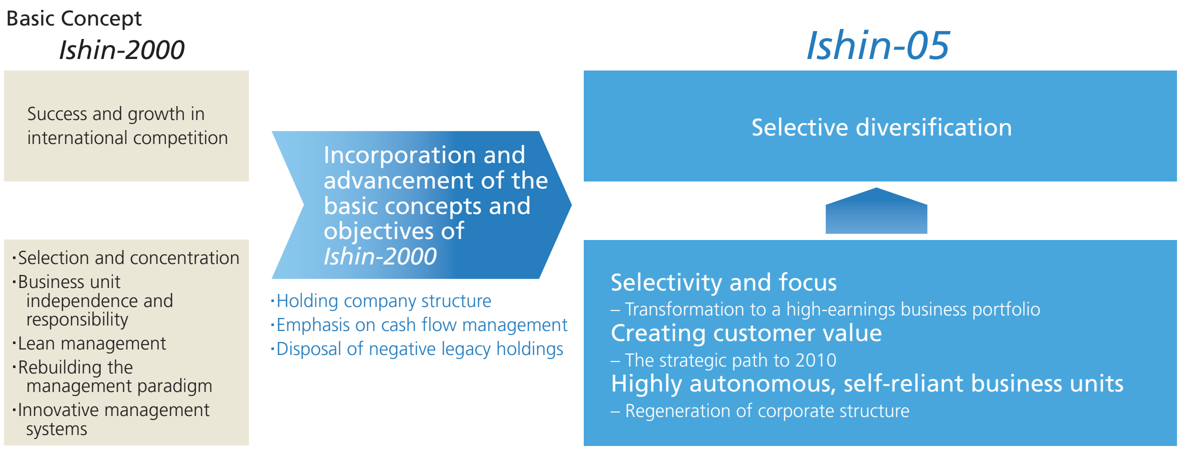
Shiro Hiruta

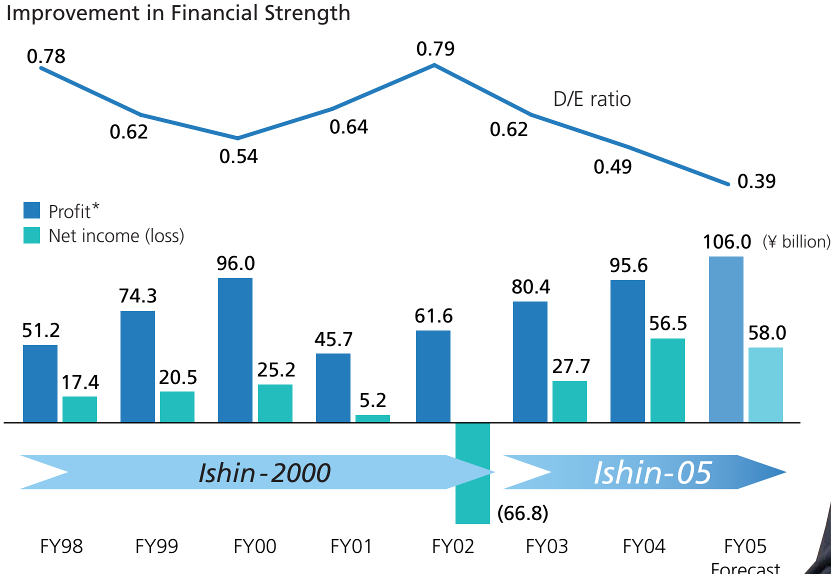
Extending the Advance – *Ishin-05* and Beyond

Ishin-05

The *Ishin-05* program of corporate reformation began in April 2003 to guide the process of building on our strengths to achieve a selectively diversified enterprise group. In the near- to mid-term, emphasis is on maximizing corporate value by accelerating the transformation to a high-earnings business portfolio with selectivity and focus based on cash flow and assets efficiency. Over the longer term, we are expanding high-earnings operations and developing new "customer-value creating" businesses which provide new products and services.

For fiscal 2005, the final year of *Ishin-05*, we are targeting net sales of ¥1,300 billion, operating profit of ¥110 billion, ROE of at least 10%, and D/E ratio of 0.7 or less.





* Operating profit from FY98 to FY01; operating profit absent amortization of actuarial differences in retirement benefits from FY02 to FY05.

FY 2004 results

Recent capacity expansions and strong overseas demand, especially in China, brought greater sales in the Chemicals segment, while increased orders from the previous fiscal year brought greater sales in the Homes segment. Consolidated sales increased by ¥124.2 billion (9.9%) to ¥1,377.7 billion, exceeding the previous high of ¥1,305.9 billion in fiscal 1991. Operating profit increased by ¥54.9 billion (90.1%) to ¥115.8 billion, exceeding the previous high of ¥98.4 billion in fiscal 1989.

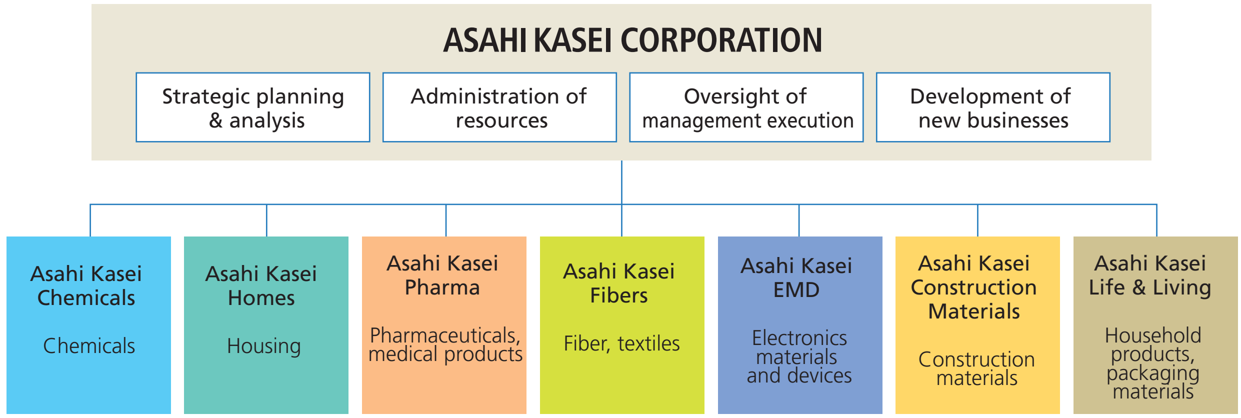
Our D/E ratio fell to 0.49, giving us financial freedom to perform strategic investments of ¥100 billion in addition to the annual ordinary investments on the order of ¥85 billion. Strategic investments, including M&A, will be focused on electronics, medical, high-performance materials, and our competitive monomers businesses.

Holding company configuration

Fiscal 2004 was the first full year of operation under our holding company configuration, with all core business operations performed by our seven core operating companies. Asahi Kasei Chemicals, Asahi Kasei Homes, Asahi Kasei Pharma, Asahi Kasei Fibers, Asahi Kasei EMD, Asahi Kasei Construction Materials, and Asahi Kasei Life & Living operate with autonomous management authority to respond swiftly to changes in the different operating climates which affect their businesses. The October 2003 transition to this corporate configuration has brought new impetus to the ongoing transformation to a high-earnings business portfolio, accelerating the drive for greater corporate performance.

In its function as the holding company, Asahi Kasei Corporation performs strategic planning, resource allocation, management oversight, and cultivation of new businesses. New businesses are cultivated in focused projects bringing together expertise and technology from different core operating companies.

Holding Company Configuration



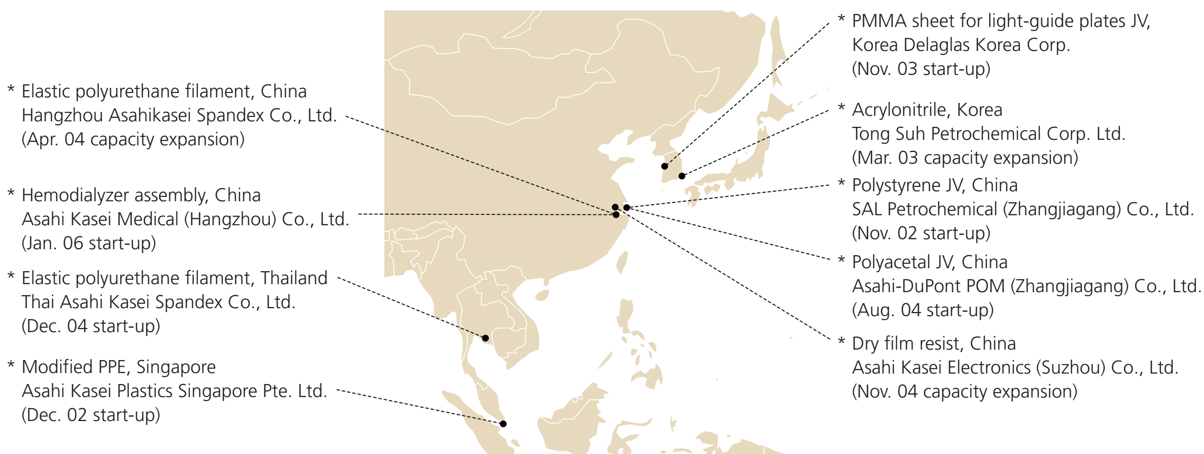
Selective diversification

One key element of *Ishin-05* is the advancement of the transformation to a high-earnings business portfolio through heightened selectivity and focus within each field of operation. Many investments for expansion are located in Asia, notably the polyacetal JV with DuPont in Zhangjiagang, China; the doubling of Sunfort™ dry film resist (DFR) capacity at our plant in Suzhou, China; and the new 2,500 ton/year plant in Thailand for Roica™ elastic polyurethane filament complementing plants in Japan, Taiwan, and China.

In Japan we have the new plant in Nobeoka for large pellicles, where capacity has just been doubled; the doubling of clean-room floor space at our LSI plant in Nobeoka enabling successive capacity expansions; and the successive expansions of capacity for Hipore™ microporous membrane, the world's leading separator for Li-ion rechargeable batteries.

Our hemodialyzer business, which is the world's second largest by volume of supply, is rapidly being expanded. Production capacity for polysulfone-membrane hemodialyzers, whose demand growth is strongest, is rising from 10 million modules/year in 2003 to 20 million modules/year by autumn 2005. The hemodialyzer assembly plant under construction in Hangzhou, China, is scheduled for start-up in January 2006, laying the base for eventual expansion of sales in the Chinese market.

Growth of Operations in Asia



As part of the drive for selectivity and focus, we are identifying operations which will be impractical to develop independently as high-earnings businesses. In such cases we are exploring all options for mergers or alliances to strengthen the business, divestiture to new owners better placed to revitalize them, and withdrawal if no such alternatives are forthcoming.

In fiscal 2003, the Construction Materials segment was our only segment with an operating loss. Asahi Kasei Construction Materials, our core operating company in this segment, has taken a range of actions to set this business on a clear path of recovery in

Major Investments since Formulation of *Ishin-05*

		Location	Start-up	Applications
Chemicals	New plant for Delaglas™ acrylic sheet for light-guide plates	Pyongtaek, Korea	November 2003	Back-light units for LCD panels
	Expansion of plant for Hipore™ rechargeable Li-ion battery separators	Moriyama, Japan	March 2005	Batteries for mobile electronics
	Omega Process plant	Mizushima, Japan	July 2006	Propylene production
	Expansion of plant for Hipore™ rechargeable Li-ion battery separators	Moriyama, Japan	Summer 2006	Batteries for mobile electronics
Pharma	New hollow-fiber plant for Planova™ virus removal filters	Nobeoka, Japan	May 2004	Production of pharmaceuticals
	New hollow-fiber plant for APS™ polysulfone-membrane hemodialyzers	Nobeoka, Japan	April 2005	Hemodialysis for patients with renal failure
	Expansion of hollow-fiber plant for APS™ polysulfone-membrane hemodialyzers	Nobeoka, Japan	October 2005	Hemodialysis for patients with renal failure
	New plant for assembly of APS™ polysulfone-membrane hemodialyzers	Hangzhou, China	January 2006	Hemodialysis for patients with renal failure
Fibers	Expansion of plant for Roica™ elastic polyurethane filament	Hangzhou, China	April 2004	Swimwear and other apparel
	New plant for Roica™ elastic polyurethane filament	Chonburi, Thailand	December 2005	Swimwear and other apparel
EMD	New plant for large pellicles	Nobeoka, Japan	May 2004	Production of large LCD panels
	Expansion of plant for LSIs	Nobeoka, Japan	September 2004	Communications, signal processing
	Expansion of plant for Sunfort™ dry film resist	Suzhou, China	November 2004	Production of printed wiring boards
	Expansion of plant for large pellicles	Nobeoka, Japan	May 2005	Production of large LCD panels

the face of a persistently unfavorable operating climate. The Grande™ line of large autoclaved lightweight concrete (ALC) panels was withdrawn and its production facility closed, and production facilities for large pre-cast concrete piles were closed with a complete transition to OEM supply. Operating profitability was recovered in fiscal 2004, with business focused on the competitive Hebel™ ALC panel line, specialized piles for small-scale construction, and the high-performance, ecoefficient Neoma™ foam insulation panel. These and other reforms together with a clear focus of management resources have set the stage for renewed profit growth in this segment.

Our fiber subsidiary Indonesia Asahi Kasei was closed and liquidated following a deterioration of operating conditions and a determination that a recovery of profitability would not be forthcoming. Majority holding (51%) of our IT services subsidiary Asahi Kasei Information Systems (AJS) was divested to TIS Inc., a growing leader in the field. This move will enhance the IT services provided to the Asahi Kasei Group by complementing AJS with the extensive capabilities of TIS, while giving AJS greater freedom to develop operations in its areas of speciality by serving external clients.

Notable Business Portfolio Realignments

Decision to liquidate acrylic yarn and nylon filament producer PT Indonesia Asahi Kasei	August 2004
Establishment of Sundic Inc., joint venture with Dai Nippon Ink and Chemicals for biaxially oriented polystyrene sheet	August 2004
Decision to withdraw Grande™ line of large ALC panels	September 2004
Decision to close production of pre-cast concrete piles and switch to OEM supply	September 2004
Divestment of 51% holding in Asahi Kasei Information Systems Co., Ltd. to TIS Inc.	April 2005

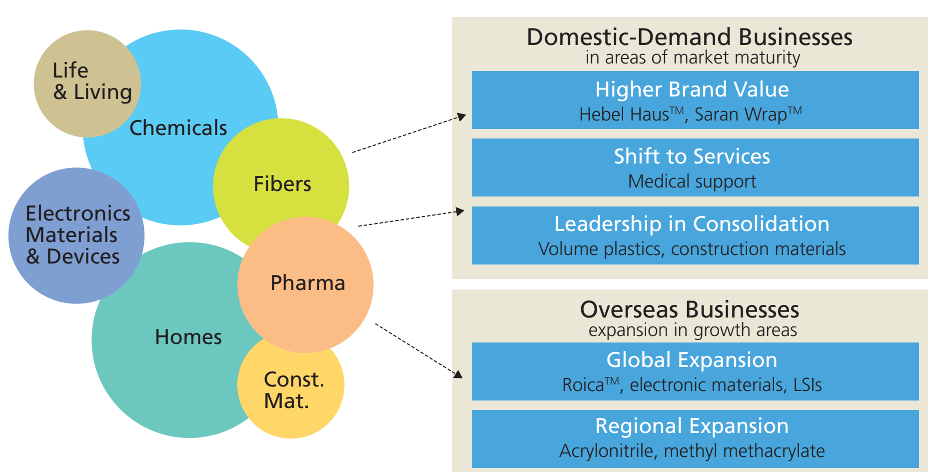
Looking ahead

After completing *Ishin-05*, we must shift to a new phase of growth to achieve the business portfolio we envision having around 2015. This will involve strategic investment in selected fields of concentration, and development of new businesses through market-focused projects which elicit synergies from among our diverse segments of operation.

In domestic-demand businesses, facing an outlook of maturing markets and declining population, product differentiation will be achieved by elevating brand value while peripheral operations will be strategically expanded. New business models based on medical support services are being developed to expand on the domestic hemodialyzer business. In businesses where we enjoy globally competitive production technology and product development strength, accelerated expansion of operation will include production bases located wherever best suited to meet demand throughout the world.

Shifting to Growth

The Path for Growth



While the core operating companies focus on growth of operations in their own fields through nimble and responsive management, the mission of the holding company will be to create new businesses which can further contribute to growth. This new approach has already begun with the establishment of a project for advanced circuit board and flat-panel display materials which integrates marketing functions with R&D.

Other projects similarly dedicated to the rapid establishment of new businesses are planned, backed by increased employment of research personnel. One new business poised for start-up is the fuel-cell membrane. The project has been transferred from the holding company to Asahi Kasei Chemicals, where early commercialization in notebook PC and stationary fuel cell applications will benefit from coordination with the world-leading Li-ion rechargeable battery separator membrane business.

Development of New Businesses

- Unification of R&D function and new business development function
- Dedicated projects for new business development
- Increased hiring of new researchers

- Development of new operations combining diverse business fields
- Advancement of market-oriented R&D

Operating Segments

- Chemicals
- Homes
- Pharma
- Fibers
- Electronics Materials & Devices
- Construction Materials
- Life & Living

At a Glance

Core Operating Companies

Chemicals

ASAHI KASEI CHEMICALS CORPORATION

Taketsugu Fujiwara	President & Representative Director, Presidential Executive Officer
Takeshi Kondo	Director
Keiji Kamei	Director, Primary Executive Officer
Masanori Warabi	Director, Senior Executive Officer
Tadashi Akashi	Director, Executive Officer

Homes

ASAHI KASEI HOMES CORPORATION

Toshiaki Okamoto	President & Representative Director, Presidential Executive Officer
Katsuhiko Sato	Director, Senior Executive Officer
Yuushirou Hayashi	Director, Senior Executive Officer
Shingo Hatano	Director, Senior Executive Officer
Tsuyoshi Shimizu	Director, Executive Officer

Pharma

ASAHI KASEI PHARMA CORPORATION

Yasuaki Nakaoka	President & Representative Director, Presidential Executive Officer
Tsutomu Inada	Director, Senior Executive Officer
Kei Oe	Director, Senior Executive Officer
Yasuyuki Yoshida	Director, Senior Executive Officer

Fibers

ASAHI KASEI FIBERS CORPORATION

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

Electronics Materials & Devices

ASAHI KASEI EMD CORPORATION

Makoto Konosu	President & Representative Director, Presidential Executive Officer
Kageyasu Akashi	Director, Vice-Presidential Executive Officer
Katsuhiko Yamazoe	Director, Senior Executive Officer
Hideo Toyoshima	Director, Executive Officer

Construction Materials

ASAHI KASEI CONSTRUCTION MATERIALS CORPORATION

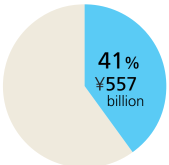
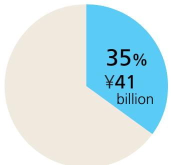
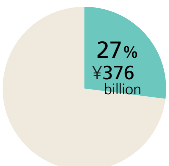
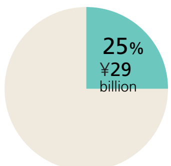
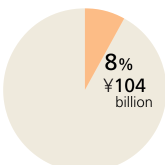
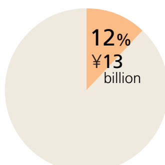
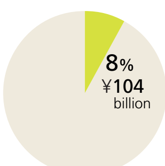
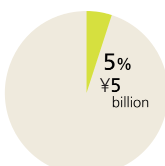
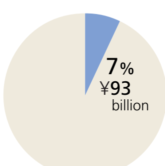
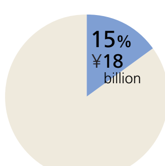
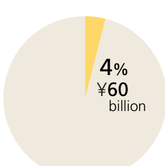
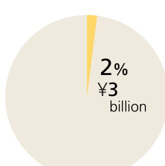
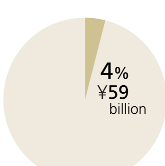
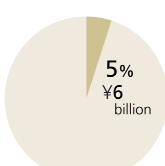
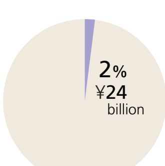
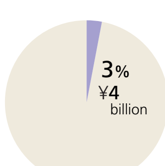
Yoichi Saji	President & Representative Director, Presidential Executive Officer
Ryozo Eguro	Director, Senior Executive Officer
Hiroshi Kobayashi	Director, Senior Executive Officer

Life & Living

ASAHI KASEI LIFE & LIVING CORPORATION

Yoshihiro Nohmura	President & Representative Director, Presidential Executive Officer
Kenji Haneda	Director, Executive Officer
Yasuyuki Itoh	Director, Executive Officer

Services, Engineering and Others

FY04 Net Sales	FY04 Operating Profit	Major Consolidated Subsidiaries	Main Businesses
		Sanyo Petrochemical Co., Ltd. Japan Elastomer Co., Ltd. Asahi Kasei Technoplus Co., Ltd. Tong Suh Petrochemical Corp. Ltd. Asahikasei Plastics (America) Inc. Asahi Kasei Plastics Singapore Pte. Ltd. NV Asahi Photoproducts (Europe) SA	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 Real Estate, Ltd. Asahi Kasei Reform Co., Ltd.	Hebel Haus™ houses, Hebel Maison™ apartments, condominiums, remodeling, real estate, residential land development, financial services.
		Asahi Kasei Medical Co., Ltd. Asahi Kasei N&P Co., Ltd. Asahikasei Aime Co., Ltd.	Pharmaceuticals, pharmaceutical intermediates, feed additives, diagnostic reagents, hemodialyzers and other medical devices.
		Kyokuyo Sangyo Co., Ltd. Hangzhou Asahikasei Spandex Co., Ltd. Hangzhou Asahikasei Textiles Co., Ltd. Asahi Chemical (HK) 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 Microsystems Co., Ltd. Asahi Kasei Electronics Co., Ltd. Asahi-Schwebel Co., Ltd. Asahi-Schwebel (Taiwan) Co., Ltd. Asahi Kasei Electronics (Suzhou) Co., Ltd.	Pimel™ photosensitive polyimide precursor, Sunfort™ photosensitive dry-film resist, Hall elements, LSIs, glass fabric for printed circuit boards.
		Asahi Kasei Foundation Systems Corp. Asahi Kasei Marinetech Co., Ltd.	Hebel™ autoclaved lightweight concrete, construction piles, Neoma™ foam and other thermal insulation, artificial fish reef and other marine structures.
		Asahi Home Products Co., Ltd. Asahi Kasei Pax Corp.	Saran Wrap™ cling film, Ziploc™ storage bags, plastic film, sheet, and foam.
		Asahi Research Center Co., Ltd. Asahi Kasei Engineering Co., Ltd. Asahi Finance Co., Ltd. Asahi Kasei Amidas Co., Ltd.	Plant, equipment, process engineering, employment agency, think tank.

