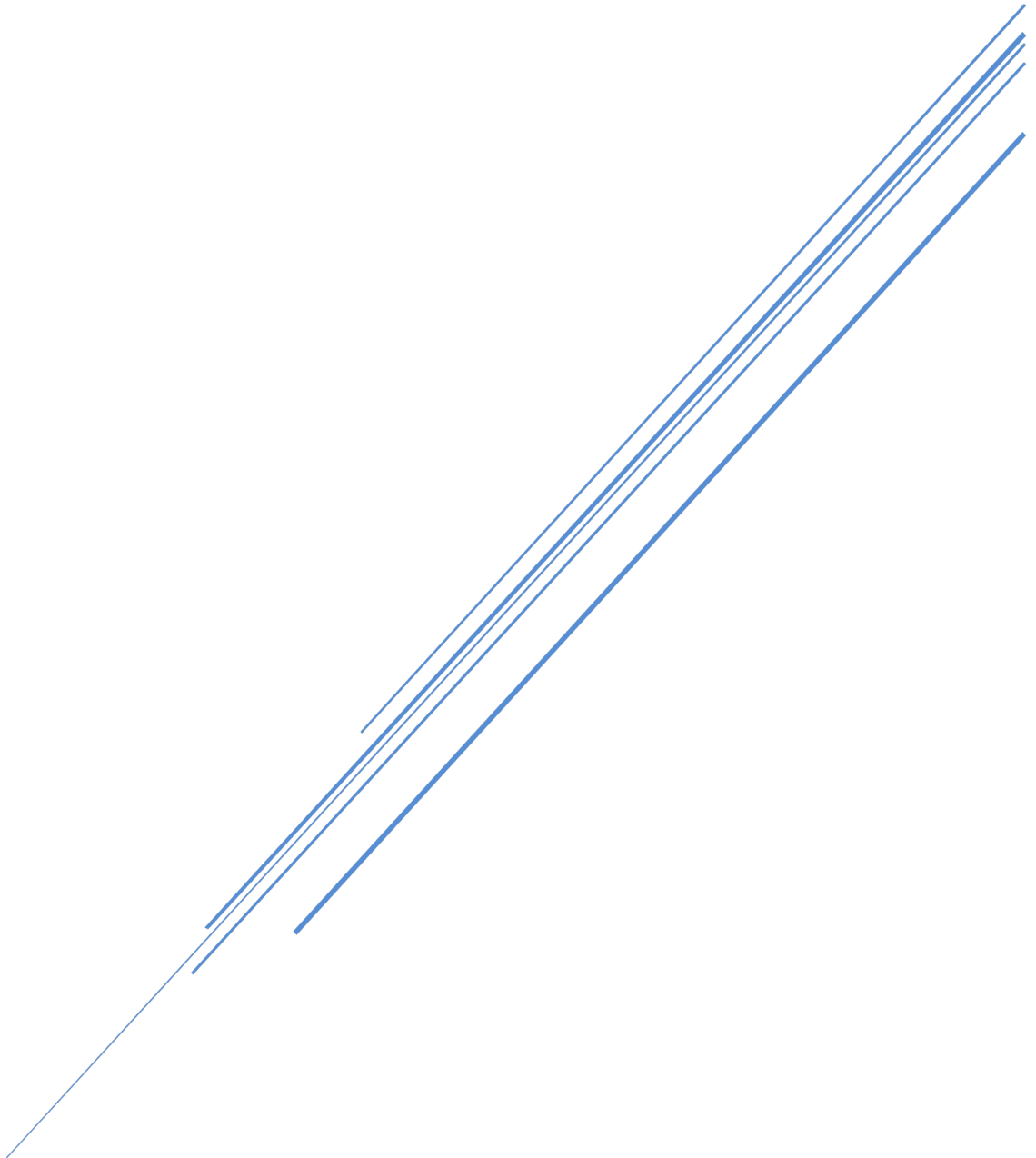


Detailed Consolidated Financial Statements

Years ended March 31, 2026 and 2025



ASAHI KASEI CORPORATION

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Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries

March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
ASSETS:			
Current assets:			
Cash and deposits (Notes 5(b), 9, and 11)	¥377,023	¥393,467	\$2,357,867
Notes, accounts receivable - trade, and contract assets(Note 5(c))	513,807	491,414	3,213,302
Merchandise and finished goods	369,639	341,531	2,311,689
Work in process	226,280	183,613	1,415,134
Raw materials and supplies	197,806	194,186	1,237,061
Other (Notes 5(f))	184,611	169,042	1,154,540
Allowance for doubtful accounts	(3,809)	(3,805)	(23,821)
Total current assets	1,865,357	1,769,448	11,665,772
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5(e))	681,618	698,602	4,262,777
Accumulated depreciation	(364,121)	(373,652)	(2,277,179)
Buildings and structures, net	317,497	324,950	1,985,597
Machinery, equipment and vehicles (Note 5(b) and (e))	1,613,963	1,640,722	10,093,577
Accumulated depreciation	(1,350,876)	(1,368,752)	(8,448,255)
Machinery, equipment and vehicles, net	263,087	271,970	1,645,322
Land (Note 5(e))	80,067	81,945	500,732
Lease assets (Note 10)	18,504	14,839	115,722
Accumulated depreciation	(7,904)	(7,114)	(49,431)
Lease assets, net	10,600	7,725	66,291
Construction in progress	212,828	162,890	1,331,007
Other (Note 5(e))	232,932	221,775	1,456,735
Accumulated depreciation	(155,930)	(150,645)	(975,172)
Other, net	77,003	71,131	481,570
Subtotal	961,081	920,611	6,010,513
Intangible assets			
Goodwill	383,805	389,640	2,400,281
Technology assets	294,854	297,384	1,843,990
Other	239,205	243,529	1,495,966
Subtotal	917,865	930,553	5,740,244
Investments and other assets			
Investment securities (Notes 5(a), (b), 11 and 12)	140,241	168,371	877,054
Long-term loans receivable (Note 11)	10,521	9,561	65,797
Long-term advance payments-trade (Note 5(f))	23,378	24,416	146,204
Net defined benefit asset	108,909	74,133	681,107
Deferred tax assets (Note 15)	53,921	69,217	337,217
Other	57,528	49,431	359,775
Allowance for doubtful accounts	(859)	(527)	(5,372)
Subtotal	393,640	394,602	2,461,789
Total noncurrent assets	2,272,586	2,245,766	14,212,545
Total assets	¥4,137,943	¥4,015,214	\$25,878,318

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Liabilities:			
Current liabilities:			
Notes and accounts payable—trade (Note 11)	¥195,002	¥193,583	\$1,219,525
Short-term loans payable (Notes 5(b), 11, and 22)	99,926	203,249	624,928
Commercial paper (Notes 11 and 23)	—	87,000	
Current portion of bonds payable	30,000	20,000	187,617
Lease obligations (Notes 10, 11 and 23)	9,333	8,049	58,368
Accrued expenses	196,823	180,644	1,230,913
Income taxes payable (Note 11)	19,696	18,666	123,177
Advances received	104,722	109,750	654,922
Provision for grant of shares	243	176	1,520
Provision for periodic repairs	5,103	10,297	31,914
Provision for product warranties	4,892	4,708	30,594
Provision for removal cost of property, plant and equipment	3,654	13,854	22,852
Other	123,748	114,631	773,909
Total current liabilities	793,143	964,608	4,960,244
Noncurrent liabilities:			
Bonds payable (Notes 11 and 23)	250,000	280,000	1,563,477
Long-term loans payable (Notes 5(b), 11, and 23)	587,618	567,209	3,674,909
Lease obligations (Notes 10, 11 and 23)	34,344	29,538	214,784
Deferred tax liabilities (Note 15)	58,482	55,608	365,741
Provision for grant of shares	735	611	4,597
Provision for periodic repairs	6,554	5,516	40,988
Provision for removal cost of property, plant and equipment	26,207	6,874	163,896
Net defined benefit liability (Note 14)	107,980	121,619	675,297
Long-term guarantee deposits (Note 11)	22,971	24,070	143,659
Other	84,263	45,618	526,973
Total noncurrent liabilities	1,179,153	1,136,663	7,374,315
Total liabilities	1,972,296	2,101,271	12,334,559
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,365,751,932 shares	103,389	103,389	646,585
Capital surplus	80,319	80,319	502,308
Retained earnings (Note 8(b) (ii))	1,294,711	1,191,076	8,097,004
Treasury stock	(10,140)	(8,015)	(63,415)
(2026— 9,311,227 shares, 2025— 7,683,150 shares)			
Total shareholders' equity	1,468,278	1,366,768	9,182,477
Accumulated other comprehensive income			
Net unrealized gain on other securities	13,674	35,996	85,516
Deferred gains (losses) on hedges	(24)	78	(150)
Foreign currency translation adjustment	519,234	394,803	3,247,242
Remeasurements of defined benefit plans	87,295	61,776	545,935
Total accumulated other comprehensive income	620,180	492,652	3,878,549
Non-controlling interests	77,189	54,523	482,733
Total net assets	2,165,647	1,913,944	13,543,759
Commitments and contingent liabilities (Notes 5(d) and 10)			
Total liabilities and net assets	¥4,137,943	¥4,015,214	\$25,878,318

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net sales (Note 6(a), 18, and 19)	¥3,074,505	¥3,037,312	\$19,227,674
Cost of sales (Note 6(b) and (c))	2,065,913	2,079,051	12,920,031
Gross profit	1,008,592	958,260	6,307,642
Selling, general and administrative expenses (Note 6(b))	777,392	746,340	4,861,739
Operating income (Note 19)	231,200	211,921	1,445,904
Non-operating income:			
Interest income	12,718	9,982	79,537
Dividends income	1,933	3,396	12,089
Equity in earnings of affiliates	8,993	—	56,241
Other	8,064	7,448	50,432
Total non-operating income	31,708	20,826	198,299
Non-operating expenses:			
Interest expense	12,449	9,096	77,855
Equity in losses of affiliates (Note 6(d))	—	7,188	—
Other	20,041	23,004	125,335
Total non-operating expenses	32,490	39,288	203,189
Ordinary income	230,419	193,459	1,441,019
Extraordinary income:			
Gain on sales of investment securities	41,696	32,453	260,763
Gain on sales of noncurrent assets (Note 6(e))	3,605	336	22,545
Insurance income	—	9,512	—
Settlement income	8,523	—	53,302
Gain on negative goodwill	—	2,218	—
Gain on sale of shares of subsidiaries and associates	12,428	—	77,724
Total extraordinary income	66,253	44,520	414,340
Extraordinary loss:			
Loss on valuation of investment securities	3,335	2,286	20,857
Loss on disposal of noncurrent assets (Note 6(f))	9,738	8,503	60,901
Impairment loss (Note 6(g))	16,661	12,181	104,196
Loss on cancellation of power contract	4,440	—	27,767
Loss on product compensation	—	1,977	—
Business structure improvement expenses (Notes 6(g) and (h))	47,889	18,429	299,493
Total extraordinary loss	82,063	43,377	513,215
Income before income taxes	214,609	194,602	1,342,145
Income taxes (Note 15) — current	44,495	47,914	278,268
Income taxes (Note 15) — deferred	6,574	6,283	41,113
Total income taxes	51,070	54,197	319,387
Net income	163,539	140,404	1,022,758
Net income attributable to non-controlling interests	4,746	5,408	29,681
Net income attributable to owners of the parent	¥158,793	¥134,996	\$993,077

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Net income	¥163,539	¥140,404	\$1,022,758
Other comprehensive income			
Net increase (decrease) in unrealized gain on other securities	(22,848)	(14,994)	(142,889)
Deferred gains (losses) on hedges	(102)	92	(638)
Foreign currency translation adjustment	127,152	(22,332)	795,197
Remeasurements of defined benefit plans	25,394	28,867	158,812
Share of other comprehensive income of affiliates accounted for using equity method	142	(572)	888
Total other comprehensive income (Note 7)	129,737	(8,938)	811,363
Comprehensive income	¥293,277	¥131,466	\$1,834,128
Comprehensive income attributable to:			
Owners of the parent	¥286,321	¥126,135	\$1,790,625
Non-controlling interests	6,955	5,331	43,496

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Net Assets

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2026 and 2025

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2025	¥103,389	¥80,319	¥1,191,076	¥(8,015)	¥1,366,768	¥35,996	¥78	¥394,803	¥61,776	¥492,652	¥54,523	¥1,913,944
Changes during the fiscal year												
Dividends from surplus			(54,386)		(54,386)							(54,386)
Net income attributable to owners of the parent			158,793		158,793							158,793
Purchase of treasury stock				(2,344)	(2,344)							(2,344)
Disposal of treasury stock		0		220	220							220
Cancellation of treasury stock					—							—
Transfer from retained earnings to capital surplus					—							—
Change of scope of consolidation			(773)		(773)							(773)
Capital increase of consolidated subsidiaries					—							—
Net changes of items other than shareholders' equity						(22,322)	(102)	124,431	25,520	127,528	22,665	150,193
Total changes of items during the period	—	0	103,635	(2,125)	101,510	(22,322)	(102)	124,431	25,520	127,528	22,665	251,703
Balance at March 31, 2026	¥103,389	¥80,319	¥1,294,711	¥(10,140)	¥1,468,278	¥13,674	¥(24)	¥519,234	¥87,295	¥620,180	¥77,189	¥2,165,647

Millions of yen

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2024	¥103,389	¥80,272	¥1,135,533	¥(7,316)	¥1,311,878	¥51,269	¥(14)	¥417,391	¥32,867	¥501,513	¥35,234	¥1,848,625
Changes during the fiscal year												
Dividends from surplus			(49,962)		(49,962)							(49,962)
Net income (loss) attributable to owners of the parent			134,996		134,996							134,996
Purchase of treasury stock				(30,010)	(30,010)							(30,010)
Disposal of treasury stock		(0)		94	94							94
Cancellation of treasury stock		(29,216)		29,216	—							—
Transfer from retained earnings to capital surplus		29,216	(29,216)		—							—
Change of scope of consolidation			(275)		(275)							(275)
Capital increase of consolidated subsidiaries		47			47							47
Net changes of items other than shareholders' equity						(15,273)	92	(22,589)	28,908	(8,861)	19,290	10,429
Total changes of items during the period	—	47	55,543	(700)	54,890	(15,273)	92	(22,589)	28,908	(8,861)	19,290	65,319
Balance at March 31, 2025	¥103,389	¥80,319	¥1,191,076	¥(8,015)	¥1,366,768	¥35,996	¥78	¥394,803	¥61,776	¥492,652	¥54,523	¥1,913,944

Thousands of U.S. dollars (Note 1)

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings (Note 8(b))	Treasury stock	Total shareholders' equity	Net unrealized gain on other securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2025	\$646,585	\$502,308	\$7,448,881	\$(50,125)	\$8,547,642	\$225,116	\$488	\$2,469,062	\$386,341	\$3,081,001	\$340,982	\$11,969,631
Changes during the fiscal year												
Dividends from surplus			(340,125)		(340,125)							(340,125)
Net income (loss) attributable to owners of the parent			993,077		993,077							993,077
Purchase of treasury stock				(14,659)	(14,659)							(14,659)
Disposal of treasury stock		0		1,376	1,376							1,376
Cancellation of treasury stock					—							—
Transfer from retained earnings to capital surplus					—							—
Change of scope of consolidation			(4,834)		(4,834)							(4,834)
Capital increase of consolidated subsidiaries					—							—
Net changes of items other than shareholders' equity						(139,600)	(638)	778,180	159,600	797,548	141,745	939,293
Total changes of items during the period	—	—	648,124	(13,290)	634,834	(139,600)	(638)	778,180	159,600	797,548	141,745	1,574,128
Balance at March 31, 2026	\$646,585	\$502,308	\$8,097,004	\$(63,415)	\$9,182,477	\$85,516	\$(150)	\$3,247,242	\$545,935	\$3,878,549	\$482,733	\$13,543,759

