Detailed Consolidated Financial Statements

Years ended March 31, 2024 and 2023

ASAHI KASEI CORPORATION

Contents

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries

March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS:	2024	2023	2024
Current assets:			
Cash and deposits (Notes 9 and 11)	¥338,108	¥251,181	$2,234,243
Notes, accounts receivable - trade, and contract assets(Note 5(c))	485,941	442,692	3,211,135
Merchandise and finished goods	317,397	310,380	2,097,383
Work in process	171,645	162,255	1,134,243
Raw materials and supplies	189,794	169,918	1,254,173
Other	150,030	154,335	991,410
Allowance for doubtful accounts	(2,877)	(2,567)	(19,011)
Total current assets	1,650,037	1,488,195	10,903,568
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5(e))	669,119	663,642	4,421,589
Accumulated depreciation	(366,214)	(347,877)	(2,419,970)
Buildings and structures, net	302,906	315,765	2,001,626
Machinery, equipment and vehicles (Note 5(e))	1,621,333	1,611,495	10,713,890
Accumulated depreciation	(1,351,326)	(1,313,694)	(8,929,664)
Machinery, equipment and vehicles, net	270,007	297,801	1,784,227
Land (Note 5(e))	72,750	69,232	480,737
Lease assets (Note 10)	13,936	12,017	92,090
Accumulated depreciation	(7,010)	(6,457)	(46,323)
Lease assets, net	6,926	5,560	45,768
Construction in progress	132,051	120,299	872,603
Other (Note 5(e))	211,763	188,994	1,399,346
Accumulated depreciation	(143,113)	(125,950)	(945,701)
Other, net	68,650	63,045	453,644
Subtotal	853,289	871,701	5,638,598
Intangible assets			
Goodwill	360,676	348,561	2,383,374
Other	394,052	387,597	2,603,925
Subtotal	754,728	736,158	4,987,299
Investments and other assets			
Investment securities (Notes 5(a), (b), 11 and 12)	188,288	212,611	1,244,221
Long-term loans receivable (Note 11)	17,198	8,466	113,646
Long-term advance payments-trade (Note 5(f))	26,692	28,267	176,383
Net defined benefit asset	41,876	25,836	276,720
Deferred tax assets (Note 15)	84,557	45,916	558,759
Other	46,638	37,248	308,187
Allowance for doubtful accounts	(574)	(498)	(3,793)
Subtotal	404,676	357,846	2,674,129
Total noncurrent assets	2,012,693	1,965,705	13,300,026
Total assets	¥3,662,730	¥3,453,900	$24,203,595

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2024	2023	Thousands of U.S. dollars (Note 1) 2024
Liabilities:			
Current liabilities:			
Notes and accounts payable–trade (Note 11)	¥213,252	¥180,560	$1,409,185
Short-term loans payable (Notes 11 and 22)	178,091	196,032	1,176,839
Commercial paper (Notes 11 and 22)	83,000	124,000	548,470
Current portion of bonds payable	30,000	40,000	198,242
Lease obligations (Notes 10, 11 and 22)	7,815	6,766	51,642
Accrued expenses	151,577	147,163	1,001,632
Income taxes payable (Note 11)	17,827	17,491	117,802
Advances received	88,415	72,948	584,253
Provision for grant of shares	70	80	463
Provision for periodic repairs	4,805	8,410	31,752
Provision for product warranties	4,369	4,240	28,871
Provision for removal cost of property, plant and equipment	6,511	3,788	43,025
Other	128,838	110,683	851,371
Total current liabilities	914,572	912,163	6,043,560
Noncurrent liabilities:			
Bonds payable (Notes 11 and 22)	200,000	170,000	1,321,615
Long-term loans payable (Notes 11 and 22)	425,926	409,424	2,814,551
Lease obligations (Notes 10, 11 and 22)	30,729	28,526	203,060
Deferred tax liabilities (Note 15)	20,184	27,767	133,377
Provision for grant of shares	545	339	3,601
Provision for periodic repairs	7,924	4,309	52,362
Provision for removal cost of property, plant and equipment	15,843	15,910	104,692
Net defined benefit liability (Note 14)	133,434	128,708	881,742
Long-term guarantee deposits (Note 11)	23,295	22,703	153,935
Other	41,654	38,671	275,253
Total noncurrent liabilities	899,534	846,355	5,944,188
Total liabilities	1,814,106	1,758,517	11,987,749
Net assets:			
Shareholders’ equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,393,932,032 shares	103,389	103,389	683,202
Capital surplus	80,272	79,841	530,443
Retained earnings (Note 8(b) (ii))	1,135,533	1,141,690	7,503,687
Treasury stock	(7,316)	(7,426)	(48,345)
(2024— 7,761,893 shares, 2023—7,864,299 shares)			
Total shareholders’ equity	1,311,878	1,317,493	8,668,988
Accumulated other comprehensive income			
Net unrealized gain on other securities	51,269	52,310	338,789
Deferred gains (losses) on hedges	(14)	72	(93)
Foreign currency translation adjustment	417,391	265,022	2,758,151
Remeasurements of defined benefit plans	32,867	25,397	217,188
Total accumulated other comprehensive income	501,513	342,802	3,314,036
Non-controlling interests	35,234	35,087	232,829
Total net assets	1,848,625	1,695,382	12,215,853
Commitments and contingent liabilities (Notes 5(d) and 10)			
Total liabilities and net assets	¥3,662,730	¥3,453,900	$24,203,595

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries
Years Ended March 31, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net sales (Note 6(a),17, and 18)	¥2,784,878	¥2,726,485	$18,402,683
Cost of sales (Note 6(c))	1,968,909	1,952,709	13,010,698
Gross profit	815,969	773,776	5,391,984
Selling, general and administrative expenses (Note 6(b))	675,223	646,060	4,461,924
Operating income (Note 18)	140,746	127,716	930,060
Non-operating income:			
Interest income	7,684	3,896	50,776
Dividends income	3,504	4,021	23,155
Equity in earnings of affiliates	—	923	—
Other	6,504	5,210	42,979
Total non-operating income	17,693	14,050	116,917
Non-operating expenses:			
Interest expense	7,448	5,907	49,217
Equity in losses of affiliates (Note 6(d))	38,106	—	251,807
Other	22,766	14,959	150,439
Total non-operating expenses	68,320	20,867	451,464
Ordinary income	90,118	120,900	595,507
Extraordinary income:			
Gain on sales of investment securities	27,088	32,201	179,000
Gain on sales of noncurrent assets (Note 6(e))	527	729	3,482
Insurance income	15,346	8,814	101,408
Gain on business transfer	2,986	—	19,732
Settlement income	6,163	—	40,726
Total extraordinary income	52,110	41,744	344,347
Extraordinary loss:			
Loss on valuation of investment securities	1,773	2,805	11,716
Loss on disposal of noncurrent assets (Note 6(f))	8,044	12,517	53,155
Impairment loss (Note 6(g))	92,834	189,446	613,454
Loss on fire at plant facilities (Note 6(h))	—	7,092	—
Business structure improvement expenses (Notes 6(i))	10,733	13,326	70,924
Total extraordinary loss	113,385	225,186	749,257
Income (loss) before income taxes	28,843	(62,541)	190,597
Income taxes (Note 6(j) and 15) — current	31,984	56,118	211,353
Income taxes (Note 6(j) and 15) — deferred	(49,469)	(28,654)	(326,895)
Total income taxes	(17,484)	27,464	(115,536)
Net income (loss)	46,328	(90,005)	306,139
Net income (loss) attributable to non-controlling interests	2,522	1,942	16,666
Net income (loss) attributable to owners of the parent	¥43,806	¥(91,948)	$289,473

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Net income (loss)	¥46,328	¥(90,005)	$306,139
Other comprehensive income			
Net increase (decrease) in unrealized gain on other securities	(1,184)	(13,706)	(7,824)
Deferred gains (losses) on hedges	(86)	414	(568)
Foreign currency translation adjustment	151,830	95,352	1,003,304
Remeasurements of defined benefit plans	7,369	30,593	48,695
Share of other comprehensive income of affiliates accounted for using equity method	1,925	2,544	12,721
Total other comprehensive income (Note 7)	159,854	115,197	1,056,327
Comprehensive income	¥206,181	¥25,192	$1,362,460
Comprehensive income attributable to:			
Owners of the parent	¥202,517	¥22,825	$1,338,248
Non-controlling interests	3,665	2,367	24,219

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, 2024 and 2023

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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2023	¥103,389	¥79,841	¥1,141,690	¥(7,426)	¥1,317,493	¥52,310	¥72	¥265,022	¥25,397	¥342,802	¥35,087	¥1,695,382
Changes during the fiscal year												
Dividends from surplus			(49,962)		(49,962)							(49,962)
Net income (loss) attributable to owners of the parent			43,806		43,806							43,806
Purchase of treasury stock				(12)	(12)							(12)
Disposal of treasury stock		0		122	122							122
Change of scope of consolidation					–							–
Change of scope of equity method					–							–
Capital increase of consolidated subsidiaries		431			431							431
Net changes of items other than shareholders' equity						(1,042)	(86)	152,369	7,470	158,711	146	158,858
Total changes of items during the period	–	431	(6,157)	110	(5,615)	(1,042)	(86)	152,369	7,470	158,711	146	153,242
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