Operating Segment

Chemicals

Sales increased by ¥103.7 billion to ¥557.4 billion, and operating profit increased by ¥24.2 billion to ¥40.8 billion after crediting ¥5.5 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Taketsugu Fujiwara
President, Asahi Kasei Chemicals

The Year in Review

In chemicals and derivative products, operating costs rose due to high prices for feedstocks such as naphtha and benzene. Operating profit nevertheless increased as sales of acrylonitrile and styrene monomer rose with expanded capacity, strong overseas demand, and rising market prices.

In polymer products, operating costs rose due to high feedstock prices, but market conditions improved and sales rose for both commodity plastics and engineering plastics such as Tenac™ polyacetal and Leona™ nylon 66, and operating profit remained firm.

Operating profit in specialty products also increased. Shipments of Hipore™ Li-ion rechargeable battery separators, with expanded production capacity, and of Microza™ microfiltration membranes increased. Sales of AFP™ photopolymer plates for flexographic printing and of membrane-process systems for chlor-alkali production increased due to strong overseas demand.

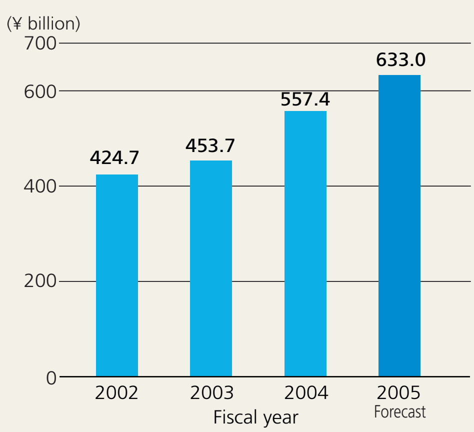
Notable Developments

The polyacetal (POM) plant of Asahi-DuPont POM (Zhangjiagang) Co., Ltd. (ADZ) began commercial operation in August 2004. ADZ is a joint venture between Asahi Kasei Chemicals and DuPont China Holding for the production and sale of POM copolymer in China. Expanded capacity for Hipore™ microporous membrane used as Li-ion rechargeable battery separator began commercial operation in March 2005. Ecoefficient, non-phosgene process technology for polycarbonate production was licensed to Kazanorgsintez of Russia in August 2004. Synthetic rubber production technology was licensed to Sinopec of China in August 2004.

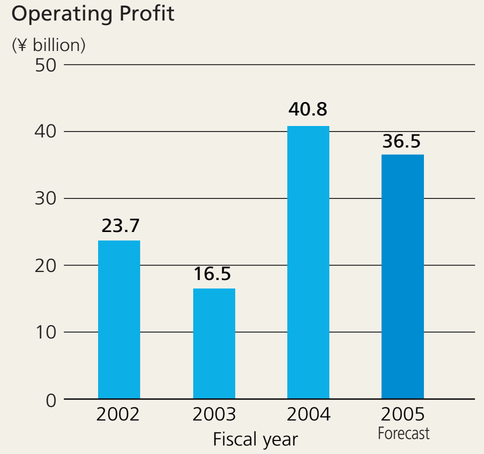
In March 2005, Asahi Kasei and Asahi Kasei Chemicals concluded a settlement of civil class action litigation in US district court. The plaintiffs had sought damages related to an alleged allocation of the market for microcrystalline cellulose, a tableting agent and food additive. The settlement agreement provides for no recognition of the validity of any claims under this litigation, the dismissal of all such claims relating to the Asahi Kasei Group, and the payment of US$25 million to the plaintiffs by Asahi Kasei Chemicals.

PS Japan and Dainippon Ink and Chemicals cancelled the proposed integration of their polystyrene operations after failing to obtain the approval of Japan's Fair Trade Commission.

Net Sales



Operating Profit



Major Products

Chemicals and derivative products
Ammonia, nitric acid, caustic soda, high-compound fertilizer, acrylonitrile (AN), styrene monomer, adipic acid, methyl methacrylate (MMA) monomer

Polymer products
Suntec™ polyethylene (PE), Stylac™-AS styrene-acrylonitrile, Stylac™-ABS acrylonitrile-butadienestyrene, synthetic rubber, SB latex, Tenac™ polyacetal, Xyron™ modified polyphenylene ether, Leona™ nylon 66

Specialty products
Coating materials, pharmaceutical and food additives, Ceolus™ microcrystalline cellulose, explosives, explosion-bonded metal clad, APR™ photopolymers, AFP™ photosensitive plates, Microza™ UF and MF membranes and systems, Hipore™ microporous membrane, ion-exchange membranes and systems

R&D

R&D is performed for the establishment of new businesses, for the strengthening and expansion of existing businesses, and for the extension of existing businesses into peripheral areas. New business development is focused on areas identified for their potential for market growth: In the field of electronics and optics these include materials for flat-panel displays and materials for production of electronic devices; in the field of ecology and energy these include water treatment systems, materials for rechargeable batteries, and materials for fuel cells; in the field of healthcare these include functional ingredients for pharmaceuticals and cosmetics.

For existing businesses, R&D is focused on the development of world-leading catalyst and process technology to heighten productivity and competitiveness. Development of new applications and product derivatives enables extension into peripheral areas.

Highlights

Technology licensing


Grandbreaking ceremony for PC plant of Kazanorgsintez.

Process technology for polycarbonate (PC) production was licensed to Kazanorgsintez of Russia in August 2004. The non-phosgene PC process developed by Asahi Kasei is a safe, ecoefficient process using CO_2 as feedstock. It has been recognized with a number of prestigious awards, including most recently the 14th Nikkei Global Environment Technology Award in November 2004.

Solution-polymerization process technology for production of synthetic rubber was licensed to Sinopec of China in August 2004. The process enables the production of synthetic rubber with exceptional performance as polystyrene impact modifier and as material for high-end tires.

Omega Process plant

Commercial-scale proof-of-process plant using Omega Process technology is under construction at the Mizushima Works. The Omega Process developed by Asahi Kasei Chemicals enables highly selective, energy-efficient catalytic cracking of olefins from a range of by-product C4 and C5 raffinates. The process features outstanding selectivity for propylene production, with a propylene:ethylene yield ratio of 4:1. Whereas the propylene/ethylene ratio in product from conventional thermal cracking with naphtha feedstock is at most 0.65, the integration of the Omega Process enables this to rise to 0.8.

In recognition of the substantial energy savings effected by the Omega Process, Japan's New Energy and Industrial Technology Development Organization (NEDO) selected Asahi Kasei Chemicals in 2004 as a recipient in its program to support energy conservation in industry. As olefin demand growth is increasingly centered on propylene rather than ethylene, the Omega Process, with its propylene selectivity, energy efficiency, and the ability to productively utilize C4 and C5 from by-product streams, has become a focus of attention throughout the world.

Polyacetal in China

Asahi-DuPont POM (Zhangjiagang) Co., Ltd.

The polyacetal (POM) plant of Asahi-DuPont POM (Zhangjiagang) Co. Ltd. (ADZ) began commercial operation in August 2004. ADZ is a joint venture between Asahi Kasei Chemicals and DuPont China Holding for the production and sale of POM copolymer in Zhangjiagang, Jiangsu, China.

POM is an engineering polymer featuring wear resistance, toughness, and chemical resistance, with applications in automotive interiors, office equipment, and home electronics. We forecast 10% annual demand growth for POM in China, twice the global demand growth rate. The new plant will serve the growing market in China and other countries around the world.

AminoFoamer™ surfactant

AminoFoamer™ is a new amino acid surfactant which went on sale in December 2004. It features exceptional foaming in mildly acidic formulations, refreshing feeling, low irritation, and outstanding biodegradability. While alkaline surfactants feature excellent foaming, they tend to be irritable to the skin. Until now, surfactants for mildly acidic formulations compromised foaming ability and tended to have a slimy feeling. AminoFoamer™ enables the formulation of face wash, body shampoo, and hair shampoo products with a unique combination of performance features.

Hipore™ plant expansion

Hipore™ microporous membrane.

A new 12 million m^2/year line for Hipore™ microporous membrane began commercial operation in Moriyama in March 2005. Ground was also broken at the same site for an additional 36 million m^2/year line in July 2004, with completion scheduled for summer 2006. Hipore™ is used as separator membrane in Li-ion rechargeable batteries. Enabling exceptional battery performance and safety, it has earned a world-leading market share. Successive capacity expansions are planned to keep pace with strong demand growth in notebook PC and cell phone applications.

Operating Segment

Homes

Sales increased by ¥14.5 billion to ¥375.8 billion. Operating profit increased by ¥7.4 billion to ¥29.0 billion after crediting ¥3.4 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Toshiaki Okamoto
President, Asahi Kasei Homes

The Year in Review

In order-built and pre-built home operations, condominium units sold decreased but sales of unit homes increased due to the increase in orders during the previous year, and operating profit increased. The Long Life Home product strategy was advanced with the introduction of a seismic damping system and the initiation of home mortgage operations, but the value of new home orders received was lower than a year earlier.

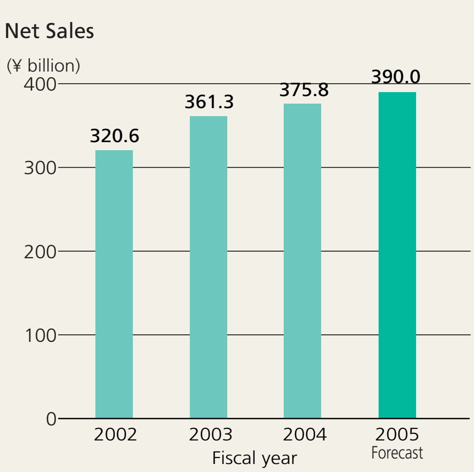
Remodeling operations had fewer work orders, and operating profit decreased. Sales in real estate operations increased as income from rentals and land sales rose, but operating profit decreased with fewer condominium sales.

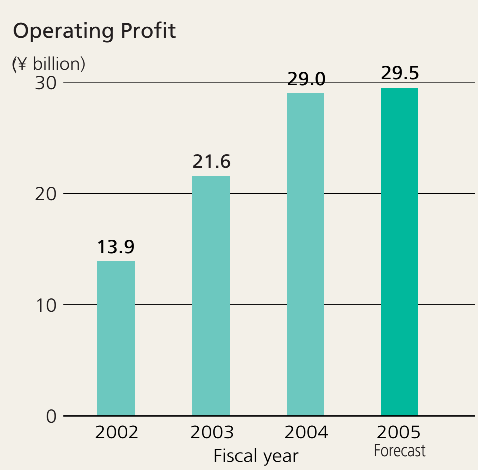
Notable Developments

The Hebel Haus Shindaichi™, featuring a hip roof and stately appearance, went on sale in July 2004. The three-story Hebel Haus Kazenoto™, enabling harmony with nature in an urban setting, went on sale in July 2004. The Hebel Haus Kugo™, with expansive open living space, went on sale in January 2005. An energy-saving geothermal heating and cooling system went on sale in July 2004.

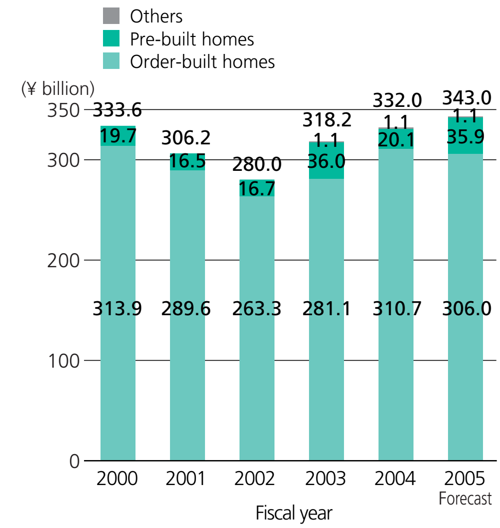
Major Products

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

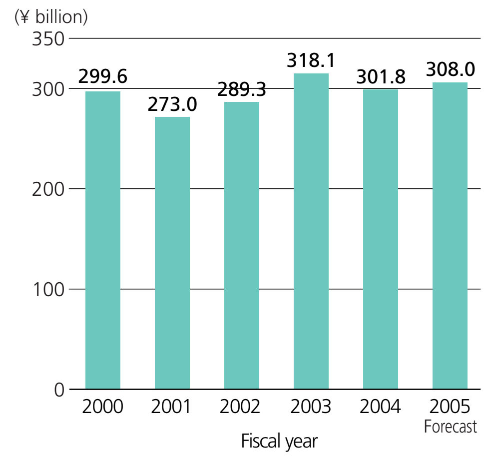




Sales Trends of Homes Segment



Orders Received



R&D

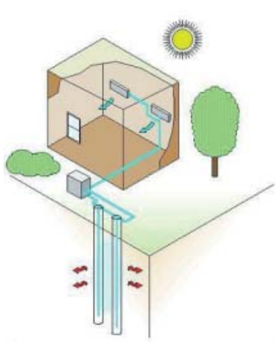
R&D is focused on enhancing core technologies. Shelter technology brings greater safety and security through earthquake resistance, seismic damping, and fire resistance; greater long-term usability through physical durability/evaluation, systematic maintenance, and ease of remodeling; enhanced livability 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.

Highlights

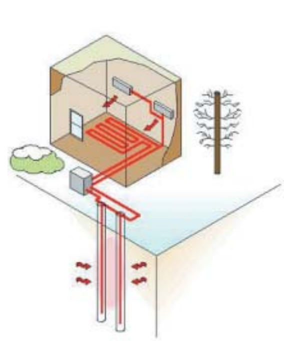
Geothermal heating/cooling

In July 2004, a geothermal heating and cooling system developed in concert with Hokkaido University and the National Institute of Advanced Industrial Science and Technology was added as an option on all Hebel Haus™ homes. The system utilizes the temperature differential between the air and ground with heat exchangers to provide energy-efficient cooling in summer and heating in winter. While conventional heat pumps release heat to the atmosphere when cooling the home, the new system releases the removed heat to the ground and thus avoids contributing to the "heat island" effect in dense urban areas.

Because of the high installation cost and large space ordinarily required with such a system, adoption has been limited to a few large construction projects. The new system incorporates heat exchangers in small-diameter steel piles to achieve lower cost and reduce the required space, making it practical for use with single-unit homes.



Heat is released into the ground for cooling.



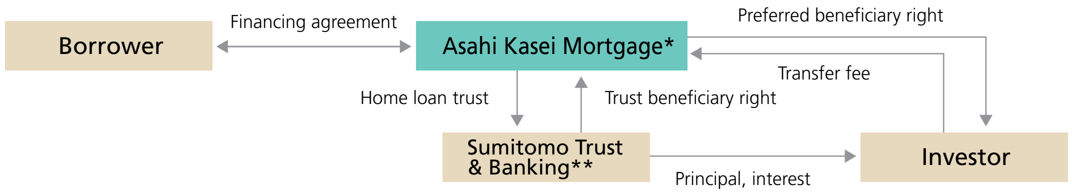
Heat is absorbed from the ground for heating.

New mortgage subsidiary

Asahi Kasei Mortgage Corp. was established in February 2004 to serve Hebel Haus™ buyers with low-interest, long-term fixed-rate loans. In October 2004, Asahi Kasei Mortgage began offering Japan's first home loan based on securitization by the home manufacturer. With this product, called Long Life Home Loan Course A, land purchase is not subject to financing. By focusing on buyers who already own land in urban areas and by minimizing operating costs, it is possible to lower the available interest rate to an industry-low level.

In March 2005, Asahi Kasei Mortgage began offering a product utilizing securitization of public housing loans called Long Life Home Loan Course K Flat 35. This product is suited for a wide range of customers for Hebel Haus™ businesses, including buyers of used homes and condominiums in addition to new-home buyers. With these and other home financing products, Asahi Kasei Mortgage is targeting the provision of financing for over 20% of homes sold by Asahi Kasei Homes in fiscal 2005.

Securitization with Long Life Home Loan Course A



* Originator/servicer and trustor/subordinated beneficiary.
** Arranger/trustee.

The Hebel Haus Shindaichi™, featuring a hip roof and stately appearance.

The Hebel Haus Kugo™, with expansive open living space.

The three-story Hebel Haus Kazenoto™, enabling harmony with nature in an urban setting.

Operating Segment

Pharma

Sales decreased by ¥2.0 billion to ¥103.9 billion. Operating profit increased by ¥0.4 billion to ¥13.4 billion after crediting ¥2.4 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Yasuaki Nakaoka
President, Asahi Kasei Pharma

The Year in Review

In pharmaceuticals, sales of Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant continued to grow, but margins were reduced by cuts in reimbursement prices. Sales of Elcitonin™ calcitonin formulation decreased as market share was lost to competing products, and operating profit from pharmaceuticals decreased.

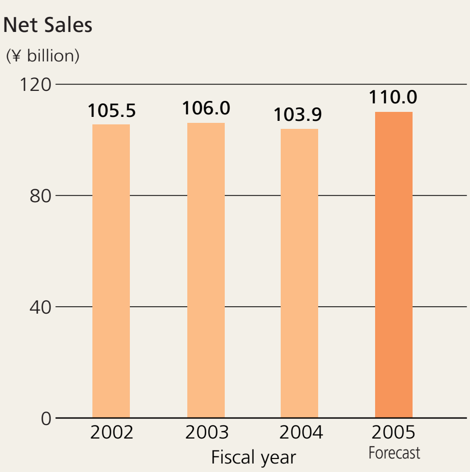
In medical devices, sales of Cellsorba™ leukocytapheresis columns increased as rheumatoid arthritis was approved as an indication in April, but margins for artificial kidneys decreased due to intensified competition and cuts in reimbursement prices, and operating profit decreased.

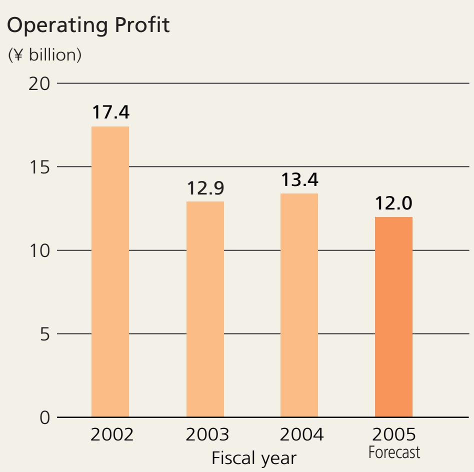
Notable Developments

Asahi Kasei Medical America, Inc. was established in July 2004 to support sales of hemodialyzers in the US. Elcitonin™ in a disposable pre-filled syringe went on sale in August 2004. Asahi Medical Co., Ltd. was renamed Asahi Kasei Medical Co., Ltd. in October 2004. Asahi Vet Japan Co., Ltd. was renamed Asahi Kasei N&P Co., Ltd. in March 2005.

Major Products

Elcitonin™, Flivas™, Toledomin™, and other pharmaceuticals, pharmaceutical intermediates, diagnostic reagents, feed additives, Planova™ virus removal filters, APS™ polysulfone-membrane hemodialyzers and other hemodialyzers, Sepacell™ leukocyte reduction filters, Cellsorba™ leukocyte adsorption columns, contact lenses





R&D

In pharmaceuticals, 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, and transfusion. Next-generation fields of research include cell therapy and regenerative medicine.