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2026 and 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from operating activities:			
Income before income taxes	¥214,609	¥194,602	\$1,342,145
Depreciation and amortization	162,598	153,478	1,016,873
Impairment loss	16,661	12,181	104,196
Amortization of goodwill	33,746	32,628	211,044
Increase (decrease) in provision for grant of shares	191	171	1,194
Increase (decrease) in provision for periodic repairs	(4,157)	3,084	(25,997)
Increase (decrease) in provision for product warranties	45	273	281
Increase (decrease) in provision for removal cost of property, plant and equipment	9,131	(1,623)	57,104
Increase (decrease) in net defined benefit liability	3,923	2,188	24,534
Interest and dividend income	(14,651)	(13,378)	(91,626)
Interest expense	12,449	9,096	77,855
Equity in (earnings) losses of affiliates	(8,993)	7,188	(56,241)
(Gain) loss on sales of investment securities	(41,696)	(32,453)	(260,763)
(Gain) loss on valuation of investment securities	3,335	2,286	20,857
(Gain) loss on sale of property, plant and equipment	(3,605)	(336)	(22,545)
(Gain) loss on disposal of noncurrent assets	9,738	8,503	60,901
Gain on negative goodwill	—	(2,218)	—
(Gain) loss on sale of shares of subsidiaries and associates	(12,428)	—	(77,724)
(Increase) decrease in notes, accounts receivable—trade, and contract assets	(12,377)	2,816	(77,405)
(Increase) decrease in inventories	(76,553)	(32,068)	(478,755)
Increase (decrease) in notes and accounts payable—trade	(6,461)	(26,732)	(40,407)
Increase (decrease) in accrued expenses	16,536	21,115	103,415
Increase (decrease) in advances received	28,604	20,982	178,887
Other, net	17,398	(22,176)	108,806
Subtotal	348,044	339,608	2,176,635
Interest and dividend income, received	15,777	15,886	98,668
Interest expense paid	(11,953)	(8,549)	(74,753)
Income taxes (paid) refund	(48,764)	(45,456)	(304,966)
Net cash provided by (used in) operating activities	303,104	301,489	1,895,585
Cash flows from investing activities:			
Payments into time deposits	(5,425)	(5,065)	(33,927)
Proceeds from withdrawal of time deposits	4,126	6,472	25,804
Purchase of property, plant and equipment	(193,671)	(201,684)	(1,211,201)
Proceeds from sales of property, plant and equipment	5,714	723	35,735
Purchase of intangible assets	(17,379)	(16,255)	(108,687)
Purchase of investment securities	(6,289)	(8,025)	(39,331)
Proceeds from sales of investment securities	48,925	36,913	305,972
Purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 9(b))	—	(191,174)	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	62,605	1,809	391,526
Payments for transfer of business	—	(8,281)	—
Payments of loans receivable	(10,812)	(9,191)	(67,617)
Collection of loans receivable	4,457	12,799	27,874
Other, net	878	(191)	5,491
Net cash provided by (used in) investing activities	¥(106,873)	¥(381,150)	\$(668,374)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2026	2025	2026
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥(106,763)	¥14,841	\$(667,686)
Increase (decrease) in commercial paper	(87,000)	4,000	(544,090)
Proceeds from long-term loans payable	83,107	206,063	519,744
Repayment of long-term loans payable	(63,916)	(72,482)	(399,725)
Proceeds from issuance of bonds payable	—	100,000	—
Redemption of bonds	(20,000)	(30,000)	(125,078)
Repayments of lease obligations	(9,984)	(10,903)	(62,439)
Purchase of treasury stock	(2,344)	(30,019)	(14,659)
Proceeds from disposal of treasury stock	220	122	1,376
Cash dividends paid	(54,386)	(49,962)	(340,125)
Proceeds from share issuance to non-controlling interests	18,000	16,312	112,570
Cash dividends paid to non-controlling interests	(2,330)	(2,824)	(14,572)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(325)	—
Other, net	43	(256)	269
Net cash provided by (used in) financing activities	(245,354)	144,567	(1,534,422)
Effect of exchange rate change on cash and cash equivalents	31,156	(8,503)	194,847
Net increase (decrease) in cash and cash equivalents	(17,967)	56,403	(112,364)
Cash and cash equivalents at beginning of year	390,035	333,498	2,439,243
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	—	134	—
Cash and cash equivalents at end of year (Note 9(a))	¥372,068	¥390,035	\$2,326,879

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries

1. Major policies for preparing the consolidated financial statements

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the consolidated 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.

The U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of readers. 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 ¥159.90 = US\$1.00 prevailing on March 31, 2026, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 285 subsidiaries (309 subsidiaries at March 31, 2025, hereinafter collectively referred to as the "Company") which, with minor exceptions due to immateriality, represent all of the parent company's majority or wholly owned companies, including 7 core operating companies (Asahi Kasei Homes Corp., Asahi Kasei Construction Materials Corp., Asahi Kasei Microdevices Corp., Asahi Kasei Pharma Corp., Asahi Kasei Life Science Corp., ZOLL Medical Corporation, and Veloxis Pharmaceuticals, Inc.). Material inter-company transactions and accounts have been eliminated.

Note) Asahi Kasei Pharma Corp. changed its name to Asahi Kasei Therapeutics Corp. on April 1, 2026.

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 immateriality, using the equity method of accounting. There were 36 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2026 (34 at March 31, 2025), including Asahi Kasei Networks Corporation and Asahi Yukizai Corporation.

The financial results of certain subsidiaries with fiscal year ending on December 31 are included in the consolidated financial statements. Material differences in inter-company transactions and accounts throughout the period until March 31 are appropriately adjusted for as part of the consolidation process.

All assets and liabilities of acquired companies are measured at their fair values and any difference between the net assets and the cost of investment is recognized as goodwill. Goodwill is amortized using the straight-line method over a reasonable period during which its effects would last, with the exception of minor amounts which are charged to income as incurred. Negative goodwill is recognized as income when it occurs.

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 therefore present an insignificant risk of changes in value.

(b) Inventories

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

(c) Noncurrent assets and depreciation/amortization

Property, plant and equipment (except for lease assets) are stated at cost. Significant renewals and improvements are capitalized at cost, while maintenance and repairs are charged to expense as incurred. Depreciation is provided for under the straight-line method, at rates based on estimated useful lives of the assets, principally ranging from 7 to 60 years for buildings and from 2 to 22 years for machinery, equipment and vehicles.

Intangible fixed assets (except for lease assets), including software for internal use, are mainly amortized using the straight-line method over the estimated useful lives of the assets. The estimated useful life of software for internal use is mainly 5 years.

Lease assets (financing lease transactions without title transfer) are depreciated/amortized on a straight-line basis over the period of the lease with no residual value.

(d) Significant allowances

i) Allowance for doubtful accounts

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

ii) Provision for grant of shares

To record the grant of shares to Directors, etc., in accordance with Share Grant Regulations, the provision for grant of shares is recorded based on an estimation of grant of shares liabilities as of the closing date of the fiscal year.

iii) Provision for periodic repairs

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

iv) Provision for product warranties

Estimates of product warranty expenses based on historical rates are recognized as provision for product warranties.

v) Provision for removal cost of property, plant and equipment

Provision for removal costs of property, plant and equipment is recorded based on estimated future removal costs of property, plant and equipment at the end of each fiscal year.

(e) Accounting for retirement benefits

i) Method of attributing expected retirement benefits to each period

In calculating retirement benefit obligations, the Company applies a method of attributing expected retirement benefits to each period based on a benefit formula basis.

ii) Accounting for actuarial gains or losses and prior service costs

Actuarial gains or losses are amortized using the straight-line method from the fiscal year following their accrual over a specific number of years within the average remaining service period of the employees at the time of occurrence (primarily 10 years). Prior service costs are amortized using the straight-line method over a specific number of years within the average remaining service period of the employees at the time of occurrence (primarily 10 years).

iii) Adoption of the simplified method

In calculating expected defined benefit liability and periodic retirement benefit expenses, certain consolidated subsidiaries have adopted the simplified method. Under this method, the expected defined benefit liability is recorded at the severance payment amount to be required should all employees retire voluntarily at fiscal year-end.

(f) Significant revenue and expense recognition

The Company's main operations are the sale of products, undertaking of construction, and provision of services, etc., in the Healthcare, Homes, and Material segments. Regarding the sale of products, performance obligations are satisfied when the customer gains control of the product at the time the product is transferred to the customer, so revenue is recognized at such time. However, for domestic sales where time elapsed between shipment and the transfer of control of the product to the customer is considered to be within the ordinary course of business, revenue is recognized at the time of shipment. Regarding the undertaking of construction and the provision of services, for the performance obligations which meet the criteria and therefore determined to be satisfied over a period of time, revenue is recognized over that period. Measurement of the progress toward satisfaction of performance obligations of contracted construction is based on the proportion of the total foreseen construction cost which is incurred by the closing date of each financial period. Revenue is measured based on the consideration promised in the contract with the customer, to the extent that it is highly probable that a significant reversal due to returns, discounts, or rebates will not occur. Since the consideration for transactions is primarily received within one year after satisfying performance obligations, it does not contain any significant financing components.

(g) 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. As of March 31, 2026 and 2025, 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 immateriality, using the equity method of accounting.

Other securities which do not have market price in active markets are stated at cost. If a significant decline in the realizable value of other securities is determined to be non-temporary, the securities are written down by the amount of the impairment, and the loss is recognized as an expense. Realized gains and losses are determined using the average cost method and are reflected in the consolidated income statements. Other securities other than above are carried at fair value with net unrealized gains or losses, net of income taxes, being included as a component of net assets.

ii) Derivative financial instruments

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

(h) Significant hedge accounting

i) Hedge accounting

In principle, deferred hedge accounting is applied. For interest-rate swaps, the special treatment is applied if the conditions for special treatment are met.

ii) Hedging instruments and hedged items

Hedging instruments	Hedged items
Forward exchange contracts	Foreign currency receivables and payables (including forecast transactions)
Interest-rate swaps	Interest expense

iii) Hedge policy

Based on the internal regulations relating to derivative financial instruments, the parent company and some of its domestic consolidated subsidiaries execute derivative transactions for the purpose of avoiding the risks caused by fluctuating foreign exchange rates and interest rates.

iv) Assessment of hedge effectiveness

The assessment of hedge effectiveness is waived as the critical terms of the hedging instruments and those of the hedged items are aligned, and it is anticipated that the risk of fluctuations in foreign exchange rates and cash flows will be fully offset.

(i) Taxes

Accrued income taxes are stated at the estimated amount of payables for corporation, enterprise, and inhabitant taxes. The asset and liability approach is applied 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.

(j) 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 income and expenses are charged to income for the period.

Assets and liabilities of foreign subsidiaries are translated into Japanese yen at fiscal year-end exchange rates. Income and expenses of same are translated into Japanese yen at the average exchange rate for the fiscal year. Shareholders' equity of foreign subsidiaries is translated into Japanese yen at the historical exchange rates. The translation differences in Japanese yen amounts arising from the use of different rates are recognized as foreign currency translation adjustments in the consolidated balance sheets. A portion of the foreign currency translation adjustment is allocated to non-controlling interests and the Company's portion is presented as a separate component of net assets in the consolidated balance sheets.

3. Significant accounting estimates

For the year ended March 31, 2026

(a) Examination of impairment on fixed assets in Asahi Kasei Battery Separator Corporation

i) The amount of the book value of fixed assets at the end of the current fiscal year ended March 31, 2026

	Millions of yen
	2026
	Net book value
Property, plant and equipment and Intangible assets	¥95,963

	Thousands of U.S. dollars
	2026
	Net book value
Property, plant and equipment and Intangible assets	\$600,144

ii) Information on the nature of significant accounting estimates for identified items

The Company identifies indicators of impairment within asset groups when events have occurred or are expected to occur, such as continuous operating losses, changes in the extent or manner of use that significantly reduce the recoverable amount, or a significant deterioration in the business environment.

In the current consolidated fiscal year, due to the slowdown in growth of the electric vehicle market, which is the primary application for lithium-ion batteries, continuous operating losses were recorded. Accordingly, the Company identified indicators of impairment for the asset group of Asahi Kasei Battery Separator Corporation (Asahi Kasei Battery Separator).

However, no impairment loss has been recognized since the total amount of undiscounted future cash flows exceeded the carrying amount of the assets.

Asahi Kasei Battery Separator's undiscounted future cash flows are based on figures underlying the Company's medium-term management plan approved by the Board of Directors. This includes significant assumptions, such as forecasts of sales volumes, sales prices, and cost of sales, based on future growth in the electric vehicle market and the battery market for energy storage systems, as well as expected orders from battery manufacturers associated with such market growth.

Changes in these assumptions may affect the recognition of impairment losses in the consolidated financial statements for the following consolidated fiscal year.

(b) Examination of impairment on fixed assets in Polypore International, LLC

i) The amount of the book value of fixed assets at the end of the current fiscal year ended March 31, 2026

	Millions of yen
	2026
	Net book value
Property, plant and equipment and Intangible assets	¥29,705

	Thousands of U.S. dollars
	2026
	Net book value
Property, plant and equipment and Intangible assets	\$185,772

ii) Information on the nature of significant accounting estimates for identified items

In the current consolidated fiscal year, Polypore International, LLC (Polypore) transferred its lead-acid battery separator business, "Daramic®".

Polypore has steadily increased sales of dry-process separators for lithium-ion batteries utilized in hybrid vehicles, leveraging the high power and durability characteristics of dry separators. However, due to continued low operational levels resulting from sluggish sales for applications in eco-friendly vehicles other than hybrid vehicles and energy storage systems (ESS), operating losses have continued, and impairment indicators were identified within the asset group of Polypore. No impairment loss has been recognized since the total amount of undiscounted future cash flows exceeded the carrying amount of the assets.

Polypore's undiscounted future cash flows are based on figures underlying the Company's medium-term management plan approved by the Board of Directors. This includes significant assumptions such as future sales forecasts based on sales volume increases in hybrid vehicle applications, uninterruptible power supplies for data centers, and the energy storage systems (ESS) using lithium iron phosphate (LFP) cathodes. Changes in these assumptions may affect the recognition of impairment in the consolidated financial statements for the following consolidated fiscal year.

(c) Examination of impairment on fixed assets including goodwill recognized on acquisition of Bionova Scientific, LLC

i) The amount of the book value of fixed assets at the end of the current fiscal year ended March 31, 2026

	Millions of yen
	2026
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	¥53,108

	Thousands of U.S. dollars
	2026
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	\$332,133

ii) Information on the nature of significant accounting estimates for identified items

The Company identifies indicators of goodwill impairment, assesses the need for impairment loss recognition, and measures impairment at a broader unit level that incorporates goodwill into the associated business asset group.

In the current consolidated fiscal year, due to factors such as sluggish demand primarily resulting from decreased funding inflows into biotech ventures, continuous operating losses were recorded, and impairment indicators were identified within the asset group of Bionova Scientific, LLC (Bionova). However, no impairment loss has been recognized because the total undiscounted future cash flows exceeded the carrying amount. Bionova's undiscounted future cash flows are based on figures underlying the company's medium-term management plan approved by the Board of Directors. This includes significant assumptions regarding sales growth due to acquisition of future customer pipeline, increase in the number of contracts for development and manufacturing of biopharmaceuticals, and the start of manufacturing of plasmid, considering the growth potential of the business of Bionova.

Changes in these assumptions may affect the recognition of impairment in the consolidated financial statements for the following consolidated fiscal year.

For the year ended March 31, 2025

(a) Examination of impairment on fixed assets in the Material segment

i) The amount of the book value of fixed assets at the end of the current fiscal year ended March 31, 2025

	Millions of yen
	2025
	Net book value (after recording impairment loss)
Property, plant and equipment and Intangible assets (including goodwill)	¥695,767

ii) Information on the nature of significant accounting estimates for identified items

The Company identifies indicators of impairment within asset groups when events have occurred or are expected to occur, such as continuous operating losses, changes in the extent or manner of use that significantly reduce the recoverable amount, or a significant deterioration in the business environment.

The financial performance in the Material segment, which includes the Separator business and the Basic Materials business that handles petrochemical-related products, has been sluggish due to delayed growth in the electric vehicle market, the primary application for lithium-ion batteries, and a deteriorating supply-demand balance for petrochemical products.

There are businesses comprising asset groups recording continuous operating losses, and the Company has assessed a recognition of impairment losses in asset groups in the Material segment.

The future cash flows used to test the recognition of impairment losses are based on financials constituted by the company's medium-term management approved by the Board of Directors. This includes important assumptions about future growth and market share gains in the

electric vehicle market, as well as forecasts for sales volumes, sales prices, and feedstock prices based on the supply-demand balance for petrochemical products.

The assumptions used to assess recognition of impairment losses have a high degree of estimation uncertainty, and if conditions deteriorate to a greater extent than that assumed, further impairment losses may be recognized in the consolidated financial statements in the following fiscal year.

(b) Examination of impairment on fixed assets in Polypore International, LLC

i) The amount of the book value of fixed assets at the end of the current fiscal year ended March 31, 2025

	Millions of yen
	2025
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	¥62,152

ii) Information on the nature of significant accounting estimates for identified items

In fiscal year ended March 31, 2023, Polypore International, LLC recorded an impairment loss of ¥186,376 million on goodwill and other intangible assets.