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2022	¥103,389	¥79,887	¥1,282,325	¥(6,219)	¥1,459,381	¥66,287	¥(341)	¥167,225	¥(5,142)	¥228,029	¥31,405	¥1,718,815
Changes during the fiscal year												
Dividends from surplus			(48,575)		(48,575)							(48,575)
Net income (loss) attributable to owners of the parent			(91,948)		(91,948)							(91,948)
Purchase of treasury stock				(1,414)	(1,414)							(1,414)
Disposal of treasury stock		0		208	208							208
Change of scope of consolidation			(139)		(139)							(139)
Change of scope of equity method			25		25							25
Capital increase of consolidated subsidiaries		(46)			(46)							(46)
Net changes of items other than shareholders' equity						(13,977)	414	97,798	30,538	114,773	3,682	118,455
Total changes of items during the period	—	(46)	(140,636)	(1,207)	(141,888)	(13,977)	414	97,798	30,538	114,773	3,682	(23,433)
Balance at March 31, 2023	¥103,389	¥79,841	¥1,141,690	¥(7,426)	¥1,317,493	¥52,310	¥72	¥265,022	¥25,397	¥342,802	¥35,087	¥1,695,382

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at March 31, 2023	$683,202	$527,595	$7,544,373	$(49,072)	$8,706,093	$345,668	$476	$1,751,285	$167,825	$2,265,261	$231,858	$11,203,212
Changes during the fiscal year												
Dividends from surplus			(330,153)		(330,153)							(330,153)
Net income (loss) attributable to owners of the parent			289,473		289,473							289,473
Purchase of treasury stock				(79)	(79)							(79)
Disposal of treasury stock		0		806	806							806
Change of scope of consolidation					—							—
Change of scope of equity method					—							—
Capital increase of consolidated subsidiaries		2,848			2,848							2,848
Net changes of items other than shareholders' equity						(6,886)	(568)	1,006,866	49,362	1,048,774	965	1,049,746
Total changes of items during the period	—	2,848	(40,686)	727	(37,104)	(6,886)	(568)	1,006,866	49,362	1,048,774	965	1,012,635
Balance at March 31, 2024	$683,202	$530,443	$7,503,687	$(48,345)	$8,668,988	$338,789	$(93)	$2,758,151	$217,188	$3,314,036	$232,829	$12,215,853

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, 2024 and 2023

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from operating activities:			
Income (loss) before income taxes	¥28,843	¥(62,541)	$190,597
Depreciation and amortization	152,593	140,013	1,008,346
Impairment loss	92,834	189,446	613,454
Amortization of goodwill	29,603	37,273	195,619
Increase (decrease) in provision for grant of shares	196	(279)	1,295
Increase (decrease) in provision for periodic repairs	11	2,585	73
Increase (decrease) in provision for product warranties	(9)	198	(59)
Increase (decrease) in provision for removal cost of property, plant and equipment	2,649	2,951	17,505
Increase (decrease) in net defined benefit liability	2,348	(5,838)	15,516
Interest and dividend income	(11,189)	(7,917)	(73,938)
Interest expense	7,448	5,907	49,217
Equity in (earnings) losses of affiliates	38,106	(923)	251,807
(Gain) loss on sales of investment securities	(27,088)	(32,201)	(179,000)
(Gain) loss on valuation of investment securities	1,773	2,805	11,716
(Gain) loss on sale of property, plant and equipment	(527)	(729)	(3,482)
(Gain) loss on disposal of noncurrent assets	8,044	12,517	53,155
(Gain) loss on business transfer	(2,986)	—	(19,732)
(Increase) decrease in notes, accounts receivable–trade, and contract assets	(19,087)	8,405	(126,128)
(Increase) decrease in inventories	(16,303)	(84,053)	(107,731)
Increase (decrease) in notes and accounts payable–trade	18,630	(7,949)	123,108
Increase (decrease) in accrued expenses	(2,416)	(5,167)	(15,965)
Increase (decrease) in advances received	14,979	8,040	98,982
Other, net	3,907	(8,982)	25,818
Subtotal	322,360	193,563	2,130,179
Interest and dividend income~~,~~ received	14,816	13,666	97,905
Interest expense paid	(7,042)	(5,859)	(46,534)
Income taxes (paid) refund	(34,834)	(110,565)	(230,186)
Net cash provided by (used in) operating activities	295,300	90,804	1,951,365
Cash flows from investing activities:			
Payments into time deposits	(4,218)	(5,209)	(27,873)
Proceeds from withdrawal of time deposits	3,115	3,702	20,584
Purchase of property, plant and equipment	(147,705)	(151,973)	(976,046)
Proceeds from sales of property, plant and equipment	1,183	7,796	7,817
Purchase of intangible assets	(24,249)	(20,185)	(160,239)
Purchase of investment securities	(10,576)	(7,352)	(69,887)
Proceeds from sales of investment securities	37,559	43,200	248,193
Purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 9(b))	—	(78,420)	—
Proceeds from business transfer (Note 9(c))	7,320	—	48,371
Payments of loans receivable	(13,887)	(6,661)	(91,766)
Collection of loans receivable	8,144	2,132	53,816
Other, net	715	(613)	4,725
Net cash provided by (used in) investing activities	¥(142,598)	¥(213,584)	$(942,298)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2024	2023	2024
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥(23,674)	¥(29,778)	$(156,440)
Increase (decrease) in commercial paper	(41,000)	11,000	(270,931)
Proceeds from long-term loans payable	65,500	209,648	432,829
Repayment of long-term loans payable	(54,499)	(75,461)	(360,133)
Proceeds from issuance of bonds payable	60,000	50,000	396,485
Redemption of bonds	(40,000)	—	(264,323)
Repayments of lease obligations	(9,274)	(3,665)	(61,283)
Purchase of treasury stock	(12)	(1,415)	(79)
Proceeds from disposal of treasury stock	122	208	806
Cash dividends paid	(49,962)	(48,575)	(330,153)
Proceeds from share issuance to non-controlling interests	—	1,499	—
Cash dividends paid to non-controlling interests	(1,132)	(1,371)	(7,480)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(166)	(163)	(1,097)
Other, net	(233)	(149)	(1,540)
Net cash provided by (used in) financing activities	(94,331)	111,780	(623,346)
Effect of exchange rate change on cash and cash equivalents	29,662	15,744	196,009
Net increase (decrease) in cash and cash equivalents	88,034	4,744	581,735
Cash and cash equivalents at beginning of year	247,903	242,948	1,638,162
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	—	212	—
Increase (decrease) in cash and cash equivalents resulting from corporate division	(2,439)	—	(16,117)
Cash and cash equivalents at end of year (Note 9(a))	¥333,498	¥247,903	$2,203,780

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. These translations should not be construed as representations that the Japanese yen amounts actually represent, have been, or could be converted into U.S. dollars. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥151.33 = US$1 prevailing on March 31, 2024, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 287 subsidiaries (285 subsidiaries at March 31, 2023, 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 Medical Co., Ltd., ZOLL Medical Corporation, and Veloxis Pharmaceuticals, Inc.). Material inter-company transactions and accounts have been eliminated.

Investments in unconsolidated subsidiaries and 20% to 50% owned companies in which the Company exercises significant influence are accounted for, with minor exceptions due to immateriality, using the equity method of accounting. There were 39 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2024 (43 at March 31, 2023), including Asahi Kasei Networks Corporation and Asahi Yukizai Corporation.

The financial results of certain subsidiaries with fiscal year ending December 31 are included in the consolidated financial statements. Material differences in inter-company transactions and accounts through to 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.

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 and 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 estimate 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 cost of property, plant and equipment is recorded based on estimated future removal cost 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 certain period (mainly 10 years) within the average remaining service period of employees at the time of accrual. Prior service costs are amortized using the straight-line method over a certain period (mainly 10 years) within the average remaining service period of employees at the time of accrual.

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 Material, Homes, and Health Care 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, in the case of domestic sale when there is a normal period between the time of shipment and the time of transfer of control of the product to the customer, revenue is recognized at the time of shipment. Regarding the undertaking of construction and the provision of services, in the case of performance obligations being satisfied by meeting conditions over a certain period of time, revenue is recognized over such period of time. 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 determined as the amount within the scope where there is a high probability that there will be no significant decrease from the consideration promised in a contract with the customer due to deduction by product return, discount, rebate, etc. As consideration for transactions are mainly collected within 1 year from fulfillment of performance obligations, no significant financing components are included.

(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. At March 31, 2024 and 2023, 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 market are stated at cost. In cases where any significant decline in the realizable value is assessed to be other than temporary, the cost of other securities is devalued by the impaired amount and is charged to 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 arise, except for derivatives that are designated as hedging instruments. Gains or losses arising from changes in fair value of these qualifying hedges are deferred as “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 when the swaps satisfy the requirements.