Pharmaceutical Product Pipeline

Development stage	Product	Objective	Class	Indication
Pre-registration	AT-877 (injection)	Additional indication	Rho-kinase inhibitor	Acute cerebral thrombosis
Phase III	PTH (injection)	Additional indication	Synthetic human parathyroid hormone	Osteoporosis
	ART-123 (injection)	New biologic	Recombinant human thrombomodulin	Disseminated intravascular coagulation
Phase II	AT-877 (oral)	New dosage form	Rho-kinase inhibitor	Angina pectoris
	AP-521 (oral)	New molecular entity	5HTA1 receptor partial agonist	Anxiety
Phase II (overseas)	ART-123 (injection)	New biologic	Recombinant human thrombomodulin	Deep vein thrombosis

Highlights

Elcitonin™ pre-filled syringe


Elcitonin™ pre-filled syringe.

In August 2004 the calcitonin formulation Elcitonin™ used to alleviate the pain of osteoporosis went on sale in a disposable pre-filled syringe. Previously, Elcitonin™ was packaged in a glass ampule which required it to be manually drawn into the syringe. With the new product, the attachment of a needle to the disposable plastic syringe is all that is required to prepare for administration of the dose. The result is easier handling, greater productivity, and improved safety.

New plant for APS™ polysulfone-membrane hemodialyzers

A new Asahi Kasei Medical plant in Nobeoka to spin polysulfone hollow-fiber membrane for hemodialyzers began commercial operation in April 2005 with capacity to produce membrane for 4 million hemodialyzer modules per year. With this start-up, Asahi Kasei Medical's polysulfone-membrane hemodialyzer production capacity increased from 10 million to 14 million modules/year.

Worldwide demand for hemodialyzers, and in particular those with highly biocompatible polysulfone membranes, is marked by sustained robust growth as medical advances bring greater longevity and facilities for hemodialysis treatment become increasingly available throughout the world. Additional spinning lines at the same site are planned to keep pace with rising demand over the short term, as part of a mid-range outlook for annual capacity to reach 30 million modules.

APS™ polysulfone-membrane hemodialyzer.


Polysulfone hollow-fiber membrane spinning plant, in Nobeoka.

Operating Segment

Fibers

Sales increased by ¥2.7 billion to ¥104.3 billion. Operating profit increased by ¥4.5 billion to ¥5.4 billion, after crediting ¥2.2 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Masaki Sakamoto
President, Asahi Kasei Fibers

The Year in Review

Shipments of Roica™ elastic polyurethane filament increased with expanded production capacity, but intensified competition brought lower sales prices and operating profit decreased. In nonwovens, sales of Eltas™ spunbond increased markedly in diaper applications. Operating costs for Bemberg™ cupro filament, used principally in linings, were reduced and operating profit was on par with the previous year's. Sales of Leona™ nylon 66 filament increased following the full recovery of operation at the reconstructed plant, but operating profit decreased due to high feedstock costs.

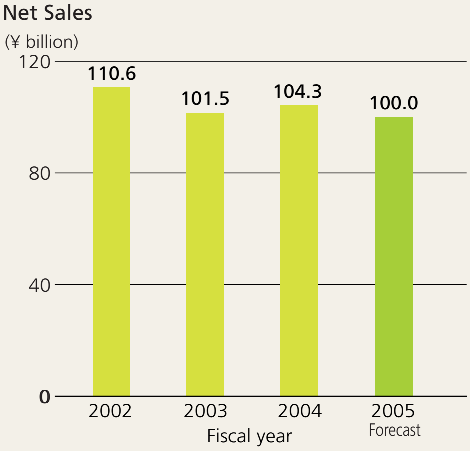
Notable Developments

In August 2004, the decision was made to liquidate acrylic yarn and nylon filament producer PT Indonesia Asahi Kasei, and production and sale were concluded in November 2004. A new plant in Thailand for Roica™ elastic polyurethane filament began operation in December 2004, complementing plants in Japan, China, and Taiwan. The Leona™ nylon 66 filament business was transferred to Asahi Kasei Chemicals in April 2005, enabling fully integrated management of nylon 66 operations from intermediates to polymer, compounds, and filament.

Major Products

Roica™ elastic polyurethane filament, Eltas™ spunbond, Lamous™ artificial suede, Bemlise™ nonwoven cellulose filament, Bemberg™ cupro cellulosic fiber, Leona™ nylon 66 filament, polyester filament

Net Sales



Operating Profit

R&D

The ratio of R&D expenditure on new materials to that on existing materials is 2:3 and increasing as greater emphasis is focused on development of new materials. R&D on existing materials is directed toward the development of new grades of Roica™ elastic polyurethane, Bemberg™ cupro, and nonwovens which meet market needs for advanced performance. R&D on new materials is directed toward the development of unique products which will elicit new demand.

Highlights

Shanghai fashion show


Apparel with Bemberg™ linings featured at the fashion show in Shanghai.

In September 2004, the fashion show Japan Quality Collaboration in Shanghai was held jointly with Onward Kashiyama Co., Ltd. The show spotlighted Onward Kashiyama's apparel featuring Bemberg™ cupro linings. Bemberg™ is known throughout the world as a high-quality lining material, and the potential market in China is growing rapidly among discerning buyers of fashionable apparel in the emerging consumer economy. The show served to raise the profile of Bemberg™ in China.

New Roica™ plant

Thai Asahi Kasei Spandex Co., Ltd.

Thai Asahi Kasei Spandex Co., Ltd. was established in October 2003 for the production of Roica™ elastic polyurethane filament, and commercial operation began in December 2004 with capacity of 2,500 tons/year. Complementing 9,000 tons/year capacity in Moriyama, Shiga, Japan, 5,000 tons/year capacity in Taiwan, and 3,000 tons/year capacity in China, the new facility in Thailand raises total capacity to 19,500 tons/year.

Roica™ is a high-quality, high-performance elastic polyurethane used in sportswear, innerwear, swimwear, and other apparel, and in a range of hygienic and industrial applications. The new capacity will serve growing demand in Asia and throughout the world.

Bemberg™ processing joint venture in China

In December 2004, Ningbo Yak-yo Bemberg Textile Co., Ltd. was established in Ningbo, China, for the dyeing, processing, and sale of Bemberg™ lining material, with commercial operation scheduled to begin in autumn 2005. Ningbo Yak-yo Bemberg Textile is a joint venture 25% held by Asahi Kasei Fibers subsidiary Kyokuyo Sangyo and 75% held by Ningbo Yak Technology Industrial Co., Ltd. of the China Youngor Group.

Demand for high quality Bemberg™ lining material is forecast for strong growth in China, both with rising domestic consumption of high quality apparel and with growing exports of high quality apparel from China.

Operating Segment

Electronics Materials & Devices

Sales increased by ¥10.5 billion to ¥93.0 billion. Operating profit increased by ¥2.7 billion to ¥17.6 billion after crediting ¥1.1 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Makoto Konosu
President, Asahi Kasei EMD

The Year in Review

In electronics devices, production capacity expansions resulted in increased capital depreciation, and sales began to slow during the second half of the term due to inventory adjustments in IT-related industries, but sales for the year nevertheless increased and operating profit remained strong.

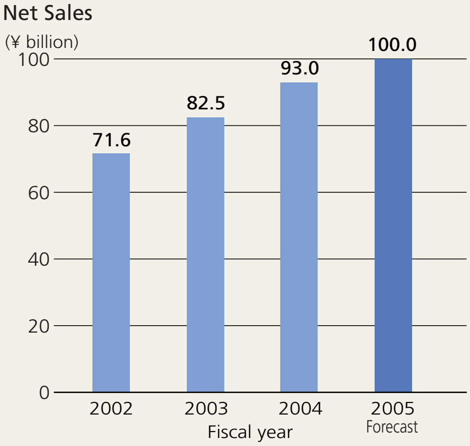
Competition in electronics materials intensified, but expanded capacity for Sunfort™ dry film resist for printed wiring boards enabled increased sales and strong operating profit.

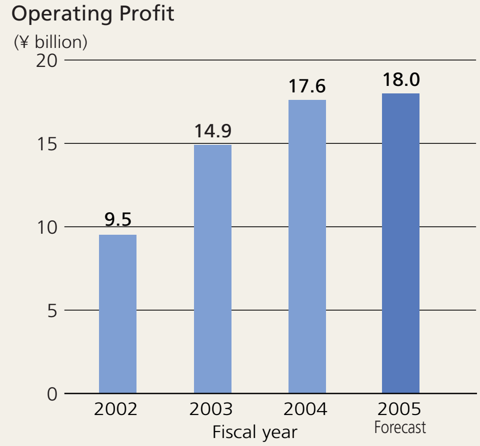
Notable Developments

In April 2004, commercial operation began at a new plant in Nobeoka producing large pellicles for use in the manufacture of large LCD panels. A second production line was added in May 2005 to respond to strong demand growth. Asahi Kasei EMD Korea was established in October 2004 for the sale of large pellicles in Korea. A second production line in China for Sunfort™ dry film resist began commercial operation in November 2004.

Major Products

Pimel™ photosensitive polyimide, Sunfort™ dry film resist, pellicles, Luminous™ plastic optical fiber, Hall elements, LSIs, glass fabric





R&D

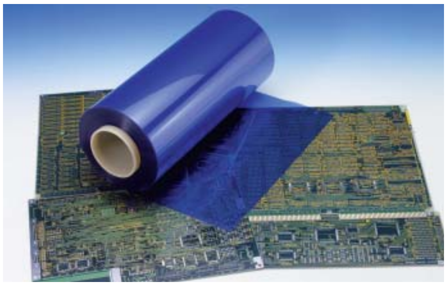
R&D is directed toward meeting needs and providing solutions to problems identified through interaction with the customer. Developments in electronics devices include new algorithms to combine sensor technology with digital/analog mixed-signal technology for high value-added hybrid devices such as next-generation electronic compasses and pitch angle sensors. Ongoing developments include reducing the power consumption of single-chip CODECs for audio/visual applications, and heightening the sound-quality performance of audio LSIs.

Developments in electronics materials include high-performance structural materials for LCD panels and organic electroluminescent (EL) materials for flat-panel displays, and next-generation package substrate materials compatible with emerging standards for high transmission speeds, performance, and reliability.

Highlights

Expanded DFR capacity in China

Asahi Kasei Electronics (Suzhou) Co., Ltd.


SunfortTM dry film resist.

Asahi Kasei Electronics (Suzhou) began commercial operation of its second 40 million m^2/year production line for Sunfort™ dry film resist (DFR) in November 2004. The Chinese subsidiary began operation in May 2003 with a single 40 million m^2/year line.

DFR is used in the manufacture of printed wiring boards, a process increasingly performed in China in addition to final assembly of cell phones, PCs, and other electronic products. The new capacity will enable a leading market share to be maintained with rising earnings as strong demand growth for DFR in China continues.

Expanded capacity for large pellicles

A new plant in Nobeoka dedicated to producing large pellicles began commercial operation in May 2004. A second production line was added to meet continuing strong demand growth, and commercial operation began in May 2005. Pellicles are used to prevent lithographic defects due to dust adhesion on photomasks during the manufacture of semiconductors and LCD panels.

The increased use of LCD displays in cell phones, PCs, and TVs has brought strong growth in demand for pellicles. As larger LCD displays are increasingly common, growth in demand for large pellicles is particularly acute. Asahi Kasei EMD is the world's only producer of the largest pellicles.


Large-pellicle plant, in Nobeoka.

Operating Segment

Construction Materials

Sales decreased by ¥0.7 billion to ¥59.9 billion. After crediting ¥1.5 billion to amortize the actuarial surplus for retirement benefits during the previous year, operating profit was ¥2.6 billion, a ¥4.7 billion turnaround from the previous year.

Yoichi Saji
President, Asahi Kasei Construction Materials

The Year in Review

In structural materials for commercial and residential buildings, sales of Hebel™ autoclaved lightweight concrete panels grew with construction of large retail outlets and factories, and operating cost reductions contributed to increased operating profit.

In piles and civil engineering materials, sales of Eazet™ and ATT Column™ piles for small-scale construction increased, but sales of precast concrete piles decreased and operating profitability declined.

Operating profit from insulation materials increased as sales of Neoma™ high-performance foam insulation panels grew.

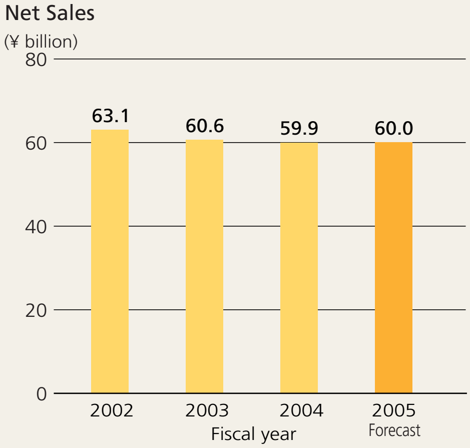
Notable Developments

Production facilities for pre-cast concrete piles were closed in December 2004 with the completion of the transition to OEM supply. Production facilities for the Grande™ line of large autoclaved lightweight (ALC) concrete panels were closed in March 2005, and the product was withdrawn.

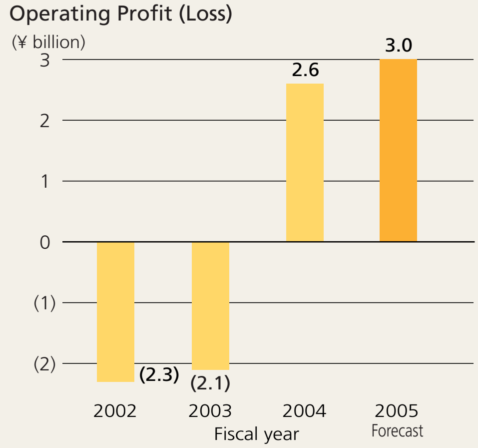
Major Products

Hebel™ autoclaved lightweight concrete (ALC) panels, piles, Neoma™ foam insulation panels, artificial fish reefs and other marine structures

Net Sales



Operating Profit (Loss)



R&D

Research is directed toward high added value through production process innovation and enhanced product durability. The phenolic foam thermal insulation business will be expanded through developments to enhance fire resistance, production efficiency, and recyclability. High value-added products under development include panels with new aesthetic designs, materials with humidity and temperature regulating function, ecological piles which can be installed without soil disposal, and environmentally compatible artificial reef for seaweed bed.

Highlights

Structural reform

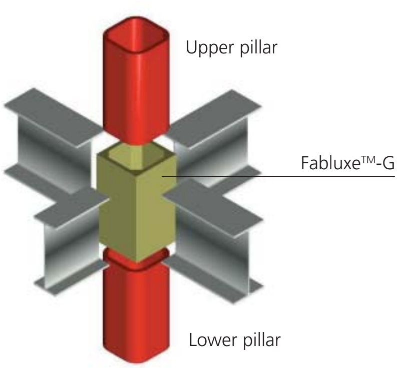
Production facilities for the Grande™ line of large autoclaved lightweight (ALC) concrete panels were closed in March 2005, and the product was withdrawn. For twenty years, Grande™ panels served as a strategic product used in large construction projects. The recent decline in Japanese construction activity, however, has led to dampened demand and diminished profitability. With no clear prospects for a recovery in demand, the decision was made in September 2004 to discontinue the Grande™ product and focus ALC operations on the mainline Hebel™ and Hebel Lite™ panels, and the Hebel PowerBoard™ panel for wood-frame homes.

In response to a situation of persistent supply overcapacity in the market for pre-cast concrete piles, a transition to OEM supply was implemented and production facilities were closed. Our last plants for pre-cast concrete piles, in Sharoi, Fuji, and Iwakuni, were closed in December 2004.

Fabluxe™-G steel frame connection node

The Fabluxe™-G single-piece steel-casting connection node for steel columns and beams went on sale in April 2005. Fabluxe™-G, developed for enhanced cost performance, is the latest in the Fabluxe™ series of connection nodes sold since 2000.

Conventional connection nodes are made in a time-consuming process requiring extraordinary welding skill to avoid misalignment or loss of metal strength. Being cast in one piece, the Fabluxe-G™ connection node is free from the possibility of metal weakening due to welding. It also brings greater freedom of design and lower construction cost by enabling different sized frame members to be joined.



Fabluxe™-G installation schematic.

Installation example.

Operating Segment

Life & Living

Sales decreased by ¥0.7 billion to ¥59.1 billion. Operating profit increased by ¥0.8 billion to ¥6.1 billion after crediting ¥0.9 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Yoshihiro Nohmura
President, Asahi Kasei Life & Living

The Year in Review

In home-use products, increased sales were achieved for Saran Wrap™ cling film with a redesigned package and of Ziploc™ bags and containers with Disney characters, but the operating climate for Saran™ fiber was unfavorable and operating profit decreased.

Sales prices for packaging and cushioning materials increased, but operating profit decreased due to rising feedstock costs.

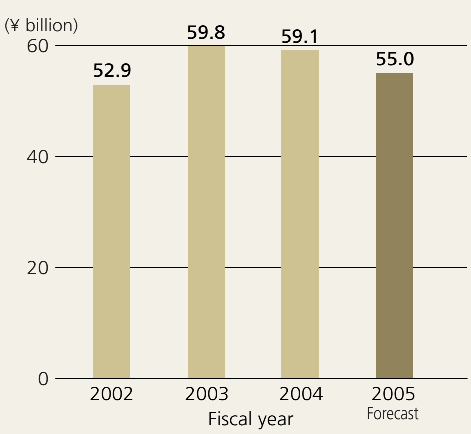
Notable Developments

Sundic Inc., a joint venture with Dai Nippon Ink and Chemicals for consolidation of biaxially oriented polystyrene sheet operations, began operation in October 2004. SaranArt™ high-function fiber went on sale in December 2004. Operations in the health/beauty care field expanded as FootLuckty™ effervescent foot bath went on sale in October 2004, and the FootSiesta™ series of foot and leg skin-care products went on sale April 2005.

Major Products

Saran Wrap™ food wrapping films, Ziploc™ food storage bags, films, sheets, foams

Net Sales



Operating Profit

R&D

Development in the main business fields of Saran Wrap™ food wrapping film, cushioning material, Saran™ fiber, and plastic containers, is directed toward heightening productivity and eliciting new demand through product differentiation. R&D for new business growth is focused on the following areas: Development of performance films, packaging systems, functional packaging, and easy-opening packaging for enhanced consumer safety, reliability, and convenience in food and pharmaceutical applications; development of improved performance and new applications for biologically derived and biodegradable polymers; development of new consumer products which enable more comfortable living with an emphasis on cleanliness, freshness, health, and beauty; and advanced utilization of the PAOSS™ cushioning design and simulation technology.

Highlights

SaranArt™ high-function fiber

The SaranArt™ series of high-function fiber went on sale in December 2004, including fiber that changes color at a given temperature threshold, luminescent fiber that absorbs light and glows in the dark, and aromatic fiber that emits fragrance. With outstanding aesthetic characteristics, Saran™ fiber is widely used in doll hair and other toy applications. The additional functions of the SaranArt™ series enable the development of toys with greater appeal. A wide range of applications includes apparel and interior design.


Teddy bear at low temperature.


Teddy bear at high temperature.

Health & beauty care

The area of foot and leg care is targeted for growth in the field of health and beauty care products. FootLuckty™ effervescent foot bath went on sale in October 2004. A FootLuckty™ tablet placed in warm water becomes a relaxing foot bath that consumers can enjoy in the comfort of their own home. The FootSiesta™ series of foot and leg skin-care products went on sale April 2005. The leg-care product includes a cuticle care cream, two kinds of leg-skin clay pack, and a skin moisturizing and conditioning gel. The foot bath product produces a creamy foam containing orange-peel extract, and is available in two refreshing fragrances.

The range of health and beauty care products will be expanded, with additional food and leg care products and cosmetics containing coenzyme Q10.

FootSiesta™ leg and foot care products.

Services, Engineering and Others

The Year in Review

Personnel staffing and placement subsidiary Asahi Kasei Amidas Co., Ltd. was newly consolidated in this segment, while *sake* and salt operations were divested. Sales for the segment decreased by ¥3.9 billion to ¥24.2 billion, and operating profit increased by ¥1.3 billion to ¥3.6 billion.

Operating profit in engineering operations increased with completion of facilities in Japan for pharmaceuticals and electronic materials.

Highlights

Divestment of Asahi Kasei Information Systems

Majority holding (51%) of our IT services subsidiary Asahi Kasei Information Systems (AJS) was divested to TIS Inc., a growing leader in the field. This move will enhance the IT services provided to the Asahi Kasei Group by complementing AJS with the extensive capabilities of TIS, while giving AJS greater freedom to develop operations in its areas of speciality by serving external clients. AJS will continue to utilize its connection to the Asahi Kasei Group to expand operations in software and IT systems for the health care industry.