In the current consolidated fiscal year, Polypore International, LLC has steadily increased sales of dry-process separators for lithium-ion batteries utilized in hybrid vehicles, leveraging the high power and durability characteristics of dry separators. However, due to continued low operational levels resulting from sluggish sales for other eco-friendly vehicle applications and energy storage systems (ESS) using ternary (NMC) cathodes, operating losses have persisted, indicating potential impairment indicators within the asset group of Polypore International, LLC. Following the assessment of the need to recognize an impairment loss, it was concluded that no impairment loss was required because the undiscounted total future cash flows exceeded the carrying value of the assets.

Polypore International, LLC's undiscounted future cash flows are based on financials constituted by the company's medium-term management approved by the Board of Directors. This includes significant assumptions such as future sales forecasts based on sale volume increases in the lithium-ion battery market for environmentally friendly car and the energy storage systems (ESS) using lithium iron phosphate (LFP) cathodes. Changes in these assumptions may affect the recognition of impairment in the consolidated financial statements for the following consolidated fiscal year.

(c) Examination of impairment on fixed assets including goodwill recognized on acquisition of Bionova Scientific, LLC

i) The amount of the book value of fixed assets at the end of the current fiscal year ended March 31, 2025

	Millions of yen
	2025
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	¥52,403

ii) Information on the nature of significant accounting estimates for identified items

The Company identifies indicators of goodwill impairment, assesses the need for impairment loss recognition, and measures impairment at a broader unit level that incorporates goodwill into the associated business asset group.

In the current consolidated fiscal year, due to factors such as sluggish demand primarily resulting from decreased funding inflows into biotech ventures, continuous operating losses have been recorded, indicating potential impairment indicators within Bionova Scientific, LLC's asset group. However, no impairment loss has been recognized because the total undiscounted future cash flows exceed the carrying amount.

Bionova Scientific, LLC's undiscounted future cash flows are based on the financials constituted by the company's medium-term management plan approved by the Board of Directors. This includes significant assumptions such as acquisition of future customer pipeline, increase in the number of contracts for development and manufacturing of biopharmaceuticals, and increase in sales due to the start of manufacturing of Plasmid, considering the growth potential of the business of Bionova Scientific, LLC.

Changes in these assumptions may affect the recognition of impairment in the consolidated financial statements for the following consolidated fiscal year.

(d) Valuation of technology assets identified in connection with the acquisition of Calliditas Therapeutics AB as of the acquisition date

i) The amount of the book value of technology assets at the end of the current fiscal year ended March 31, 2025

	Millions of yen
	2025
	Net book value
Technology assets	¥171,006

ii) Information on the nature of significant accounting estimates for identified items

The Company estimates the fair value of intangible assets acquired as the result of a business combination as of the acquisition date based on values reasonably calculated by the cost approach, market approach, income approach, etc. In the previous fiscal year, the Company completed the acquisition of 100% of the outstanding shares of Calliditas Therapeutics AB with cash consideration payment in ¥167,810 million. The fair value of the technology assets, identified based on the facts and circumstances existing at the acquisition date, was calculated using the excess earnings method, resulting in the recognition of technology-related assets totaling ¥166,242 million.

The purpose of this acquisition is to accelerate its transformation into a global specialty pharmaceutical business by unlocking the potential of treats to IgA nephropathy, existing business operations and human resources of Calliditas, as well as solidifying its presence in the U.S. market by expanding its in-house sales structure for renal and autoimmune disease fields, greater breadth of in-licensing opportunities that leverage an expanded platform as a global pharmaceutical company. In estimating the fair value of the intangible assets as of the acquisition date, key assumptions included future sales volumes and the discount rate applied to technology assets, considering the risk of entry by competitor products and generic products. These assumptions involve a high degree of estimation uncertainty.

4. Changes in significant accounting policies

(a) Accounting Standards issued but not yet applied

i) Accounting Standard for Leases and Implementation Guidance on Accounting Standard for Leases, etc.

The ASBJ issued ASBJ Guidance No. 34 “Accounting Standard for Leases” and ASBJ Guidance No. 33 “Implementation Guidance on Accounting Standard for Leases.” In addition, amendments were made to related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance. Treatment whereby lessees record assets and liabilities for all leases, etc. consistent with international accounting standards has been determined. The Company will apply the standard and guidance from the beginning of the fiscal year ending on March 31, 2028. At the time of the preparation of the consolidated financial statements, the effects of adoption are being assessed.

(b) Changes in presentation

i) Consolidated Statements of Income

In the year ended March 31, 2026, foreign exchange loss, which had previously been reported separately under non-operating expenses for the fiscal year ended March 31, 2025, fell below 10% of total non-operating expenses and is reported in others under non-operating expenses.

The consolidated statements of income for the fiscal year ended March 31, 2025, have been adjusted accordingly, resulting in foreign exchange loss of ¥5,624 million, which had previously been reported separately, being included in others under non-operating expenses.

5. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2026 and 2025, amounted to ¥ 95,891 million (US\$599,694 thousand) and ¥83,696 million, respectively. Included in these amounts are investments in joint ventures of ¥ 35,476 million (US\$221,864 thousand) and ¥35,854 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2026 and 2025, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Pledged assets:			
Machinery, equipment and vehicles	¥1,214	¥949	\$7,592
Total pledged assets	1,214	949	7,592
Secured debt:			
Short-term loans payable	316	197	1,976
Long-term loans payable	538	752	3,365
Total secured debt	¥854	¥949	\$5,341

Besides the above, cash and deposits pledged as collateral for bank guarantees as of March 31, 2026 and 2025, were ¥736 million (US\$4,603 thousand) and ¥113 million, respectively. Investment securities pledged to suppliers as transaction guarantees as of March 31, 2026 and 2025, were ¥40 million (US\$250 thousand) and ¥53 million, respectively.

(c) Notes, accounts receivable–trade, and contract assets

Amounts of receivables and contract assets arising from contracts with customers included in Notes, accounts receivable–trade, and contract assets as of March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Notes receivable-trade	¥17,625	¥19,788	\$110,225
Accounts receivable-trade	455,934	433,498	2,851,370
Contract assets	36,248	33,640	226,692

(d) Contingent liabilities**i) Guarantee liabilities as of March 31, 2026 and 2025, arising in the ordinary course of business were as follows:**

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Loans guaranteed	¥32,896	¥44,303	\$205,729
<i>of which, the amount owed by other companies in joint guarantees</i>	888	1,175	5,553
Total	¥32,896	¥44,303	\$205,729

ii) Litigation

On November 28, 2017, Mitsui Fudosan Residential Co., Ltd. filed suit in the Tokyo District Court against the three companies of Sumitomo Mitsui Construction Co., Ltd., Hitachi High-Tech Corporation, and Asahi Kasei Construction Materials Corporation, a consolidated subsidiary of the parent company, seeking compensation for damages related to the cost of rebuilding a condominium complex in Yokohama City due to concerns of unsound installation of a portion of foundation piles; Sumitomo Mitsui Construction being the prime contractor for construction of said condominium complex, Hitachi High-Tech the primary subcontractor for pile installation, and Asahi Kasei Construction Materials the secondary subcontractor for pile installation. Related to this lawsuit, Sumitomo Mitsui Construction and Hitachi High-Tech filed suits against Asahi Kasei Construction Materials seeking compensation for any damages they may incur.

Asahi Kasei Construction Materials has consistently taken the position that there is no basis for the claims of Mitsui Fudosan Residential Co., Ltd., Sumitomo Mitsui Construction, and Hitachi High-Tech, and will make this argument during the proceedings of these lawsuits.

(e) Deferred gain on property, plant and equipment deducted for tax purposes

The accumulated reduced-value entries, which are directly deducted from property, plant and equipment, as of March 31, 2026 and 2025, were ¥28,342 million (US\$177,248 thousand) and ¥26,695 million, respectively.

The breakdown of reduced-value entries as of March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Buildings and structures	¥6,112	¥5,831	\$38,224
Machinery, equipment and vehicles	21,920	20,561	137,086
Land	167	167	1,044
Other	144	136	901
Total	¥28,342	¥26,695	\$177,255

(f) Long-term advance payments—trade

The Company has concluded long-term purchase contracts with raw materials manufacturers, to ensure the stable procurement of nylon raw materials. Partial advance payments have been made in accordance with the contracts.

6. Notes to Consolidated Statements of Income

(a) Revenue from contracts with customers

Net sales are not broken down into revenue from contracts with customers and other revenue. Amounts of revenue from contracts with customers are shown in Note 18. "Revenue recognition".

(b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Salaries and benefits	¥320,040	¥304,696	\$2,001,501
Research and development(*)	80,884	80,752	505,841
Depreciation and amortization	86,248	79,292	539,387
Outsourcing fee	80,285	75,081	502,095

(*) The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2026 and 2025, were ¥110,537 million (US\$691,288 thousand) and ¥110,641 million, respectively.

(c) Gain or loss on valuation of inventories

Inventories held for sale in the ordinary course of business are stated at the lower of cost or net realizable value. (Gain) loss on valuation of inventories for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
	¥(962)	¥289	\$(6,016)

(d) Equity in earnings or losses of affiliates

For the year ended March 31, 2026:

On the consolidated financial statements for the year ended March 31, 2026, ¥5,898 million (US\$36,886 thousand) was recorded as equity in earnings of affiliates under non-operating income as an effect of the recording of reversal of provision for losses associated with decision to discontinue operations of equity-method affiliate PTT Asahi Chemical Co., Ltd.

For the year ended March 31, 2025

On the consolidated financial statements for the year ended March 31, 2025, ¥9,877 million was recorded as equity in losses of affiliates under non-operating expenses as an effect of the recording of losses associated with decision to discontinue operations of equity-method affiliate PTT Asahi Chemical Co., Ltd.

(e) Gain on sales of noncurrent assets

Major components of gain on sales of noncurrent assets for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Land	¥2,258	¥126	\$14,121
Buildings	861	2	5,385
Machinery	172	40	1,076
Other	313	168	1,957

(Changes in presentation)

In the year ended March 31, 2026, buildings, which had previously been included in other for the fiscal year ended March 31, 2025, is reported separately due to increased materiality. The financial information for the fiscal year ended March 31, 2025 has been adjusted accordingly, resulting in other being ¥168 million, ¥2 million lower than the previously reported ¥170 million, reflecting the reclassification of the same amount as buildings.

(f) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2026 and 2025, was primarily loss on abandonment and sale of machinery and equipment. The abandonment and sale of machinery and equipment were performed under a single, all-inclusive contract for each facility.

(g) Impairment loss

Major components of impairment losses for the years ended March 31, 2026 and 2025, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2026	2025	2026	
Equipment related to asset group for general-purpose petrochemicals and resins(*)	Machinery and equipment, etc.	Kurashiki, Okayama, etc.	¥10,849	—	\$67,849	Impairment loss
R&D facility	Machinery and equipment, etc.	Kurashiki, Okayama	1,717	—	10,738	Impairment loss
Production facility for synthetic fibers	Buildings, etc.	Hung Yen Province, Vietnam	1,641	—	10,263	Impairment loss
Production facility for resin feedstock	Machinery and equipment, etc.	Kawasaki, Kawasaki, etc.	1,080	—	6,754	Business structure improvement expenses
Production facility for semiconductors	Buildings, etc.	Nobeoka, Miyazaki	908	—	5,679	Impairment loss
Production facility for authenticity determination devices	Machinery and equipment, etc.	Fuji, Shizuoka, etc.	685	—	4,284	Impairment loss
Production facility for battery materials	Machinery and equipment	Kentucky, U.S.A.	645	—	4,034	Business structure improvement expenses
Production facility for coating materials	Machinery and equipment, etc.	Kawasaki, Kawasaki	645	—	4,034	Business structure improvement expenses
Production facility for nylon raw materials	Machinery and equipment, etc.	Nobeoka, Miyazaki	335	—	2,095	Business structure improvement expenses
Production facility for acrylic resins	Machinery and equipment, etc.	Kawasaki, Kawasaki, etc.	310	—	1,939	Business structure improvement expenses

Others	—	—	920	—	5,754	Impairment loss and business structure improvement expenses
Production facility for electronics materials	Machinery and equipment, etc.	Fuji, Shizuoka, etc.	—	4,715	—	Impairment loss
Production facility for battery materials	Machinery and equipment	Kentucky, U.S.A.	—	3,228	—	Business structure improvement expenses
Production facility for chemical intermediates	Buildings, etc.	Hyuga, Miyazaki, etc.	—	2,615	—	Impairment loss
Production facility for foamed products	Construction in progress, etc.	Suzuka, Mie, etc.	—	1,012	—	Impairment loss
Production facility for battery materials	Buildings, etc.	Pyeongtaek, Korea	—	975	—	Impairment loss
Production facility for battery materials	Construction in progress, etc.	Moriyama, Shiga, etc.	—	803	—	Impairment loss
R&D facility	Tools, furniture, and fixtures	North Rhine-Westphalia, Germany	—	329	—	Impairment loss
Production facility for leukocyte reduction filters	Construction in progress	Oita, Oita	—	308	—	Impairment loss
Others	—	—	—	1,606	—	Impairment loss and business structure improvement expenses

(*) Equipment related to asset group for general-purpose petrochemicals and resins includes production facility for petrochemical products of Essential Chemical business and synthetic resins and other raw materials of Performance Chemical business.

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

The book values of equipment related to asset group for general-purpose petrochemicals and resins and production facility for synthetic fibers were reduced to the recoverable amount due to diminished profitability. The recoverable amount of these assets was measured by value in use, which was measured by discounting future cash flows at a discount rate of 11.0 to 14.0%, other than for those assets whose cash flows are estimated to be negative, for which have a recoverable amount of zero has been used.

The book values of R&D facility, production facility for resin feedstock, production facility for semiconductors, production facility for authenticity determination devices, production facility for battery materials, production facility for coating materials, production facility for nylon raw materials, and production facility for acrylic resins were reduced to zero due to the lack of prospects for future use. Among the extraordinary losses under Others, ¥60 million (US\$375 thousand) and ¥183 million were recorded under business structure improvement expenses for the years ended March 2026 and 2025, respectively.

(h) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Impairment of fixed assets	¥3,074	¥3,411	\$19,225
Additional payment of retirement benefits due to application of early retirement, etc.	281	3,441	1,757
Loss on disposal and devaluation of inventory and others	44,534	11,577	278,512

7. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment, income taxes and tax effects on other comprehensive income for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Net unrealized gain on other securities			
Changes during the fiscal year	¥5,388	¥10,103	\$33,696
Recycling adjustment	(38,083)	(31,036)	(238,168)
Before income taxes and tax effect	(32,695)	(20,933)	(204,472)
Income taxes and tax effect	9,847	5,939	61,582
Net unrealized gain on other securities	(22,848)	(14,994)	(142,889)
Deferred gains (losses) on hedges			
Changes during the fiscal year	(167)	(7,797)	(1,044)
Recycling adjustment	22	49	138
Adjustment on the acquisition cost of assets	—	7,881	—
Before income taxes and tax effect	(145)	132	(907)
Income taxes and tax effect	44	(41)	275
Deferred gains (losses) on hedges	(102)	92	(638)
Foreign currency translation adjustment			
Changes during the fiscal year	140,569	(22,332)	879,106
Recycling adjustment	(13,418)	—	(83,915)
Foreign currency translation adjustment	127,152	(22,332)	795,197
Remeasurements of defined benefit plans			
Changes during the fiscal year	44,348	45,253	277,348
Recycling adjustment	(6,565)	(3,055)	(41,057)
Before income taxes and tax effect	37,783	42,198	236,291
Income taxes and tax effect	(12,389)	(13,331)	(77,480)
Remeasurements of defined benefit plans	25,394	28,867	158,812
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	142	(572)	888
Share of other comprehensive income of affiliates accounted for using equity method	142	(572)	888
Total other comprehensive income	¥129,737	¥(8,938)	\$811,363

8. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2026

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

Thousands of shares				
	Number of shares as of March 31, 2025	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2026
Issued and outstanding shares				
Common stock	1,365,752	—	—	1,365,752
Total	1,365,752	—	—	1,365,752
Treasury stock				
Common stock (*1,2,3)	7,683	1,834	206	9,311
Total	7,683	1,834	206	9,311

(*1) The increase of 1,834 thousand shares in common stock of treasury stock was primarily attributable to the acquisition of 1,826 thousand shares by the trust for granting shares to Directors, etc., and the purchase of 8 thousand shares in quantities of less than one share unit.

(*2) The decrease of 206 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 205 thousand shares by the trust for granting shares to Directors, etc., and the sale of 0 thousand shares in quantities of less than one share unit.