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 omitted because significant terms of hedging instruments and those of the items hedged are the same and the risk of changes in foreign exchange rates and cash flow would be entirely eliminated.

(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 used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

The Company has elected to file its return under the Group Tax Sharing System in Japan. Transactions subject to consumption taxes are recorded at amounts net of consumption taxes.

(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, and 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, 2024

(a) Recognition and measurement of impairment losses on fixed assets in the Material segment

i) The amount of impairment loss recorded for fixed assets and the book value of fixed assets at the end of the current fiscal year ended March 31, 2024

	Millions of yen	
	2024	
	Net book value (after recording impairment loss)	Impairment loss
Property, plant and equipment and Intangible assets (including goodwill)	¥672,294	¥92,389

	Thousands of U.S. dollars	
	2024	
	Net book value (after recording impairment loss)	Impairment loss
Property, plant and equipment and Intangible assets (including goodwill)	$4,442,569	$610,513

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

The Company identifies indicators of impairment in 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 recent years, the performance of the Material segment, particularly in the Basic Materials business, has been deteriorating, and the Company is restructuring the existing businesses based on a reassessment of our strategy under the "Strategic Restructuring Business" and a policy of "Fundamental business structure transform". There are businesses comprising asset groups recording continuous operating losses, and the Company has identified indicators of impairment losses in asset groups in the Material segment.

The Company determines that petrochemical chain businesses whose main raw materials are supplied internally sourcing from the naphtha cracker such as the petrochemical products business in the Environmental Solutions business and the synthetic resin business in the Mobility & Industrial business as a single asset group of general-purpose petrochemical and resin asset group. In the current fiscal year, the Company identified indicators of impairment in this asset group as a result of continuous operating losses due to decreases in sales volumes and market prices due to decreased demand, mainly in the Chinese market, and the expansion of production capacity of various petrochemical products, such as ethylene in China. As a result of the test to consider whether it is appropriate to recognize an impairment loss for the asset group, the Company identified and recorded an impairment loss of ¥58,381 million (US$385,786 thousand) in the current fiscal year as the total amount of undiscounted future cash flows was found to be less than the carrying amount of the fixed assets.

In addition, impairment losses were recorded in asset groups other than the general-purpose petrochemical and resin asset group such as the regenerated fiber business for which the impairment test concluded that impairment was necessary. As a result, the Company recorded a total impairment loss of ¥92,389 million (US$610,513 thousand) in the Material segment in the current fiscal year.

The future cash flows used to determine the recognition and measurement of impairment losses are based on business plans approved by the Board of Directors, which include assumptions that involve significant decisions by management, such as forecasts of sales volumes, sales prices and raw material prices based on the forecasts of the supply-demand balance of products. In addition, the discount rate used to estimate value in use ranges between 10% to 13.9% and is based on the weighted average cost of capital which reflects the time value of money and the risk of future cash flows diverging from their estimated value.

The assumptions used to recognize and measure 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) Recognition of impairment losses 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, 2024

	Millions of yen
	2024
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	¥67,611

	Thousands of U.S. dollars
	2024
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	$446,779

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

In the previous fiscal year, Polypore International, LLC (previously known as Polypore International, LP) recorded an impairment loss of ¥186,376 (US$1,231,587 thousand) million on goodwill and other intangible assets.

In the current fiscal year, Polypore International, LLC recorded continuous operating losses due to delays in improving production issues for dry-type separators for lithium-ion batteries, and weak demand for eco-friendly cars and energy storage systems (ESS) using ternary (NMC) cathodes. Although the Polypore International, LLC identified indicators of impairment in the asset group, they did not recognize any impairment losses since the total amount of the undiscounted future cash flows exceeded the carrying amount of the fixed assets.

Polypore International, LLC's undiscounted future cash flows are based on the business plan approved by the Board of Directors, which includes significant assumptions such as future sales forecasts based on the sales plan of sale volume increases in the lithium-ion battery market for hybrid vehicles where the advantages of dry separators like the high output and durability can be leveraged, and the energy storage systems (ESS) using lithium iron phosphate (LFP) cathodes in North America.

If there are changes in the assumptions, there may be effects on the recognition of impairment in the consolidated financial statements for the following fiscal year.

For the year ended March 31, 2023

(a) Measurement of impairment losses on fixed assets and including goodwill as it relates to the acquisition of Polypore International, LP

i) The amount of impairment loss recorded for fixed assets, including goodwill, recognized in the acquisition of Polypore International, LP and the book value of fixed assets for which impairment loss was examined at the end of the current fiscal year ended March 31, 2023

	Millions of yen	
	2023	
	Net book value (after recording impairment loss)	Impairment loss
Property, plant and equipment and Intangible assets (including goodwill)	¥63,284	¥186,376

The Company allocated aforementioned impairment loss to goodwill and other intangible assets, in ¥130,384 million and ¥55,992 million, respectively.

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

In the battery separator business, the Company has built a high reputation in the market and fulfilled its supply responsibilities while strengthening its technological and product development capabilities for Hipore, a wet-process separator for lithium-ion batteries. In the year ended March 31, 2016, the Company acquired Polypore International, LP in the U.S. and added Celgard, a dry-process separator for lithium-ion batteries, and Daramic, a separator for lead-acid batteries, to the battery separator business. As a result, the Company is the only separator manufacturer with both wet-process and dry-process separators for lithium-ion batteries and separators for lead-acid batteries. As the market for eco-friendly cars is growing, there is rapidly evolving technology and increased competition among battery products with alternative uses. The Company has been trying to realize these synergies with the acquisition of Polypore International, LP through developed battery separators that respond to changes in the eco-friendly cars market with a broad product lineup and diverse supply channels. The Company established the Separator business unit for managing these battery separators. Since the Separator business unit was responsible for the integrated operation of management strategies, investment decisions, and management oversight including revenue management, the Company evaluated fixed assets, including goodwill as it relates to the acquisition of Polypore International, LP, within the separator business as an asset grouping unit.

However, given that the policy trends in each country regarding the market for eco-friendly cars and differentiation between wet-process and dry-process lithium-ion batteries became clear, the situation in which the cash flows from each product are mutually complementary has decreased year by year. Under these circumstances, the following major changes in the economic environment during the current fiscal year, the expansion of the market for lithium-ion batteries in North America has changed trends in the market for eco-friendly cars, the corresponding strategy for each business and the related operating activities.

・In addition to the successive shift to EV in the Chinese and European markets for eco-friendly cars, it has become clear in the U.S. that the Inflation Reduction Act, which was enacted in August 2022, will shift to EV, and in North America, the establishment of a supply chain for high-capacity lithium-ion batteries is expected to accelerate. This is a large business opportunity for Hipore, a wet-process separator for lithium-ion batteries, which is one of the operations that the Company aims to contribute to a sustainable society from the perspective of realizing a carbon neutral and sustainable world.

・Regarding Celgard, a dry-process separator for lithium-ion batteries that was supposed to become a core product for lithium-ion battery separators for EV at the time of the acquisition of Polypore International, LP, as a market that differs from the aforementioned EV applications using high-capacity lithium-ion batteries, the Company will focus on adopting lithium-ion batteries that use the positive electrodes of ferrous iron LFP for energy storage systems (ESS), as represented by the strategic alliance with American Battery Factory announced in August 2022, and lithium-ion batteries for hybrid vehicles that can leverage the characteristics of products such as high output and high durability

In light of this, at the Board of Directors' meeting held on March 8, 2023, the Company revised its business strategy for the separator business to focus on Hipore, a wet-process separator for lithium-ion batteries, mainly in the North American market, and focus on the market for eco-friendly car batteries, such as electric vehicles (EV) equipped with highly sought after high-capacity batteries. In addition, the Company decided that the Hipore and Polypore businesses will be operated separately.

The Company changed the asset grouping units to Hipore and Polypore, triggered by the changes in the industry resulting in decreased synergies, and changes in management oversight of the business units due to changes in business strategy. Goodwill and other intangible assets related to the acquisition of Polypore International, LP are included in Polypore International, LP's asset grouping unit.

Future business plans for Polypore International, LP in response to modifications in business strategy reflect sales strategies in markets that have applications other than EV, such as lithium-ion batteries that use positive electrodes for ferrous sulfate (LFP) and lithium-ion batteries for hybrid vehicles. On the other hand, it is difficult to expand the sales of separators for EV that were anticipated at the time of the acquisition of Polypore International, LP. Accordingly, in addition to changes in the business environment, such as increased regulations surrounding the eco-friendly cars market, the Company has determined that changes in the business strategy in Polypore International, LP significantly reduce the recoverable amount and identified this as an impairment indicator in the asset grouping unit which includes goodwill and other intangible assets related to the acquisition of Polypore International, LP.

