Summary of Q&A at Financial Results Briefing for Q2 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: Regarding the annual dividend forecast of ¥48 per share, an increase of ¥6 from the previous fiscal year, what is the rationale behind the increase, and what is your current stance on share buybacks?

Horie: We decided to raise the dividend forecast with the aim of achieving as early as possible DOE (dividends on equity) of 3%, which is set as the benchmark in our current mid-term management plan. Our stance on share buybacks remains unchanged. We will continue to consider and implement share buybacks flexibly, taking into account factors such as optimal capital structure, investment projects, cash flow, and share price conditions.

Q: The projected ROE for FY 2026 is 8.3%, representing only a limited improvement from the previous fiscal year. How do you plan to improve ROE going forward?

Horie: We believe that growth in net income is the most important factor in improving ROE, and we will further enhance profitability through income growth across our businesses. We will also seek to maintain an appropriate level of shareholders' equity by enhancing shareholder returns, including through flexible share buybacks. We recognize that the current level of ROE is not sufficient and will aim to improve it further.

Healthcare:

Pharmaceuticals & Life Science

Q: You are forecasting a ¥26.8 billion decrease in operating income in Pharmaceuticals & Life Science from H1 to H2. What are the main factors behind this decrease, including how in-licensing expenses are factored into the forecast?

Nakano: As is typically the case, we expect a seasonal decline in sales volume and an increase in SG&A expenses in H2. In addition, there are two major factors.

The first is an increase in R&D expenses associated with the progress of clinical trials in Pharmaceuticals. VEL-101, a next-generation immunosuppressant (indication: kidney transplantation), and AIC468 (indication: BK virus infection in kidney transplant patients), which we acquired through the acquisition of Aicuris Anti-infective Cures AG (Aicuris), have both advanced to Phase 2. We therefore expect R&D expenses for these programs to increase in H2.

The second is an increase in expenses associated with the launch of Hovilpri (generic name: pritelivir) from Aicuris by the end of 2026. Following its market launch, we will begin amortization of the intangible assets related to Hovilpri recognized through purchase price allocation (PPA) with the Aicuris acquisition, resulting in higher expenses in H2.

In addition, we are continuing our in-licensing activities to expand our pipeline, and depending on the progress of negotiations, expenses may be incurred in FY 2026. However, taking into account the consolidated income outlook, we will appropriately manage R&D expenses for Pharmaceuticals as a whole, including in-licensing expenses.

Q: Regarding the full-year sales forecast for Tarpeyo IgA nephropathy treatment, on a U.S. dollar basis, what year-on-year growth rate do you expect? Sales growth slowed in H1. Do you expect growth to recover in H2 and beyond?

Okajima: Sales for Tarpeyo are expected to grow at a single-digit rate year-on-year. The main factor behind the slowdown in sales growth in H1 was a temporary shortage of sales representatives. In addition to the reconfiguration of our sales organization in April 2026, increased employee turnover in the U.S., partly due to the successive launches of IgA nephropathy treatments, led to higher turnover among sales representatives from Q1 to Q2. Since acquiring new patients is critical to the continued growth of Tarpeyo sales, the shortage of sales representatives led to a decline in the number of new patients in some regions, which in turn slowed sales growth. The turnover rate has now normalized and the shortage has been filled, and the number of new patients is showing signs of recovery. However, we expect the impact of the lower number of new patients acquired in H1 to persist to some extent in H2.

From FY 2027 onward, however, we expect the benefits of the normalized sales organization to become more fully evident, leading to a renewed acceleration in sales growth.

Q: Has there been any change in your outlook for peak sales of Tarpeyo in light of recent sales performance?

Okajima: There has been no change to our target of over $500 million in global peak sales assumed at the time of the acquisition, and we remain confident in achieving this target. Tarpeyo is relatively affordable and is the only oral treatment of its kind, and we believe it will continue to secure a certain position as an IgA nephropathy treatment. In addition, data on treatment beyond nine months and retreatment are expected to be released, and we continue to expect further market expansion.