(*3) The number of shares of treasury stock as of March 31, 2026, includes 3,194 thousand shares held by the trust for granting shares to Directors, etc.

(b) Dividends

i) Cash dividends paid

1) The following was resolved by the Board of Directors on May 9, 2025.

Dividends for common stock

Total dividends	¥27,193 million (US\$170,063 thousand)
Dividend per share	¥20.00 (US\$0.13)
Date of record	March 31, 2025
Payment date	June 2, 2025

Note) Total dividends includes ¥31 million (US\$194 thousand) for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on Nov 5, 2025.

Dividends for common stock

Total dividends	¥27,193 million (US\$170,063 thousand)
Dividend per share	¥20.00 (US\$0.13)
Date of record	September 30, 2025
Payment date	December 1, 2025

Note) Total dividends includes ¥27 million (US\$169 thousand) for shares held by the trust for granting shares to Directors, etc.

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

The following was resolved by the Board of Directors on May 12, 2026.

Dividends for common stock

Total dividends	¥29,912 million (US\$187,067 thousand)
Source of dividends	Retained earnings
Dividend per share	¥22.00 (US\$0.14)
Date of record	March 31, 2026
Payment date	June 2, 2026

Note) Total dividends includes ¥70 million (US\$438 thousand) for shares held by the trust for granting shares to Directors, etc.

For the year ended March 31, 2025

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

	Thousands of shares			
	Number of shares as of March 31, 2024	Increase in number of shares during the fiscal year	Decrease in number of shares during the fiscal year	Number of shares as of March 31, 2025
Issued and outstanding shares				
Common stock(*1)	1,393,932	—	28,180	1,365,752
Total	1,393,932	—	28,180	1,365,752
Treasury stock				
Common stock (*2,3,4)	7,762	28,189	28,268	7,683
Total	7,762	28,189	28,268	7,683

(*1) The decrease of 28,180 thousand shares in common stock issued was attributable to the cancellation of treasury stock based on a resolution of the Board of Directors.

(*2) The increase of 28,189 thousand shares in common stock of treasury stock was primarily attributable to the acquisition of 28,180 thousand shares based on a resolution of the Board of Directors and the purchase of 9 thousand shares in quantities of less than one share unit.

(*3) The decrease of 28,268 thousand shares in common stock of treasury stock was primarily attributable to the cancellation of 28,180 thousand shares based on a resolution of the Board of Directors, the disposal of 88 thousand shares by the trust for granting shares to Directors, etc., and the sale of 0 thousand shares in quantities of less than one share unit.

(*4) The number of shares of treasury stock as of March 31, 2025, includes 1,574 thousand shares held by the trust for granting shares to Directors, etc.

(b) Dividends

i) Cash dividends paid

1) The following was resolved by the Board of Directors on May 9, 2024.

Dividends for common stock

Total dividends	¥24,981 million
Dividend per share	¥18.00
Date of record	March 31, 2024
Payment date	June 3, 2024

Note) Total dividends includes ¥30 million for shares held by the trust for granting shares to Directors, etc.

2) The following was resolved by the Board of Directors on Nov 1, 2024.

Dividends for common stock

Total dividends	¥24,981 million
Dividend per share	¥18.00
Date of record	September 30, 2024
Payment date	December 2, 2024

Note) Total dividends includes ¥28 million for shares held by the trust for granting shares to Directors, etc.

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

The following was resolved by the Board of Directors on May 9, 2025.

Dividends for common stock

Total dividends	¥27,193 million
Source of dividends	Retained earnings
Dividend per share	¥20.00
Date of record	March 31, 2025
Payment date	June 2, 2025

Note: Total dividends includes ¥31 million for shares held by the trust for granting shares to Directors, etc.

9. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash equivalents

Reconciliation of cash and cash equivalents on the consolidated statements of cash flows to the amounts disclosed on the consolidated balance sheets at March 31, 2026 and 2025, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Cash and deposits	¥377,023	¥393,467	\$2,357,867
Time deposits with deposit term of over 3 months	(4,954)	(3,432)	(30,982)
Cash and cash equivalents	¥372,068	¥390,035	\$2,326,879

(b) Assets and liabilities of newly consolidated subsidiaries through acquisition of ownership and shares For the year ended March 31, 2025

Assets and liabilities of acquired companies (ODC Construction, LLC and 5 consolidated subsidiary) and net cash outflow for such acquisition were as follows:

	Millions of yen
Current assets	¥6,934
Noncurrent assets	17,779
Goodwill	16,972
Current liabilities	(6,621)
Noncurrent liabilities	(77)
Acquisition cost of ownership	34,987
Cash and cash equivalents	(67)
Net cash used for acquisition	¥34,920

Assets and liabilities of acquired companies (Calliditas Therapeutics AB and 5 consolidated subsidiaries) and net cash outflow for such acquisition were as follows:

	Millions of yen
Current assets	¥16,650
Noncurrent assets	167,950
Goodwill	45,608
Current liabilities	(14,802)
Noncurrent liabilities	(56,065)
Foreign currency translation adjustment	8,468
Acquisition cost of shares	167,810
Cash and cash equivalents	(11,555)
Net cash used for acquisition	¥156,255

(c) Assets and liabilities of subsidiaries deconsolidated through sale of shares or ownership

For the year ended March 31, 2026

Assets and liabilities of sold companies (Asahi Kasei Medical Co., Ltd. and its 4 consolidated subsidiaries) and net cash inflow from the sale of shares were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥47,373	\$296,266
Noncurrent assets	25,601	160,106
Current liabilities	(17,768)	(111,119)
Noncurrent liabilities	(5,601)	(35,028)
Net unrealized gain on other securities	(20)	(125)
Deferred gains (losses) on hedges	0	0
Foreign currency translation adjustment	(3,622)	(22,652)
Remeasurements of defined benefit plans	(854)	(5,341)
Investment after sale of shares	(8,391)	(52,477)
Reduction in retained earnings due to deconsolidation	(771)	(4,822)
Gain on sale of shares	8,456	52,883
Consideration for sale of shares	44,403	277,692
Cash and cash equivalents	(15,764)	(98,587)
Net cash provided from sale	¥28,639	\$179,106

Assets and liabilities of sold company (Nagase Diagnostics Co., Ltd.) and net cash inflow from the sale of shares were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,002	\$18,774
Noncurrent assets	11,399	71,288
Current liabilities	(66)	(413)
Noncurrent liabilities	(35)	(219)
Loss on sale of shares	(4,690)	(29,331)
Consideration for sale of shares	9,610	60,100
Cash and cash equivalents	(65)	(407)
Net cash provided from sale	¥9,545	\$59,694

Assets and liabilities of sold companies (Daramic, LLC and 14 consolidated subsidiaries) and net cash inflow from the sale of ownership were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥26,319	\$164,597
Noncurrent assets	30,142	188,505
Current liabilities	(7,295)	(45,622)
Noncurrent liabilities	(5,523)	(34,540)
Foreign currency translation adjustment	(11,204)	(70,069)
Remeasurements of defined benefit plans	(211)	(1,320)
Non-controlling interests	(1,702)	(10,644)
Loss on sale of shares	(7,166)	(44,816)
Consideration for sale of ownership	23,361	146,098
Cash and cash equivalents	(3,334)	(20,851)
Net cash provided from sale	¥20,027	\$125,247

Assets and liabilities of other companies deconsolidated due to sale of shares are not presented due to immateriality.

10. Leases

(a) Financing lease transactions

Financing lease transactions without title transfer and right-of-use assets of overseas subsidiaries under IFRS 16 and ASC 842

(Lessee)

i) Components of lease assets are as follows:

1) **Building, property, plant and equipment:** Mainly the right to use buildings, land and vehicles.

The right-of-use assets are included in "Other" in the consolidated balance sheets for the fiscal year under review.

2) **Intangible assets:** Software

ii) Depreciation of lease assets:

As stated in Note 2. "Significant accounting policies (c) Noncurrent assets and depreciation/amortization."

(b) Operating lease transactions

(Lessee)

Future lease payments for the non-cancelable portion of the Company's operating leases at March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Due within one year	¥7,455	¥8,347	\$46,623
Due after one year	20,565	27,304	128,612
Total	¥28,021	¥35,650	\$175,241

11. Financial instruments

(a) Overview of financial instruments

i) Policy related to financial instruments

The Company primarily secures necessary long-term funds for capital investment plans through bank loans, borrowings from life insurance companies, bond issuances, etc. A portion of the surplus funds is used to be solely invested in highly stable financial assets. Short-term working funds are raised by bank borrowings, issuance of commercial paper, etc. Derivative financial instruments are mainly entered into for the purpose of reducing risks related to assets and liabilities which are exposed to risks of fluctuations of exchange rate and interest rate. Derivatives are not traded for speculative purposes.

ii) Components of financial instruments, their risks and risk management structure

Operating receivables, such as notes and accounts receivable–trade, are exposed to customer credit risk. Although the Company's business is diverse, and trade receivables are not excessively concentrated with any particular customer, the parent company and each consolidated subsidiary within the group has a system in place to understand and manage the credit status of their individual counterparties.

Investment securities are exposed to the risk of fluctuations in market price, but they are mainly equity securities of companies with which the Company has business relationships. These securities are held for the purpose of maintaining the business relationships. Fair value is periodically evaluated, and the financial condition of the issuing company is monitored.

Operating liabilities, such as notes and accounts payable–trade, generally have a payment term of 1 year or less.

Variable interest-rate borrowings are exposed to the risk of interest-rate fluctuations, but derivatives (interest-rate swaps) are used as hedges to fix interest expenses for a portion of long-term variable interest-rate borrowings.

Operating receivables and operating liabilities include those denominated in currencies other than Japanese yen, and are thus exposed to the risk of exchange-rate fluctuations. In order to reduce the effects of short-term exchange-rate fluctuations, the Company hedges with derivative financial instruments (forward exchange contracts), in principle, within the range of the actual demand. Please refer to Note 2(h) "Significant hedge accounting" for information about hedge accounting, hedging instruments, hedged items, hedge policy, and assessment of hedge effectiveness.

Derivative financial instruments are exposed to the credit risk of transacting financial institutions, but the credit condition of those financial institutions is reviewed through periodical monitoring. Such transactions are performed and managed in accordance with the Company's internal regulations which stipulate the related authority, procedures, limits, etc.

Borrowings are exposed to liquidity risk, but the parent company specifies standards for required on-hand funds based on the Company's funding plans, prepares and revises plans for cash receipts and disbursements as appropriate, and enters into commitment-line agreements with transacting financial institutions to manage such risk.

iii) Supplementary explanation of fair value of financial instruments

As variable factors are incorporated in its estimation, fair value may change due to the adoption of different assumptions, conditions, etc. The stated amount of contracts regarding derivative financial instruments included in Note 13. "Derivative financial instruments" is not itself an indication of the market risk of the derivative financial instruments.

(b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2026 and 2025, were as follows:

	Millions of yen		
	2026		
	Carrying amount	Fair value	Difference
Investment securities			
Investments in affiliates	¥21,767	¥37,785	¥16,018
Other securities	25,265	25,265	—
Long-term loans receivable(*3)	12,535	12,486	(49)
Total assets	59,567	75,536	15,969
Bonds payable	280,000	264,217	15,783
Long-term loans payable(*4)	650,185	614,223	35,963
Lease obligations	43,677	44,201	(524)
Long-term guarantee deposits	22,971	22,274	697
Total liabilities	996,833	944,915	51,919
Derivative financial instruments(*5)	¥(5,875)	¥(5,875)	¥—

	Millions of yen		
	2025		
	Carrying amount	Fair value	Difference
Investment securities			
Investments in affiliates	¥21,094	¥25,329	¥4,235
Other securities	64,054	64,054	—
Long-term loans receivable(*3)	11,020	11,019	(1)
Total assets	96,168	100,402	4,234
Bonds payable	300,000	290,089	9,911
Long-term loans payable(*4)	631,027	612,626	18,402
Lease obligations	37,586	37,285	301
Long-term guarantee deposits	24,070	23,688	382
Total liabilities	992,684	963,688	28,996
Derivative financial instruments(*5)	¥80	¥80	¥—

Thousands of U.S. dollars			
2026			
	Carrying Amount	Fair value	Difference
Investment securities			
Investments in affiliates	\$136,129	\$236,304	\$100,175
Other securities	158,005	158,005	—
Long-term loans receivable(*3)	78,393	78,086	(306)
Total assets	372,527	472,395	99,869
Bonds payable	1,751,094	1,652,389	98,705
Long-term loans payable(*4)	4,066,198	3,841,295	224,909
Lease obligations	273,152	276,429	(3,277)
Long-term guarantee deposits	143,659	139,300	4,359
Total liabilities	6,234,103	5,909,412	324,697
Derivative financial instruments(*5)	\$(36,742)	\$(36,742)	\$—

(*1) Cash and deposits, notes and accounts receivable—trade, notes and accounts payable—trade, short-term loans payable, commercial paper, and income taxes payable are not disclosed in notes due to their settlement within a short timeframe, which leads their fair values to approximate their carrying amounts.

(*2) Other securities which do not have market price in active market are not included in the above table. The amount on consolidated balance sheets of the financial instruments:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Equity investments in nonpublic companies	¥92,801	¥82,905	\$580,369
Equity securities	1,261	1,310	\$7,886

(*3) Long-term loans receivable include the current portion, which is presented as 'Other' in current assets.

(*4) Long-term loans payable include the current portion, which is presented as 'Short-term loans payable' in current liabilities.

(*5) The amounts represent the net of assets and liabilities resulting from derivative financial instruments. In the case of a net liability, the amount is shown in parentheses.

Note 1) For monetary credits and securities with maturity, the amounts scheduled for redemption subsequent to the closing date are as follows:

Millions of yen				
2026				
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥377,023	¥—	¥—	¥—
Notes receivable—trade	17,625	—	—	—
Accounts receivable—trade	459,934	—	—	—
Long-term loans receivable	2,014	9,125	1,396	—
Total	¥856,595	¥9,125	¥1,396	¥—

Millions of yen				
2025				
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	¥393,467	¥—	¥—	¥—
Notes receivable—trade	19,788	—	—	—
Accounts receivable—trade	437,985	—	—	—
Long-term loans receivable	1,459	8,748	813	—
Total	¥852,700	¥8,748	¥813	¥—

Thousands of U.S. dollars				
2026				
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	\$2,357,867	\$—	\$—	\$—
Notes receivable—trade	110,225	—	—	—
Accounts receivable—trade	2,876,385	—	—	—
Long-term loans receivable	12,595	57,067	8,730	—
Total	\$5,357,067	\$57,067	\$8,730	\$—

Note 2) For bonds payable, long-term loans payable, lease obligations, and other interest-bearing debt, the amounts scheduled for repayment subsequent to the closing date are as follows:

Year ending March 31	Millions of yen					
	2026					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2027	¥37,358	¥—	¥30,000	¥62,567	¥9,333	¥139,259
2028	—	—	40,000	61,455	7,172	¥108,628
2029	—	—	20,000	73,235	5,708	¥98,944
2030	—	—	40,000	70,842	4,089	¥114,931
2031	—	—	30,000	63,886	3,293	¥97,179
2032 and thereafter	—	—	120,000	318,200	14,081	¥452,281

Year ending March 31	Millions of yen					
	2025					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2026	¥139,431	¥87,000	¥20,000	¥63,819	¥8,049	¥318,298
2027	—	—	30,000	62,789	6,501	¥99,290
2028	—	—	40,000	60,946	5,080	¥106,026
2029	—	—	20,000	73,316	3,980	¥97,296
2030	—	—	40,000	70,429	3,122	¥113,551
2031 and thereafter	—	—	150,000	299,729	10,855	¥460,584

Year ending March 31	Thousands of U.S. dollars					
	2026					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2027	\$233,634	\$—	\$187,617	\$391,288	\$58,368	\$870,913
2028	—	—	250,156	384,334	44,853	\$679,350
2029	—	—	125,078	458,005	35,697	\$618,787
2030	—	—	250,156	443,039	25,572	\$718,768
2031	—	—	187,617	399,537	20,594	\$607,749
2032 and thereafter	—	—	750,469	1,989,994	88,061	\$2,828,524

(C) Fair value of financial instruments by level

Fair value of financial instruments is classified into the following three levels according to the observability and materiality of the inputs related to the fair value measurement.

Level 1:

Fair value is measured by quoted based on the market price (unadjusted) in active markets for identical assets or liabilities.

Level 2:

Fair value is measured by using direct or indirect observable inputs other than those of level 1.

Level 3:

Fair value is measured by using significant unobservable inputs.