As a result of the impairment trigger, the Company measured the fair value of the asset group and recorded an impairment loss of JPY186,376 million for goodwill and other intangible assets. Value in use is used as the recoverable amount in measuring impairment losses. To measure the impairment loss and the recoverable amount, the Company used the value in use method. Value in use is calculated as the present value of future cash flows and includes key assumptions such as future sales forecasts, operating margins and discount rates estimated by considering information on external factors of companies such as the business environment and sales strategies. Future sales forecasts and operating margins are estimated by considering information about the company's external factors, such as the business environment, and sales strategies. Polypore International, LP's future business strategy is reflected in these estimates. The Company also applied a discount rate of 14.5%, which reflects both the time value of money and the risk that future cash flows deviate from their estimated values in the pre-tax weighted average cost of capital.

The business environment for the battery separator business, which is primarily focused on the eco-friendly cars market, has changed significantly, and the key assumptions used in accounting estimates, such as future sales forecasts and operating margins and discount rates, are subject to a high degree of uncertainty in the estimates, and if conditions under the assumptions deteriorate, additional impairment losses may be recognized.

4. Changes in significant accounting policies

(a) Accounting Standards issued but not yet applied

i) The Practical Solution No.46, the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules

The ASBJ issued the “Practical Solution on the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules” (the Practical Solution No.46). The method of accounting treatment, disclosure, and notes for current income taxes related to the Global Minimum Tax Rules in the quarterly/interim/annual consolidated and annual non-consolidated financial statements has been determined. The Company will apply the practical solution from the beginning of the year ending March 31, 2025. 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, 2024, foreign exchange loss and costs associated with idle portion of facilities, both of which had previously been reported separately, each became 10% or less of total non-operating expenses, and are included in others under non-operating expenses. The consolidated statements of income for the year ended March 31, 2023, have been adjusted accordingly, resulting in foreign exchange loss of ¥2,287 million and costs associated with idle portion of facilities of ¥3,300 million 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, 2024 and 2023, amounted to ¥83,919 million (US$554,543 thousand) and ¥101,867 million, respectively. Included in those amounts are investments in joint ventures of ¥36,322 million (US$240,019 thousand) and ¥58,077 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2024 and 2023, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Pledged assets:			
Machinery, equipment and vehicles	¥749	799	$4,949
Total pledged assets	¥749	¥799	$4,949
Secured debt:			
Short-term loans payable	249	179	1,645
Long-term loans payable	500	620	3,304
Total secured debt	¥749	¥799	$4,949

Besides the above, cash and deposits pledged as collateral for bank guarantees at March 31, 2024 and 2023, were ¥114 million (US$753 thousand) and ¥71 million, respectively. Investment securities pledged to suppliers as transaction guarantees at March 31, 2024 and 2023, were ¥56 million (US$370 thousand) and ¥42 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 at March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Notes receivable-trade	¥20,662	¥20,887	$136,536
Accounts receivable-trade	423,172	377,606	2,796,352
Contract assets	37,084	41,060	245,054

(d) Contingent liabilities

Contingent liabilities at March 31, 2024 and 2023, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Loans guaranteed	¥37,347	¥48,610	$246,792
of which, the amount owed by other companies in joint guarantees	*¥1,272*	*¥699*	*$8,405*
Total	¥37,347	¥48,610	$246,792

(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, 2024 and 2023, were ¥23,407 million (US$154,675 thousand) and ¥21,948 million, respectively.

The breakdown of reduced-value entries as of March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Buildings and structures	¥5,219	¥5,343	$34,488
Machinery, equipment and vehicles	17,896	16,312	118,258
Land	167	167	1,104
Other	125	126	826
Total	¥23,407	¥21,948	$154,675

(f) Notes maturing on March 31, 2024

Although financial institutions in Japan were closed on March 31, 2024, and notes maturing on that date were actually settled on the following business day, April 1, 2024, those were accounted for as if settled on March 31, 2024.

The breakdown of those notes at March 31, 2024 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Notes and accounts receivable-trade	¥1,832	¥―	$12,106
Notes and accounts payable-trade	653	―	4,315

(g) 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. Advance payments have been made for a part of it 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 17. “Revenue recognition”.

(b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Salaries and benefits	¥276,025	¥249,075	$1,823,994
Research and development(*)	73,353	74,034	484,722
Outsourcing fee	69,098	62,616	456,605

(*) The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2024 and 2023, were ¥106,597 million (US$704,401 thousand) and ¥105,027 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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
	¥(1,872)	¥5,559	$(12,370)

(d) Equity in losses of affiliates

On the consolidated financial statements for the year ended March 31, 2024, ¥41,663 million (US$275,312 thousand) was recorded as equity in losses of affiliates under non-operating expenses as an effect of the recording of an impairment loss in relation to noncurrent assets 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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Land	¥163	¥162	$1,077
Machinery	112	482	740
Other	252	86	1,665

(f) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2024 and 2023, 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, 2024 and 2023, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2024	2023	2024	
Equipment related to asset group for general-purpose petrochemicals and resins (*)	Machinery and equipment, etc.	Kurashiki, Okayama, etc.	¥58,381	¥—	$385,786	Impairment loss
Equipment for manufacturing regenerated fiber	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	12,230	—	80,817	Impairment loss
Goodwill etc. related to gas sensor business	Goodwill and other intangible assets	Delsbo, Sweden, etc.	3,983	—	26,320	Impairment loss
Production facility for synthetic fibers	Machinery and equipment, etc.	Moriyama, Shiga, etc.	3,519	—	23,254	Impairment loss
Production facility for nonwoven fabrics	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	2,755	—	18,205	Impairment loss
Production facility for chemical intermediates	Machinery and equipment, etc.	Hyuga, Miyazaki, etc.	2,481	—	16,395	Impairment loss
Production facility for foamed products	Machinery and equipment, etc.	Suzuka, Mie, etc.	2,144	—	14,168	Impairment loss
Production facility for plastic raw materials	Construction in progress, etc.	Ulsan, Korea	2,124	—	14,036	Impairment loss
Production facility for synthetic fibers	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	1,701	—	11,240	Impairment loss
Production facility for plastic raw materials	Construction in progress	Kuala Lumpur, Malaysia	1,403	—	9,271	Impairment loss
Power generation facility	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	584	—	3,859	Impairment loss
Office and R&D facility	Buildings and structures, etc.	Oita, Oita	451	—	2,980	Impairment loss
Others	—	—	1,641	—	10,844	Impairment loss and business structure improvement expenses
Goodwill, Customer-related assets and others related to Polypore	Goodwill and other intangible assets	North Carolina, U.S.A	—	186,376	—	Impairment loss
Production facility for plastic containers	Buildings, etc.	Ota, Gunma, etc.	—	2,337	—	Business structure improvement expenses
Production facility for AAC	Machinery and equipment, etc.	Iwakuni, Yamaguchi, etc.	—	2,105	—	Business structure improvement expenses

Office assets	Buildings	Chiyoda-ku, Tokyo	—	1,004	—	Impairment loss
Thermal power generation facility	Machinery and equipment, etc.	Nobeoka, Miyazaki	—	622	—	Impairment loss
R&D facility	Tools, furniture, and fixtures, etc.	North Rhine-Westphalia, Germany	—	433	—	Impairment loss
Processing test facility for fiber products	Machinery and equipment, etc.	Echizen, Fukui	—	407	—	Impairment loss
Production facility for nonwoven fabrics	Machinery and equipment, etc.	Moriyama, Shiga	—	176	—	Impairment loss
Systems related to new business	Other intangible assets	Chiyoda-ku, Tokyo, etc.	—	175	—	Impairment loss
Others	Machinery and equipment, etc.	Sarushima, Ibaraki, etc.	—	270	—	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 Environmental Solutions business and synthetic resins and other raw materials of Mobility & Industrial 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, part of equipment for manufacturing regenerated fiber, goodwill etc. related to gas sensor business, production facility for synthetic fibers (Moriyama, Shiga, and Nobeoka, Miyazaki, etc.), production facility for nonwoven fabrics, production facility for chemical, and production facility for foamed products 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 10.0 to 13.9%, 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 production facilities for plastic raw materials (Ulsan, Korea and Kuala Lumpur, Malaysia), part of equipment for manufacturing regenerated fiber, power generation facility, and office and R&D facility were reduced to zero due to the lack of prospects for future use. Among the extraordinary losses under Others, ¥564 million (US$3,727 thousand) and ¥16 million were recorded under business structure improvement expenses for the years ended March 2024 and 2023, respectively.

(h) Loss on fire at plant facilities
For the year ended March 31, 2024: None

For the year ended March 31, 2023
Loss on fire at plant facilities was recorded for the year ended March 31, 2023 due to a fire that occurred on April 9, 2022, at the Bemberg manufacturing plant of the Company.

