Summary of Q&A at Financial Results Briefing for Q1 Fiscal 2026

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Asahi Kasei Corporation

Participants

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Healthcare

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Homes

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Material

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Questions and Answers

Corporate:

Q: Although you haven't revised your full-year forecast at this time, does it seem likely that earnings may exceed the forecast announced in May?

Horie: We plan to review the full-year forecast in detail at the time of the Q2 earnings announcement in November; however, given the income growth centered on First Priority businesses, operating income is likely to exceed the previous forecast of ¥248 billion, and performance is progressing extremely well.

Q: Among inventory accounts, “merchandise and finished goods” and “raw materials and supplies” have increased. Could you provide a breakdown by business and explain the reasons for these increases?

Otsubo: Regarding merchandise and finished goods, the balance increased by approximately ¥40 billion from the end of the previous fiscal year. Of this increase, Material accounted for slightly more than 50%, Homes for slightly less than 40%, and Healthcare for the remainder. The main factors were higher inventory values in Essential Chemical within Material due to rising naphtha prices, as well as an increase in inventory in the Australian business within Homes associated with expanded sales of ready-built homes.

Regarding raw materials and supplies, the main factors behind the increase were higher raw material costs resulting from rising naphtha prices in Essential Chemical and other businesses within Material, as well as a temporary inventory build-up in Critical Care within Healthcare.

Q: Inventory levels have been increasing. Could you comment on your efforts to prevent excess inventory accumulation?

Otsubo: We regularly monitor inventory levels using indicators such as months of inventory on hand to ensure that inventory remains at an appropriate level. While the value of inventory has recently increased due to higher raw material prices, we do not consider our inventory levels to be excessive.

Healthcare:

Pharmaceuticals & Life Science

Q: Could you explain the factors behind the ¥14.4 billion year-on-year increase in sales for Q1, including changes in licensing income from Tarpeyo IgA nephropathy treatment?

Nakano: Of the ¥14.4 billion increase in sales in Pharmaceuticals & Life Science, ¥11.5 billion came from Pharmaceuticals and ¥2.9 billion from Life Science.

In Pharmaceuticals, the main factors were greater shipments of Envarsus XR immunosuppressant and Tarpeyo, as well as increased royalty income from Tarpeyo, and the recognition of royalty income from Prevymis following the consolidation of Aicuris Anti-infective Cures AG.

The sales rights for Tarpeyo in China and Europe have been licensed out to partner companies, and royalty income increased year-on-year due to strong sales performance, particularly in China.

In Life Science, sales increased due to greater shipments of Planova virus removal filters and the positive effect of the weak yen.

Q: Sales of Tarpeyo for Q1, on a U.S. dollar basis, increased by 12% compared to the same period last year. The growth rate appears to be slowing. What are the factors behind this?

Nakano: In Q1 2025, sales were temporarily augmented by revenue that was postponed from Q4 2024 due to shipment timing factors. Excluding this, the underlying sales growth in Q1 was approximately 20% year-on-year, which is largely in line with our expectations.

Q: Have there been any changes to the previous forecast for Tarpeyo sales for FY 2026?

Nakano: In our previous forecast, we expected Tarpeyo sales to grow by 20–30% year-on-year on a U.S. dollar basis. Based on current conditions, however, we now expect growth to be in the high teens to around 20%. The lower growth outlook is primarily attributable to a temporary shortage of sales representatives in the U.S. caused by employee turnover in the field of nephrology and changes to our sales organization. As a result, growth in new patient prescriptions slowed in Q1, and we expect this impact to be reflected in sales from Q2 onward. That said, we have largely completed our hiring efforts and strengthened our sales organization, and we expect new patient prescriptions to recover from Q2 onward.

Sales of Tarpeyo have steadily expanded since we acquired it in September 2024, and have now reached a meaningful scale. We believe the product has entered a phase of more stable growth in FY 2026. As the competitive environment continues to evolve, we are working to further strengthen our commercial capabilities and optimize our sales organization to support continued growth. As part of these efforts, we are accelerating the integration of the commercial organizations of Veloxis Pharmaceuticals, Inc. and Calliditas Therapeutics AB. This will enable more efficient sales activities, expand our access to target physicians, and support further market penetration of our products.