When using multiple inputs that have a significant impact on fair value measurement, among the classifications of such inputs, priority is given to the lowest level in fair value measurement.

Notes are omitted for cash, and deposits, notes and accounts receivable–trade, notes and accounts payable–trade, short-term loans payable, commercial paper, and income taxes payable are not included in the following classifications because they are settled within a short period, causing their fair values to approximate their carrying amounts.

Fair value of financial assets and liabilities recorded on the consolidated balance sheets at March 31, 2026 and 2025, were as follows:

	Millions of yen			
	2026			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥23,661	¥—	¥—	¥23,661
Convertible bonds	—	—	1,603	¥1,603
Long-term loans receivable	—	—	4,111	¥4,111
Derivative financial instruments				
Currency-related	—	—	—	¥—
Total assets	23,661	—	5,714	¥29,376
Derivative financial instruments				
Currency-related	—	5,875	—	¥5,875
Total liabilities	¥—	¥5,875	¥—	¥5,875

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥62,648	¥—	¥—	¥62,648
Convertible bonds	—	—	1,406	¥1,406
Long-term loans receivable	—	—	3,148	¥3,148
Derivative financial instruments				
Currency-related	—	80	—	¥80
Total assets	62,648	80	4,554	¥67,283
Derivative financial instruments				
Currency-related	—	—	—	¥—
Total liabilities	¥—	¥—	¥—	¥—

Thousands of U.S. dollars				
2026				
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	\$147,974	\$—	\$—	\$147,974
Convertible bonds	—	—	10,025	\$10,025
Long-term loans receivable	—	—	25,710	\$25,710
Derivative financial instruments	—	—	—	\$—
Currency-related	—	—	—	\$—
Total assets	147,974	—	35,735	\$183,715
Derivative financial instruments				
Currency-related	—	36,742	—	\$36,742
Total liabilities	\$—	\$36,742	\$—	\$36,742

Fair value of financial assets and liabilities not recorded on the consolidated balance sheets at March 31, 2026 and 2025, were as follows:

Millions of yen				
2026				
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	¥37,785	¥—	¥—	¥37,785
Long-term loans receivable	—	—	8,375	¥8,375
Total assets	37,785	—	8,375	¥46,160
Bonds payable	—	264,217	—	¥264,217
Long-term loans payable	—	—	614,223	¥614,223
Lease obligations	—	—	44,201	¥44,201
Long-term guarantee deposits	—	—	22,274	¥22,274
Total liabilities	¥—	¥264,217	¥680,698	¥944,915
Millions of yen				
2025				
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	¥25,329	¥—	¥—	¥25,329
Long-term loans receivable	—	—	7,871	¥7,871
Total assets	25,329	—	7,871	¥33,200
Bonds payable	—	290,089	—	¥290,089
Long-term loans payable	—	—	612,626	¥612,626
Lease obligations	—	—	37,285	¥37,285
Long-term guarantee deposits	—	—	23,688	¥23,688
Total liabilities	¥—	¥290,089	¥673,599	¥963,688

Thousands of U.S. dollars				
2026				
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	\$236,304	\$—	\$—	\$236,304
Long-term loans receivable	—	—	52,376	\$52,376
Total assets	236,304	—	52,376	\$288,680
Liabilities				
Bonds payable	—	1,652,389	—	\$1,652,389
Long-term loans payable	—	—	3,841,295	\$3,841,295
Lease obligations	—	—	276,429	\$276,429
Long-term guarantee deposits	—	—	139,300	\$139,300
Total liabilities	\$—	\$1,652,389	\$4,257,023	\$5,909,412

Explanation of the valuation techniques and inputs used to calculate fair value:

Investment securities

Equity investments in listed public companies are evaluated using the market price. As equity investments in public companies are traded in active markets, the fair value is classified as Level 1. When liquidity is low or significant unobservable inputs are used, fair value is classified as Level 3.

Derivative financial instruments

Fair value of interest-rate swaps and forward exchange contracts are measured by observable inputs such as interest rates and foreign exchange rates, and classified as Level 2.

Long-term loans receivable

Fair value is measured based on the total amount of the principal and interest, discounted at the rate that would apply in the case of making a new loan with the same terms. As discount measurement is considered a significant unobservable input, it is classified as Level 3. Fair value of loans with conversion rights are estimated considering both the case of the option being exercised as well as not being exercised, and adjustment being made accordingly. As significant unobservable inputs such as future earnings estimates are used, it is classified as Level 3.

Bonds payable

Fair value of bonds issued by the Company is measured based on market prices (reference trading statistics) and classified as Level 2.

Long-term loans payable

Fair value is measured based on the total amount of the principal and interest, discounted at the rate that would apply in the case of making a new borrowing with the same terms. The fair value is classified as Level 3.

Lease obligations

Fair value is measured based on the total of the principal and interest, discounted at the rate that would apply in the case of making a new lease obligation. As discount measurement is considered a significant unobservable input, it is classified as Level 3.

Long-term guarantee deposits

When the period of deposit is estimable, fair value is measured by discounting over that period. As discount measurement is considered a significant unobservable input, it is classified as Level 3.

12. Marketable securities and investment securities

(a) Other securities with available fair value

The aggregate cost, carrying amount which was identical to fair value, and gross unrealized gains and losses of debt and equity securities classified as other securities for which fair values were available at March 31, 2026 and 2025, were as follows:

	Millions of yen		
	2026		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥23,032	¥4,595	¥18,438
Convertible bonds	1,353	1,250	103
Subtotal	24,386	5,845	18,541
Securities with unrealized losses:			
Equity securities	629	891	(262)
Convertible bonds	250	250	—
Subtotal	879	1,141	(262)
Total	¥25,265	¥6,986	¥18,278

For equity investments in nonpublic companies and equity securities, with a carrying amount of ¥92,801 million and ¥1,261 million, respectively, as of March 31, 2026, fair values are not included in the table above as no quoted market price is available.

	Millions of yen		
	2025		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	¥62,097	¥10,783	¥51,314
Convertible bonds	779	748	31
Subtotal	62,876	11,531	51,345
Securities with unrealized losses:			
Equity securities	552	715	(163)
Convertible bonds	627	646	(20)
Subtotal	1,178	1,361	(183)
Total	¥64,054	¥12,892	¥51,162

For equity investments in nonpublic companies and equity securities, with a carrying amount of ¥82,905 million and ¥1,310 million, respectively, as of March 31, 2025, fair values are not included in the table above as no quoted market price is available.

	Thousands of U.S. dollars		
	2026		
	Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:			
Equity securities	\$144,040	\$28,737	\$115,310
Convertible bonds	8,462	7,817	644
Subtotal	152,508	36,554	115,954
Securities with unrealized losses:			
Equity securities	3,934	5,572	(1,639)
Convertible bonds	1,563	1,563	—
Subtotal	5,497	7,136	(1,639)
Total	\$158,005	\$43,690	\$114,309

For equity investments in nonpublic companies and equity securities, with a carrying amount of \$580,369 thousand and \$7,886 thousand, respectively, as of March 31, 2026, fair values are not included in the table above as no quoted market price is available.

(b) Realized gains and losses on the sale of other securities

The realized gains and losses on the sale of other securities during the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Selling amount	¥48,903	¥36,737	\$305,835
Gain on sales of securities	41,696	32,453	260,763
Loss on sales of securities	—	—	—

(c) Loss on other devaluation of investment securities whose fair values are readily determinable

Loss on other devaluation of investment securities whose fair values are readily determinable for the year ended March 31, 2026, was ¥3,335 million (US\$20,857 thousand), which is the sum of ¥ 3,262 million (US\$20,400 thousand) for equity securities of other securities and ¥72 million (US\$450 thousand) for convertible bonds of other securities, etc. For the year ended March 31, 2025, it was ¥2,286 million, which is the sum of ¥ 2,226 million for equity securities of other securities and ¥60 million for convertible bonds of other securities, etc.

13. Derivative financial instruments

(a) Derivative financial instruments for which hedge accounting is not applied

i) Forward exchange contracts

Classification	Items	Millions of yen			
		Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Forward exchange contracts				
	Selling				
	U.S. dollar	¥39,243	¥—	¥(1,155)	¥(1,155)
	Euro	16,514	—	(58)	(58)
	Thai baht	1,541	—	17	17
	Chinese yuan	4,585	—	(116)	(116)
Off-market transactions	Buying				
	U.S. dollar	3,628	—	76	76
	Euro	149,561	—	(4,556)	(4,556)
	Thai baht	1	—	(0)	(0)
	Chinese yuan	141	—	5	5
	Japanese yen	2,349	—	(20)	(20)
	British pound	—	—	—	—
	Total	¥217,563	¥—	¥(5,807)	¥(5,807)

		Millions of yen			
		2025			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Forward exchange contracts				
	Selling				
	U.S. dollar	¥34,263	¥—	¥295	¥295
	Euro	16,221	—	(310)	(310)
	Thai baht	1,307	—	12	12
	Chinese yuan	4,115	—	16	16
Off-market transactions	Buying				
	U.S. dollar	4,284	—	(36)	(36)
	Euro	141	—	4	4
	Thai baht	—	—	—	—
	Chinese yuan	34	—	(0)	(0)
	Japanese yen	2,377	—	(23)	(23)
	British pound	1	—	0	0
	Total	¥62,742	¥—	¥(41)	¥(41)

		Thousands of U.S. dollars			
		2026			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
	Forward exchange contracts				
	Selling				
	U.S. dollar	\$245,422	\$—	\$(7,223)	\$(7,223)
	Euro	103,277	—	(363)	(363)
	Thai baht	9,637	—	106	106
	Chinese yuan	28,674	—	(725)	(725)
Off-market transactions	Buying				
	U.S. dollar	22,689	—	475	475
	Euro	935,341	—	(28,493)	(28,493)
	Thai baht	6	—	(0)	(0)
	Chinese yuan	882	—	31	31
	Japanese yen	14,690	—	(125)	(125)
	British pound	—	—	—	—
	Total	\$1,360,619	\$—	\$(36,316)	\$(36,316)

(b) Derivative financial instruments for which hedge accounting is applied**i) Forward exchange contracts**

			Millions of yen		
			2026		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥1,929	¥–	¥(59)
	Euro	Accounts receivable–trade	793	–	(9)
	British pound	Accounts receivable–trade	2	–	0
Principle-based accounting	Buying				
	U.S. dollar	Accounts payable–trade	437	–	10
	Euro	Accounts payable–trade	6	–	(0)
	Japanese yen	Accounts payable–trade	404	–	(11)
	Chinese yuan	Accounts payable–trade	17	–	0
	Total		¥3,588	¥–	¥(68)

			Millions of yen		
			2025		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥6,035	¥3,308	¥132
	Euro	Accounts receivable–trade	1,225	–	(13)
	British pound	Accounts receivable–trade	2	–	(0)
Principle-based accounting	Buying				
	U.S. dollar	Accounts payable–trade	246	–	(0)
	Euro	Accounts payable–trade	4	–	0
	Japanese yen	Accounts payable–trade	378	–	2
	Chinese yuan	Accounts payable–trade	38	–	(1)
	Total		¥7,929	¥3,308	¥121

			Thousands of U.S. dollars		
			2026		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	\$12,064	\$–	\$(369)
	Euro	Accounts receivable–trade	4,959	–	(56)
	British pound	Accounts receivable–trade	13	–	0
Principle-based accounting	Buying				
	U.S. dollar	Accounts payable–trade	2,733	–	63
	Euro	Accounts payable–trade	38	–	(0)
	Japanese yen	Accounts payable–trade	2,527	–	(69)
	Chinese yuan	Accounts payable–trade	106	–	0
	Total		\$22,439	\$–	\$(425)

ii) Interest-rate swaps

			Millions of yen		
			2026		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	¥6,498	¥—	(*)
	Total		¥6,498	¥—	¥—

(*) Interest rate swaps accounted for under special hedge accounting treatment are integrated with the hedged long-term loan payables, and their fair values are included in the fair value of the associated long-term loan payables.

			Millions of yen		
			2025		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	¥12,477	¥—	(*)
	Total		¥12,477	¥—	¥—

(*) Interest rate swaps accounted for under special hedge accounting treatment are integrated with the hedged long-term loan payables, and their fair values are included in the fair value of the associated long-term loan payables.

			Thousands of U.S. dollars		
			2026		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	\$40,638	\$—	(*)
	Total		\$40,638	\$—	\$—

(*) Interest rate swaps accounted for under special hedge accounting treatment are integrated with the hedged long-term loan payables, and their fair values are included in the fair value of the associated long-term loan payables.

14. Provision for retirement benefits

Upon terminating employment, employees of the parent company and its subsidiaries 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 and/or defined contribution plans. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs. Certain consolidated subsidiaries adopt the simplified method in calculating projected benefit obligations.

Reconciliations of beginning and ending balances of projected benefit obligations for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Beginning balance of the projected benefit obligations	¥311,458	¥358,636	\$1,947,830
Service cost	9,710	12,375	60,725
Interest cost	6,003	3,391	37,542
Actuarial gains (losses)	(29,200)	(49,144)	(182,614)
Payment of retirement benefits	(14,952)	(13,644)	(93,508)
Decrease by business transfer	(8,401)	—	(52,539)
Other	1,145	(156)	7,161
Ending balance of the projected benefit obligations	¥275,763	¥311,458	\$1,724,597

Reconciliations of beginning and ending balances of plan assets for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Beginning balance of plan assets	¥263,972	¥267,078	\$1,650,857
Expected return	6,517	6,689	40,757
Actuarial gains (losses)	15,148	(3,891)	94,734
Contributions	3,630	3,876	22,702
Payment of retirement benefits	(9,254)	(9,598)	(57,874)
Decrease by business transfer	(3,404)	—	(21,288)
Other	84	(182)	525
Ending balance of plan assets	¥276,692	¥263,972	\$1,730,407

Reconciliations of ending balance of projected benefit obligations and the plan assets, and of net defined benefit liability and net defined benefit asset, as recorded in the consolidated balance sheet at March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Projected benefit obligations of funded plans	¥166,363	¥191,216	\$1,040,419
Plan assets	(276,692)	(263,972)	(1,730,407)
Subtotal	(110,329)	(72,756)	(689,987)
Projected benefit obligations of unfunded plans	109,400	120,243	684,178
Net of liability and asset that have been recorded in the consolidated balance sheets	¥(929)	47,486	\$(5,810)
Net defined benefit liability	¥107,980	121,619	\$675,297
Net defined benefit assets	¥(108,909)	(74,133)	\$(681,107)
Net of liability and asset that have been recorded in the consolidated balance sheets	¥(929)	¥47,486	\$(5,810)

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Service cost (net of employee contributions)	¥9,710	¥12,375	\$60,725
Interest cost	6,003	3,391	37,542
Expected return on plan assets	(6,517)	(6,689)	(40,757)
Amortization of actuarial gains (losses)	(4,369)	(2,048)	(27,323)
Amortization of prior service costs	(994)	(1,007)	(6,216)
Additional retirement benefits and other	281	4,981	1,757
Retirement benefit expenses of defined benefit plans	¥4,114	¥11,003	\$25,729

The components of other comprehensive income on defined benefit plans for the years ended March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Prior service costs	¥(1,088)	¥(1,007)	\$(6,804)
Actuarial gains (losses)	38,871	43,204	243,096
Total	¥37,783	¥42,198	\$236,291

Accumulated other comprehensive income on defined benefit plans at March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Unrecognized prior service costs	¥(6,373)	¥(7,461)	\$(39,856)
Unrecognized actuarial gains (losses)	(120,963)	(82,092)	(756,492)
Total	¥(127,335)	¥(89,553)	\$(796,341)

Share by major classifications for plan assets at March 31, 2026 and 2025, were as follows:

	2026	2025
Alternative investments	31%	32%
Bonds	28%	32%
Life insurance	18%	11%
Stock	16%	17%
Cash and deposits	4%	8%
Other	2%	0%
Total	100%	100%

Note) Alternative investments include mainly investments in real estate, private equity and hedge funds.

The current and future allocation of plan assets, and the current and future long-term rate of expected return from the variety of assets that make up the plan assets, are considered in determining the long-term rate of expected return on plan assets.

Major actuarial assumptions at March 31, 2026 and 2025, were as follows:

	2026	2025
Discount rate	Mainly 2.9%	Mainly 2.0%
The long-term rate of expected return on plan assets	Mainly 2.5%	Mainly 2.5%
Expected rate of increase in salary	2.1–6.1%	2.2–6.5%

Required payments to defined contribution plans at March 31, 2026, amounted to ¥10,098 million (US\$ 63,152 thousand), and at March 31, 2025, amounted to ¥8,995 million.