(i) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Impairment of fixed assets	¥564	¥4,459	$3,727
Additional payment of retirement benefits due to application of early retirement, etc.	1,314	982	8,683
Loss on disposal and devaluation of inventory and others	8,855	7,885	58,515

(j) Income taxes-current and income taxes-deferred

The parent company transferred all shares of consolidated subsidiary Asahi Kasei Energy Storage Materials, Inc. (AKESM) to consolidated subsidiary Asahi Kasei Holdings US, Inc. In relation to the transfer of shares, total income taxes decreased by ¥66,351 million (US$438,452 thousand) for the year ended March 31, 2024, as deductible temporary difference related to investment in AKESM in the previous year has been included in deductible expenses for tax purposes.

7. Notes to Consolidated Statements of Comprehensive Income

Recycling adjustment and tax effects on other comprehensive income for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net unrealized gain on other securities			
Changes during the fiscal year	¥22,668	¥6,743	$149,792
Recycling adjustment	(24,464)	(26,546)	(161,660)
Pre-tax effect	(1,797)	(19,803)	(11,875)
Tax effect	613	6,097	4,051
Net unrealized gain on other securities	(1,184)	(13,706)	(7,824)
Deferred gains (losses) on hedges			
Changes during the fiscal year	(385)	(576)	(2,544)
Recycling adjustment	263	1,157	1,738
Pre-tax effect	(122)	581	(806)
Tax effect	36	(167)	238
Deferred gains (losses) on hedges	(86)	414	(568)
Foreign currency translation adjustment			
Changes during the fiscal year	155,657	95,390	1,028,593
Recycling adjustment	(3,827)	(38)	(25,289)
Foreign currency translation adjustment	151,830	95,352	1,003,304
Remeasurements of defined benefit plans			
Changes during the fiscal year	13,300	41,525	87,887
Recycling adjustment	(2,608)	2,338	(17,234)
Pre-tax effect	10,692	43,863	70,654
Tax effect	(3,323)	(13,270)	(21,959)
Remeasurements of defined benefit plans	7,369	30,593	48,695
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	2,397	2,544	15,840
Recycling adjustment	(472)	―	(3,119)
Share of other comprehensive income of affiliates accounted for using equity method	1,925	2,544	12,721
Total other comprehensive income	¥159,854	¥115,197	$1,056,327

Note) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16. "Business combinations".

8. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2024

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

	Thousands of shares			
	Number of shares as of March 31, 2023	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, 2024
Issued and outstanding shares				
Common stock	1,393,932	—	—	1,393,932
Total	1,393,932	—	—	1,393,932
Treasury stock				
Common stock (*1,2,3)	7,864	12	114	7,762
Total	7,864	12	114	7,762

(*1) The increase of 12 thousand shares in common stock of treasury stock was primarily attributable to the purchase of 12 thousand shares in quantities of less than one share unit.

(*2) The decrease of 114 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 114 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, 2024, includes 1,662 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 10, 2023.

Dividends for common stock

Total dividends	¥24,981 million (US$165,076 thousand)
Dividend per share	¥18.00 (US$0.12)
Date of record	March 31, 2023
Payment date	June 5, 2023

Note) Total dividends includes ¥32 million (US$211 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 7, 2023.

Dividends for common stock

Total dividends	¥24,981 million (US$165,076 thousand)
Dividend per share	¥18.00 (US$0.12)
Date of record	September 30, 2023
Payment date	December 4, 2023

Note) Total dividends includes ¥30 million (US$198 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 9, 2024.

Dividends for common stock

Total dividends	¥24,981 million (US$165,076 thousand)
Source of dividends	Retained earnings
Dividend per share	¥18.00 (US$0.12)
Date of record	March 31, 2024
Payment date	June 3, 2024

Note) Total dividends includes ¥30 million (US$198 thousand) for shares held by the trust for granting shares to Directors, etc.

For the year ended March 31, 2023

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

	Thousands of shares			
	Number of shares as of March 31, 2022	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, 2023
Issued and outstanding shares				
Common stock	1,393,932	—	—	1,393,932
Total	1,393,932	—	—	1,393,932
Treasury stock				
Common stock (*1,2,3)	6,641	1,390	167	7,864
Total	6,641	1,390	167	7,864

(*1) The increase of 1,390 thousand shares in common stock of treasury stock was primarily attributable to the purchase of 1,381 thousand shares by the trust for granting shares to Directors, etc., and the purchase of 9 thousand shares in quantities of less than one share unit.

(*2) The decrease of 167 thousand shares in common stock of treasury stock was primarily attributable to the disposal of 167 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, 2023, includes 1,776 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 13, 2022.

Dividends for common stock

Total dividends	¥23,593 million
Dividend per share	¥17.00
Date of record	March 31, 2022
Payment date	June 2, 2022

Note) Total dividends includes ¥10 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 9, 2022.

Dividends for common stock

Total dividends	¥24,981 million
Dividend per share	¥18.00
Date of record	September 30, 2022
Payment date	December 2, 2022

Note) Total dividends includes ¥7 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 10, 2023.

Dividends for common stock

Total dividends	¥24,981 million
Source of dividends	Retained earnings
Dividend per share	¥18.00
Date of record	March 31, 2023
Payment date	June 5, 2023

Note) Total dividends includes ¥32 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, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Cash and deposits	¥338,108	¥251,181	$2,234,243
Time deposits with deposit term of over 3 months	(4,610)	(3,278)	(30,463)
Cash and cash equivalents	¥333,498	¥247,903	$2,203,780

(b) Assets and liabilities of newly consolidated subsidiaries through acquisition of shares

For the year ended March 31, 2023

Assets and liabilities of acquired companies (Bionova Holdings, Inc. and 1 consolidated subsidiary) and net cash outflow for such acquisition is as follows:

	Millions of yen
Current assets	¥1,543
Noncurrent assets	13,246
Goodwill	35,455
Current liabilities	(1,491)
Noncurrent liabilities	(3,056)
Foreign currency translation adjustment	(2,816)
Acquisition cost of shares	42,882
Cash and cash equivalents	(341)
Net cash used for acquisition	¥42,541

Assets and liabilities of acquired companies (Focus Plumbing LLC and 5 consolidated subsidiaries) and net cash outflow for such acquisition is as follows:

	Millions of yen
Current assets	¥9,620
Noncurrent assets	23,132
Goodwill	12,806
Current liabilities	(9,375)
Acquisition cost of shares	36,183
Cash and cash equivalents	(303)
Net cash used for acquisition	¥35,879

Note) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations"

(c) Assets and liabilities decreased through business transfer

For the year ended March 31, 2024

Decrease in assets and liabilities due to the transfer of photomask pellicles business and net cash inflow for such transfer is as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,333	$22,025
Noncurrent assets	1,509	9,972
Current liabilities	(384)	(2,538)
Noncurrent liabilities	(124)	(819)
Gain on business transfer	2,986	19,732
Consideration for transfer	7,320	48,371
Cash and cash equivalents	—	—
Proceeds from business transfer	¥7,320	$48,371

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 production facilities.

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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Due within one year	¥7,759	¥6,920	$51,272
Due after one year	27,779	8,009	183,566
Total	¥35,537	¥14,929	$234,831

11. Financial instruments

(a) Overview of financial instruments

i) Policy related to financial instruments

The Company raises long-term funds as required mainly for its planned capital expenditures by borrowing from banks, borrowing from life insurance companies, issuing bonds, etc. A portion of the surplus funds is invested only 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

As operating receivables, notes and accounts receivable–trade are exposed to credit risk of customers. As the business of the Company spans a wide range of fields, operating receivables are not excessively concentrated on specific customers, but the parent company and each consolidated subsidiary monitor and manage the credit condition of each customer.

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.

As operating liabilities, 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, 2024 and 2023, were as follows:

	Millions of yen		
	2024		
	Carrying amount(*1)	Fair value	Difference
Investment securities(*2)			
Investments in affiliates	¥20,089	¥35,406	¥15,317
Other securities	87,685	87,685	―
Long-term loans receivable	18,821	18,837	16
Total assets	126,595	141,928	15,333
Bonds payable	230,000	227,180	2,820
Long-term loans payable	479,304	474,057	5,247
Lease obligations	38,544	38,190	354
Long-term guarantee deposits	23,295	23,213	82
Total liabilities	771,143	762,641	8,502
Derivative financial instruments(*3)	¥(1,683)	¥(1,683)	¥―

	Millions of yen		
	2023		
	Carrying amount(*1)	Fair value	Difference
Investment securities(*2)			
Investments in affiliates	¥19,029	¥22,744	¥3,715
Other securities	93,312	93,312	-
Long-term loans receivable	9,347	9,360	13
Total assets	121,688	125,415	3,728
Bonds payable	210,000	207,162	2,838
Long-term loans payable	464,885	460,239	4,646
Lease obligations	35,292	34,987	304
Long-term guarantee deposits	22,703	22,722	(19)
Total liabilities	732,879	725,110	7,769
Derivative financial instruments(*3)	¥(732)	¥(732)	¥―

	Thousands of U.S. dollars		
	2024		
	Carrying Amount(*1)	Fair value	Difference
Investment securities(*2)			
Investments in affiliates	$132,750	$233,966	$101,216
Other securities	579,429	579,429	—
Long-term loans receivable	124,371	124,476	106
Total assets	836,549	937,871	101,322
Bonds payable	1,519,857	1,501,222	18,635
Long-term loans payable	3,167,277	3,132,604	34,673
Lease obligations	254,702	252,362	2,339
Long-term guarantee deposits	153,935	153,393	542
Total liabilities	5,095,771	5,039,589	56,182
Derivative financial instruments(*3)	$(11,121)	$(11,121)	$—

(*1) As their fair value approximates book value due to their short maturity, 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.