Major Products

Plant, manufacturing equipment, process engineering services, employment agency, and think tank services

New Business Development and Intellectual Property

New Business Development

New Products and New Operations

Existing businesses are strengthened and new businesses are developed with a clear focus on changing customer needs and demands, to enable a new phase of growth for the Asahi Kasei Group.

Domestic-Demand Businesses

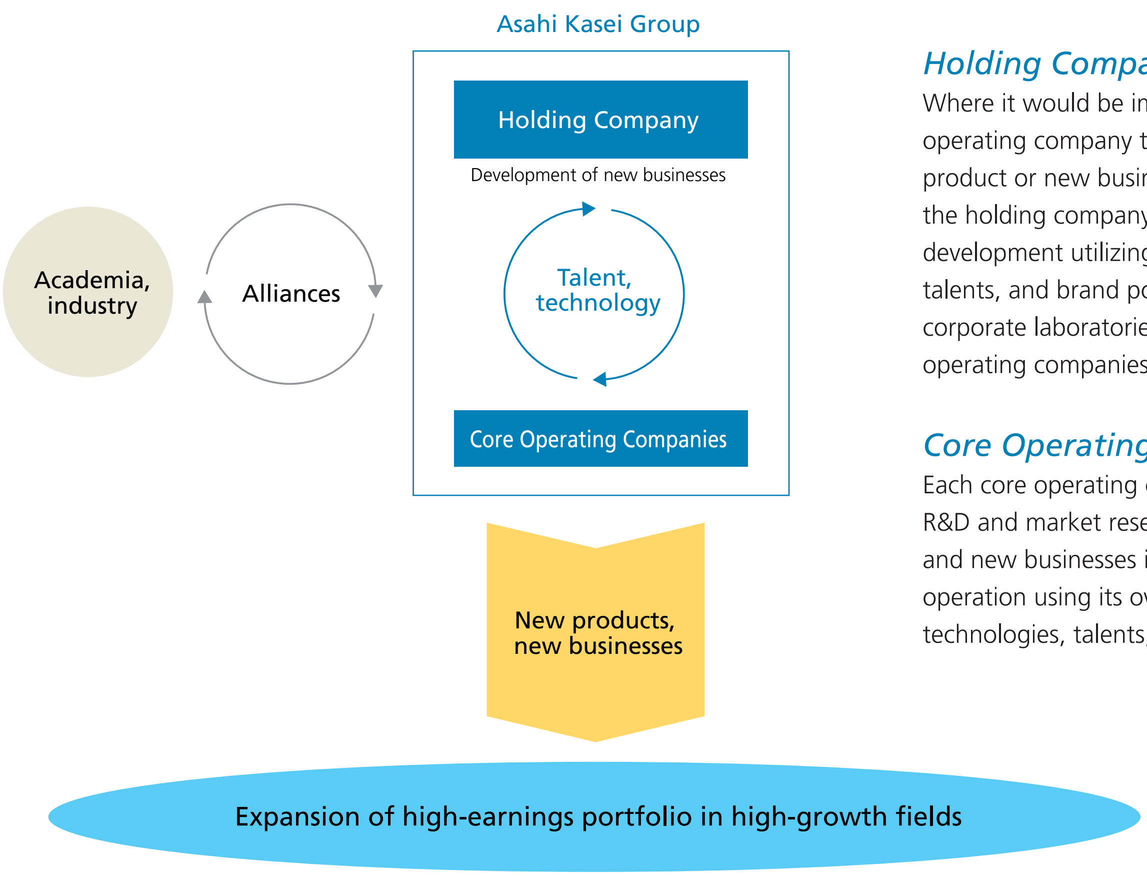
For domestic-demand businesses facing an outlook of maturing markets and declining population, product differentiation is achieved by elevating brand value and by increasing added value in products and services while diversification is advanced with operations in peripheral fields.

Global Businesses

For businesses with globally competitive production technology and product development strength, added value in products is increased, production technology is advanced to achieve product differentiation and enhanced cost competitiveness, and operations are expanded in growth market fields.

New Businesses

New business development is directed toward the development of unique products and business models by combining the range of technologies, talents, and marketing abilities of the diverse operations of the Asahi Kasei Group. To heighten the speed of new business development, the sequential process of basic research, applied research, and commercial development is eschewed in favor of concurrent performance of the research phase and elements of the commercialization phase such as market research to enable changing customer needs to be reflected in the R&D process in real time.



Holding Company

Where it would be impractical for a core operating company to develop a new product or new business independently, the holding company performs such development utilizing the technologies, talents, and brand power available in the corporate laboratories and any of the core operating companies.

Core Operating Companies

Each core operating company performs R&D and market research for new products and new businesses in its own field of operation using its own competitive technologies, talents, and brand power.

New Business Development Projects

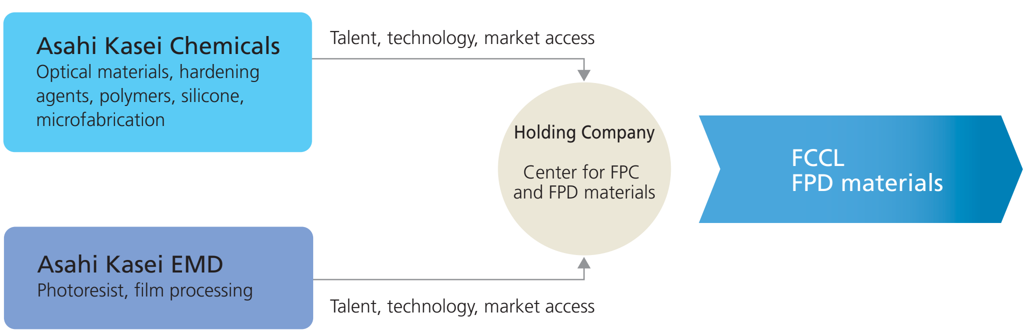
Corporate projects are formed for the development of new businesses and products combining the diverse technologies and talents of the Asahi Kasei Group. Two current examples are shown.

New Materials Combining Chemicals and Electronics

A project for the development and marketing of two-layer flexible copper clad laminate (FCCL) for use in the production of flexible printed circuit boards (FPCs) and of functional materials for flat-panel displays (FPDs) was established as a holding company organ in October 2004.

Rapid commercialization will be achieved by combining the technologies and market research abilities of Asahi Kasei EMD in the fields of photosensitive dry film resist (DFR) and photosensitive polyimide (PSPI) and of Asahi Kasei Chemicals in the fields of light-guides for liquid-crystal displays (LCDs) and latent epoxy hardener, together with licensing from and alliances with outside entities., together with licensing from and alliances with outside entities.

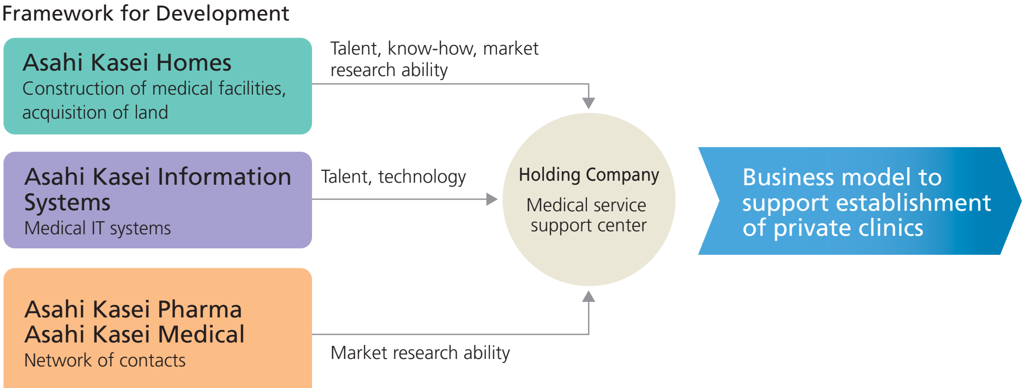
Framework for Development and Commercialization



New Business Supporting Establishment of Clinics

A project for the development of a business model to support the establishment of private clinics and medical offices was established as a holding company organ in November 2004. The project combines the know-how of Asahi Kasei Homes in the construction of medical facilities, the network of contacts with physicians and hospitals and the market research abilities of Asahi Kasei Pharma and Asahi Kasei Medical, and the medical IT system technology of Asahi Kasei Information Systems.

Framework for Development

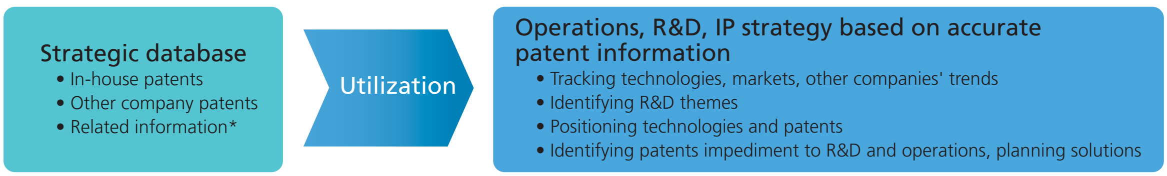


Intellectual Property

IT Systems for Intellectual Property

A strategic database of patent information is maintained and expanded to facilitate the advanced analysis of patent information. Standard analytical tools are available for use at all levels of the organization, from R&D labs to senior management, enabling clear and easy analysis of patent portfolios.

Strategic Database

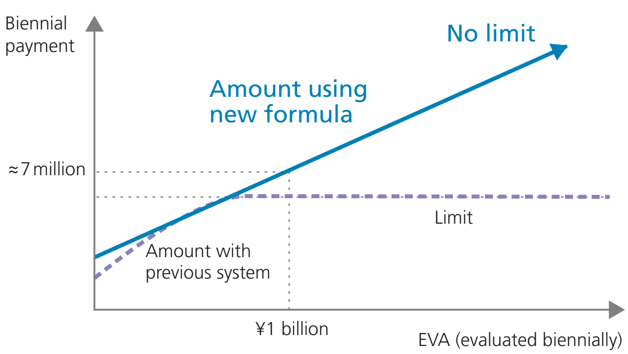


* Rank of importance, technology category, policy to respond to other company patents, and other accumulated information.

New Invention Reward System

Our system to reward invention was revised in April 2005. While we have long had a system to reward the inventors of patents which result in large profits, the new system uses a formula to link rewards to economic value added (EVA) generated by the invention, thereby eliminating any theoretical limit on rewards. Separately, inventors receive a generous reward when a patented invention is commercialized, irrespective of profits. These systems for rewarding invention provide excellent incentive for our research personnel.

Invention Reward System

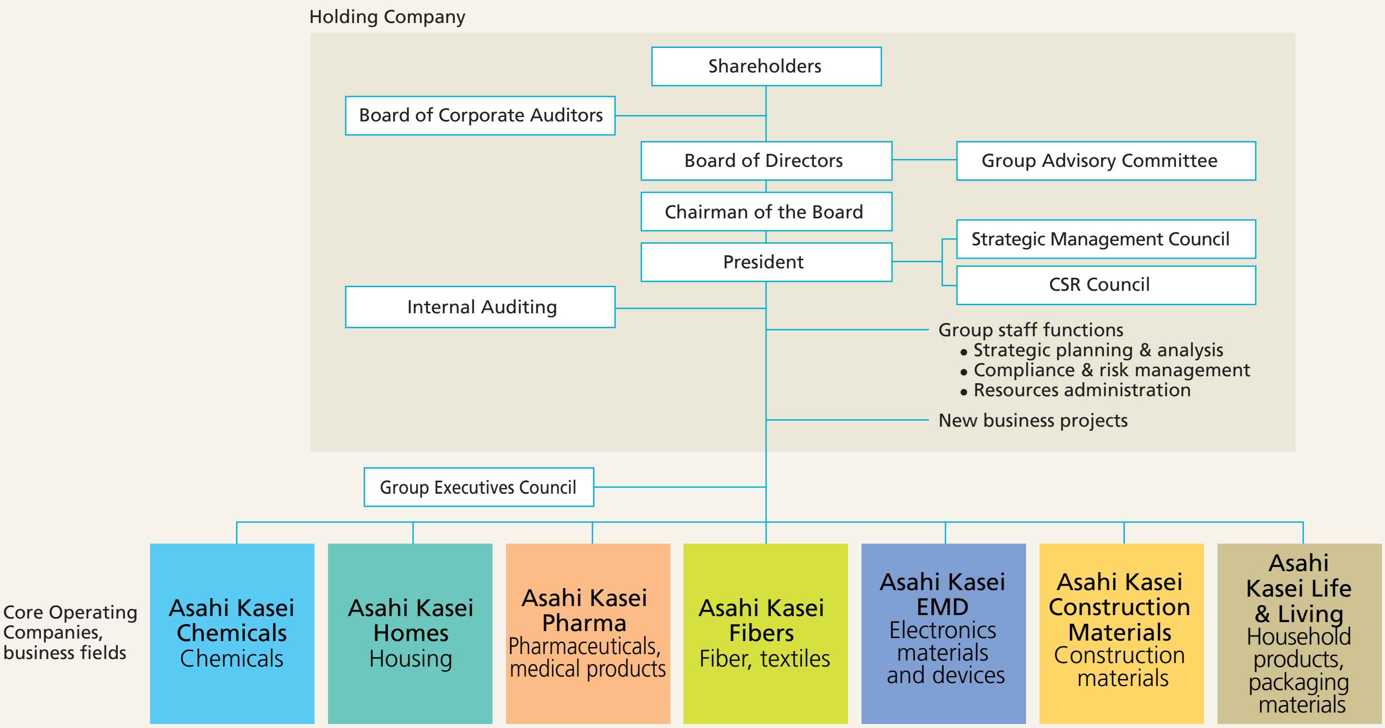


Toward Sustainable Growth

Corporate Governance

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

Corporate Governance System



(As of April 1, 2005)

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 each 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 each 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 each year.

Group Executives Council

Conducts the dissemination of substantive group information and the exchange of group information, and deliberates on matters requiring coordination among the core operating companies. Meets once each month.

Board of Corporate Auditors

Comprises four Corporate Auditors, of which two are Outside 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 board 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.

Recent Developments

The Board of Directors, Strategic Management Council, Group Executives Council, and Board of Corporate Auditors met as scheduled. Two new outside advisors were added to the Group Advisory Committee, which met twice. In April 2005, a Risk Management Committee was formed as a corporate organ under the authority of the CSR Council.

Internal Audit, Audit by Corporate Auditors, Financial Audit

Internal Auditing is a corporate organ with seven members 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 Statutory Auditors Office provides staff to assist Corporate Auditors.

Chuo Aoyama PricewaterhouseCoopers is contracted as an independent auditor to perform the financial audit in accord with the Commercial Code and Securities Law. Partners of the independent auditor designated to perform the audit for fiscal 2004 and their assistants were as follows.

Designated partners performing audit (years auditing Asahi Kasei)

- Koji Kobayashi, CPA (9 years)
- Takahiro Nakazawa, CPA (4 years)
- Tetsuo Kitagawa, CPA (9 years)

Assistants involved in performance of audit

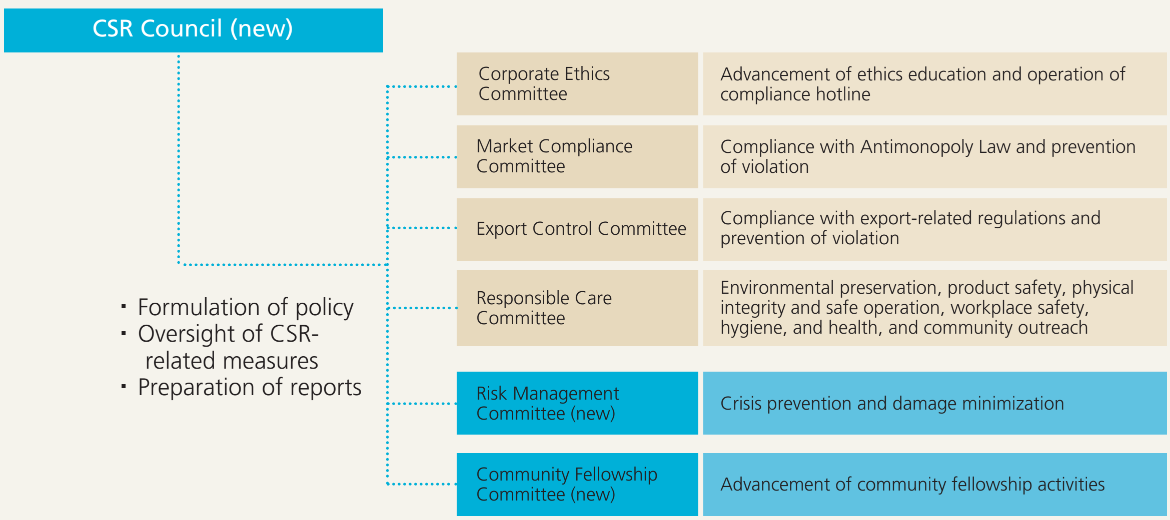
The independent auditor forms a team of assistants for performance of the audit in accordance with its audit plan. The team mainly comprises certified public accountants and junior accountants, and also includes certified information systems accountants and other specialist assistants.

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 auditor with respect to its audit plan, and receives the results of the consolidated financial audit of Asahi Kasei for the fiscal half-year and fiscal year.

Corporate Social Responsibility

Asahi Kasei has long recognized the importance of issues related to corporate social responsibility (CSR), and has adopted a range of measures guided by the Corporate Ethics Committee, the Responsible Care Committee, and other corporate organs. In April 2005 a CSR Council was formed with the president serving as chair, to guide the effort to heighten our performance in this area for the sustainable expansion of corporate value. The CSR Council builds on and enhances the Asahi Kasei tradition of management with an emphasis on environmental and social aspects of operation.

Framework for Advancement of CSR



The CSR Office, which coordinates the CSR effort and programs of the Asahi Kasei Group, is the corporate contact for CSR-related inquiries.

CSR Office
Asahi Kasei Corporation
1-1-2 Yurakucho, Chiyoda-ku, Tokyo 100-8440, Japan
Phone: +81-(0)3-3507-2345   Fax: +81-(0)3-3507-2811

Compliance Hotline

Beginning in April 2005, the Asahi Kasei Group employs a “Compliance Hotline” to ensure that personnel have secure and trusted recourse to report any possible ethical lapses which may be encountered or observed. The Compliance Hotline is available for use by all personnel working in the Asahi Kasei Group, including executives, employees, contractual employees, and dispatched personnel – both full-time and part-time, and both long-term and temporary. The Compliance Hotline Secretariat or, if deemed appropriate, a response team formed for the purpose will investigate each matter reported. If the investigation confirms that a violation of law or internal corporate regulations has occurred, appropriate action will be implemented. The reporting party will incur no disfavor or other disadvantage as a result of having made a report through the Compliance Hotline.

Directors, Auditors, Executive Officers

(As of June 30, 2005)

Nobuo Yamaguchi
Chairman of the Board & Representative Director

Shiro Hiruta
President & Representative Director, Presidential Executive Officer
R&D; CSR Council Chair

Ichiro Itoh
Director, Primary Executive Officer
Strategy; Accounting & Finance

Kunio Kohga
Director, Senior Executive Officer
ESH; Production Technology; PL

Kenichi Shibukawa
Director, Senior Executive Officer
Legal & General Affairs; Procurement; Compliance

Shigeru Mizutani
Director, Executive Officer
ESH; Production Technology; PL

Kiyoshi Tsujita
Director, Executive Officer
Human Resources

Yuji Tsuchiya
Auditor

Kenji Nakamae
Auditor

Hidefumi Sakamoto
Outside Auditor

Katsuo Wajiki
Outside Auditor

Kageyasu Akashi
Executive Officer

Hatsuki Onitsuka
Executive Officer

Masanori Mizunaga
Executive Officer

Koji Fujiwara
Executive Officer

Yoshio Hayashi
Executive Officer

Responsible Care

The program of Responsible Care* introduced in 1995 at the Asahi Kasei Group, comprising measures for environmental protection, product safety, physical integrity and safe operation, workplace safety, hygiene, and health, and community outreach, is not limited to chemicals-related operations but includes operations in all fields, including fibers, construction materials, housing, electronics, pharmaceuticals, and medical devices.

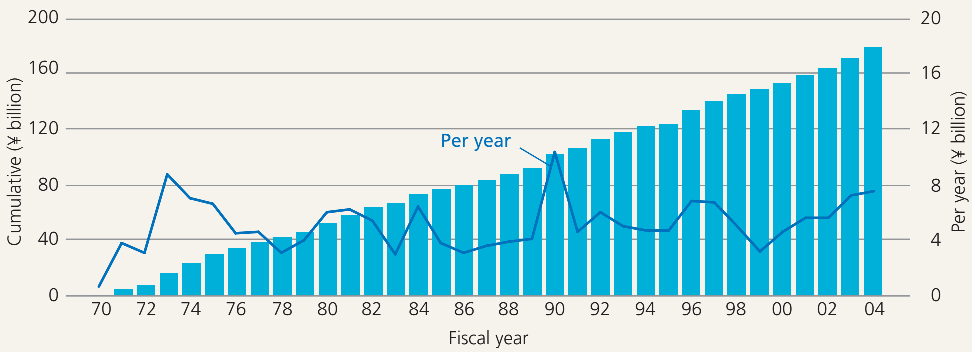
* Responsible Care represents the commitment and initiative to secure and improve safety and environmental protection at every step of the product life-cycle through the individual determination and responsibility of each firm producing and handling chemical products.