15. Taxes

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

Significant components of deferred tax assets and liabilities at March 31, 2026 and 2025, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Deferred tax assets:			
Tax loss carry forwards(*)	¥59,065	¥68,553	\$369,387
Impairment loss	33,267	33,206	208,049
Unrealized loss on share of subsidiaries and associates	32,394	32,394	202,589
Loss on disposal of noncurrent assets	10,456	8,851	65,391
Accrued bonuses	8,447	8,192	52,827
Unrealized gain on noncurrent assets and others	5,659	5,435	35,391
Foreign tax credit carry forwards	2,104	2,170	13,158
Net defined benefit liability	—	14,282	—
Other	76,254	69,618	476,886
Subtotal deferred tax assets	227,647	242,702	1,423,684
Valuation allowance for tax loss carryforwards(*)	(39,396)	(33,434)	(246,379)
Valuation allowance for deductible temporary difference	(73,359)	(70,581)	(458,780)
Less: Valuation allowance	(112,755)	(104,015)	(705,159)
Total deferred tax assets	114,891	138,687	718,518
Deferred tax liabilities:			
Identified intangible assets during business combination	(75,642)	(75,074)	(473,058)
Depreciation—overseas subsidiaries	(10,766)	(9,658)	(67,330)
Deferred gain on property, plant and equipment	(8,414)	(8,796)	(52,620)
Unrealized gain on other securities	(5,967)	(15,692)	(37,317)
Other	(18,663)	(15,859)	(116,717)
Total deferred tax liabilities	(119,453)	(125,078)	(747,048)
Net deferred tax assets (liabilities)	¥(4,561)	¥13,609	(\$28,524)

(*) Tax loss carryforwards and related deferred tax assets by period of expiration at March 31, 2026 and 2025, were as follows:

	Millions of yen						Total
	2026						
	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years	Over 5years	
Tax loss carryforwards(*1)	¥847	¥736	¥260	¥629	¥300	¥56,293	¥59,065
Valuation allowance	(847)	(694)	(199)	(589)	(300)	(36,766)	(¥39,396)
Deferred tax assets	¥—	¥41	¥61	¥40	¥—	¥19,527	¥19,669 (*2)

(*1) Tax loss carryforwards are measured by multiplying the loss amounts by the statutory income tax rate.

(*2) Deferred tax assets of ¥19,669 million (US\$123,008 thousand) was recorded for tax loss carryforwards of ¥59,065 million (US\$369,387 thousand, calculated by applying the statutory effective tax rate). This amount is recognized to be recoverable based on the expected future taxable income.

	Millions of yen						Total	
	2025	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years		Over 5years
Tax loss carryforwards(*3)		¥683	¥564	¥744	¥378	¥1,903	¥64,281	¥68,553
Valuation allowance		(683)	(564)	(503)	(221)	(602)	(30,862)	(33,434)
Deferred tax assets		¥—	¥—	¥241	¥157	¥1,302	¥33,420	¥35,120 (*4)

(*3) Tax loss carryforwards are measured by multiplying the loss amounts by the statutory income tax rate.

(*4) Deferred tax assets of ¥35,120 million was recorded for tax loss carryforwards of ¥68,553 million (calculated by applying the statutory effective tax rate). This amount is recognized as recoverable based on the expected future taxable income.

	Thousands of U.S. dollars						Total	
	2026	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years		Over 5years
Tax loss carryforwards		\$5,297	\$4,603	\$1,626	\$3,934	\$1,876	\$352,051	\$369,387
Valuation allowance		(5,297)	(4,340)	(1,245)	(3,684)	(1,876)	(229,931)	(\$246,379)
Deferred tax assets		\$—	\$256	\$381	\$250	\$—	\$122,120	\$123,008

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2026 and 2025, were as follows:

	2026	2025
Statutory tax rate	30.6 %	30.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	0.3	0.5
R&D expenses, etc. deductible from income taxes	(1.4)	(2.2)
Amortization of goodwill	4.8	5.1
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	(1.3)	1.1
Undistributed earnings (losses) of foreign subsidiaries	0.8	0.4
Difference of tax rates for foreign subsidiaries	(3.6)	(4.0)
Valuation allowance	0.3	(2.1)
Tax effects recognized on liquidation of equity-method affiliate	(4.1)	—
Other	(2.6)	(1.6)
Effective income tax rate	23.8 %	27.9%

The parent company and some of its domestic consolidated subsidiaries have adopted the Group Tax Sharing System in Japan. Accordingly, accounting treatment and disclosure of tax effect accounting related to income taxes and local income taxes follow the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (the Practical Solution No.42).

16. Business combinations

(a) Transfer of blood purification business to IA Holdings Co., Ltd. through issuance of preferred stock by a consolidated subsidiary, transfer of shares, etc

i) Outline of business separation

1) Name of company separated to

IA Holdings Co., Ltd.

2) Nature of separated business

- Development, manufacture, and sale of dialyzers (artificial kidneys) and related products
- Development, manufacture, and sale of therapeutic apheresis products

3) Main reasons for the separation

With a 50-year history of development, manufacture, and sale of dialysis and therapeutic apheresis related products, the blood purification business supplies a range of products that are highly regarded by users both in Japan and overseas. High value-added products include dialyzer with Vitamin E-interactive membrane, plasmapheresis products for intractable diseases, and the CryoSeal System for automated production of autologous fibrin sealant. Recently, the blood purification business has leveraged its extensive cultivated experience and know-how to newly expand into the field of intensive care with products and services that provide diverse value to patients and healthcare professionals. While Asahi Kasei had studied various strategic options for the continuous growth of the blood purification business, it received a proactive investment proposal from Integral Corporation with a strong will to grow the business. Asahi Kasei determined that it would be important for the blood purification business to further strengthen investment for growth as an independent and specialized business under a new partner.

4) Date of business separation

April 1, 2025

5) Other items related to the transaction

- Asahi Kasei Life Science Corp. established as a wholly owned subsidiary of Asahi Kasei.
- Bioprocess business, etc. transferred from Asahi Kasei Medical to Asahi Kasei Life Science by absorption-type separation.
- Through IA Holdings Co., Ltd. (Investing Company), a special purpose company established by Integral Corporation and to be owned by the fund managed by its affiliates (Integral Corporation and the affiliates are hereinafter collectively referred to as "Integral"), Integral invested in Asahi Kasei Medical by preferred stock, and on April 1, 2025, Asahi Kasei transferred shares in Asahi Kasei Medical to the Investing Company, etc., resulting in 20% of the voting rights in Asahi Kasei Medical being held by Asahi Kasei and 80% being held by the Investing Company. The remaining shares are to be transferred targeting around April 2027, raising the Investing Company's holding of voting rights in Asahi Kasei Medical to 100% (including cases where the holding ratio jointly held with a company designated by the Investing Company is 100%).

ii) Outline of accounting treatment

1) Amount of gain or loss on transfer

Gain on business transfer ¥8,456 million (US\$52,883 thousand)

2) Appropriate book value of assets and liabilities related to transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	¥47,373	\$296,266
Noncurrent assets	25,601	160,106
Total assets	72,975	456,379
Current liabilities	17,768	111,119
Noncurrent liabilities	5,601	35,028
Total liabilities	¥23,369	\$146,148

3) Accounting treatment

The difference between the consideration received for the transfer and the amount equivalent to the shareholders' equity related to the transferred business is recognized as gain on sale of shares of subsidiaries and associates.

iii) Reportable segment which the separated business was included in

Healthcare

(b) Corporate separation by a consolidated subsidiary and transfer of diagnostics business etc. to Nagase & Co., Ltd. through transfer of shares

i) Outline of business separation

1) Name of company separated to

Nagase & Co., Ltd.

2) Nature of separated business

- All operations related to the manufacture, development, and sale of diagnostic reagents and enzymes for diagnostic reagents

- Ohito Pharmaceuticals Plant (manufacturing plant for raw material of enzymes for diagnostic reagents, and for active pharmaceutical ingredients of Bredinin™ and other pharmaceuticals)
- Ohito Office (infrastructure management organization mainly for the Ohito District overall, including the diagnostics business and the Ohito Pharmaceuticals Plant)

3) Main reasons for the separation

The Asahi Kasei Group aims for income growth in its Healthcare sector through the growth of medical devices and related products in the field of critical care, continuous expansion of the pharmaceuticals business, and development of the bioprocess business. As each area has significant growth opportunities that will continue to require focused investment, a portfolio review was performed to determine future priorities. As part of this process, Asahi Kasei Pharma Corp. (Asahi Kasei Pharma) carefully studied various options for its diagnostics business (the Business), including the possibility of transfer to another company that could generate synergy with the Business from the perspective of being the best owner. Asahi Kasei Pharma determined that it would be best for the Business to operate not under the Asahi Kasei Group but under Nagase & Co., Ltd. (Nagase), which has a firm presence and outstanding technological capabilities in bio-related fields and is capable of making proactive investments for the growth of the Business.

4) Date of business separation

July 1, 2025

5) Other items related to the transaction

With an effective date of July 1, 2025, Asahi Kasei Pharma transferred its rights and obligations pertaining to the transfer, and its land and facilities in the Ohito District, to Nagase Diagnostics Co., Ltd. (Nagase Diagnostics), which was established by Asahi Kasei Pharma through corporate separation, and on the same date, Asahi Kasei Pharma transferred to Nagase all shares of Nagase Diagnostics.

ii) Outline of accounting treatment

1) Amount of gain or loss on transfer

Loss on business transfer ¥4,690 million (US\$29,331 thousand)

2) Appropriate book value of assets and liabilities related to transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,002	\$18,774
Noncurrent assets	11,399	71,288
Total assets	14,401	90,063
Current liabilities	66	413
Noncurrent liabilities	35	219
Total liabilities	¥101	\$632

3) Accounting treatment

The difference between the consideration received for the transfer and the amount equivalent to the shareholders' equity related to the transferred business is recognized as business structure improvement expenses.

iii) Reportable segment which the separated business was included in

Healthcare

iv) Approximate profit or loss related to the separated business recorded in consolidated statements of income for the fiscal year ended March 31, 2026

Information is omitted due to immateriality.

(c) Transfer of Daramic lead battery separator business by consolidated subsidiaries

i) Outline of business separation

1) Name of companies separated to

Daramic Buyer LLC, Polypore Buyer LLC

2) Nature of separated business

Manufacture, development, and sale of Daramic lead battery separator

3) Main reasons for the separation

Asahi Kasei acquired Polypore International, LLC (Polypore) in August 2015, obtaining the Daramic lead battery separator business and the Celgard dry-process lithium-ion battery separator business. Daramic is mainly used in automotive and industrial applications. In order to reap stable earnings from the Daramic business, Asahi Kasei performed cost reductions and other measures to strengthen its global manufacturing

sites. Considering the long-term competitiveness of the business, divestiture to a more optimal owner was deemed to be in the best interest of all parties concerned.

4) Date of business separation

December 1, 2025

5) Other items related to the transaction

Equity transfer conducted in exchange for consideration consisting solely of cash or other assets

With an effective date of December 1, 2025, Polypore and Celgard, LLC transferred all equity interests relating to the Daramic business to Daramic Buyer LLC and Polypore Buyer LLC, which were established by Kingswood Capital Management, L.P.

ii) Outline of accounting treatment

1) Amount of gain or loss on transfer

Loss on business transfer ¥7,166 million (US\$44,816 thousand)

Note) Amount based on provisional calculation as price adjustment is to be performed as agreed with the purchasers

2) Appropriate book value of assets and liabilities related to transferred business

	Millions of yen	Thousands of U.S. dollars
Current assets	¥26,319	\$164,597
Noncurrent assets	30,142	188,505
Total assets	56,462	353,108
Current liabilities	7,295	45,622
Noncurrent liabilities	5,523	34,540
Total liabilities	¥12,817	\$80,156

3) Accounting treatment

The difference between the consideration received for the transfer and the amount equivalent to the shareholders' equity related to the transferred business is recognized as business structure improvement expenses.

iii) Reportable segment which the separated business was included in

Material

iv) Approximate profit or loss related to the separated business recorded in consolidated statements of income for the fiscal year ended March 31, 2026

Net sales: ¥26,601 million (US\$166,360 thousand)

Operating income: ¥2,820 million (US\$17,636 thousand)

17. Additional information

Business integration between Asahi Kasei Advance and Teijin Frontier

Asahi Kasei and Teijin Limited (Teijin) entered into an agreement on December 1, 2025, to implement an absorption-type merger between Asahi Kasei Advance Corp. (Asahi Kasei Advance), a consolidated subsidiary of Asahi Kasei, and Teijin Frontier Co., Ltd. (Teijin Frontier), a consolidated subsidiary of Teijin, whereby Teijin Frontier will serve as the surviving company and become a joint venture between Asahi Kasei (20%) and Teijin (80%), effective October 1, 2026 (scheduled).

i) Outline of business separation

1) Name of company separated to

Teijin Frontier Co., Ltd.

2) Nature of separated business

Product trading, manufacturing and processing, and services in the fields of textiles, chemicals, and construction materials

3) Main reasons for the separation

Asahi Kasei Advance was established in 2015 as a trading company primarily handling products from the Asahi Kasei Group, such as fibers, chemical products, and construction materials. Considering sustained business expansion, it was determined that operation of the business under Teijin Frontier, which combines trading company functions having strong global procurement capabilities and manufacturing functions to develop and produce high-performance fibers, providing unique solutions across a wide range of fields, including apparel textiles and industrial materials, would be the most promising path forward rather than pursuing independent growth for Asahi Kasei Advance.

4) Date of business separation

October 1, 2026 (scheduled)

5) Other items related to the transaction

Prior to the integration, Asahi Kasei (China) Co., Ltd., a consolidated subsidiary of Asahi Kasei, will transfer to Asahi Kasei Advance full ownership of Hangzhou Asahi Kasei Textiles Co., Ltd., which manufactures and sells textile products.

ii) Reportable segment which the separated business was included in

Material

18. Revenue recognition

(a) Revenue from contracts with customers

	Millions of yen					
	2026					
	Health Care	Homes	Material	Subtotal	Others (*1)	Total
Japan(*2)	¥92,906	¥788,100	¥475,251	¥1,356,258	¥23,749	¥1,380,007
United States	407,653	146,920	96,420	650,993	2,467	¥653,461
China	16,718	—	237,066	253,784	167	¥253,951
Others	146,869	142,373	497,502	786,745	342	¥787,086
Revenue from contracts with customers	664,146	1,077,394	1,306,240	3,047,779	26,725	3,074,505
Sales to external customers	¥664,146	¥1,077,394	¥1,306,240	¥3,047,779	¥26,725	¥3,074,505

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Including revenue from leases of ¥156,452 million in the Homes segment.

	Millions of yen					
	2025					
	Healthcare	Homes	Material	Subtotal	Others (*1)	Total
Japan(*2)	¥112,420	¥742,840	¥507,077	¥1,362,337	¥15,041	¥1,377,378
United States	348,443	151,930	96,307	596,680	1,254	¥597,934
China	19,150	—	266,336	285,486	86	¥285,571
Others	135,888	141,089	499,049	776,027	401	¥776,429
Revenue from contracts with customers	615,901	1,035,860	1,368,770	3,020,530	16,781	3,037,312
Sales to external customers	¥615,901	¥1,035,860	¥1,368,770	¥3,020,530	¥16,781	¥3,037,312

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Including revenue from leases of ¥142,453 million in the Homes segment.

	Thousands of U.S. dollars					
	2026					
	Material	Homes	Healthcare	Subtotal	Others (*1)	Total
Japan(*2)	\$581,026	\$4,928,705	\$2,972,176	\$8,481,914	\$148,524	\$8,630,438
United States	2,549,425	918,824	603,002	4,071,251	15,428	\$4,086,685
China	104,553	—	1,482,589	1,587,142	1,044	\$1,588,186
Others	918,505	890,388	3,111,332	4,920,231	2,139	\$4,922,364
Revenue from contracts with customers	4,153,508	6,737,924	8,169,106	19,060,532	167,136	19,227,674
Sales to external customers	\$4,153,508	\$6,737,924	\$8,169,106	\$19,060,532	\$167,136	\$19,227,674

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Including revenue from leases of US\$978,437 thousand in the Homes segment.

(b) Basis for revenue recognition

Please refer to Note 2. "Significant accounting policies (f) Significant revenue and expense recognition".