(*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
	2024	2023	2024
Equity investments in nonpublic companies	¥79,895	¥99,653	$527,952
Equity securities	¥618	¥618	$4,084

(*3) 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			
	2024			
	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	¥338,108	¥—	¥—	¥—
Notes receivable–trade	20,662	—	—	—
Accounts receivable-trade	428,194	—	—	—
Long-term loans receivable	1,623	16,269	929	—
Total	¥788,587	¥16,269	¥929	¥—

	Millions of yen			
	2023			
	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	¥251,181	¥—	¥—	¥—
Notes receivable–trade	20,887	—	—	—
Accounts receivable-trade	380,745	—	—	—
Long-term loans receivable	881	7,848	617	—
Total	¥653,694	¥7,848	¥617	¥—

	Thousands of U.S. dollars			
	2024			
	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	$2,234,243	$—	$—	$—
Notes receivable–trade	136,536	—	—	—
Accounts receivable-trade	2,829,538	—	—	—
Long-term loans receivable	10,725	107,507	6,139	—
Total	$5,211,042	$107,507	$6,139	$—

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					
	2024					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2025	¥124,714	¥83,000	¥30,000	¥53,378	¥7,815	¥298,907
2026	—	—	20,000	64,086	6,626	¥90,712
2027	—	—	30,000	63,182	5,094	¥98,276
2028	—	—	20,000	60,420	3,721	¥84,141
2029	—	—	20,000	45,616	3,763	¥69,379
2030 and thereafter	—	—	110,000	192,622	11,525	¥314,147

Year ending March 31	Millions of yen					
	2023					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2024	¥140,571	¥124,000	¥40,000	¥55,461	¥6,766	¥366,798
2025	—	—	30,000	51,864	5,754	¥87,618
2026	—	—	20,000	63,026	4,545	¥87,570
2027	—	—	20,000	62,054	3,844	¥85,898
2028	—	—	20,000	60,480	2,771	¥83,251
2029 and thereafter	—	—	80,000	172,000	11,612	¥263,612

Year ending March 31	Thousands of U.S dollars					
	2024					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2025	$824,119	$548,470	$198,242	$352,726	$51,642	$1,975,200
2026	—	—	132,162	423,485	43,785	$599,432
2027	—	—	198,242	417,511	33,662	$649,415
2028	—	—	132,162	399,260	24,589	$556,010
2029	—	—	132,162	301,434	24,866	$458,462
2030 and thereafter	—	—	726,888	1,272,861	76,158	$2,075,907

(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.

Cash is omitted from notes, 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 categories below as they are settled in a short period of time and their fair values are similar to their book values.

Fair value of financial assets and liabilities recorded on the consolidated balance sheets at March 31, 2024 and 2023, were as follows:

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥85,654	¥—	¥—	¥85,654
Convertible bonds	—	—	2,031	2,031
Long-term loans receivable	—	—	2,896	2,896
Total assets	¥85,654	¥—	¥4,927	¥90,582
Derivative financial instruments				
Currency-related	—	1,683	—	1,683
Total liabilities	¥—	¥1,683	¥—	¥1,683

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	¥93,146	¥—	¥166	¥93,312
Convertible bonds	—	—	—	—
Long-term loans receivable	—	—	1,029	1,029
Total assets	¥93,146	¥—	¥1,195	¥94,341
Derivative financial instruments				
Currency-related	—	732	—	732
Total liabilities	¥—	¥732	¥—	¥732

	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	$566,008	$—	$—	$566,008
Convertible bonds	—	—	13,421	13,421
Long-term loans receivable	—	—	19,137	19,137
Total assets	$566,008	$—	$32,558	$598,573
Derivative financial instruments				
Currency-related	—	11,121	—	11,121
Total liabilities	$—	$11,121	$—	$11,121

Fair value of financial assets and liabilities not recorded on the consolidated balance sheets at March 31, 2024 and 2023, were as follows:

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	¥35,406	¥—	¥—	¥35,406
Long-term loans receivable	—	—	15,941	15,941
Total assets	¥35,406	¥—	¥15,941	¥51,347
Bonds payable	—	227,180	—	227,180
Long-term loans payable	—	—	474,057	474,057
Lease obligations	—	—	38,190	38,190
Long-term guarantee deposits	—	—	23,213	23,213
Total liabilities	¥—	¥227,180	¥535,461	¥762,641

	Millions of yen			
	2023			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	¥22,744	¥—	¥—	¥22,744
Long-term loans receivable	—	—	8,331	8,331
Total assets	¥22,744	¥—	¥8,331	¥31,075
Bonds payable	—	207,162	—	207,162
Long-term loans payable	—	—	460,239	460,239
Lease obligations	—	—	34,987	34,987
Long-term guarantee deposits	—	—	22,722	22,722
Total liabilities	¥—	¥207,162	¥517,948	¥725,110

	Thousands of U.S. dollars			
	2024			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	$233,966	$—	$—	$233,966
Long-term loans receivable	—	—	105,339	105,339
Total assets	$233,966	$—	$105,339	$339,305
Bonds payable	—	1,501,222	—	1,501,222
Long-term loans payable	—	—	3,132,604	3,132,604
Lease obligations	—	—	252,362	252,362
Long-term guarantee deposits	—	—	153,393	153,393
Total liabilities	$—	$1,501,222	$3,538,366	$5,039,589

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 amount of the total 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 amount of the total 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 amount of 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 estimatable, 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, 2024 and 2023, were as follows:

		Millions of yen		
		2024		
		Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:				
	Equity securities	¥85,264	¥12,654	¥72,610
	Convertible bonds	2,031	1,943	88
	Subtotal	87,295	14,597	72,698
Securities with unrealized losses:				
	Equity securities	390	410	(20)
	Convertible bonds	0	415	(415)
	Subtotal	390	825	(435)
Total		¥87,685	¥15,422	¥72,263

For equity investments in nonpublic companies and equity securities, with a carrying amount of ¥79,895 million and ¥618 million, respectively, as of March 31, 2024, fair value is not included in the above table as no quoted market price is available.

		Millions of yen		
		2023		
		Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:				
	Equity securities	¥90,086	¥14,436	¥75,650
	Convertible bond	—	—	—
	Subtotal	90,086	14,436	75,650
Securities with unrealized losses:				
	Equity securities	3,225	3,631	(406)
	Convertible bonds	—	—	—
	Subtotal	3,225	3,631	(406)
Total		¥93,312	¥18,067	¥75,244

For equity investments in nonpublic companies and equity securities, with a carrying amount of ¥99,653 million and ¥618 million, respectively, as of March 31, 2023, fair value is not included in the above table as no quoted market price is available.

		Thousands of U.S. dollars		
		2024		
		Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:				
	Equity securities	$563,431	$83,619	$479,812
	Convertible bonds	13,421	12,839	582
	Subtotal	576,852	96,458	480,394
Securities with unrealized losses:				
	Equity securities	2,577	2,709	(132)
	Convertible bonds	0	2,742	(2,742)
	Subtotal	2,577	5,452	(2,875)
Total		$579,429	$101,910	$477,519

For equity investments in nonpublic companies and equity securities, with a carrying amount of $527,952 thousand and $4,084 thousand, respectively, as of March 31, 2024, fair value is not included in the above table 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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Selling amount	¥31,308	¥41,601	$206,886
Gain on sales of securities	26,088	32,131	172,391
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, 2024, was ¥1,773 million (US$11,716 thousand), which is the sum of ¥7 million (US$46 thousand) for equity securities of unconsolidated subsidiaries and affiliates, ¥1,739 million (US$11,491 thousand) for equity securities of other securities, and ¥27 million (US$178 thousand) for convertible bonds of other securities, etc. For the year ended March 31, 2023, it was ¥2,805 million, which was the sum of ¥2,467 million for equity securities of other securities and ¥338 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

		Millions of yen			
		2024			
Classification	Items	Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	¥37,017	¥—	¥(1,067)	¥(1,067)
	Euro	18,157	—	(490)	(490)
	Thai baht	2,098	—	(23)	(23)
	British pound	—	—	—	—
	Chinese yuan	6,666	—	(165)	(165)
	Buying				
	U.S. dollar	4,857	—	176	176
	Euro	91	—	2	2
	Chinese yuan	0	—	—	—
	Japanese yen	2,094	—	(4)	(4)
	British pound	3	—	0	0
	Total	¥70,984	¥—	¥(1,569)	¥(1,569)