Investment for Environment and Safety

Measures for environmental protection, operational safety, and workplace safety, hygiene, and health have long been an important priority in the investment of management resources at the Asahi Kasei Group. Investments in plant and equipment modifications related to environmental and safety measures have averaged approximately ¥5 billion per year since fiscal 1970.

In fiscal 2004, ¥2.4 billion was invested in environmental protection measures including prevention of water pollution, suppression of release of substances specified for pollutant release and transfer register (PRTR), and energy conservation, while ¥5.1 billion was invested in operational safety and workplace safety and hygiene measures including fire prevention systems and plant modification.

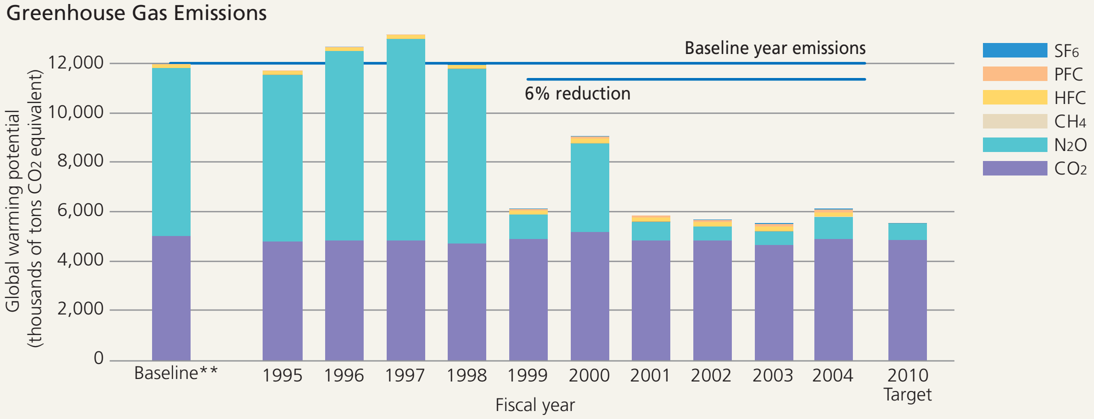
Investment in Environmental and Safety Modification



Preventing Global Warming

Greenhouse gas emissions are reduced to meet targets set by the Japan Chemical Industry Association (JCIA) and the Japan Business Association (Keidanren). Emissions have been reduced by about half since FY 1990, to 6.1 million tons in FY 2004.

Greenhouse Gas Emissions



* CO_2-equivalent emission of six greenhouse gases in accordance with the Law concerning the Promotion of Measures to Cope with Global Warming.

** Fiscal 1990 baseline for CO_2, N_2O, and CH_4; fiscal 1995 baseline for HFCs, PFCs, and SF_6.

Emotional Health and Care

The maintenance of employees' emotional health and care is advanced in tandem with our physical health and fitness programs. The corporate Emotional Health Guideline provides for measures to improve the workplace environment together with four complementary approaches to care: By the individual employee, by line of supervision, by industrial medical staff, and by specialists.

To promote self-awareness and care, we began implementing the Japan Mental Health Inventory (JMI) survey in fiscal 1993. In fiscal 2001 we began expanding coverage to include all personnel, with completion in fiscal 2004. The survey will be repeated for all personnel on a rolling three-year cycle. The JMI survey was developed by the Mental Health Research Institute of the Japan Productivity Center for Socio-Economic Development, a non-profit organization advocating advanced industrial productivity. For supervisory and managerial personnel, an additional survey on workplace conditions is conducted to help guide improvements to the workplace environment.

Four Approaches to Care

Self-Care by Individual Employee Prevention and alleviation of one's own stress	**Care by Industrial Medical Staff** Consultation with the individual or supervisor, support for improvement of the workplace environment
Care by Line of Supervision Consultation of the employee with the supervisor, improvement of the workplace environment	**Care by Specialists** Care by specialist institutions and specialist physicians

The Oita Plant of Asahi Kasei Chemicals was selected by the Japan Industrial Safety and Health Association as a model workplace for implementation of the four approaches in fiscal 2003 and again in fiscal 2004, demonstrating the beneficial results for emotional health and care of employees.

Responsible Care Reports

As a corporate member of the community, we have the obligation to proactively convey information about our operations to the public. Since 1997, the Asahi Kasei Group has published Responsible Care Reports describing the day-to-day effort for the environment, safety, and health, and the concrete results of the measures we implement.

In addition, local Responsible Care Reports are prepared at several of our main operating locations to enrich the dialog with the local communities. These include Nobeoka, Mizushima, Moriyama, Fuji, Ohito, Kawasaki, and Suzuka.

For a copy of the Asahi Kasei Group Responsible Care Report, please contact:

Corporate ESH & QA
Asahi Kasei Corporation
1-1-2 Yurakucho, Chiyoda-ku
Tokyo 100-8440, Japan
Phone: +81-(0)3-3507-2190
Fax: +81-(0)3-3507-2452
or access: www.asahi-kasei.co.jp/asahi/en/aboutasahi/env/

Community Fellowship

Sponsorship of Children's Conference

ShinAsahi-cho in Shiga Prefecture was the site of "Ban Landmines! International Children's Conference 2004," with the Explosives Division of Asahi Kasei Chemicals as a sponsor. Activities for participants included a tour of our explosion-proof dome in nearby Aibano, Shiga, where destruction of antipersonnel land mines was performed on commission from the government of Japan. Destruction of all of Japan's antipersonnel land mines was completed in February 2003. Conference participants included two-hundred children, some of them land mine victims, from Afghanistan, Angola, Cambodia, Canada, Djibouti, France, Laos, Nepal, Rwanda, and Uganda, as well as Japan.

Conference participants at the Aibano explosion-proof dome.

Athletics Support Award

In November 2004, Asahi Kasei received a "Top Athlete Support Award" from the Japan Olympic Committee (JOC). This award is given to corporations and schools in recognition for outstanding support for the development of top Japanese athletes.

Asahi Kasei has long supported athletic activity, and has top-tier judo, track, and volleyball teams. Between Montreal in 1976 and Athens in 2004, a total of thirty-seven employees have competed in the Olympics, earning four gold, three silver, and three bronze medals.

AFLO SPORT

JOC award ceremony.

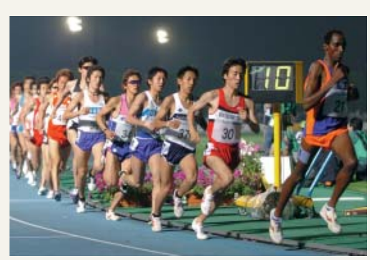
The Sparkids volleyball team, in Mizushima.

The track team, in Nobeoka.

The judo team, in Nobeoka.

Golden Games in Nobeoka

Since 1990, Asahi Kasei has sponsored the "Golden Games" track meet in Nobeoka. Competitors range from middle school students to Japan's top-class runners. The meet has grown from one with some 100 competitors and 2,000 spectators in its first year, becoming a major event with some 800 competitors and 30,000 spectators in the 15th games in May 2004. The city government and community volunteers have promoted the growth of the event in accordance with a vision to raise the vitality of Nobeoka as an athletic city.



The 15th Golden Games.

Financial Section

Contents

Consolidated Eleven-Year Summary 44
Management's Discussion and Analysis 46
Risk Analysis 52
Consolidated Balance Sheets 54
Consolidated Statements of Income 56
Consolidated Statements of Shareholders' Equity 57
Consolidated Statements of Cash Flows 58
Notes to Consolidated Financial Statements 59
Report of Independent Auditors 73

Consolidated Eleven-Year Summary

Asahi Kasei Corporation and Consolidated Subsidiaries

For the year ended March 31	2005	2004	2003**	2003	2002
Net Sales	¥1,377,697	¥1,253,534	¥1,193,614	¥1,193,614	¥1,195,393
Chemicals	557,439	453,707	424,673	–	–
Chemical and Chemical-related	–	–	–	477,581	440,698
Chemicals and Plastics	–	–	–	–	–
Homes	375,755	361,273	320,553	–	–
Housing and Construction Materials	–	–	–	383,654	408,474
Pharma*	103,933	105,965	105,463	105,463	98,686
Fibers*	104,261	101,514	110,551	110,551	125,908
Electronics Materials & Devices*	93,024	82,484	71,579	71,579	64,062
Construction Materials	59,908	60,622	63,101	–	–
Life & Living	59,149	59,813	52,908	–	–
Special Products and Services	–	–	–	–	–
Electronics	–	–	–	–	–
Membranes and Systems	–	–	–	–	–
Biotechnology and Medical Products	–	–	–	–	–
Speciality Products	–	–	–	–	–
Foods and Liquors	–	–	–	–	–
Engineering and Others*	–	–	–	–	–
Services, Engineering and Others*	24,228	28,156	44,786	44,786	57,565
Domestic sales	1,067,893	1,011,366	981,064	981,064	1,006,810
Overseas sales	309,804	242,168	212,550	212,550	188,583
Operating profit	115,809	60,932	61,555	61,555	45,664
Ordinary profit	112,876	53,643	50,389	50,389	39,849
Income (loss) before income taxes	91,141	54,820	(100,869)	(100,869)	10,679
Net income (loss)	56,454	27,672	(66,791)	(66,791)	5,180
Net income (loss) per share (yen)	40.16	19.62	(47.63)	(47.63)	3.61
Capital expenditure	68,479	86,387	93,985	93,985	74,826
Depreciation and amortization	71,531	64,408	60,808	60,808	60,676
R&D expenditures	50,715	48,420	49,311	49,311	49,574
Cash dividends per share (yen)	8.00	6.00	6.00	6.00	6.00

As of March 31	2005	2004	2003	2003	2002
Total assets	¥1,270,057	¥1,249,206	¥1,212,374	¥1,212,374	¥1,193,011
Inventories	202,521	181,609	176,788	176,788	180,826
Property, plant and equipment	419,969	428,302	427,188	427,188	415,193
Investments and other assets	223,958	226,825	198,697	198,697	181,618
Total Shareholders' equity	511,726	450,451	407,639	407,639	496,826
Shareholders' equity per share (yen)	365.43	321.41	290.92	290.92	353.16
Shareholders' equity to total assets (%)	40.3	36.1	33.6	33.6	41.6
Number of employees	23,820	25,011	25,730	25,730	26,227

* 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.
- Through the year ended March 31, 2003, figures shown as Fibers are those for the previous Fibers and Textiles sector.
- Through the year ended March 31, 2003, figures shown as Electronics Materials & Devices are those for the previous Electronics sector.
- Through the year ended March 31, 2003, 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." T hrough the year ended March 31, 1999, figures shown as "engineering and others" are those for the previous "engineering and services" segment.

** 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.
- 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.

Millions of yen, except where noted

2001†	2001	2000	1999	1998‡	1998	1997	1996	1995
¥1,269,415	¥1,269,415	¥1,194,462	¥1,171,845	¥1,281,675	¥1,281,675	¥1,291,599	¥1,210,170	¥1,154,903
–	–	–	–	–	–	–	–	–
449,470	–	–	–	–	–	–	–	–
–	430,934	379,677	375,048	400,420	373,874	363,589	354,595	344,195
–	–	–	–	–	–	–	–	–
433,440	433,440	412,954	372,649	425,553	424,532	451,407	392,030	375,333
95,481	–	–	–	–	–	–	–	–
134,791	134,791	139,181	148,277	181,542	181,542	184,065	177,499	175,597
95,999	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–
–	270,250	262,650	275,871	274,160	301,727	292,538	286,046	259,778
–	96,228	80,653	66,212	63,235	62,337	59,457	56,794	45,854
–	18,307	17,967	18,133	20,828	–	–	–	–
–	95,481	93,460	88,050	82,703	82,703	82,058	81,294	81,630
–	–	–	–	–	33,593	29,464	28,810	26,754
–	–	–	90,068	88,478	88,478	89,014	82,742	78,410
–	60,234	70,570	13,408	18,916	34,616	32,545	36,406	27,130
60,234	–	–	–	–	–	–	–	–
1,086,219	1,086,219	1,044,630	1,009,439	1,127,590	1,127,590	1,133,811	1,065,670	1,027,486
183,196	183,196	149,832	162,406	154,085	154,085	157,788	144,500	127,417
96,024	96,024	74,323	51,237	62,814	62,814	72,103	56,271	37,304
86,747	86,747	85,853	42,443	56,271	56,271	60,686	47,604	30,624
50,318	50,318	39,615	37,525	40,264	40,264	49,259	27,075	18,364
25,177	25,177	20,525	17,392	20,809	20,809	25,353	9,235	7,760
17.45	17.45	14.23	12.06	14.43	14.43	17.57	6.40	5.38
69,188	69,188	63,213	70,461	74,981	74,981	73,217	71,908	74,981
62,222	62,222	63,629	63,845	67,117	67,117	70,897	74,875	75,114
49,768	49,768	50,015	56,844	57,023	57,023	55,591	55,306	53,252
6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00

2001	2001	2000	1999	1998	1998	1997	1996	1995
¥1,240,008	¥1,240,008	¥1,180,372	¥1,185,249	¥1,206,872	¥1,206,872	¥1,250,921	¥1,235,054	¥1,209,696
196,510	196,510	181,771	193,691	198,651	198,651	206,253	198,282	200,251
419,168	419,168	416,881	435,005	424,499	424,499	424,002	426,744	441,204
176,177	176,177	127,013	132,251	141,388	141,388	151,804	156,984	168,821
516,013	516,013	476,159	464,339	455,250	455,250	442,730	425,947	428,857
357.70	357.70	330.07	321.88	315.64	315.64	306.89	295.26	297.33
41.6	41.6	40.3	39.2	37.7	37.7	35.4	34.5	35.5
26,695	26,695	26,580	29,263	27,792	27,792	26,721	28,155	28,551

† 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.

‡ 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.

Management's Discussion and Analysis

Fiscal year 2004 (April 1, 2004 – March 31, 2005)

Operating Environment

The Japanese economy showed signs of recovery during the year, including strong exports, increased private-sector capital investment, and improved corporate results. The operating environment nevertheless remained challenging, with high petroleum prices and sluggish personal consumption.

Net Sales, Operating Profit

Sales increased in chemicals operations, with strong overseas demand, and in housing operations, with growing home orders during the previous term. Net sales increased by ¥124.2 billion to ¥1,377.7 billion, a 9.9% rise.

Operating profit grew by ¥54.9 billion to ¥115.8 billion, a 90.1% increase. Amortization of actuarial differences in retirement benefit accounts resulted in ¥39.7 billion of the ¥54.9 billion increase (a ¥19.4 billion shortfall was amortized during the year-ago term, and a ¥20.2 billion surplus was amortized during the term under review), reducing cost of sales by ¥17.4 billion and selling, general and administrative expenses (SGA) by ¥22.2 billion. High costs for feedstocks such as naphtha and benzene were offset by increased selling prices, resulting in greater profitability. As a percentage of net sales, cost of sales decreased by 0.3 percentage points to 73.4%, SGA decreased by 3.2 percentage points to 18.2%, and operating profit increased by 3.5 percentage points to 8.4%.

Non-operating Income and Expenses, Ordinary Profit

Net non-operating expenses were ¥2.9 billion, ¥4.4 billion lower than a year earlier. Equity in net earnings of unconsolidated subsidiaries and affiliates increased by ¥1.8 billion with improved performance of overseas subsidiaries and affiliates in the Chemicals segment. Gain/loss on foreign exchange improved by ¥2.5 billion. Net financing expenses decreased by ¥0.8 billion. As a result, ordinary profit increased by ¥59.2 billion, a multiple of 2.1, to ¥112.9 billion.

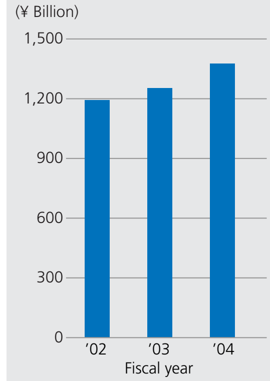
Special Gains and Losses

Special losses of ¥26.5 billion included an ¥8.6 billion loss on disposal of property, plant and equipment and ¥14.9 billion in restructuring charges, largely for closure of overseas subsidiaries and for structural reform in the Construction Materials segment. Special gains of ¥4.8 billion included a ¥3.4 billion gain on sales of investment securities, notably those of Chori Co., Ltd. The net special loss of ¥21.7 billion was a ¥22.9 billion decline from the ¥1.2 billion net special gain a year earlier.

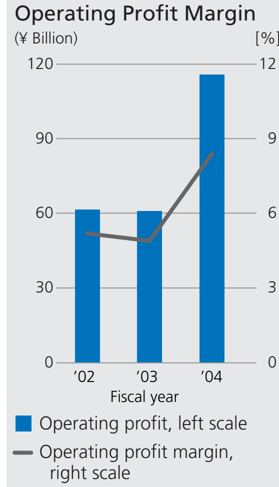
Net Income

With ordinary profit of ¥112.9 billion and the net special loss of ¥21.7 billion, income before income taxes and minority interests was ¥91.1 billion. Current income taxes of ¥29.2 billion and deferred income taxes of ¥4.8 billion combined for a total tax expense of ¥34.0 billion. Minority interest in income of consolidated subsidiaries was ¥0.7 billion. As a result, net income increased by ¥28.8 billion, a multiple of 2.0, to ¥56.5 billion, and net income per share increased by ¥20.54 to ¥40.16.

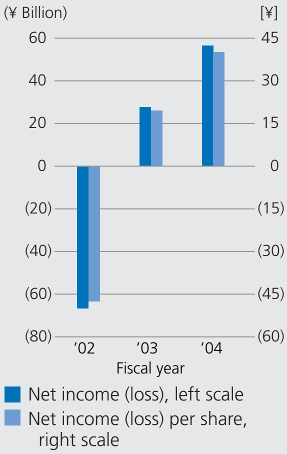
Net Sales



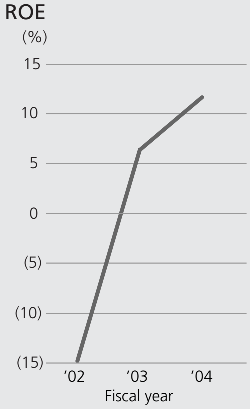
Operating Profit, Operating Profit Margin



Net Income (Loss),
Net Income (Loss) per Share



ROE



Results by Segment

Operating segments

Seven operating segments correspond to the core operating companies, and the Services, Engineering and Others segment comprises the remainder of operations.

Chemicals

Sales for the segment increased by ¥103.7 billion to ¥557.4 billion, a 22.9% rise. Operating profit increased by ¥24.2 billion to ¥40.8 billion, a 146.4% rise, after crediting ¥5.5 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In chemicals and derivative products, operating costs rose due to high prices for feedstocks such as naphtha and benzene. Operating profit nevertheless increased as sales of acrylonitrile and styrene monomer rose with expanded capacity, strong overseas demand, and rising market prices.

In polymer products, operating costs rose due to high feedstock prices, but market conditions improved and sales rose for both commodity plastics and engineering plastics such as Tenac™ polyacetal and Leona™ nylon 66, and operating profit remained firm.

Operating profit in specialty products also increased. Shipments of Hipore™ Li-ion rechargeable battery separators, with expanded production capacity, and of Microza™ microfiltration membranes increased. Sales of AFP™ photopolymer plates for flexographic printing and of membrane-process systems for chlor-alkali production increased due to strong overseas demand.

In March 2005, Asahi Kasei and Asahi Kasei Chemicals concluded a settlement of civil class action litigation in US district court. The plaintiffs had sought damages related to an alleged allocation of the market for microcrystalline cellulose, a tableting agent and food additive. The settlement agreement provides for no recognition of the validity of any claims under this litigation, the dismissal of all such claims relating to the Asahi Kasei Group, and the payment of US$25 million to the plaintiffs by Asahi Kasei Chemicals.

Homes

Sales for the segment increased by ¥14.5 billion to ¥375.8 billion, a 4.0% rise. Operating profit increased by ¥7.4 billion to ¥29.0 billion, a 34.4% rise, after crediting ¥3.4 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In order-built and pre-built home operations, condominium units sold decreased but sales of unit homes increased due to the increase in orders during the previous year, and operating profit increased. The Long Life Home product strategy was advanced with the introduction of a seismic damping system and the initiation of home mortgage operations, but the value of new home orders received was lower than a year earlier.

Remodeling operations had fewer work orders, and operating profit decreased. Sales in real estate operations increased as income from rentals and land sales rose, but operating profit decreased with fewer condominium sales.