(c) Details concerning the fulfillment of performance obligations under customer contracts, the associated cash flows, and the expected amount and timing of revenue recognition from customer contracts existing as of the end of fiscal year to be recognized in subsequent fiscal years

i) Balances of contract assets and contract liabilities, etc.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Receivables from contracts with customers (beginning balance)	¥453,287	¥443,834	\$2,834,816
Receivables from contracts with customers (ending balance)	473,558	453,287	2,961,588
Contract assets (beginning balance)	33,640	37,084	210,381
Contract assets (ending balance)	36,248	33,640	226,692
Contract liabilities (beginning balance)	104,264	83,034	652,058
Contract liabilities (ending balance)	138,064	104,264	863,440

Contract assets are mainly related to the Company's rights to consideration in respect of work undertaken towards the satisfaction of performance obligations during constructions. Contract assets are transferred to receivables when those rights become unconditional. Contract liabilities are mainly advances received from customers before the satisfaction of the related performance obligations. Contract liabilities are reversed when revenue is recognized along with the satisfaction of performance obligations. As terms of payment vary by each contract, there is no standard payment deadline.

Among revenue recognized in the year ended March 31, 2026 and 2025, the amount included in the beginning balance of contract liabilities were ¥104,264 million (US\$652,058 thousand) and ¥83,034 million respectively. There is no significant change in the balance of contract assets. Contract liabilities increased due to factors including the receipt of advances in accordance with capacity rights agreements with customers for the stable supply of separators.

ii) Transaction prices allocated to outstanding performance obligations

Among transaction prices allocated to outstanding performance obligations, those whose contract term exceeds one year are mainly related to the Homes segment, and their recognition as revenue is as shown below. Please note that for notes on transaction prices allocated to outstanding performance obligations, a practical expedient has been applied. As a result, some contracts initially expected to have a term of one year or less are not included in the following note.

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Within 1 year	¥333,492	¥317,953	\$2,085,629
Over 1 year	98,512	96,740	616,085
Total	¥432,004	¥414,692	\$2,701,714

19. Business segment information

(a) Overview of reportable segments

The Company's business segments are based on organizational units for which separate financial information is available, and the Board of Directors carries out periodic review to allocate management resources and evaluate business performance.

The Company has implemented a business holding company system, under which we have established three business segments based on products and services. The business holding companies and operating companies in each segment formulate comprehensive domestic and international strategies for the products they handle and carry out their business activities accordingly.

With the realignment of a portion of R&D functions etc. to the Material segment on April 1, 2025, a portion of R&D functions etc. previously included in corporate expenses etc. are included in the Material segment from the first quarter of the fiscal year ended March 31, 2026. Results for the previous fiscal year are recalculated to reflect this change.

Main businesses and main products of the three segments are as follows:

Healthcare segment

Pharmaceuticals business

The Company manufactures and sells pharmaceuticals.

Life Science business

The Company manufactures and sells virus removal filters, and operates biologics CRO and biologics CDMO businesses.

Critical Care business

The Company manufactures and sells products centered on cardiopulmonary resuscitation; notably defibrillators for medical professionals, and automated external defibrillators (AEDs), wearable defibrillators, and devices for diagnosis and treatment of sleep apnea.

Homes segment

Housing business

The Company constructs unit homes and apartment buildings, and operates real estate, remodeling, North American and Australian homes businesses, and financial and other services.

Construction Materials business

The Company manufactures and sells autoclaved aerated concrete (AAC) panels, insulation panels, foundation systems, and structural components.

Material segment

Electronics business

The Company manufactures, processes, and sells electronic materials and electronic components.

Car Interior business

The Company manufactures, processes, and sells automotive interior materials and artificial suede.

Energy & Infrastructure business

The Company manufactures, processes, and sells lithium-ion battery separators, ion-exchange membranes, and hollow-fiber membranes.

Comfort Life business

The Company manufactures, processes, and sells fibers and consumable products.

Chemical business (Performance Chemical business, Essential Chemical business)

The Company manufactures, processes, and sells resins and basic raw materials.

Others

The Company performs plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

(b) Methods to determine net sales, income or loss, assets, and other items by reportable business segment

Profit by reportable business segment is stated on an operating income basis. Intersegment net sales and transfers are based on the values of transactions undertaken between third parties.

With optimization of shared cost allocation in accordance with changes in shared functions for the management of the Asahi Kasei Group, allocation of shared costs between corporate expenses and each segment is changed from the first quarter of the fiscal year ended March 31, 2026. As a result, operating income in Healthcare decreased by ¥975 million, that in Homes by ¥1,578 million, and that in Material by ¥3,844 million, while operating income in corporate expenses increased by ¥6,397 million.

(c) Information concerning net sales, income or loss, assets, and other items by reportable segment

	Millions of yen					
	2026					
	HealthCare	Homes	Material	Subtotal	Others (*1)	Total
Sales:						
External customers	¥664,146	¥1,077,394	¥1,306,240	¥3,047,779	¥26,725	¥3,074,505
Intersegment	89	11,151	13,682	24,923	44,712	69,634
Total	664,236	1,088,544	1,319,922	3,072,702	71,437	3,144,139
Operating income	83,452	99,781	68,321	251,553	3,932	255,485
Assets	1,397,225	800,318	1,893,421	4,090,964	141,149	4,232,113
Other items:						
Depreciation and amortization(*2)	61,041	20,717	67,314	149,072	1,069	150,141
Amortization of goodwill	26,160	2,232	5,354	33,746	—	33,746
Investments in affiliates accounted for using equity method	9,895	5,349	50,967	66,212	25,047	91,259
Increase in property, plant and equipment, and intangible assets	25,158	25,807	164,829	215,794	697	216,491

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Amortization of goodwill is not included.

Millions of yen						
2025						
	HealthCare	Homes	Material	Subtotal	Others (*1)	Total
Sales:						
External customers	¥615,901	¥1,035,860	¥1,368,770	¥3,020,530	¥16,781	¥3,037,312
Intersegment	5	10,036	18,234	28,275	45,549	73,823
Total	615,905	1,045,895	1,387,004	3,048,805	62,330	3,111,135
Operating income	64,026	95,912	79,905	239,843	2,929	242,772
Assets	1,326,101	688,131	1,842,954	3,857,186	123,024	3,980,210
Other items:						
Depreciation and amortization(*2)	54,736	20,675	65,082	140,493	1,097	141,589
Amortization of goodwill	25,293	1,875	5,460	32,628	—	32,628
Investments in affiliates accounted for using equity method	1,398	5,091	47,934	54,423	24,335	78,758
Increase in property, plant and equipment, and intangible assets	42,644	31,493	125,572	199,709	1,787	201,496

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Amortization of goodwill is not included.

Thousands of U.S. dollars						
2026						
	HealthCare	Homes	Material	Subtotal	Others (*1)	Total
Sales:						
External customers	\$4,153,508	\$6,737,924	\$8,169,106	\$19,060,532	\$167,136	\$19,227,674
Intersegment	557	69,737	85,566	155,866	279,625	435,485
Total	4,154,071	6,807,655	8,254,672	19,216,398	446,760	19,663,158
Operating income	521,901	624,021	427,273	1,573,189	24,590	1,597,780
Assets	8,738,118	5,005,116	11,841,282	25,584,515	882,733	26,467,248
Other items:						
Depreciation and amortization(*2)	381,745	129,562	420,976	932,283	6,685	938,968
Amortization of goodwill	163,602	13,959	33,483	211,044	—	211,044
Investments in affiliates accounted for using equity method	61,882	33,452	318,743	414,084	156,642	570,725
Increase in property, plant and equipment, and intangible assets	157,336	161,395	1,030,826	1,349,556	4,359	1,353,915

(*1) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(*2) Amortization of goodwill is not included.

(d) Reconciliation of differences between total amounts of reportable segments and amounts appearing in the consolidated financial statements (adjustment of difference)

Sales	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total of reporting segments	¥3,072,702	¥3,048,805	\$19,216,398
Net sales in "Others" category	71,437	62,330	446,760
Elimination of intersegment transactions	(69,634)	(73,823)	(435,485)
Net sales on consolidated statements of income	¥3,074,505	¥3,037,312	\$19,227,674

Operating income	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total of reporting segments	¥251,553	¥239,843	\$1,573,189
Operating income in "Others" category	3,932	2,929	24,590
Elimination of intersegment transactions	496	23	3,102
Corporate expenses, etc. (*)	(24,781)	(30,874)	(154,978)
Operating income on consolidated statements of income	¥231,200	¥211,921	\$1,445,904

(*) Corporate expenses, etc. include corporate revenue, basic research expense, and group management expense, etc. which are not allocated to reporting segments.

Assets	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total of reporting segments	¥4,090,964	¥3,857,186	\$25,584,515
Assets in "Others" category	141,149	123,024	882,733
Elimination of intersegment transactions	(677,897)	(483,217)	(4,239,506)
Corporate assets (*)	583,726	518,222	3,650,569
Total assets on consolidated balance sheets	¥4,137,943	¥4,015,214	\$25,878,318

(*) Corporate assets include assets of the parent company—surplus operating funds (cash and deposits), long-term investment capital (investment securities, etc.), and land, etc.

Other items	Total of reportable segments			Others			Adjustments(*1)			Amounts from consolidated financial statements		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026	2026	2025	2026	2026	2025	2026	2026	2025	2026
Depreciation and amortization (*2)	¥149,072	¥140,493	\$932,283	¥1,069	¥1,097	\$6,685	¥12,457	¥11,889	\$77,905	¥162,598	¥153,478	\$1,016,873
Amortization of goodwill	33,746	32,628	211,044	—	—	—	—	—	—	33,746	32,628	211,044
Investments in affiliates accounted for using equity method	66,212	54,423	414,084	25,047	24,335	156,642	—	—	—	91,259	78,758	570,725
Increase in property, plant and equipment, and intangible assets	215,794	199,709	1,349,556	697	1,787	4,359	5,833	9,530	36,479	222,324	211,026	1,390,394

(*1) Adjustments include elimination of intersegment transactions and corporate assets, etc.

(*2) Amortization of goodwill is not included.

(e) Related Information

i) Information on products and services

Please refer to (c) Information concerning net sales, income or loss, assets, and other items for reportable segment.

ii) Geographic information

1) Net sales

Millions of yen					Thousands of U.S. dollars				
2026					2026				
Japan	United States	China	Others	Total	Japan	United States	China	Others	Total
¥1,380,007	¥653,461	¥253,951	¥787,086	¥3,074,505	\$8,630,438	\$4,086,685	\$1,588,186	\$4,922,364	\$19,227,674

Millions of yen				
2025				
Japan	United States	China	Others	Total
¥1,377,378	¥597,934	¥285,571	¥776,429	¥3,037,312

2) Property, plant and equipment

Millions of yen					Thousands of U.S. dollars				
2026					2026				
Japan	United States	Canada	Others	Total	Japan	United States	Canada	Others	Total
¥558,102	¥169,138	¥105,123	¥128,718	¥961,081	\$3,490,319	\$1,057,774	\$657,430	\$804,991	\$6,010,513

Millions of yen				
2025				
Japan	United States	Canada	Others	Total
¥586,706	¥179,674	¥25,991	¥128,241	¥920,611

Changes in presentation:

Canada, which was included in other regions for the fiscal year ended March 31, 2025, is presented separately for the fiscal year ended March 31, 2026, as it exceeded one-tenth of total property, plant and equipment on the consolidated balance sheets. Geographic information for the fiscal year ended March 31, 2026, has been restated to reflect this change. As a result, other regions, previously reported to be ¥154,232 million, is reclassified to ¥25,991 million as Canada and ¥128,241 million as other regions.

3) Information by major customer

Information by major customer is not shown because no customer accounts for 10% or more of net sales on the consolidated statements of income.

(f) Impairment loss on noncurrent assets by reportable segments

Millions of yen							
2026							
	HealthCare	Homes	Material	Subtotal	Others(*)	Corporate	Total
Impairment loss	¥—	¥232	¥18,748	¥18,980	¥4	¥751	¥19,735

(*) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

Millions of yen							
2025							
	HealthCare	Homes	Material	Subtotal	Others(*)	Corporate	Total
Impairment loss	¥308	¥22	¥14,811	¥15,141	¥—	¥451	¥15,592

(*) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

Thousands of U.S. dollars							
2026							
	HealthCare	Homes	Material	Subtotal	Others(*)	Corporate	Total
Impairment loss	\$—	\$1,451	\$117,248	\$118,699	\$25	\$4,697	\$123,421

(*) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

(g) Amortization and balance of goodwill by reportable segments

Millions of yen							
2026							
	HealthCare	Homes	Material	Subtotal	Others(*)	Corporate	Total
Amortization	¥26,160	¥2,232	¥5,354	¥33,746	¥—	¥—	¥33,746
Balance	¥272,220	¥39,843	¥71,743	¥383,805	¥—	¥—	¥383,805

(*) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

Millions of yen							
2025							
	HealthCare	Homes	Material	Subtotal	Others(*)	Corporate	Total
Amortization	¥25,293	¥1,875	¥5,460	¥32,628	¥—	¥—	¥32,628
Balance	¥278,693	¥38,887	¥72,060	¥389,640	¥—	¥—	¥389,640

(*) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

Thousands of U.S. dollars							
2026							
	HealthCare	Homes	Material	Subtotal	Others(*)	Corporate	Total
Amortization	\$163,602	\$13,959	\$33,483	\$211,044	\$—	\$—	\$211,044
Balance	\$1,702,439	\$249,174	\$448,674	\$2,400,281	\$—	\$—	\$2,400,281

(*) The "Others" category includes plant engineering and environmental engineering, research and analysis, and employment agency/staffing operations.

There is no applicable information for amortization and balance of negative goodwill incurred by business combinations performed before April 1, 2010.

(h) Gain on negative goodwill by reportable segments

For the year ended March 31, 2026: None

For the year ended March 31, 2025:

¥2,218 million was recorded as gain on negative goodwill in the Healthcare segment as an effect of the acquiring of the ventilators business of Vyair Medical, Inc. by ZOLL Medical Corporation, a consolidated subsidiary.

20. Information on related parties

For the year ended March 31, 2026: None

For the year ended March 31, 2025: None

21. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2026 and 2025, were as follows:

	Yen		U.S. dollars
	2026	2025	2026
Basic net assets per share	¥1,539.66	¥1,369.16	\$9.63
Basic net income per share	116.97	97.94	0.73

Note) As the Company had no dilutive securities at March 31, 2026 and 2025, the Company does not disclose diluted net income per share for the years ended March 31, 2026 and 2025.

(a) Basis for measurement of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Total net assets	¥2,165,647	¥1,913,944	\$13,543,759
Amount deducted from total net assets	77,189	54,523	482,733
<i>of which, non-controlling interests</i>	<i>(77,189)</i>	<i>(54,523)</i>	<i>(482,733)</i>
Net assets allocated to capital stock	¥2,088,458	¥1,859,420	\$13,061,026
Number of shares of capital stock outstanding at fiscal year-end used in calculation of net assets per share (thousand)	1,356,441	1,358,069	8,483,058

Note) Shares held by the trust for granting shares to Directors, etc., numbering 3,194 thousand at March 31, 2026, and 1,574 thousand at March 31, 2025, are excluded from the number of shares of capital stock outstanding at fiscal year end used in measurement of net assets per share.

(b) Basis for measurement of net income per share

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Net income attributable to owners of the parent	¥158,793	¥134,996	\$993,077
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock owners of the parent	¥158,793	¥134,996	\$993,077
Weighted-average number of shares of capital stock (thousand)	1,357,526	1,378,342	8,489,844

Note) Shares held by the trust for granting shares to Directors, etc., numbering 2,113 thousand during the year ended March 31, 2026, and 1,599 thousand during the year ended March 31, 2025, are excluded from the weighted-average number of shares of capital stock used in measurement of net income per share.

22. Subsequent events

(a) Acquisition of shares of Aicuris Anti-infective Cures AG

Veloxis Pharmaceuticals, Inc., a consolidated subsidiary of Asahi Kasei, decided to acquire all shares of German-based biopharmaceutical company Aicuris Anti-infective Cures AG (Aicuris), and the procedures were completed on April 17, 2026.

i) Outline of business combination

1) Name and nature of business of counterparty

Name of acquired company: Aicuris Anti-infective Cures AG

Nature of business: Development of medicine and related products

2) Main reasons for the acquisition

The acquisition advances Asahi Kasei's strategy to build a focused, sustainable specialty pharmaceutical platform serving immunocompromised and medically complex patient populations. Severe infectious diseases represent an area where Asahi Kasei already maintains a presence and is strategically adjacent to its established core transplant (Veloxis) and nephrology (Calliditas) subsidiaries, where infection-related complications remain a significant clinical concern. By leveraging its established commercial infrastructure across transplant centers and nephrology providers, together with its advanced R&D capabilities, Asahi Kasei expects to accelerate the development and commercialization of Aicuris's pipeline while enhancing operating efficiency and long-term earnings.