Classification	Items	Millions of yen 2023 Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	¥37,708	¥—	¥(253)	¥(253)
	Euro	16,811	—	(460)	(460)
	Thai baht	1,323	—	(11)	(11)
	British pound	47	—	(2)	(2)
	Chinese yuan	3,391	—	(36)	(36)
	Buying				
	U.S. dollar	3,721	—	(28)	(28)
	Euro	71	—	2	2
	Chinese yuan	58	—	(3)	(3)
	Japanese yen	1,000	—	(33)	(33)
	British pound	—	—	—	—
	Total	¥64,131	¥—	¥(823)	¥(823)

Classification	Items	Thousands of U.S. dollars 2024 Amount of contract	Amount of contract over 1 year	Fair value	Profit (loss) from valuation
Off-market transactions	Forward exchange contracts				
	Selling				
	U.S. dollar	$244,611	$—	$(7,051)	$(7,051)
	Euro	119,983	—	(3,238)	(3,238)
	Thai baht	13,864	—	(152)	(152)
	British pound	—	—	—	—
	Chinese yuan	44,049	—	(1,090)	(1,090)
	Buying				
	U.S. dollar	32,095	—	1,163	1,163
	Euro	601	—	13	13
	Chinese yuan	0	—	—	—
	Japanese yen	13,837	—	(26)	(26)
	British pound	20	—	0	0
	Total	$469,068	$—	$(10,368)	$(10,368)

(b) Derivative financial instruments for which hedge accounting is applied

i) Forward exchange contracts

			Millions of yen		
			2024		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥2,520	¥—	¥(86)
	Euro	Accounts receivable–trade	853	—	(26)
	British pound	Accounts receivable–trade	2	—	(0)
	Chinese yuan	Accounts receivable–trade	—	—	—
	Buying				
	U.S. dollar	Accounts payable–trade	207	—	5
	Euro	Accounts payable–trade	0	—	(0)
	Japanese yen	Accounts payable–trade	486	—	(7)
	Chinese yuan	Accounts payable–trade	—	—	—
	Total		¥4,068	¥—	¥(114)

			Millions of yen		
			2023		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	¥3,079	¥248	¥96
	Euro	Accounts receivable–trade	236	—	(5)
	British pound	Accounts receivable–trade	2	—	(0)
	Chinese yuan	Accounts receivable–trade	12	—	0
	Buying				
	U.S. dollar	Accounts payable–trade	526	—	3
	Euro	Accounts payable–trade	1	—	0
	Japanese yen	Accounts payable–trade	299		(3)
	Chinese yuan	Accounts payable–trade	1		(0)
	Total		¥4,155	¥248	¥91

			Thousands of U.S. dollars		
			2024		
Classification	Items	Hedged assets/liabilities	Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	$16,652	$—	$(568)
	Euro	Accounts receivable–trade	5,637	—	(172)
	British pound	Accounts receivable–trade	13	—	(0)
	Chinese yuan	Accounts receivable–trade	—	—	—
	Buying				
	U.S. dollar	Accounts payable–trade	1,368	—	33
	Euro	Accounts payable–trade	0	—	(0)
	Japanese yen	Accounts payable–trade	3,212	—	(46)
	Chinese yuan	Accounts payable–trade	—	—	—
	Total		$26,882	$—	$(753)

ii) Interest-rate swaps

Classification	Items	Hedged assets/liabilities	Millions of yen 2024 Amount of contract	Millions of yen 2024 Amount of contract over 1 year	Millions of yen 2024 Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	¥25,133	¥12,567	(*)
	Total		¥25,133	¥12,567	¥－

(*) Fair value of interest-rate swaps for which special treatment is applied, is included in fair value of the corresponding long-term loans payable for which hedge accounting is applied.

Classification	Items	Hedged assets/liabilities	Millions of yen 2023 Amount of contract	Millions of yen 2023 Amount of contract over 1 year	Millions of yen 2023 Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	¥44,926	¥32,168	(*)
	Total		¥44,926	¥32,168	¥－

(*) Fair value of interest-rate swaps for which special treatment is applied, is included in fair value of the corresponding long-term loans payable for which hedge accounting is applied.

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2024 Amount of contract	Thousands of U.S. dollars 2024 Amount of contract over 1 year	Thousands of U.S. dollars 2024 Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	$166,081	$83,044	(*)
	Total		$166,081	$83,044	$－

(*) Fair value of interest-rate swaps for which special treatment is applied, is included in fair value of the corresponding long-term loans payable for which hedge accounting is applied.

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 expected defined benefit liability.

Reconciliations of beginning and ending balances of projected benefit obligations for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Beginning balance of the projected benefit obligations	¥354,926	¥409,425	$2,345,378
Service cost	12,321	15,197	81,418
Interest cost	3,369	747	22,263
Actuarial gains (losses)	420	(40,852)	2,775
Payment of retirement benefits	(13,418)	(21,727)	(88,667)
Prior service cost	－	(8,478)	－
Other	1,018	614	6,727
Ending balance of the projected benefit obligations	¥358,636	¥354,926	$2,369,894

Reconciliations of beginning and ending balances of plan assets for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Beginning balance of plan assets	¥252,054	¥258,537	$1,665,592
Expected return	6,326	6,455	41,803
Actuarial gains (losses)	13,720	(7,806)	90,663
Contributions	3,941	5,502	26,042
Payment of retirement benefits	(9,472)	(10,724)	(62,592)
Other	509	90	3,364
Ending balance of plan assets	¥267,078	¥252,054	$1,764,871

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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Projected benefit obligations of funded plans	¥226,345	¥226,790	$1,495,705
Plan assets	(267,078)	(252,054)	(1,764,871)
Subtotal	(40,733)	(25,264)	(269,167)
Projected benefit obligations of unfunded plans	132,291	128,136	874,189
Net of liability and asset that have been recorded in the consolidated balance sheets	91,558	102,872	605,022
Net defined benefit liability	133,434	128,708	881,742
Net defined benefit assets	(41,876)	(25,836)	(276,720)
Net of liability and asset that have been recorded in the consolidated balance sheets	¥91,558	¥102,872	$605,022

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Service cost (net of employee contributions)	¥12,318	¥15,018	$81,398
Interest cost	3,369	747	22,263
Expected return on plan assets	(6,326)	(6,455)	(41,803)
Amortization of actuarial gains (losses)	(1,601)	2,497	(10,580)
Amortization of prior service costs	(1,007)	(158)	(6,654)
Additional retirement benefits and other	3,215	2,176	21,245
Retirement benefit expenses of defined benefit plans	¥9,968	¥13,824	$65,869

The components of other comprehensive income on defined benefit plans for the years ended March 31, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Prior service costs	¥(1,007)	¥8,320	$(6,654)
Actuarial gains (losses)	11,699	35,543	77,308
Total	¥10,692	¥43,863	$70,654

Accumulated other comprehensive income on defined benefit plans at March 31, 2024 and 2023, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unrecognized prior service costs	¥(8,468)	¥(9,474)	$(55,957)
Unrecognized actuarial gains (losses)	(38,887)	(27,188)	(256,968)
Total	¥(47,355)	¥(36,663)	$(312,925)

Share by major classifications for plan assets at March 31, 2024 and 2023, was as follows:

	2024	2023
Bonds	33%	36%
Alternative investments	32%	27%
Stock	20%	19%
Life insurance	10%	11%
Cash and deposits	4%	6%
Other	0%	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, 2024 and 2023, were as follows:

	2024	2023
Discount rate	Mainly 0.9%	Mainly 0.9%
The long-term rate of expected return on plan assets	Mainly 2.5%	Mainly 2.5%
Expected rate of increase in salary	2.2–6.5%	2.0–6.5%

Required payments to defined contribution plans at March 31, 2024, amounted to ¥8,662 million (US$57,239 thousand), and at March 31, 2023, amounted to ¥7,524 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, 2024 and 2023, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Deferred tax assets:			
Tax loss carry forwards(*2)	¥92,477	¥30,586	$611,095
Impairment loss	33,372	6,844	220,525
Unrealized loss on share of subsidiaries and associates	31,447	31,447	207,804
Net defined benefit liability	27,395	30,829	181,028
Accrued bonuses	7,521	7,235	49,699
Loss on disposal of noncurrent assets	7,395	6,784	48,867
Unrealized gain on noncurrent assets and others	5,055	5,612	33,404
Foreign tax credit carry forwards	1,937	8,044	12,800
Other	58,010	45,656	383,334
Subtotal deferred tax assets	264,610	173,036	1,748,563
Valuation allowance for tax loss carryforwards(*2)	(37,300)	(13,308)	(246,481)
Valuation allowance for deductible temporary difference	(63,135)	(41,597)	(417,201)
Less: Valuation allowance(*1)	(100,436)	(54,906)	(663,689)
Total deferred tax assets	164,174	118,130	1,084,874
Deferred tax liabilities:			
Identified intangible assets during business combination	(44,176)	(42,919)	(291,918)
Unrealized gain on other securities	(21,893)	(23,095)	(144,671)
Depreciation—overseas subsidiaries	(10,774)	(10,209)	(71,195)
Deferred gain on property, plant and equipment	(8,525)	(8,623)	(56,334)
Other	(14,432)	(15,135)	(95,368)
Total deferred tax liabilities	(99,801)	(99,980)	(659,492)
Net deferred tax assets (liabilities)	¥64,372	¥18,150	$425,375

(*1) Increase in valuation allowance is mainly due to inclusion in deductible expenses of deductible temporary difference related to investment in AKESM (a consolidated subsidiary) and change in company classification defined in "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26).