Pharma

Sales for the segment decreased by ¥2.0 billion to ¥103.9 billion, a 1.9% decline. Operating profit increased by ¥0.4 billion to ¥13.4 billion, a 3.4% rise, after crediting ¥2.4 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In pharmaceuticals, sales of Flivas™ therapy for benign prostatic hyperplasia and Toledomin™ antidepressant continued to grow, but margins were reduced by cuts in reimbursement prices. Sales of Elcitonin™ calcitonin formulation decreased as market share was lost to competing products, and operating profit from pharmaceuticals decreased.

In medical devices, sales of Cellsorba™ leukocytapheresis columns increased as rheumatoid arthritis was approved as an indication in April, but margins for artificial kidneys decreased due to intensified competition and cuts in reimbursement prices, and operating profit decreased.

Fibers

Sales for the segment increased by ¥2.7 billion to ¥104.3 billion, a 2.7% rise. Operating profit increased by ¥4.5 billion, a multiple of 5.8, to ¥5.4 billion, after crediting ¥2.2 billion to amortize the actuarial surplus for retirement benefits during the previous year.

Shipments of Roica™ elastic polyurethane filament increased with expanded production capacity, but intensified competition brought lower sales prices and operating profit decreased. In nonwovens, sales of Eltas™ spunbond increased markedly in diaper applications. Operating costs for Bemberg™ cupro filament, used principally in linings, were reduced and operating profit was on par with the previous year's. Sales of Leona™ nylon 66 filament increased following the full recovery of operation at the reconstructed plant, but operating profit decreased due to high feedstock costs.

Electronics Materials & Devices

Sales for the segment increased by ¥10.5 billion to ¥93.0 billion, a 12.8% rise. Operating profit increased by ¥2.7 billion to ¥17.6 billion, a 17.8% rise, after crediting ¥1.1 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In electronics devices, production capacity expansions resulted in increased capital depreciation, and sales began to slow during the second half of the term due to inventory adjustments in IT-related industries, but sales for the year nevertheless increased and operating profit remained strong.

Competition in electronics materials intensified, but expanded capacity for Sunfort™ dry film resist for printed wiring boards enabled increased sales and strong operating profit.

Construction Materials

Sales for the segment decreased by ¥0.7 billion to ¥59.9 billion, a 1.2% decline. After crediting ¥1.5 billion to amortize the actuarial surplus for retirement benefits during the previous year, operating profit was ¥2.6 billion, a ¥4.7 billion turnaround from the ¥2.1 billion operating loss of the previous year.

In structural materials for commercial and residential buildings, sales of Hebel™ autoclaved lightweight concrete panels grew with construction of large retail outlets and factories, and operating cost reductions contributed to increased operating profit.

In piles and civil engineering materials, sales of Eazet™ and ATT Column™ piles for small-scale construction increased, but sales of precast concrete piles decreased and operating profitability declined.

Operating profit from insulation materials increased as sales of Neoma™ high-performance foam insulation panels grew.

Life & Living

Sales for the segment decreased by ¥0.7 billion to ¥59.1 billion, a 1.1% decline. Operating profit increased by ¥0.8 billion to ¥6.1 billion, a 15.9% rise, after crediting ¥0.9 billion to amortize the actuarial surplus for retirement benefits during the previous year.

In home-use products, increased sales were achieved for Saran Wrap™ cling film with a redesigned package and of Ziploc™ bags and containers with Disney characters, but the operating climate for Saran™ fiber was unfavorable and operating profit decreased.

Sales prices for packaging and cushioning materials increased, but operating profit decreased due to rising feedstock costs.

Services, Engineering and Others

Personnel staffing and placement subsidiary Asahi Kasei Amidas Co., Ltd. was newly consolidated in this segment, while *sake* and salt operations were divested. Sales for the segment decreased by ¥3.9 billion to ¥24.2 billion, a 14.0% decline, and operating profit increased by ¥1.3 billion to ¥3.6 billion, a 55.6% rise.

Operating profit in engineering operations increased with completion of facilities in Japan for pharmaceuticals and electronic materials.

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 by ¥67.6 billion to ¥309.8 billion, a 3.2 percentage point increase to 22.5% of consolidated net sales. Overseas sales growth was strongest in chemicals operations.

Liquidity and Capital Resources

Financial position

Total assets at fiscal year end were ¥1,270.1 billion, ¥20.9 billion (1.7%) higher than a year earlier.

Current assets increased by ¥35.3 billion (6.4%) to ¥589.7 billion. Notes and accounts receivable increased by ¥17.0 billion with higher sales prices and sales volumes in the Chemicals segment. Inventories increased by ¥20.9 billion with greater sales in the Homes segment resulting in increased construction inventory. Cash on hand and in banks decreased by ¥2.4 billion.

Fixed assets decreased by ¥14.5 billion (2.1%) to ¥680.3 billion. Tangible fixed assets decreased by ¥8.3 billion and intangible fixed assets decreased by ¥3.3 billion as the value of depreciation and disposals exceeded the value of asset acquisitions. Notable capital expenditure included capacity expansions for Hipore™ microporous membrane, APS™ polysulfone-membrane hemodialyzers, and LSIs.

Current liabilities increased by ¥12.6 billion (3.2%) to ¥403.0 billion. Accrued income taxes decreased by ¥11.5 billion, and other current liabilities decreased by ¥12.1 billion. Accrued expenses increased by ¥19.2 billion, largely in the Homes segment, and notes and accounts payable, trade, increased by ¥14.0 billion, largely in the Chemicals segment.

Long-term liabilities decreased by ¥53.4 billion (13.3%) to ¥349.0 billion. Bonds decreased by ¥25.0 billion, and accrued pension and severance costs decreased by 23.3 billion.

Much of the ¥35.5 billion free cash flow was used to reduce interest-bearing debt, which decreased by ¥29.5 billion to ¥248.8 billion.

Shareholders' equity increased by ¥61.3 billion (13.6%) to ¥511.7 billion. Retained earnings increased by ¥45.8 billion with net income of ¥56.5 billion and dividend payments of ¥9.8 billion, while net unrealized gain on securities increased by ¥11.3 billion. Shareholders' equity per share increased by ¥44.02 to ¥365.43. Shareholders' equity/total assets increased from 36.1% to 40.3%, and debt-to-equity ratio decreased from 0.62 to 0.49.

Capital expenditure

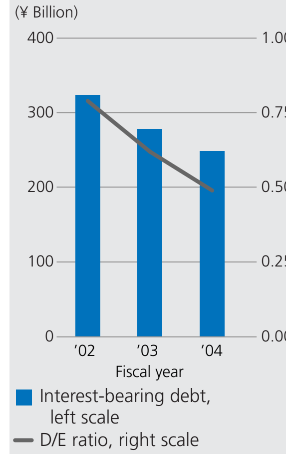
Capital expenditure was primarily for new and expanded production plant and equipment in long-term growth fields. Investments were also made for rationalization, modification, maintenance, and IT systems to bring greater product reliability and cost reductions. Capital expenditure by operating segment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

	Totals for the year (¥ million)	Compared to previous year
Chemicals	24,829	76.5%
Homes	3,447	120.0%
Pharma	8,260	108.4%
Fibers	5,182	67.1%
Electronics Materials & Devices	16,446	104.8%
Construction Materials	2,210	39.1%
Life & Living	4,329	58.8%
Services, Engineering and Others	1,423	64.6%
Combined	66,125	81.1%
Corporate assets and eliminations	2,354	48.8%
Consolidated	68,479	79.3%

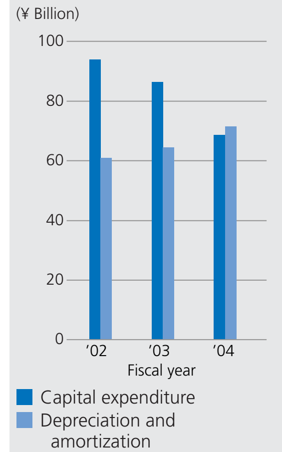
Notable capital expenditure by operating segment was as follows:

- Chemicals: Capacity expansion for acrylonitrile and for Hipore™ microporous membrane battery separator.
- Homes: IT systems.
- Pharma: Capacity expansion for APS™ polysulfone-membrane hemodialyzers; IT systems.
- Fibers: Capacity expansion for Roica™ elastic polyurethane filament; IT systems.
- Electronics Materials & Devices: Capacity expansion for LSIs and for large pellicles.
- Construction Materials: Plant modification, rationalization, and maintenance.
- Life & Living: Modification of plant for Saran Wrap™ production; plant maintenance.
- Services, Engineering and Others: IT systems, rationalization, labor-saving, and maintenance.
- Corporate assets: Corporate research facilities; maintenance.

Interest-Bearing Debt, D/E Ratio

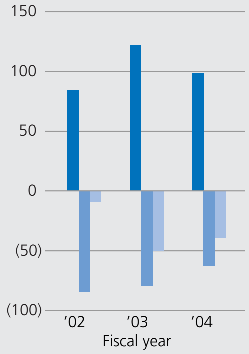


Capital Expenditure, Depreciation and Amortization



Cash Flows

(¥ Billion)



- Net cash provided by operating activities
- Net cash used in investing activities
- Net cash used in financial activities

Cash flows

Free cash flows were ¥35.5 billion as cash generated, principally operating profit, depreciation and amortization, and increases in notes and accounts payable, trade, and in accrued expenses, exceeded cash used, principally for acquisition of fixed assets and investment securities. Cash flows from financing activities, principally for reduction of interest-bearing debt and payment of dividends, were a net ¥39.6 billion net cash used. After including ¥1.5 billion cash and cash equivalents held by newly consolidated subsidiaries, cash and cash equivalents at fiscal year end were ¥68.5 billion, ¥2.4 billion lower than a year earlier.

Cash flows from operating activities

Greater sales and higher selling prices resulted in increases in notes and accounts receivable, trade, and in inventories, aggregating ¥35.4 billion cash used, while ¥42.7 billion was used for payment of income taxes. Income before income taxes and minority interest generated ¥91.1 billion, depreciation and amortization generated ¥71.5 billion, and increases in accrued expenses and in notes and accounts payable, trade, aggregated ¥31.5 billion cash generated. Net cash generated from operating activities was ¥98.3 billion, ¥23.8 billion less than a year earlier.

Cash flows from investing activities

Cash used included ¥72.4 billion for acquisition of tangible fixed assets for continuing expansion of competitive-superiority operations and enhancement of overall competitiveness, ¥6.3 billion for acquisition of intangible fixed assets, and ¥1.9 billion for acquisition of investment securities. An aggregate of ¥17.2 billion of cash was generated from sales of property, plant and equipment and of investment securities. Net cash used in investing activities was ¥62.8 billion, ¥16.5 billion less than a year earlier.

Cash flows from financing activities

A net ¥29.2 billion was used for interest-bearing debt such as borrowings and bonds. A further ¥9.8 billion was used for payment of parent-company dividends. A net ¥39.6 billion was used in financing activities, ¥11.1 billion less than a year earlier.

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 of fiscal year end it does not include risks which could not be foreseen at this time.

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.

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.

Retirement benefits

If returns on retirement benefit funds differ from assumed returns, the resulting actuarial difference is amortized in full in the following fiscal year. Returns on retirement benefits funds may fall short of assumptions, or the discount rate may be lowered due to persistently low interest rates, thereby affecting our consolidated performance and financial condition in the following fiscal year. Changes in conditions affecting retirement benefit plans may result in the emergence of unrecognized prior service costs.

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

The occurrence of a significant industrial accident at a plant handling chemical substances 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, 2005 and 2004

ASSETS	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current Assets:			
Cash on hand and in banks (Note 5)	¥ 68,279	¥ 70,725	$ 638,121
Notes and accounts receivable, trade (Note 6)	252,210	235,167	2,357,103
Marketable securities (Notes 5 and 7)	307	399	2,869
Inventories	202,521	181,609	1,892,720
Deferred income taxes (Note 11)	25,670	23,629	239,907
Other current assets (Note 6)	42,209	46,011	394,477
Allowance for doubtful accounts	(1,477)	(3,136)	(13,804)
Total current assets	589,719	554,404	5,511,393
Fixed Assets:			
Property, plant and equipment, net of accumulated depreciation (Notes 8 and 9)–			
Buildings	155,667	157,406	1,454,832
Machinery and equipment	174,754	177,046	1,633,215
Land	59,912	61,845	559,925
Construction in progress	14,601	17,306	136,458
Other	15,035	14,699	140,514
	419,969	428,302	3,924,944
Intangible fixed assets–			
Goodwill	5,974	6,497	55,832
Other	30,437	33,178	284,458
	36,411	39,675	340,290
Investments and other assets–			
Investment securities (Notes 6 and 7)	189,894	177,359	1,774,710
Long-term receivables (Note 6)	2,992	2,703	27,963
Deferred income taxes (Note 11)	10,452	23,621	97,682
Other	22,643	25,349	211,617
Allowance for doubtful accounts	(2,023)	(2,207)	(18,907)
	223,958	226,825	2,093,065
Total fixed assets	680,338	694,802	6,358,299
Total assets	¥1,270,057	¥1,249,206	$11,869,692

The accompanying notes are an integral part of these statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	2004	Thousands of U.S. dollars (Note 3) 2005
Liabilities:			
Current liabilities–			
Notes and accounts payable, trade (Note 6)	¥ 133,918	¥ 119,926	$ 1,251,570
Short-term borrowings (Notes 5, 6 and 9)	27,369	30,193	255,785
Current portion of long-term debt (Note 9)	34,991	29,511	327,019
Accrued income taxes	10,405	21,923	97,243
Deferred income taxes (Note 11)	0	2	0
Accrued expenses (Note 6)	98,759	79,516	922,981
Advances received	50,053	49,721	467,785
Other current liabilities	47,527	59,636	444,178
Total current liabilities	403,022	390,428	3,766,561
Long-term liabilities–			
Long-term debt (Note 9)	186,246	218,266	1,740,617
Deferred income taxes (Note 11)	8,964	7,283	83,776
Accrued pension and severance costs (Note 10)	135,565	158,894	1,266,963
Customers' guarantee deposits	17,806	17,482	166,411
Other long-term liabilities	376	425	3,514
Total long-term liabilities	348,957	402,350	3,261,281
Minority interest in consolidated subsidiaries	6,352	5,977	59,364
Shareholders' equity:			
Common stock–			
Authorized–4,000,000,000 shares			
Issued and outstanding–1,442,616,332 shares	103,389	103,389	966,252
Capital surplus	79,423	79,396	742,271
Retained earnings (Note 18)	295,594	249,820	2,762,561
Revaluation surplus (Note 12)	966	1,066	9,028
Net unrealized gain on securities (Note11)	54,703	43,413	511,243
Cumulative translation adjustments	(5,380)	(9,973)	(50,280)
	528,695	467,111	4,941,075
Treasury stock, at cost			
(2005–42,260,226 shares, 2004–41,719,042 shares)	(16,969)	(16,660)	(158,589)
Total shareholders' equity	511,726	450,451	4,782,486
Commitments and contingent liabilities (Notes 16 and 19)			
Total liabilities and shareholders' equity	¥1,270,057	¥1,249,206	$11,869,692

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	2005
Net sales (Notes 6 and 17)	¥1,377,697	¥1,253,534	$12,875,673
Cost of sales (Notes 6 and 13)	1,010,526	924,206	9,444,168
Gross profit	367,171	329,328	3,431,505
Selling, general and administrative expenses (Note 13)	251,362	268,396	2,349,178
Operating profit (Note 17)	115,809	60,932	1,082,327
Non-operating income:			
Interest and dividend income	2,286	2,093	21,364
Equity in net earnings of unconsolidated subsidiaries and affiliates	2,617	783	24,458
Insurance recoveries	2,381	712	22,253
Other	3,323	1,935	31,056
Total non-operating income	10,607	5,523	99,131
Non-operating expenses:			
Interest expense	3,648	4,221	34,093
Foreign exchange loss, net	–	1,515	–
Loss due to disasters	1,393	353	13,019
Loss on disposal of inventories	3,324	2,299	31,065
Other	5,175	4,424	48,365
Total non-operating expenses	13,540	12,812	126,542
Ordinary profit	112,876	53,643	1,054,916
Special gains:			
Gain on sales of investment securities	3,373	4,150	31,524
Gain on sale of property, plant and equipment	1,016	6,512	9,495
Reversal of allowance for doubtful account	411	3	3,841
Total special gains	4,800	10,665	44,860
Special losses:			
Loss on devaluation of investment securities	429	174	4,009
Loss on disposal of property, plant and equipment	8,568	4,445	80,075
Amortization of net transition amount for employee retirement benefits (Note 10)	–	278	–
Litigation settlement (Note 14)	2,617	–	24,458
Restructuring charges (Note 15)	14,921	4,591	139,449
Total special losses	26,535	9,488	247,991
Income before income taxes and minority interest	91,141	54,820	851,785
Income taxes (Note 11) – current	(29,245)	(27,914)	(273,318)
– deferred	(4,760)	1,344	(44,486)
Minority interest in income of consolidated subsidiaries	(682)	(578)	(6,374)
Net income	¥ 56,454	¥ 27,672	$ 527,607

	Yen		U.S. dollars (Note 3)
	2005	2004	2005
Per share data:			
Net income (Note 20) – Basic	¥ 40.16	¥ 19.62	$ 0.38
– Diluted	¥ –	¥ –	$ –
Cash dividends	¥ 8.00	¥ 6.00	$ 0.07

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

Millions of yen

	Common stock	Capital surplus	Retained earnings (Note 18)	Revaluation surplus (Note 12)	Net unrealized gain on securities	Cumulative translation adjustments	Treasury stock, at cost	Total
Balance at March 31, 2003	¥103,389	¥79,396	¥230,292	¥973	¥16,455	¥(6,367)	¥(16,499)	¥407,639
Net loss for the year ended March 31, 2004			27,672					27,672
Increase in retained earnings due to newly consolidated subsidiaries and affiliates, or subsidiaries and affiliates excluded from consolidation			263					263
Net change in revaluation surplus				93				93
Net change in unrealized gain on securities					26,958			26,958
Foreign currency translation adjustments						(3,606)		(3,606)
Purchase of treasury stock							(161)	(161)
Cash dividends			(8,407)					(8,407)
Bonuses to directors and corporate auditors			–					–
Balance at March 31, 2004	¥103,389	¥79,396	¥249,820	¥1,066	¥43,413	¥(9,973)	¥(16,660)	¥450,451
Gain on sales of treasury stock		27						27
Net income for the year ended March 31, 2005			56,454					56,454
Decrease in retained earnings due to newly consolidated subsidiaries and affiliates, or subsidiaries and affiliates excluded from consolidation			(692)					(692)
Net change in revaluation surplus				(100)				(100)
Net change in unrealized gain on securities					11,290			11,290
Foreign currency translation adjustments						4,593		4,593
Purchase of treasury stock							(309)	(309)
Cash dividends			(9,806)					(9,806)
Bonuses to directors and corporate auditors			(182)					(182)
Balance at March 31, 2005	¥103,389	¥79,423	¥295,594	¥966	¥54,703	¥(5,380)	¥(16,969)	¥511,726

Thousands of U.S. dollars (Note 3)

	Common stock	Capital surplus	Retained earnings (Note 18)	Revaluation surplus (Note 12)	Net unrealized gain on securities	Cumulative translation adjustments	Treasury stock, at cost	Total
Balance at March 31, 2004	$966,252	$742,019	$2,334,766	$9,963	$405,729	$(93,206)	$(155,701)	$4,209,822
Gain on sales of treasury stock		252						252
Net income for the year ended March 31, 2005			527,607					527,607
Decrease in retained earnings due to newly consolidated subsidiaries and affiliates, or subsidiaries and affiliates excluded from consolidation			(6,467)					(6,467)
Net change in revaluation surplus				(935)				(935)
Net change in unrealized gain on securities					105,514			105,514
Foreign currency translation adjustments						42,926		42,926
Purchase of treasury stock							(2,888)	(2,888)
Cash dividends			(91,644)					(91,644)
Bonuses to directors and corporate auditors			(1,701)					(1,701)
Balance at March 31, 2005	$966,252	$742,271	$2,762,561	$9,028	$511,243	$(50,280)	$(158,589)	$4,782,486