Q: Sales of Envarsus XR immunosuppressant were solid in H1. What is the sales outlook going forward?

Nakano: Prescriptions have continued to grow steadily, supported in part by the reconfiguration of our sales organization in April 2026. As anticipated at the time of the acquisition, the sales CAGR over both the past three and five years has remained in the 20% range, and we expect sales to continue to grow steadily.

Q: Regarding Hovilpri, which is scheduled to be launched by the end of 2026, how much contribution to earnings do you expect in H2?

Nakano: Hovilpri received approval from the U.S. Food and Drug Administration (FDA) in October 2026, and we are preparing for its launch by the end of 2026. However, its contribution to sales in FY 2026 is expected to be limited, at a single-digit million U.S. dollar level. Expectations among healthcare professionals are high, and we expect sales growth to accelerate from FY 2027 onward. Our outlook for peak sales of over $400 million from the mid-2030s onward, as assumed at the time of the acquisition, remains unchanged.

Q: How has the negative impact on operating income from the consolidation of Aicuris changed compared with the forecast you issued in May?

Nakano: The negative impact of the consolidation of Aicuris on operating income in FY 2026 is expected to be slightly greater than in the May forecast, mainly due to increased R&D expenses associated with AIC468 advancing to Phase 2 and increased SG&A expenses associated with the launch of Hovilpri.

Critical Care

Q: Regarding the full-year sales forecast for CMS, including LifeVest wearable defibrillators, on a dollar basis, what year-on-year growth rate do you expect?

Nakano: Performance in both the U.S. and Europe has exceeded initial expectations, and sales for CMS are expected to grow at a high single-digit rate compared with the previous fiscal year.

Q: How do you see the demand outlook for mainstay products in Critical Care?

Nakano: Zenix, a defibrillator for professional use launched in September 2025, continues to receive strong inquiries, and we expect demand to remain robust going forward.

LifeVest has also continued to grow at a high single-digit rate, with growth in Europe currently outpacing that in the U.S. Although the scale of our European business is still smaller than that in the U.S., discussions are underway in France regarding the expansion of indications for LifeVest and potential insurance reimbursement, which we believe offers further room for growth.

Homes:

Housing

Q: Regarding domestic order-built homes, operating income increased year-on-year in H1, but operating income is expected to decrease in H2. What are the reasons behind this, including the impact of higher material costs and the status of price increases?

Sakai: In H2, operating income is expected to decrease year-on-year due to higher material costs, including the impact related to the Middle East situation, and the concentration of fixed costs, reflecting in part a shift of expenses from H1. While we are appropriately adjusting prices in light of order trends, the contribution to FY 2026 earnings will be limited because there is a certain period between orders received and delivery.

Q: Regarding domestic order-built homes, how do you see the outlook for orders received in H2?

Sakai: Orders received in H1 were firm, driven by our strategy to secure larger and higher value-added units by strengthening corporate marketing. We expect this trend to continue into H2.

Q: Regarding Overseas Homes, operating income is expected to improve from H1 to H2. What are the trends in the North American and Australian businesses, and the reasons behind them?

Sakai: Operating income is expected to improve in H2 for the Australian business. This is because, in addition to an increase in the volume of order-built homes driven by strong orders received in FY 2025, we also plan to increase deliveries of ready-built homes in H2. On the other hand, we currently expect the North American business to recover in FY 2027 or later, while H2 operating income is expected to remain flat compared with H1.

Material:

General

Q: Could you explain the factors behind the changes in operating income for each business in Material from H1 to H2? In addition, to what extent does the impact of inventory valuation contribute to decreased operating income in Performance Chemical and Essential Chemical?

Takahashi: Electronics is expected to see increased operating income as strong sales of electronic materials centered on AI applications will more than offset the negative impact of seasonally lower sales in H2 and of increased SG&A expenses in electronic devices.