3) Acquisition date

April 17, 2026

4) Statutory form of business combination

Stock purchase for cash as consideration

5) Name of company after transaction

Aicuris Anti-infective Cures AG

6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a consolidated subsidiary of Asahi Kasei

ii) Cost of acquisition and details

	Millions of euros	
Purchase consideration	cash	€783
Purchase price		€783

iii) Amount of goodwill, measurement principle, amortization method, and useful life

Not determined

(b) Borrowing of funds for the acquisition of all shares of Aicuris Anti-infective Cures AG

Asahi Kasei concluded a revolving credit facility agreement with Sumitomo Mitsui Banking Corporation et al. to raise funds required for the acquisition of all shares of Aicuris Anti-infective Cures AG, and on April 14, 2026, borrowing was performed as described below.

i) Borrower

Asahi Kasei Corp.

ii) Lenders

Sumitomo Mitsui Banking Corporation, Mizuho Bank, Ltd., and MUFG Bank, Ltd.

iii) Type of borrowing

Yen-denominated loan

iv) Amount

¥129,000 million (US\$806,754 thousand)

v) Purpose

Funds for the acquisition of shares of Aicuris Anti-infective Cures AG, etc., and payment of related expenses

vi) Interest rate

Benchmark rate + spread

vii) Date of borrowing

April 14, 2026

viii) Expiration of agreement

March 31, 2027, etc.

ix) Collateral

None

x) Guarantee

None

xi) Financial covenants

None

(c) Reconfiguration of certain derivatives operations at the Mizushima Works to strengthen profitability by fiscal 2030

i) Outline

The Board of Directors of Asahi Kasei adopted a resolution on May 12, 2026, regarding the reconfiguration of certain derivatives operations at the company's Mizushima Works by fiscal 2030, as shown in the table below.

1) Products with production to be discontinued targeting fiscal 2030

Product	Applications	Schedule for discontinuation of production	Schedule for cessation of sales
Styrene monomer	Resin feedstock, etc.		
Suntec™-LD and Suntec™-EVA low-density polyethylene (LDPE)	Various films, packaging materials, sundry goods, etc.	Targeting fiscal 2030	TBD (sale continuing for some time)
Suntec™-HD and Creolex™ high-density polyethylene (HDPE)			

2) Products for the supply framework to be reconfigured

Product	Applications	Scope of reconfiguration
Acrylonitrile (AN)	Resin feedstock, etc.	Targeting fiscal 2030, the 200,000 ton/year production line at the Mizushima Works will be discontinued, and the 50,000 ton/year MAN (methacrylonitrile) production line will be converted to AN/MAN co-production. AN supply will continue together with AN produced by Tongsuh Petrochemical Corp., Ltd., a subsidiary in South Korea.
Duranol™ polycarbonate diol (PCD)	Polyurethane feedstock for synthetic leather, etc.	Targeting fiscal 2030, production at the Mizushima Plant (around 3,000 tons/year) will be discontinued, while supply will be continued through production by Asahi Kasei Performance Chemicals Corp., a subsidiary in China, etc.

3) Net sales of subject businesses (year ended March 31, 2026)

¥116,174 million (US\$726,542 thousand)

(total gross sales of relevant products, including internal transactions)

4) Significant impact of the reconfiguration of certain derivatives operations at the Mizushima Works on business operations, etc.

The 251 employees currently assigned to the affected operations will be reassigned to other positions within Asahi Kasei. The equipment will be promptly dismantled following discontinuation of production. As dismantling of equipment is expected to be performed in fiscal 2030 or later, costs will be incurred in accordance with progress.

(d) Litigation concerning piling business

Regarding the litigation seeking damages filed by Mitsui Fudosan Residential Co., Ltd. on November 28, 2017, the Tokyo District Court rendered a judgment on June 17, 2026, ordering Asahi Kasei Construction Materials Corporation to pay the plaintiff an amount of ¥1,396 million (US\$8,730 thousand), together with applicable interest, of which ¥1,344 million (US\$8,405 thousand) and the related interest are to be paid jointly and severally with Sumitomo Mitsui Construction Co., Ltd. and Hitachi High-Tech Corporation. The background of this litigation is described in the note “Notes to Consolidated Balance Sheets (d) Contingent liabilities ii) Litigation.”.

23. Borrowings

(a) Bonds payable at March 31, 2026 and 2025, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Unsecured 0.21% yen bonds due in September 6, 2029	¥20,000	¥20,000	\$125,078
Unsecured 0.12% yen bonds (Green Bond) due in June 19, 2025	—	10,000	—
Unsecured 0.28% yen bonds due in June 19, 2030	20,000	20,000	125,078
Unsecured 0.09% yen bonds due in December 9, 2026	20,000	20,000	125,078
Unsecured 0.24% yen bonds due in December 9, 2031	20,000	20,000	125,078
Unsecured 0.23% yen bonds due in December 5, 2025	—	10,000	—
Unsecured 0.41% yen bonds due in December 7, 2027	20,000	20,000	125,078
Unsecured 0.67% yen bonds due in December 7, 2032	20,000	20,000	125,078
Unsecured 0.40% yen bonds due in December 4, 2026	10,000	10,000	62,539
Unsecured 0.55% yen bonds (Green Bond) due in December 5, 2028	20,000	20,000	125,078
Unsecured 0.87% yen bonds due in December 5, 2030	10,000	10,000	62,539
Unsecured 1.23% yen bonds due in December 5, 2033	20,000	20,000	125,078
Unsecured 0.84% yen bonds due in December 3, 2027	20,000	20,000	125,078
Unsecured 0.95% yen bonds due in December 3, 2029	20,000	20,000	125,078
Unsecured 1.07% yen bonds due in December 3, 2031	30,000	30,000	187,617
Unsecured 1.40% yen bonds due in December 1, 2034	30,000	30,000	187,617
Total	¥280,000	¥300,000	\$1,751,094

Note1) The current portion of bonds payable is recorded under current liabilities on the consolidated balance sheets.

Note2) The aggregate annual maturities of long-term debt after March 31, 2026, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2027	¥30,000	\$187,617
2028	40,000	250,156
2029	20,000	125,078
2030	40,000	250,156
2031	30,000	187,617
2032 and thereafter	120,000	750,469
Total	¥280,000	\$1,751,094

(b) Loans payable at March 31, 2026 and 2025, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2026	2025	2026
Short-term loans payable with an interest rate of 4.18%	¥37,358	¥139,431	\$233,634
Current portion of long-term loans payable with an interest rate of 0.59%	62,567	63,819	391,288
Current portion of lease obligations with an interest rate of 4.30%	9,333	8,049	58,368
Long-term loans payable (except portion due within one year) with an interest rate of 0.93%	587,618	567,209	3,674,909
Lease obligations (except portion due within one year) with an interest rate of 4.65%	34,344	29,538	214,784
Commercial paper (portion due within one year)	—	87,000	—
Total	¥731,221	¥895,044	\$4,572,989

Note1). Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2026.

Note2) The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2026, are as follows:

Year ending March 31	Long-term loans payable		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2028	¥61,455	\$384,334	¥7,172	\$44,853
2029	73,235	458,005	5,708	35,697
2030	70,842	443,039	4,089	25,572
2031	63,886	399,537	3,293	20,594
2032 and thereafter	318,200	1,989,994	14,081	88,061

24. Supplementary schedule of asset retirement obligations

As the amounts of asset retirement obligations on April 1, 2025, and March 31, 2026, were 1% or less of the combined totals of liabilities and net assets on the respective dates, preparation of a supplementary schedule of asset retirement obligations is omitted in accordance with paragraph 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.



Independent Auditor's Report

To the Board of Directors of Asahi Kasei Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Asahi Kasei Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2026, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Group as at March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to audits of financial statements of public interest entities in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

1. As described in Note 22 "Subsequent events" (a), Veloxis Pharmaceuticals, Inc., a consolidated subsidiary of Asahi Kasei Corporation, acquired all shares of Aicuris Anti-infective Cures AG on April 17, 2026, making it a wholly owned subsidiary.
2. As described in Note 22 "Subsequent events" (b), Asahi Kasei Corporation executed borrowings on April 14, 2026 to finance the acquisition of all shares of Aicuris Anti-infective Cures AG.

Our opinion is not modified in respect of these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Assessment of the necessity of recognition of impairment loss on fixed assets of Asahi Kasei Battery Separator Corporation
 - Notes to Consolidated Financial Statements 3. Significant accounting estimates (a) Examination of impairment on fixed assets in Asahi Kasei Battery Separator Corporation

Key audit matter description	How our audit addressed the key audit matter
<p>Asahi Kasei Battery Separator Corporation (Asahi Kasei Battery Separator), a consolidated subsidiary in the separator business in the Material segment, recorded fixed assets of JPY 95,963 million (2.3% of the total consolidated assets) for the consolidated fiscal year ended March 31, 2026.</p> <p>Asahi Kasei Battery Separator identified an indicator of impairment as it recorded continuous operating losses due to the slowdown in growth of the electric vehicle market, which is the primary application for lithium-ion batteries. Asahi Kasei Battery Separator did not recognize any impairment losses in the current consolidated fiscal year since the total amount of undiscounted future cash flows exceeded the carrying amount of the assets.</p> <p>The undiscounted future cash flows are estimated based on figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. These figures include significant assumptions such as forecasts of sales volumes, sales prices, and cost of sales, based on future growth in the electric vehicle market and the battery market for energy storage systems, as well as expected orders from battery manufacturers associated with such market growth.</p> <p>Given that these assumptions contain a high degree of estimation uncertainty and that the selection of those assumptions involves management's subjective judgment, we determined that the assessment of the necessity of recognition of impairment loss on fixed assets of Asahi Kasei Battery Separator is a key audit matter.</p>	<p>In evaluating the assessment of the necessity of recognition of impairment loss on fixed assets of Asahi Kasei Battery Separator, we primarily performed the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of the internal controls related to the recognition of impairment losses on fixed assets, including the selection of assumptions for projected sales volumes, sales prices, cost of sales, and other relevant forecasts. • We verified the consistency between the business plan used for the estimation of the future cash flows and the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. • We evaluated the reasonableness of the estimation of the future cash flows, primarily by performing the following procedures with respect to the reasonableness of the business plan: <ul style="list-style-type: none"> - We inquired of management regarding significant assumptions included in the business plan, such as projected sales volumes, sales prices, and cost of sales, and examined the consistency of those assumptions with external information regarding the growth of the electric vehicle market and the battery market for energy storage systems, prospects for obtaining orders from battery manufacturers and others, indicative information from customers, and historical cost of sales data. - We compared the historical business plans to actual results, and where actual results fell short of the business plans, evaluated the reasons for such shortfalls and assessed whether they had been appropriately reflected in the formulation of the business plan for the following and subsequent consolidated fiscal years.

Assessment of the necessity of recognition of impairment loss on fixed assets of Polypore International, LLC - Notes to Consolidated Financial Statements 3. Significant accounting estimates (b) Examination of impairment on fixed assets in Polypore International, LLC	
Key audit matter description	How our audit addressed the key audit matter
<p>Polypore International, LLC (Polypore), a consolidated subsidiary in the separator business in the Material segment, recorded fixed assets of JPY 29,705 million (0.7% of the total consolidated assets) for the consolidated fiscal year ended March 31, 2026.</p> <p>Although Polypore transferred its Daramic® business for lead-acid battery separators in the current consolidated fiscal year, Polypore identified an indicator of impairment for its dry-process lithium-ion battery separators as it recorded continuous operating losses due to sluggish sales for applications in eco-friendly vehicles other than hybrid vehicles and energy storage systems. Polypore did not recognize any impairment losses in the current consolidated fiscal year since the total amount of undiscounted future cash flows exceeded the carrying amount of the assets.</p> <p>The undiscounted future cash flows are estimated based on figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. These figures include significant assumptions such as future sales forecasts, which take into account plans for capturing demand for lithium-ion batteries for hybrid vehicles, uninterruptible power supplies for data centers, and energy storage systems using lithium iron phosphate cathodes.</p> <p>Given that these assumptions contain a high degree of estimation uncertainty and that the selection of those assumptions involves management's subjective judgment, we determined that the assessment of the necessity of recognition of impairment loss on fixed assets of Polypore is a key audit matter.</p>	<p>In evaluating the assessment of the necessity of recognition of impairment loss on fixed assets of Polypore, we primarily performed the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of the internal controls related to the recognition of impairment losses on fixed assets, including the selection of assumptions such as future sales forecasts. • We verified the consistency between the business plan used for the estimation of the future cash flows and the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. • We evaluated the reasonableness of the estimation of the future cash flows, primarily by performing the following procedures with respect to the reasonableness of the business plan: <ul style="list-style-type: none"> - We inquired of management regarding assumptions included in the business plan, such as sales forecasts and examined the consistency of those assumptions with indicative information from customers and demand forecasts for eco-friendly vehicles published by third-party organizations. - We compared the historical business plans to actual results, and where actual results fell short of the business plans, evaluated the reasons for such shortfalls and assessed whether they had been appropriately reflected in the formulation of the business plan for the following and subsequent consolidated fiscal years.

Assessment of the necessity of recognition of impairment loss on fixed assets including goodwill recognized from the acquisition of Bionova Scientific, LLC - Notes to Consolidated Financial Statements 3. Significant accounting estimates (c) Examination of impairment on fixed assets including goodwill recognized on acquisition of Bionova Scientific, LLC	
Key audit matter description	How our audit addressed the key audit matter
<p>Bionova Scientific, LLC (Bionova), a consolidated subsidiary engaged in the contract development and manufacturing service business for biopharmaceuticals in the Healthcare segment, recorded fixed assets including goodwill recognized from the acquisition of JPY 53,108 million (1.3% of the total consolidated assets) for the consolidated fiscal year ended March 31, 2026.</p> <p>Bionova identified an indicator of impairment as it recorded continuous operating losses, mainly due to sluggish demand resulting from decreased funding inflows to biotech ventures. Bionova did not recognize any impairment losses at the end of the current consolidated fiscal year since the total amount of undiscounted future cash flows exceeded the carrying amount of the assets.</p> <p>The undiscounted future cash flows are estimated based on figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. These figures include significant assumptions regarding sales growth due to acquisition of future customer pipeline, increases in the number of contracts for development and manufacturing of biopharmaceutical, and the start of manufacturing of plasmid, considering the growth potential of the business of Bionova.</p> <p>Given that these assumptions contain a high degree of estimation uncertainty and that the selection of those assumptions involves management's subjective judgment, we determined that the assessment of the necessity of recognition of impairment loss on fixed assets including goodwill recognized from the acquisition of Bionova is a key audit matter.</p>	<p>In evaluating the assessment of the necessity of recognition of impairment loss on fixed assets including goodwill recognized from the acquisition of Bionova, we primarily performed the following audit procedures:</p> <ul style="list-style-type: none"> • We evaluated the design and operating effectiveness of the internal controls related to the recognition of impairment losses on fixed assets including goodwill, including the selection of assumptions such as increases in future sales forecast. • We verified the consistency between the business plan used for the estimation of the future cash flows and the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. • We evaluated the reasonableness of the estimation of the future cash flows, primarily by performing the following procedures with respect to the reasonableness of Group's management plan: <ul style="list-style-type: none"> - We inquired of management regarding assumptions included in the business plan, such as increases in sales and examined the consistency of those assumptions with the future customer pipeline. - We examined relevant evidence, including proposals, communication records with customers, and contracts, to review the validity of customer acquisition rate estimates for future customer pipeline. - We compared assumptions concerning sales growth resulting from an increase in biopharmaceutical development and manufacturing contracts and the commencement of plasmid production with market forecasts that formed the basis for the size and timing of market expansion and with market forecast data published by third-party organizations. - We compared the historical business plans to actual results, and where actual results fell short of the business plans, evaluated the reasons for such shortfalls and assessed whether they had been appropriately reflected in the formulation of the business plan for the following and subsequent consolidated fiscal years.

Other Information

The other information comprises the information included in the Detailed Consolidated Financial Statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as applicable, matters related to going concern.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2026 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-Related Information

In connection with our audit of the consolidated financial statements for the year ended March 31, 2026, the amounts of fees for the audit and the other services charged to Asahi Kasei Corporation and its controlled entities by PricewaterhouseCoopers Japan LLC and other PwC Network firms are JPY 1,365 million and JPY 178 million, respectively.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Kensuke Koda

Kensuke Koda
Designated Engagement Partner
Certified Public Accountant

Hideki Godai

Hideki Godai
Designated Engagement Partner
Certified Public Accountant

Masaki Nitta

Masaki Nitta
Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Japan LLC

June 24, 2026