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Cash flows from operating activities:			
Income before income taxes and minority interest	**¥ 91,141**	¥ 54,820	**$ 851,785**
Depreciation and amortization	**71,531**	64,408	**668,514**
Amortization of goodwill	**248**	290	**2,318**
Amortization of net transition amount for employee retirement benefits	**–**	278	**–**
(Decrease) increase in accrued pension and severance costs	**(23,365)**	13,957	**(218,364)**
Interest and dividend income	**(2,286)**	(2,093)	**(21,364)**
Interest expense	**3,648**	4,221	**34,093**
Equity in net earnings of unconsolidated subsidiaries and affiliates	**(2,617)**	(783)	**(24,458)**
Gain on sales of investment securities	**(3,373)**	(4,150)	**(31,524)**
Loss on devaluation of investment securities	**429**	174	**4,009**
Gain on sale of property, plant and equipment	**(1,016)**	(6,512)	**(9,495)**
Loss on disposal of property, plant and equipment	**8,568**	4,445	**80,075**
Litigation settlement	**2,617**	–	**24,458**
Increase in notes and accounts receivable, trade	**(15,117)**	(6,910)	**(141,280)**
Increase in inventories	**(20,317)**	(7,301)	**(189,879)**
Increase in notes and accounts payable, trade	**13,037**	7,742	**121,841**
Increase (decrease) in accrued expenses	**18,488**	(2,615)	**172,785**
Increase in advances received	**222**	11,257	**2,075**
Other	**2,266**	4,440	**21,177**
Sub total	**144,104**	135,668	**1,346,766**
Interest and dividend income, received	**3,413**	4,242	**31,897**
Interest expense, paid	**(3,897)**	(4,616)	**(36,240)**
Litigation settlement, paid	**(2,617)**	–	**(24,458)**
Income taxes, paid	**(42,704)**	(13,147)	**(399,103)**
Net cash provided by operating activities	**98,299**	122,147	**918,682**
Cash flows from investing activities:			
Payments for purchases of time deposits	**(669)**	(17,239)	**(6,252)**
Proceeds from maturities of time deposits	**718**	17,599	**6,710**
Payments for purchases of marketable securities	**(0)**	–	**(0)**
Proceeds from sales of marketable securities	**20**	12	**187**
Payments for acquisition of property, plant and equipment	**(72,408)**	(80,701)	**(676,710)**
Proceeds from sales of property, plant and equipment	**8,733**	3,282	**81,617**
Payments for acquisition of intangible fixed assets	**(6,262)**	(10,839)	**(58,523)**
Payments for purchases of investment securities	**(1,889)**	(10,190)	**(17,654)**
Proceeds from sales of investment securities	**8,440**	12,999	**78,878**
Proceeds from sales of consolidated subsidiaries	**–**	3,459	**–**
Payments for loan receivables	**(2,056)**	(11,748)	**(19,215)**
Collections of loan receivables	**4,354**	15,113	**40,691**
Other	**(1,827)**	(1,070)	**(17,075)**
Net cash used in investing activities	**(62,846)**	(79,323)	**(587,346)**
Cash flows from financing activities:			
Proceeds from short-term borrowings	**8,715**	30,111	**81,449**
Repayment of short-term borrowings	**(13,171)**	(28,662)	**(123,093)**
Proceeds from issuance of commercial papers	**5,000**	137,000	**46,729**
Repayment of commercial papers	**(5,000)**	(147,000)	**(46,729)**
Proceeds from long-term loans	**1,265**	17,135	**11,822**
Repayment of long-term loans	**(2,895)**	(21,498)	**(27,056)**
Proceeds from issuance of bonds	**2,000**	–	**18,692**
Repayment of bonds	**(25,104)**	(29,000)	**(234,617)**
Payments for purchases of treasury stock	**(414)**	(175)	**(3,869)**
Proceeds from sales of treasury stock	**129**	–	**1,206**
Dividends paid by parent company	**(9,800)**	(8,407)	**(91,589)**
Dividends paid to minority interests in consolidated subsidiaries	**(268)**	(124)	**(2,505)**
Other	**(14)**	(17)	**(131)**
Net cash used in financing activities	**(39,557)**	(50,637)	**(369,691)**
Effect of exchange rate changes on cash and cash equivalents	**122**	(753)	**1,140**
Net decrease in cash and cash equivalents	**(3,982)**	(8,566)	**(37,215)**
Cash and cash equivalents at beginning of year	**70,898**	79,291	**662,598**
Cash and cash equivalents held by newly consolidated subsidiaries	**1,540**	173	**14,393**
Cash and cash equivalents at end of year (Note 5)	**¥ 68,456**	¥ 70,898	**$ 639,776**

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2005 and 2004

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 Securities 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. Also, 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 account of parent company and 106 subsidiaries (101 subsidiaries at March 31, 2004) (hereinafter collectively referred to as the “Company”) which, with minor exceptions due to materiality, are all majority and wholly owned companies, including 7 Core operating companies (Asahi Kasei Chemicals Corporation, Asahi Kasei Homes Corporation, Asahi Kasei Pharma Corporation, Asahi Kasei Fibers Corporation, Asahi Kasei EMD Corporation, Asahi Kasei Construction Materials Corporation, and Asahi Kasei Life & Living Corporation), Tong Suh Petrochemical Corp. Ltd. (Korea), Sanyo Petrochemical Co., Ltd., Asahi Kasei Microsystems Co., Ltd. and Asahi Kasei Medical Co., Ltd. All significant 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 53 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2005 (58 at March 31, 2004), including Asahi Kasei Metals Ltd., Asahi Kasei Finechem Co., Ltd. and Asahi Organic Chemicals Industry Co., Ltd.

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

The excess of the cost over the underlying net equity of investments in subsidiaries and affiliated companies accounted for using the equity method of accounting is allocated to identifiable assets and liabilities based on fair values at the date of acquisition. The unassigned residual value of the excess of the cost over the underlying net equity is recognized as goodwill. The Company amortizes 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 under construction are stated at specifically identified costs.

(c) Property, plant and equipment and depreciation

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.

Accounting for impairment of fixed assets–
On August 9, 2002, the Business Accounting Council in Japan issued “Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets should be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss should be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of net selling price or value in use. The standard shall be effective for fiscal year beginning April 1, 2005. However, earlier adoption is permitted for the fiscal year beginning April 1, 2004 and for fiscal years ending between March 31, 2004 and March 30, 2005.The Company has not yet applied this new standard. The Company is currently studying the effect of applying it on the Company’s consolidated financial statements.

(d) Amortization of intangible fixed assets

Intangible fixed assets including software for internal use are amortized using the straight-line method over the estimated useful life of the asset. The estimated useful life of software for internal use is five years.

(e) Accrued pension and severance costs

Effective from April 1, 2000, the Company has adopted the new Japanese accounting standard for retirement benefits for employees.

In accordance with the new accounting standard, accrued pension and severance costs at March 31, 2005 and 2004 represent the estimated present value of projected benefit obligations in excess of the fair value of the plan assets. The unrecognized transition amount arising from adoption of the new accounting standard is being amortized on a straight-line basis over three years. Unrecognized prior service costs are being amortized on a straight-line basis primarily over ten years. Unrecognized actuarial gains/losses are being fully recognized in the year following that in which they arise.

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, 2005 and 2004, 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 shareholders' equity, net of related taxes. Other securities not practicable to fair value 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 the derivatives designated as hedging instruments are deferred as assets or liabilities to be off-set against gains or losses on 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 applied to file its return under the consolidated tax filing system beginning with the year ending March 31, 2005.

For the year ended March 31, 2005, a corporation size-based enterprise tax was recorded as selling, general and administrative expenses, in accordance with the "Business Handling of Disclosure on the Statement of Income for the Corporation Size-based Enterprise Tax" (Practical Issues Task Force Exposure Draft No. 12, February 13, 2004, Accounting Standards Board in Japan).

As a result, selling, general and administrative expenses increased by ¥2,011 million.

(h) Leases

Under Japanese accounting practices, financing leases must be capitalized by the lessee except for those 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 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, 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 rates. Shareholders' equity of foreign subsidiaries and 20% to 50% owned companies is translated into Japanese yen at the historical 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 shareholders' equity in the balance sheets.

(j) Net income per share

The computation of net income per share is based on the weighted average number of shares outstanding each year. Net income per share of common stock, assuming full dilution, is determined on the assumption that convertible bonds outstanding were converted into common stock at the beginning of the year or at the time of debt issuance, if later.

3. United States Dollar Amounts

The U.S. dollar amounts presented in the financial statements are included solely for the convenience of the 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 ¥107= US$1 prevailing on March 31, 2005, has been used for the purpose of presentation of the U.S. dollar amounts in the accompanying consolidated financial statements.

4. 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 are comprised of 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 underlying debt instruments and the corresponding 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.

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

Since the derivative financial instruments of the Company are solely for hedging purposes, gains or losses arising from changes in fair value are deferred as assets or liabilities to be off-set against foreign exchange gains or losses on the underlying hedged assets and liabilities. Accordingly, the information relating to fair values is not applicable.

5. 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
	2005	2004	**2005**
Cash on hand and in banks	**¥68,279**	¥70,725	**$638,121**
Time deposits with deposit term of over 3 months	**(74)**	(47)	**(691)**
Money market funds, medium-term government bond funds and others included in marketable securities	**251**	320	**2,346**
Overdraft included in short-term borrowings, which is used for daily cash management	**–**	(100)	**–**
Cash and cash equivalents	**¥68,456**	¥70,898	**$639,776**

6. Account balances and transactions with affiliated companies

Major account balances with unconsolidated subsidiaries and 20% to 50% owned companies accounted for using the equity method of accounting are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Notes and accounts receivable, trade	**¥14,285**	¥13,731	**$133,505**
Other current assets	**15,394**	11,925	**143,869**
Investment securities	**38,788**	38,922	**362,505**
Long-term receivables	**1,457**	1,137	**13,617**
Notes and accounts payable, trade	**6,069**	5,453	**56,720**
Short-term borrowings	**1,098**	1,787	**10,262**
Accrued expenses	**4,730**	3,024	**44,206**

Major transactions between the Company and its unconsolidated subsidiaries and 20% to 50% owned companies accounted for using the equity method of accounting are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Sales	**¥69,170**	¥69,466	**$646,449**
Purchases	**13,325**	17,829	**124,533**

7. Marketable securities and investment securities

(a) Other securities with available fair value–

The aggregate cost, carrying amount which was identical to fair value, 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		
	2005		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gain:			
Equity securities	**¥37,556**	**¥129,511**	**¥91,955**
Debt securities	**60**	**60**	**0**
	37,616	**129,571**	**91,955**
Securities with unrealized loss:			
Equity securities	**1,726**	**1,601**	**(125)**
Debt securities	**28**	**28**	**–**
	1,754	**1,629**	**(125)**
	¥39,370	**¥131,200**	**¥91,830**

	Millions of yen		
	2004		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gain:			
Equity securities	¥37,594	¥110,568	¥72,974
Debt securities	5	5	0
	37,599	110,573	72,974
Securities with unrealized loss:			
Equity securities	1,669	1,536	(133)
Debt securities	113	113	(0)
	1,782	1,649	(133)
	¥39,381	¥112,222	¥72,841

	Thousands of U.S. dollars		
	2005		
	Cost	Carrying amount	Unrealized gains (losses)
Securities with unrealized gain:			
Equity securities	$350,990	$1,210,383	$859,393
Debt securities	561	561	0
	351,551	1,210,944	859,393
Securities with unrealized loss:			
Equity securities	16,131	14,962	(1,169)
Debt securities	262	262	–
	16,393	15,224	(1,169)
	$367,944	$1,226,168	$858,224

Losses on devaluation of other securities, whose fair values were readily determinable, for the years ended March 31, 2005 and 2004 were ¥11 million (US$103 thousand) and ¥5 million, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Selling amount	¥4,922	¥17,350	$46,000
Gain on sales of securities	1,514	6,738	14,150
Loss on sales of securities	23	2,845	215

(c) The carrying amounts of other securities for which it was not practicable to determine fair value at March 31 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Equity investment in funds	¥10,005	¥10,005	$93,505
Equity investments in nonpublic companies	7,625	7,422	71,262
Unquoted foreign bonds	–	1,985	–

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

	Millions of yen			
	2005			
	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	¥46	¥42	¥–	¥–
Corporate debt securities	10	–	–	–
	¥56	¥42	¥–	¥–

	Millions of yen			
	2004			
	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	¥80	¥ 38	¥–	¥–
Corporate debt securities	–	1,995	–	–
	¥80	¥2,033	¥–	¥–

	Thousands of U.S. dollars			
	2005			
	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	$430	$393	$–	$–
Corporate debt securities	93	–	–	–
	$523	$393	$–	$–

8. Accumulated depreciation

Accumulated depreciation at March 31 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Buildings	¥ 207,781	¥ 210,927	$ 1,941,878
Machinery and equipment	867,851	840,889	8,110,757
Other	82,112	82,368	767,402
	¥1,157,744	¥1,134,184	$10,820,037

9. Borrowings

Short-term borrowings at March 31, 2005 and 2004 represented loans, principally from banks. The weighted average interest rates on these borrowings were 1.32 % in 2005 and 0.90 % in 2004, respectively.

Long-term debt at March 31 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Loans, principally from banks and insurance companies due 2004 to 2018 with weighted average interest rates of 1.74% (short-term portion) and 1.37% (long-term portion):			
Secured	¥ 1,596	¥ 2,213	$ 14,916
Unsecured	81,641	84,579	763,000
Unsecured 0.54% to 2.15% yen bonds due 2005 to 2009	90,000	90,000	841,122
Unsecured 1.0% to 1.8% step up coupon Euro yen bonds due 2011	10,000	10,000	93,458
Unsecured 6 months yen LIBOR plus 0.1% Euro yen bonds due 2004	–	1,000	–
Unsecured 6 months yen LIBOR plus 0.15% Euro yen bonds due 2004	–	2,000	–
Unsecured 10 years constant maturity swap rate less 1.1% Euro yen bonds due 2005	–	1,000	–
Unsecured 10 years constant maturity swap rate less 0.9% Euro yen bonds due 2006	1,000	1,000	9,346
Unsecured 10 years constant maturity swap rate less 6 months yen LIBOR multiplied by 0.45 Euro yen bonds due 2006	3,000	3,000	28,037
Unsecured 0.29% to 3.45% Euro yen bonds due 2005 to 2009	22,000	39,000	205,607
Unsecured US$1.9% to 3.5% reversal dual currency Euro yen bonds due 2007 to 2013	12,000	12,000	112,150
Unsecured 1.75% Euro yen bonds of a consolidated subsidiary, due 2004	–	1,985	–
	221,237	247,777	2,067,636
Less–Portion due within one year	(34,991)	(29,511)	(327,019)
	¥186,246	¥218,266	$1,740,617

A summary of assets pledged as collateral for short-term loans and long-term debt at March 31, 2005 is as follows:

	Millions of yen	Thousands of U.S. dollars
Property, plant and equipment	¥6,222	$58,150

The aggregate annual maturities of long-term debt after March 31, 2005 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2005	¥ 34,991	$ 327,019
2006	32,696	305,570
2007	36,409	340,271
2008 and thereafter	117,141	1,094,776
	¥221,237	$2,067,636

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/or non-contributory funded tax-qualified pension plans.

For the year ended March 31, 2004, the parent company and nine Japanese consolidated subsidiaries obtained approval from the Ministry of Health, Labour and Welfare for exemptions from the prior benefit obligation in respect of the substitutional portion of the government welfare pension program. And the contributory funded defined benefit pension plans were changed to contributory funded defined benefit enterprise pension plans. Three Japanese consolidated subsidiaries have contributory funded defined benefit pension plans, pursuant to the Japanese Welfare Pension Insurance Law.

The parent company and 16 Japanese subsidiaries (16 subsidiaries at March 31, 2004) have non-contributory tax-qualified pension plans. On April 1, 1999, the portion of indemnities to the parent company's employees, who had not qualified as vested at April 1, 1999, was transferred to the contributory funded defined benefit pension plan from the non-contributory funded tax-qualified pension plan of the parent company. Currently, the parent company's non-contributory funded tax-qualified pension plan covers the indemnities of employees qualified as vested at April 1, 1999.

Information on accrued severance and pension costs as at March 31, 2005 and 2004 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Projected benefit obligations	**¥(290,655)**	¥(287,391)	**$(2,716,402)**
Fair value of plan assets	**172,419**	166,972	**1,611,393**
	(118,236)	(120,419)	**(1,105,009)**
Unrecognized actuarial gains/losses	**(2,663)**	(23,369)	**(24,888)**
Unrecognized prior service costs	**(11,176)**	(13,978)	**(104,449)**
Prepaid pension cost	**(2,730)**	(382)	**(25,514)**
Retirement benefits for employees	**(134,805)**	(158,148)	**(1,259,860)**
Retirement benefits for directors and corporate auditors	**(760)**	(746)	**(7,103)**
Accrued pension and severance costs	**¥(135,565)**	¥(158,894)	**$(1,266,963)**

Note 1: The figures in the above table do not include additional benefit payables amounting to ¥219 million (US$2,047 thousand) and ¥919 million at March 31, 2005 and 2004, respectively. The amounts are recorded as part of current liabilities on the consolidated balance sheets at March 31, 2005 and 2004.

Net periodic pension and severance costs for employees for the years ended March 31, 2005 and 2004 included the following components:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Service cost	**¥ 8,438**	¥ 9,182	**$ 78,860**
Interest cost	**7,049**	7,408	**65,878**
Expected return on plan assets	**(4,158)**	(3,422)	**(38,860)**
Amortization of unrecognized transition amount	**–**	278	**–**
Amortization of unrecognized actuarial gains/losses	**(23,480)**	21,060	**(219,439)**
Amortization of unrecognized prior service costs	**(1,394)**	(766)	**(13,028)**
Net pension and severance costs	**¥(13,545)**	¥33,740	**$(126,589)**

Note 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 ¥1,376 million (US$ 12,860 thousand) and ¥2,098 million were charged to income for the year ended March 31, 2005 and 2004, respectively.

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

	2005	2004
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 transition amount	–	3 years
Amortization of unrecognized prior service costs	Mainly 10 years	Mainly 10 years
Amortization of unrecognized actuarial gains/losses	1 year	1 year

11. Taxes

Income taxes applicable to the parent company and subsidiaries in Japan include (1) corporation tax, (2) enterprise tax and (3) inhabitants tax which, in the aggregate, result in a statutory tax rate of approximately 42.1% for the year ended March 31, 2004.

For the year ended March 31, 2005, a corporation size-based enterprise tax was introduced which reduce the income-based enterprise tax rate. As a result, the statutory tax rate for the year ended March 31, 2005 is approximately 40.7% (See Note2.(g)).

Significant components of the deferred tax assets and liabilities at March 31 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	2005
Deferred tax assets:			
Accrued pension and severance costs	¥ 52,517	¥58,120	$490,813
Accrued bonuses	8,747	7,179	81,748
Loss on disposal of property, plant and equipment	6,710	4,919	62,710
Unrealized gain on fixed assets and others	3,736	3,883	34,916
Tax loss carryforwards	3,580	5,055	33,458
Devaluation of inventories	2,863	2,697	26,757
Accrued enterprise tax	2,152	2,189	20,112
Devaluation of investment securities	906	583	8,467
Allowance for doubtful accounts	703	1,147	6,570
Depreciation	433	501	4,047
Other	9,996	8,390	93,421
Sub total deferred tax assets	92,343	94,663	863,019
Less: Valuation allowance	(4,144)	(3,697)	(38,729)
Total deferred tax assets	88,199	90,966	824,290
Deferred tax liabilities:			
Unrealized gains on securities	(39,845)	(29,628)	(372,383)
Property, plant and equipment	(16,256)	(17,160)	(151,925)
Reserve for special depreciation	(1,790)	(2,053)	(16,729)
Other	(3,150)	(2,160)	(29,440)
Total deferred tax liabilities	(61,041)	(51,001)	(540,477)
Net deferred tax assets	¥ 27,158	¥39,965	$ 253,813

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

	2005		2004
Statutory tax rate	**40.7%**	Statutory tax rate	42.1%
Increase (reduction) in taxes resulting from:		Increase (reduction) in taxes resulting from:	
Non-deductible expenses and non-taxable income	**2.6**	Non-deductible expenses and non-taxable income	3.9
Equalization inhabitants taxes	**0.4**	Equalization inhabitants taxes	0.5
R&D expenses deductible from income taxes	**(4.5)**	R&D expenses deductible from income taxes	(4.1)
IT investments deductible from income taxes	**(0.4)**	IT investments deductible from income taxes	(1.1)
		Change in valuation allowance	6.5
Amortization of goodwill	**0.1**	Amortization of goodwill	0.2
Equity in earnings of unconsolidated subsidiaries and affiliates	**(1.2)**	Equity in earnings of unconsolidated subsidiaries and affiliates	(0.6)
Other	**(0.4)**	Other	1.1
Effective income tax rate	**37.3%**	Effective income tax rate	48.5%

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

12. Revaluation surplus

A revaluation surplus was recorded by a consolidated foreign subsidiary, based on the applicable law.

13. Selling, general and administrative expenses

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Freight and storage	**¥33,637**	¥35,281	**$314,364**
Salaries and benefits	**71,357**	89,795	**666,888**
Depreciation	**10,759**	8,777	**100,551**
Research and development(*)	**36,445**	36,317	**340,607**
Advertising	**15,167**	15,912	**141,748**
Rent	**30,069**	29,433	**281,019**

(*) The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the year ended March 31, 2005 and 2004 were ¥50,715 million (US$ 473,972 thousand) and ¥48,420 million, respectively.

14. Litigation settlement

A settlement agreement concluded in March 2005 with the plaintiffs in class action litigation in US district court who claimed damages related to an alleged violation of US antitrust law with respect to microcrystalline cellulose, a tableting agent and food additive, by the Company and a US maker of microcrystalline cellulose. Relevant court procedures are currently in the process of approval for the settlement agreement. The settlement amount is based on provisons of this settlement agreement.