While the sales growth rate is expected to moderate compared with FY 2025, we will continue our efforts to achieve approximately 20% growth in FY 2026.

Q: Has there been any change in your view of the impact of competing drugs on Tarpeyo sales?

Nakano: The revision to our full-year Tarpeyo sales outlook is primarily attributable to temporary factors associated with the optimization of our sales organization. The impact of competing drugs on sales remains limited and broadly in line with our expectations.

Since around February 2026, we have conducted several surveys of nephrologists who prescribe Tarpeyo to gauge their intentions regarding prescriptions going forward. The results indicate that Tarpeyo continues to be highly regarded as a first-line treatment, and its competitive position in the market remains largely unchanged. Accordingly, our view remains unchanged that Tarpeyo could reach its peak sales potential of $500 million sooner than originally anticipated at the time of the acquisition.

Q: What is the sales outlook for Envarsus XR in H1 of FY 2026? Also, have there been any changes to the full-year sales forecast compared with the previous forecast?

Nakano: In H1 of FY 2026 we expect Envarsus XR to have a year-on-year sales growth rate in the high teens on a U.S. dollar basis. There has been no change to our full-year outlook from the previous forecast. We continue to expect the CAGR from FY 2020 to FY 2026 to remain in the 20% range.

Q: Regarding Aicuris, could you comment on royalty income from Prevymis and the progress toward the launch of pritelivir? In addition, your previous forecast assumed an approximately ¥10 billion negative impact from the consolidation of Aicuris for the full year. Given that the impact in Q1 was negative ¥1.2 billion, has your full-year outlook changed?

Nakano: Sales of Prevymis, which has been licensed to Merck & Co., Inc., continue to perform well, and the royalty income we receive is tracking above the assumptions in our previous forecast.

With respect to pritelivir, discussions with the U.S. Food and Drug Administration (FDA) are progressing smoothly, and our expectation for a launch around Q3 of FY 2026 remains unchanged. While the outcome will depend on exchange rates, we expect pritelivir to contribute slightly less than ¥1 billion in sales during H2 of FY 2026.

Regarding the impact of the Aicuris consolidation on full-year results, we expect the negative impact to be smaller than previously forecast. Although R&D expenses are expected to increase as development of Aicuris's pipeline asset AIC468 progresses, our previous forecast had conservatively assumed amortization expenses related to goodwill and other intangible assets arising from the acquisition, as well as other SG&A expenses.

Critical Care

Q: Regarding ACT (defibrillators for professional use, AEDs, etc.), could you comment on the sales performance of Zenix, the new defibrillator for professional use launched in FY 2025?

Nakano: ACT sales increased 11% year-on-year in Q1 on a U.S. dollar basis. This growth was driven primarily by defibrillators for professional use, led by Zenix. Sales continue to perform strongly, and we expect this solid momentum to continue from Q2 onward.

Q: Could you comment on the recent performance of LifeVest, including progress in expanding the business outside the U.S.?

Nakano: CMS sales, including LifeVest, increased 11% year-on-year in Q1 on a U.S. dollar basis. Efforts to strengthen the management and operations of the LifeVest business since FY 2024 have been successful, resulting in increased volume both in the U.S. and internationally, while revenue per patient has also continued to grow steadily.

Outside the U.S., growth has been particularly strong in Germany, France, and Italy, and we aim to maintain this momentum from Q2 onward.

Q: Could you explain the factors behind the decline in ACT sales and the increase in CMS sales from Q4 to Q1?

Nakano: Regarding ACT, demand is typically strongest in Q4 due to seasonal factors. In addition, in FY 2025, sales in H2 were temporarily boosted by shipments that had been delayed due to issues surrounding the launch of a new logistics center in H1. As a result, sales declined from Q4 to Q1. Sales of defibrillators, led by Zenix, have remained solid, and we expect sales volumes to increase from Q2 onward.