Car Interior is expected to see a slight decrease in operating income due to the impact of the stronger yen.

Energy & Infrastructure is expected to see increased operating income due to higher shipments of Hipore wet-process LIB separators for automotive applications, as well as steady sales in the ion-exchange membrane-process chlor-alkali electrolysis business.

Comfort Life is expected to see decreased operating income because Asahi Kasei Advance has been removed from consolidation in H2 due to business integration.

In Performance Chemical, while sales are expected to remain steady, operating income is expected to decrease due to the negative impact of inventory valuation and increased fixed costs. We see a decrease in operating income of ¥13.8 billion, of which approximately 40% is attributed to the impact of inventory valuation.

In Essential Chemical, while sales are expected to remain steady, operating income is expected to decrease due to the negative impact of inventory valuation and a deterioration in terms of trade. We see a decrease in operating income of ¥20.4 billion, of which more than half is attributed to the impact of inventory valuation.

For Others in Material, operating income is expected to increase due to changes in the elimination of unrealized profit on inventories in Material, etc.

Electronics

Q: Regarding Pimel photosensitive dielectric and glass fabric, what were the sales growth rates in H1, and the factors behind them?

Hashimoto: For Pimel, H1 sales increased year-on-year by approximately 40% as sales volume increased due to improved capacity utilization at the new plant, and sales prices were raised to reflect higher raw material costs. For glass fabric, H1 sales increased year-on-year by approximately 20% as the sales mix of next generation glass fabric gradually expanded and sales prices were raised.

Q: Could you explain the factors behind the significant upward revision to the full-year forecast from the forecast you issued in May?

Hashimoto: In addition to the effect of the weak yen, sales of both Pimel and glass fabric have exceeded the May forecast, centered on AI applications. Regarding glass fabric, the upward revision was driven by the fact that we had taken a conservative view in the May forecast due to the product mix transition, as well as progress in raising sales prices.

Q: Given the strong sales of Pimel, is there a possibility of further capacity expansion?

Hashimoto: The new plant, which began operations in December 2024, is steadily increasing production volume toward full capacity in FY 2027. Furthermore, preparations are currently underway for the additional capacity expansion decided in FY 2025, targeting a commercial start-up in H1 of FY 2028. To meet growing demand, we will continue to explore various options going forward.

Q: Could you provide an update on the progress toward the commercialization of quartz glass fabric and low-CTE (low coefficient of 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: There are various views on the growth potential of AI-related businesses. Will this affect the growth strategy in Electronics?

Hashimoto: At this point, there is no impact on our growth strategy. Demand from customers remains very strong, and we expect this momentum to continue in FY 2027 and beyond.

Performance Chemical and Essential Chemical

Q: For both Performance Chemical and Essential Chemical, what were the factors behind the decline in operating income from Q1 to Q2? Also, what do you see as the income level for Q3?

Takahashi: In both Performance Chemical and Essential Chemical, when naphtha prices surged in Q1, the positive effect of inventory valuation was significant, and operating income decreased in Q2 as that effect did not recur. The overall operating climate did not change significantly.

We anticipate the naphtha price in H2 being ¥90,000 per kiloliter, reflecting a decline from H1. Consequently, we expect inventory valuation to have a negative impact, and the income level in Q3 is projected to be lower than that of Q2. However, since earnings fluctuate depending on naphtha prices and exchange rates, we will continue to monitor the situation closely.

Q: Regarding Performance Chemical and Essential Chemical, if naphtha prices remain high, is there a possibility that the H2 forecasts could be exceeded?

Takahashi: If naphtha prices remain above our H2 forecast assumptions, the negative impact of inventory valuation will diminish, and selling prices will likely remain at high levels, so there is a possibility that operating income may exceed current projections. However, we believe this will also depend on price negotiations with customers and exchange rates.

Note: The forecasts and estimates mentioned in this document are dependent on a variety of assumptions and economic conditions. Plans and figures depicting the future do not imply a guarantee of actual outcomes.