15. Restructuring charges

Major components of the restructuring charges of ¥14,291 million (US$139,449 thousand) for the year ended March 31, 2005 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2005	**2005**
Loss on disposal and devaluation of assets and others	**¥ 6,983**	**$ 65,262**
Loss on liquidation of subsidiaries and others	**7,938**	**74,187**
Total	**¥14,921**	**$139,449**

Major components of the restructuring charges of ¥4,591 million for the year ended March 31, 2004 were loss on disposal of assets and devaluation of assets.

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 were ¥6,230 million (US$58,224 thousand) and ¥7,313 million for the year ended March 31, 2005 and 2004, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Due within one year	**¥ 4,488**	¥5,630	**$41,944**
Due after one year	**5,798**	5,931	**54,187**
	¥10,286	¥11,561	**$96,131**

The leased assets under the Company's financing leases, where lessors retain ownership of the leased assets were 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, 2005 and 2004 would have been as follows:

	Millions of yen			Thousands of U.S. dollars
			2005	**2005**
	Cost	Accumulated amortization	Net amount	Net amount
Buildings	**¥16,043**	**¥8,250**	**¥7,793**	**$72,832**
Machinery and equipment	**648**	**349**	**299**	**2,794**
Other tangible fixed assets	**4,448**	**2,780**	**1,668**	**15,589**
Intangible fixed assets–other	**1,577**	**1,051**	**526**	**4,916**
	¥22,716	**¥12,430**	**¥10,286**	**$96,131**

	Millions of yen		
			2004
	Cost	Accumulated amortization	Net amount
Buildings	¥17,998	¥10,126	¥7,872
Machinery and equipment	1,179	796	383
Other tangible fixed assets	5,007	2,730	2,277
Intangible fixed assets–other	2,828	1,799	1,029
	¥27,012	¥15,451	¥11,561

The amortization amount of the leased assets, computed on the straight-line method over the term of the lease, would have been ¥6,230 million (US$58,224 thousand) and ¥7,313 million for the year ended March 31, 2005 and 2004, respectively.

17. Business segment information

(1) Industry segments–

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

										Millions of Yen	
											2005
	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
Sales:											
Customers	¥557,439	¥375,755	¥103,933	¥104,261	¥93,024	¥59,908	¥59,149	¥24,228	¥1,377,697	¥ –	¥1,377,697
Intersegment	14,603	86	35	2,384	709	11,326	4,613	36,447	70,203	(70,203)	–
Total	572,042	375,841	103,968	106,645	93,733	71,234	63,762	60,675	1,447,900	(70,203)	1,377,697
Operating expenses	531,289	346,853	90,611	101,248	76,142	68,666	57,695	57,111	1,329,615	(67,727)	1,261,888
Operating profit (loss)	¥ 40,753	¥ 28,988	¥ 13,357	¥ 5,397	¥17,591	¥ 2,568	¥ 6,067	¥ 3,564	¥ 118,285	¥ (2,476)	¥ 115,809

										Millions of Yen	
											2004
	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
Sales:											
Customers	¥453,707	¥361,273	¥105,965	¥101,514	¥82,484	¥60,622	¥59,813	¥28,156	¥1,253,534	¥ –	¥1,253,534
Intersegment	10,394	209	23	2,611	725	11,139	3,291	29,740	58,132	(58,132)	–
Total	464,101	361,482	105,988	104,125	83,209	71,761	63,104	57,896	1,311,666	(58,132)	1,253,534
Operating expenses	447,562	339,907	93,072	103,197	68,273	73,862	57,870	55,605	1,239,348	(46,746)	1,192,602
Operating profit (loss)	¥ 16,539	¥ 21,575	¥ 12,916	¥ 928	¥14,936	¥ (2,101)	¥ 5,234	¥ 2,291	¥ 72,318	¥(11,386)	¥ 60,932

										Thousands of U.S. dollars	
											2005
	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate expenses and eliminations	Consolidated
Sales:											
Customers	$5,209,710	$3,511,729	$971,336	$974,402	$869,383	$559,888	$ 552,795	$226,430	$12,875,673	$ —	$12,875,673
Intersegment	136,477	804	328	22,280	6,626	105,850	43,112	340,626	656,103	(656,103)	–
Total	5,346,187	3,512,533	971,664	996,682	876,009	665,738	595,907	567,056	13,531,776	(656,103)	12,875,673
Operating expenses	4,965,318	3,241,617	846,832	946,243	711,607	641,738	539,206	533,748	12,426,309	(632,963)	11,793,346
Operating profit (loss)	$ 380,869	$ 270,916	$124,832	$ 50,439	$164,402	$ 24,000	$ 56,701	$ 33,308	$ 1,105,467	$ (23,410)	$ 1,082,327

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

										Millions of Yen	
											2005
	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
Identifiable assets	¥480,599	¥186,837	¥123,762	¥115,781	¥109,055	¥58,068	¥55,738	¥297,826	¥1,427,666	¥(157,609)	¥1,270,057
Depreciation and amortization	29,955	2,280	6,372	6,798	13,312	3,797	4,535	1,192	68,241	3,290	71,531
Capital expenditure	24,829	3,447	8,260	5,182	16,445	2,210	4,329	1,423	66,125	2,354	68,479

	Millions of Yen										
	2004										
	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
Identifiable assets	¥450,473	¥168,353	¥121,575	¥115,112	¥106,540	¥58,371	¥55,676	¥275,913	¥1,352,013	¥(102,807)	¥1,249,206
Depreciation and amortization	26,286	2,126	6,521	6,721	10,411	3,536	4,015	1,827	61,443	2,965	64,408
Capital expenditure	32,442	2,873	7,618	7,720	15,689	5,659	7,359	2,204	81,564	4,823	86,387

	Thousands of U.S. dollars										
	2005										
	Chemicals	Homes	Pharma	Fibers	Electronics Materials and Devices	Construction Materials	Life & Living	Services, Engineering and Others	Combined	Corporate assets and eliminations	Consolidated
Identifiable assets	**$4,491,579**	**$1,746,140**	**$1,156,654**	**$1,082,065**	**$1,019,206**	**$542,692**	**$520,916**	**$2,783,421**	**$13,342,673**	**$(1,472,981)**	**$11,869,692**
Depreciation and amortization	**279,953**	**21,308**	**59,552**	**63,533**	**124,411**	**35,486**	**42,383**	**11,140**	**637,766**	**30,748**	**668,514**
Capital expenditure	**232,047**	**32,215**	**77,196**	**48,430**	**153,692**	**20,654**	**40,458**	**13,299**	**617,991**	**22,000**	**639,991**

Note 1: The Company's industry segments are aggregated into eight 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, methyl methacrylate, high-compound fertilizers, and adipic acid), polymer products (such as Suntec™ polyethylene, Stylac™ AS and ABS styrenic resins, synthetic rubber, Tenac™ polyacetal, Xyron™ modified polyphenylene ether, and Leona™ nylon 66), specialty products (such as coating materials, latexes, Ceolus™ pharmaceutical and food additives, explosives, explosion-bonded metal clad, APR™ photosensitive resin, Microza™ UF and MF membranes and systems, Hipore™ fine porous membrane, and ion-exchange membranes and systems).

Homes–
The Company builds Hebel Haus™ pre-fabricated, custom-built homes, and Hebel Meson™ apartments, and operates related businesses such as condominiums, remodeling, real estate, residential land development, and financial services.

Pharma–
The Company produces and sells pharmaceuticals (such as Elcitonin™, Bredinin™, Flivas™, and Toledomin™), pharmaceutical intermediates, diagnostics, and feed additives. The Company also manufactures APS™ hemodialyzers, Cellsorba™ leukocytapheresis columns, Sepacell™ leukocyte reduction filters, and Planova™ virus removal filters.

Fibers–
The Company produces and sells Roica™ elastic polyurethane filament, nonwoven fabrics (such as Eltas™ spunbond and Lamous™ artificial suede), Bemberg™ cuprammonium rayon, nylon 66 filament, and polyester filament.

Electronics Materials and Devices–
The Company produces and sells Pimel™ photosensitive polyimide precursor, Sunfort™ photosensitive dry film resist, LSIs, Hall elements, and glass fabric for printed circuit boards.

Construction Materials–
The Company produces and sells autoclaved lightweight concrete panels (such as Hebel™), piles, Neoma™ foam insulation panels, and artificial fish reefs.

Life & Living–
The Company produces and sells Saran Wrap™ cling film, Ziploc™ storage bags, and plastics films and sheets, and foams.

Services, Engineering and Others–
The Company provides plant, manufacturing equipment, process engineering services, employment agency, and think tank services.

2: Corporate operating expenses included in "Corporate expenses and eliminations" in 2005 and 2004 amount to ¥10,205 million (US$95,374 thousand) and ¥13,960 million, respectively.

3: Corporate assets such as surplus funds (cash on hands and in banks), long-term-investment funds (investment securities etc.) and lands etc. included in "Corporate assets and eliminations" in 2005 and 2004 amount to ¥390,975 million (US$3,653,972 thousand) and ¥428,332 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 year ended March 31, 2005 and 2004 were not significant.

(3) Overseas sales–

Sales of the Company to customers in countries or regions outside of Japan ("overseas sales") totaled ¥ 309,804 million (US$ 2,950,514 thousand) and ¥242,168 million, and accounted for 22.5% and 19.3% of the total sales for the years ended March 31, 2005 and 2004, respectively. For the year ended March 31,2004, overseas sales for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen			Millions of Yen			Thousands of U.S. dollars		
			2005			2004			**2005**
	East Asia	Other	Total	East Asia	Others	Total	East Asia	Others	Total
Overseas sales	**¥187,017**	**¥ 122,787**	**¥ 309,804**	¥131,678	¥110,490	¥ 242,168	**$1,747,822**	**$1,147,542**	**$ 2,895,364**
Consolidated net sales	**–**	**–**	**1,377,697**	–	–	1,253,534	**–**	**–**	**12,875,673**
Percentage of consolidated net sales (%)	**13.6%**	**8.9%**	**22.5%**	10.5%	8.8%	19.3%			

Note1: Geographical distances are considered in classification of country or area.
2: Major countries or areas included in each category are as follows;
East Asia: China (including Hong Kong), Korea and Taiwan
Others: Southeast Asia (except East Asia), U.S.A., Europe and others.
3: Overseas sales represent sales of the Company to countries and areas outside of Japan.

18. 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 shareholders' approval has been obtained. Retained earnings at March 31, 2005 include amounts representing final cash dividends of ¥5,602 million (US$52,355 thousand) and bonuses to directors and corporate auditors of ¥81 million (US$757 thousand) which were approved at the shareholders' meeting held on June 29, 2005.

19. Contingent liabilities

Contingent liabilities at March 31, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Notes discounted	**¥ 225**	¥ 323	**$ 2,103**
Loans guaranteed	**17,044**	17,961	**159,290**
Commitment for guarantees	**2,739**	3,038	**25,598**
Letters of awareness	**190**	874	**1,776**
	¥20,198	¥22,196	**$188,767**

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

20. 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 year ended March 31 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Net income	**¥56,454**	¥27,672	**$527,607**
Amount not allocated to the common stock	**(199)**	(182)	**(1,859)**
Net income allocated to the common stock	**¥56,255**	¥27,490	**$525,748**
Effect of dilutive securities	**–**	–	**–**
Net income allocated to the common stock for computation of diluted net income per share	**¥56,255**	¥27,490	**$525,748**

	Thousands of shares	
	2005	2004
Weighted-average number of shares	**1,400,671**	1,401,107
Effect of dilutive securities	**–**	–
Weighted-average number of shares for computation of diluted net income per share	**1,400,671**	1,401,107

	Yen		U.S. dollars
	2005	2004	**2005**
Basic net income per share	**¥40.16**	¥19.62	**$0.38**
Diluted net income per share	**¥ –**	¥ –	**$ –**

As the Company had no dilutive securities as at March 31, 2005 and 2004, the Company does not disclose diluted net income for the year ended March 31, 2005 and 2004.

ChuoAoyama PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

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Report of Independent Auditors

To the Board of Directors and Shareholders
of Asahi Kasei Corporation

We have audited the accompanying consolidated balance sheets of Asahi Kasei Corporation and its subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for the years 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 audits.

We conducted our audits 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Asahi Kasei Corporation and its subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 3. to the accompanying consolidated financial statements.

ChuoAoyama PriceWaterhouseCoopers

June 29, 2005

Major Subsidiaries and Affiliates

As of April 1, 2005

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 Epoxy Co., Ltd.*	Epoxy resin	¥	300	100.0
Asahi Kasei Metals Ltd.	Aluminum paste	¥	250	100.0
Asahi Kasei Finechem Co., Ltd.	Specialty chemicals	¥	175	100.0
Asahi SKB Co., Ltd.	Shotgun cartridges	¥	100	100.0
Asahi Kasei Geotechnologies Co., Ltd.	Sale of industrial explosives, civil engineering materials	¥	132	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
Wacker Asahikasei Silicone Co., Ltd.	Silicone	¥	4,200	50.0
Okayama Chemical Co., Ltd.	Caustic soda, chlorine	¥	1,000	50.0
Chisso Asahi Fertilizer Co., Ltd.	Sale of fertilizer	¥	305	50.0
PS Japan Corp.	Polystyrene	¥	5,000	45.0
Asahi Organic Chemicals Industry Co., Ltd.	Synthetic resin, fabricated plastic products	¥	5,000	29.5
Asahikasei Plastics (America) Inc.*	Sale of compounded performance resin	US$	17.8**	100.0
Asahi Thermofil Inc.*	Coloring and compounding of performance resin	US$	21.5**	100.0
Asahi Chemical Intermediates Inc.*	Sale of acrylonitrile	US$	16.4	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 Adipic Acid (Korea) Co., Ltd.	Sale of adipic acid	W	1,500	100.0
Asahikasei Plastics (Shanghai) Co., Ltd.	Sale of performance resin	CNY	18	100.0
Asahikasei (Suzhou) Plastics Compound Co., Ltd.	Coloring and compounding of performance resin	CNY	50	51.0
SAL Petrochemical (Zhangjiagang) Co., Ltd.	Polystyrene	CNY	222	50.0
Asahi-DuPont POM (Zhangjiagang) Co., Ltd.	Polyacetal	US$	32	50.0
Styron Asia Ltd.	Sale of polystyrene	US$	1.0	50.0
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
NV Asahi Thermofil (Europe) SA*	Sale of compounded performance resin	€	5.0	100.0
NV Asahi Photoproducts (Europe) SA*	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
AK&N (UK) Ltd.*	Compounded performance resin operations	£	11.1	65.0
Asahi Thermofil (UK) Ltd.*	Coloring and compounding of performance resin	£	5.3	65.0
Asahi Thermofil (France) SA*	Coloring and compounding of performance resin	€	4.3	65.0
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 Real Estate, Ltd.*	Home leasing, real estate brokerage	¥	200	100.0
Asahi Kasei Reform Co., Ltd.*	Home maintenance and remodeling	¥	250	100.0
Pharma Segment				
Asahi Kasei Pharma Corp.*	Pharmaceuticals, medical products	¥	3,000	100.0
Asahi Kasei Medical Co., Ltd.*	Medical devices, medical systems	¥	800	100.0
Asahi Kasei N&P Co., Ltd.*	Functional food ingredients	¥	495	100.0
Asahikasei Aime Co., Ltd.*	Contact lenses	¥	480	100.0

* Consolidated subsidiary
** Including capital reserve

Company	Main products/business line	Paid-in capital (million)		Equity interest (%)
Asahi Kasei Medical America Inc.	Sale of medical devices, medical systems	US$	0.2	100.0
Nikkiso Asahi Kasei Medical Korea Co., Ltd.	Sale of medical devices	W	4,400	50.0
Asahi Kasei Medical (Hangzhou) Co., Ltd.	Hemodialyzers	US$	10.0	100.0
Asahi Kasei Medical Europe GmbH	Sale of medical devices, medical systems	€	0.2	100.0
NV Asahi Kasei Planova Europe SA	Sale of virus removal filters	€	0.2	100.0
Asahi Pharma Spain, SL	Sale of pharmaceuticals	€	0.1	100.0
Fibers Segment				
Asahi Kasei Fibers Corp.*	Fiber, textiles	¥	3,000	100.0
DuPont-Asahi Flash Spun Products Co., Ltd.	Flash spun	¥	450	50.0
Kyokuyo Sangyo Co., Ltd.*	Processing and sale of fiber, textiles	¥	80	100.0
Solotex Corp.	Polytrimethylene terephthalate fiber	¥	250	50.0
Hangzhou Asahikasei Spandex Co., Ltd.*	Spandex	CNY	132	100.0
Hangzhou Asahikasei Textiles Co., Ltd.*	Knitting and dyeing of spandex	CNY	78	62.5
Formosa Asahi Spandex Co., Ltd.	Spandex	NT$	801	50.0
Asahi Chemical (HK) Ltd.*	Sale of fiber and textiles	HK$	65	100.0
Thai Asahi Kasei Spandex Co., Ltd.	Spandex	B	520	60.0
Asahi Kasei Fibers Italy SRL	Sale of spandex and cupuro cellulosic fiber	€	3.0	100.0
Asahi Kasei Deutschland GmbH	Sale of artficial suede	€	0.3	100.0
EMD Segment				
Asahi Kasei EMD Corp.*	Electronics materials and devices	¥	3,000	100.0
Asahi Kasei Microsystems Co., Ltd.*	LSIs	¥	14,000	100.0
Asahi-Schwebel Co., Ltd.*	Glass fabric	¥	648	100.0
Asahi Kasei Electronics Co., Ltd.*	Hall elements	¥	400	100.0
AKM Semiconductor, Inc.*	Sale of LSIs	US$	2.9	100.0
Asahi Kasei Electronics (Suzhou) Co., Ltd.*	Photosensitive dry film resist	CNY	60	100.0
Asahi Kasei Wah Lee Hi-Tech Corp.*	Photosensitive dry film resist	NT$	49	80.6
Asahi-Schwebel (Taiwan) Co., Ltd.*	Glass fabric	NT$	326	51.0
Constructions Materials Segment				
Asahi Kasei Construction Materials Corp.*	Construction materials	¥	3,000	100.0
Asahi Kasei Foundation Systems Co., Ltd.*	Installation of piles	¥	200	100.0
Asahi Kasei Marintech Co., Ltd.*	Sale of marine structures	¥	30	100.0
Life & Living Segment				
Asahi Kasei Life & Living Corp.*	Household products, packaging material	¥	3,000	100.0
Asahi Kasei Pax Corp.*	Packaging products and solutions	¥	490	100.0
Asahi Home Products Co., Ltd.*	Sale of cling film, other household products	¥	250	100.0
Asahi Packaging GmbH	Sale of food packaging material	€	0.7	100.0
Service, 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 Service 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
Asahi Kasei Information Systems Co., Ltd.	Computer software, IT systems	¥	800	49.0

* Consolidated subsidiary
** Including capital reserve

Corporate Profile

As of April 1, 2005

Company Name	Asahi Kasei Corporation
Date of Establishment	May 21, 1931
Paid-in Capital	¥103,388,521,767
Employees	23,820 (Consolidated) 832 (Non-consolidated)

Asahi Kasei Group Offices

Asahi Kasei Corporation

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1-1-2 Yurakucho, Chiyoda-ku
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Core Operating Companies

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Asahi Kasei Pharma Corporation
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Asahi Kasei Fibers Corporation
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Asahi Kasei Construction Materials Corporation
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Asahi Kasei Life & Living Corporation
1-1-2 Yurakucho, Chiyoda-ku
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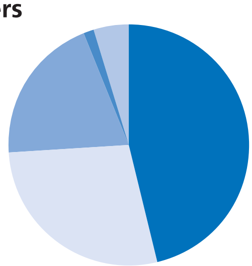
Investors Information

Stock Listings	Tokyo, Osaka, Nagoya, Fukuoka, Sapporo
Authorized Shares	4,000,000,000
Outstanding Shares	1,442,616,332
Transfer Agent	Sumitomo Trust & Banking Co., Ltd. 4-5-33 Kitahama, Chuo-ku Osaka 541-8639, Japan
Independent Auditors	ChuoAoyama PricewaterhouseCoopers

Largest Shareholders	% of equity
Master Trust Bank of Japan, Ltd. TS	5.99
Japan Trustee Services Bank, Ltd. TS	5.73
Nippon Life Insurance Co.	4.66
Employees' Stockholding	3.07
Sumitomo Mitsui Banking Corp.	2.45
Dai-ichi Mutual Life Insurance Co.	2.23
Mizuho Corporate Bank, Ltd.	2.16
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2.16
Meiji Yasuda Life Insurance Co.	1.70
Asahi Mutual Life Insurance Co.	1.39

Composition by Type of Shareholders

Japanese financial institutions	46.17%
Japanese individuals and groups	27.81%
Foreign investors	19.87%
Japanese securities companies	1.39%
Other Japanese companies	4.76%



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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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