Regarding CMS, sales increased from Q4 to Q1 as LifeVest volumes grew both in the U.S. and internationally. We expect this strong performance to continue from Q2 onward.

Homes:

Housing

Q: Orders in domestic order-built homes remained strong in Q1. What is driving this strong performance despite rising interest rates?

Sakai: The strong performance was driven by an increase in orders for large-scale projects, particularly multi-dwelling homes, reflecting our ongoing efforts to strengthen our corporate referrals. The sales team dedicated to corporate referrals established in FY 2025 has gained traction since the start of FY 2026, contributing to the increase in orders.

Q: Could you comment on the sustainability of the increase in average unit prices for unit homes, as well as your future pricing strategy and customer response to price increases?

Sakai: Regarding unit homes, our area-specific strategy of offering products tailored to the needs of both urban and suburban markets has been successful, and we will continue to pursue our higher value-added strategy.

With regard to price increases, based on the current order situation, we believe customers fully recognize the value of our high-value-added homes. However, given the potential impact of rising costs associated with developments in the Middle East situation, we will continue to monitor the situation closely and consider appropriate measures to avoid any adverse impact on orders.

Q: Regarding development, you have been working to strengthen your land purchasing capabilities. Given trends in condominium prices, could you comment on your future strategy?

Sakai: While we expect the operating environment to become more challenging in light of recent interest rate increases and trends in condominium prices, we have not seen any significant impact so far, partly because we focus our operations on carefully selected geographic areas. Our commitment remains unchanged. We will continue to strengthen our land purchasing capabilities while expanding the business as a growth area for the future.

Q: Regarding Overseas Homes, was the operating loss in Q1 primarily attributable to the North American business? Also, could you comment on the measures being taken to restore profitability and your assessment of impairment risk?

Sakai: The operating loss in Q1 was primarily attributable to the North American business. Lower housing demand led to lower volume of work and lower pricing, resulting in a year-on-year decline in profitability and an operating loss. In contrast, the Australian business remained profitable, with volume of work increasing alongside a gradual recovery in housing demand.

In the North American business, the operating environment remains challenging amid a period of weak demand. However, we are continuing to implement rigorous cost reduction measures and pursue new customer acquisition initiatives. Through these efforts, we aim to improve profitability and position the business to return to profitability quickly once demand recovers.

We believe the North American business has strong medium- to long-term demand potential and will continue to grow steadily. Accordingly, we do not perceive a high risk of impairment at this time.

Material:

General

Q: Regarding the impact of the Middle East situation described on p. 4 of the presentation material, how much of a positive impact did inventory valuation have on earnings in Q1 compared with the same period last year? Also, could you provide a breakdown between Essential Chemical and Performance Chemical?

Takahashi: Inventory valuation, including inventory variance, had a positive impact of slightly more than ¥20 billion in Q1 compared with the same period last year. Approximately 90% of this impact was attributable to Essential Chemical.

On the other hand, we expect inventory valuation to have a negative impact of approximately ¥10 billion year-on-year in Q2. For H1 as a whole, we expect a positive impact in the low ¥10 billion range. However, as we expect naphtha prices to decline further in H2, the positive impact from inventory valuation is expected to narrow further on a full-year basis.

Q: Could you explain the factors behind the changes in operating income for each business of Material from Q1 to Q2? In addition, while operating income in Electronics is expected to decline, is there potential for results to exceed expectations given current demand trends?

Takahashi: From Q1 to Q2, we expect operating income to decline across all businesses due to factors including the anticipated appreciation of the yen and a seasonal increase in fixed costs. The key factors affecting earnings by business are as follows.

In Electronics, demand for electronic materials, particularly for AI-related applications, is expected to remain strong. However, shipments of camera module ICs are projected to decline due to lower smartphone production resulting from memory shortages. Demand for electronic materials, especially in AI-related applications, has often exceeded our expectations recently. We will continue to closely monitor market trends and capitalize on business opportunities as they arise.

In Car Interior, we expect sales volumes in Europe to decline due to seasonal factors.

In Energy & Infrastructure, we expect solid performance despite lower plant sales in the ion-exchange membrane business.

In Comfort Life, we expect a decline in reaction to the temporary surge in demand for consumables in Q1 related to the Middle East situation.

In Performance Chemical and Essential Chemical, we expect a negative impact of inventory valuation associated with the decline in naphtha prices.

Q: Has there been any temporary demand buildup in any of the Material businesses as a result of rising raw material prices?

Takahashi: In consumables within Comfort Life, we saw an increase in demand in April and May that appeared to be temporary in nature. However, the impact was not significant from the perspective of Material as a whole. No significant impact has been observed in other businesses.

In addition, we have not seen any significant decline in demand resulting from rising raw material prices.

Electronics

Q: What were the year-on-year sales growth rates for your mainstay products in Q1?

Hashimoto: Sales of Pimel increased by approximately 30% year-on-year, while glass fabric and dry film photoresist each grew by approximately 20%. In contrast, sales of camera module ICs declined by a single-digit percentage year-on-year due to lower smartphone sales resulting from memory shortages.

Q: Could you provide an update on the progress toward the commercialization of quartz glass fabric and low-CTE (low thermal expansion) glass fabric?

Hashimoto: Development of both quartz glass fabric and low-CTE glass fabric is progressing smoothly. There has been no change to our schedule of obtaining customer qualification during FY 2026 and beginning to make a meaningful contribution to sales from FY 2027 onward.

Q: Is there further room to increase glass fabric prices?

Hashimoto: Our high value-added strategy is progressing as planned, and the sales mix of next generation glass fabric is gradually expanding. In addition to changes in the product mix, we expect average selling prices to gradually improve reflecting higher raw material costs.

Energy & Infrastructure

Q: What were the factors behind the year-on-year decline in operating income in Q1? To what extent was the divestiture of the lead battery separator business a factor? In addition, how has the change in the application mix affected operating income?

Kaneko: The year-on-year decline in operating income in Q1 was attributable to separators, and one of the main factors was the divestiture of the lead battery separator business. In the Hipore business, sales volumes for ESS applications increased significantly. However, profit growth was limited because the application mix shifted toward ESS applications, which have different profitability characteristics from consumer electronics and automotive applications. In addition, higher fixed costs associated with increased production capacity utilization to support sales growth also weighed on earnings.

The shift in the application mix is progressing in line with the assumptions in our previous forecast. For the full year, we expect sales volumes to increase not only for ESS applications but also for automotive applications. As a result, we expect operating income to remain at roughly the same level as the previous year, while EBITDA is expected to improve.

Q: ESS applications for Hipore wet-process LIB separators saw a significant increase in sales volume in Q1. By how much did sales volume increase compared with the same period last year? In addition, which applications, such as grid-connected energy storage systems and data center-related applications, are driving this growth?

Kaneko: Sales volume for ESS applications in Q1 increased by more than tenfold compared with the same period last year. The primary driver of this growth was sales for grid-connected energy storage systems, a market we began serving in Q4 of FY 2025. Demand for grid-connected energy storage systems is increasing due to rising electricity demand driven by the expansion of generative AI and data centers, as well as the growing adoption of renewable energy. We expect sales in this application to remain strong from Q2 onward.

In addition, sales for BBUs (battery backup units) used to protect data centers from momentary power interruptions are also increasing, and we expect sales volumes in this application to continue growing steadily.

Q: Is there potential for increased sales of Hipore coated separators for ESS applications?

Kaneko: To improve profitability, we are exploring opportunities to expand sales of coated separators for ESS applications as well.

Q: What is the current sales situation for automotive applications? Demand appears to be recovering in the European market. Has this had any impact on your business?

Kaneko: While the overall market, particularly in Europe, is showing signs of a recovery in EV demand, our sales have recently been somewhat soft due to the timing and status of the programs in which our products have been adopted. In addition, because our separator business primarily targets the North American market, we have not benefited significantly from the recovery in demand in the European market.