(*2) Tax loss carryforwards and related deferred tax assets by period of expiration at March 31, 2024 and 2023, were as follows:

	Millions of yen 2024						
	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	Total
Tax loss carryforwards(*1)	¥548	¥544	¥802	¥294	¥659	¥89,631	¥92,477
Valuation allowance	(486)	(482)	(732)	(238)	(589)	(34,774)	(¥37,300)
Deferred tax assets	¥62	¥62	¥70	¥55	¥70	¥54,858	¥55,177 (*2)

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

(*2) Regarding tax loss carryforwards of ¥92,477 million (US$611,095 thousand), ¥55,177 million (US$364,614 thousand) is recorded as deferred tax assets. This is the amount judged to be recoverable based on future expected taxable income.

	Millions of yen 2023						
	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	Total
Tax loss carryforwards(*3)	¥344	¥597	¥571	¥649	¥208	¥28,217	¥30,586
Valuation allowance	(344)	(597)	(389)	(402)	(169)	(11,408)	(¥13,308)
Deferred tax assets	¥—	¥—	¥182	¥247	¥39	¥16,809	¥17,277 (*4)

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

(*4) Regarding tax loss carryforwards of ¥30,586 million (US$229,040 thousand), ¥17,277million (US$129,377 thousand) is recorded as deferred tax assets. This is the amount judged to be recoverable based on future expected taxable income.

	Thousands of U.S. dollars 2024						
	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	Total
Tax loss carryforwards	$3,621	$3,595	$5,300	$1,943	$4,355	$592,288	$611,095
Valuation allowance	(3,212)	(3,185)	(4,837)	(1,573)	(3,892)	(229,789)	$(246,481)
Deferred tax assets	$410	$410	$463	$363	$463	$362,506	$364,614

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2024 and 2023, was as follows:

	2024	2023
Statutory tax rate	30.6%	—
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	16.2	—
R&D expenses deductible from income taxes	(25.0)	—
Amortization of goodwill	31.4	—
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	40.5	—
Undistributed earnings (losses) of foreign subsidiaries	2.4	—
Difference of tax rates for foreign subsidiaries	(28.4)	—
Deductible temporary difference included in deductible expenses related to investment in consolidated subsidiary	(230.2)	—
Valuation allowance	104.7	—
Other	(2.7)	—
Effective income tax rate	(60.6%)	—

Note) For the year ended March 31, 2023, notes are omitted due to loss before income taxes.

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 photomask pellicles business

i) Outline of business separation

1) Name of company separated to

Mitsui Chemicals, Inc.

2) Nature of separated business

Operations related to manufacture, development, and sale of pellicles

3) Main reasons for the separation

As a result of successive discussions between Asahi Kasei and Mitsui Chemicals on the future prospects for both companies' pellicles business, from the perspectives of swift decision-making and business strengthening, the conclusion was reached that it would be best to transfer the business to Mitsui Chemicals and operate the FPD pellicles and LSI pellicles business as part of the robust structure of Mitsui Chemicals.

4) Date of business separation

July 1, 2023 (effective date of the separation and date of business transfer)

5) Outline of transaction including legal form

Absorption-type separation with Asahi Kasei as the separating company and Mitsui Chemicals as the succeeding company with consideration only in assets such as cash. Also, business transfer of operations of Asahi Kasei EMD Taiwan Corp. and Asahi Kasei E-materials Korea Inc. with consideration only in assets such as cash.

ii) Outline of accounting treatment

1) Amount of gain on transfer

Gain on business transfer ¥2,986 million (US$19,732 thousand)

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥3,333	$22,025
Noncurrent assets	1,509	9,972
Total assets	¥4,842	$31,996
Current liabilities	¥384	$2,538
Noncurrent liabilities	124	819
Total liabilities	¥508	$3,357

3) Accounting treatment

The difference between the consideration received for the transfer and the amount equivalent to shareholders equity related to the transfer is recognized as a gain on business transfer.

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 year ended March 31, 2024

Information is omitted due to immateriality.

(b) Finalization of provisional accounting treatment for business combination

At the close of the year ended March 31, 2023, provisional accounting treatment was applied to the business combination with Focus Plumbing LLC, Focus Framing, Door & Trim LLC, Focus Electric LLC, Focus Concrete, LLC, and Focus Fire Protection LLC, which was performed on October 31, 2022 (U.S. Eastern time). The accounting treatment was finalized during the year ended March 31, 2024.

Due to a review of purchase price allocation, the amount of customer-related assets has been changed to ¥17,082 million (US$112,879 thousand), trademarks to ¥2,595 million (US$17,148 thousand), and order backlog to ¥2,469 million (US$16,315 thousand), respectively. As a result, goodwill has been changed from the provisional amount of ¥34,952 million (US$230,965 thousand) to ¥12,806 million (US$84,623 thousand), a decrease of ¥22,146 million (US$146,342 thousand). Amortization periods are 20 years for goodwill (straight-line method), 13 years for customer-related assets, 19 years for trademarks, and 2 years for order backlog.

In the consolidated balance sheets for the year ended March 31, 2023, other under intangible assets increased by ¥18,902 million (US$124,906 thousand) and foreign currency translation adjustment increased by ¥9 million (US$59 thousand), while goodwill decreased by ¥19,529 million (US$129,049 thousand) and retained earnings decreased by ¥636 million (US$4,203 thousand). In the statements of income for the year ended on March 31, 2023, operating income and ordinary income decreased by ¥636 million (US$4,203 thousand), while loss before income taxes, net loss, and net loss attributable to owners of the parent each increased by ¥636 million (US$4,203 thousand).

17. Revenue recognition

(a) Revenue from contracts with customers

	Millions of yen					
	2024					
	Material	Homes	Health Care	Subtotal	Others (*1)	Total
Japan(*2)	¥491,015	¥701,644	¥109,484	¥1,302,144	¥13,685	¥1,315,828
United States	102,216	108,058	305,502	515,776	1,017	516,793
China	231,495	—	17,831	249,326	75	249,401
Others	437,003	144,703	120,969	702,674	182	702,856
Revenue from contracts with customers	¥1,261,729	¥954,405	¥553,786	¥2,769,920	¥14,958	¥2,784,878
Sales to external customers	¥1,261,729	¥954,405	¥553,786	¥2,769,920	¥14,958	¥2,784,878

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

(*2) Including revenue from leases of ¥133,819 million in the Homes segment.

	Millions of yen					
	2023					
	Material	Homes	Health Care	Subtotal	Others (*1)	Total
Japan	¥531,137	¥695,528	¥108,285	¥1,334,950	¥13,009	¥1,347,958
United States	108,987	82,334	263,586	454,908	804	455,712
China	222,996	—	18,887	241,883	78	241,960
Others	453,495	121,108	106,123	680,726	128	680,855
Revenue from contracts with customers(*2)	¥1,316,615	¥898,971	¥496,881	¥2,712,466	¥14,019	¥2,726,485
Sales to external customers	¥1,316,615	¥898,971	¥496,881	¥2,712,466	¥14,019	¥2,726,485

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

(*2) Including revenue from leases.

	Thousands of U.S. dollars					
	2024					
	Material	Homes	Health Care	Subtotal	Others (*1)	Total
Japan(*2)	$3,244,664	$4,636,516	$723,478	$8,604,665	$90,432	$8,695,090
United States	675,451	714,055	2,018,780	3,408,287	6,720	3,415,007
China	1,529,736	—	117,829	1,647,565	496	1,648,061
Others	2,887,749	956,208	799,372	4,643,323	1,203	4,644,525
Revenue from contracts with customers	$8,337,600	$6,306,780	$3,659,459	$18,303,839	$98,844	$18,402,683
Sales to external customers	$8,337,600	$6,306,780	$3,659,459	$18,303,839	$98,844	$18,402,683

(*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$884,286 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)Relationship between the fulfillment of performance obligations based on contracts with customers and the cash flow generated from the contracts, the amount of revenue expected to be recognized in subsequent fiscal years from contracts with customers and the timing, existing at March 31, 2024

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

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Receivables from contracts with customers (beginning balance)	¥398,493	¥393,864	$2,633,272
Receivables from contracts with customers (ending balance)	443,834	398,493	2,932,888
Contract assets (beginning balance)	41,060	35,840	271,328
Contract assets (ending balance)	37,084	41,060	245,054
Contract liabilities (beginning balance)	72,948	62,476	482,046
Contract liabilities (ending balance)	83,034	72,948	548,695

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, 2024 and 2023, the amount included in the beginning balance of contract liabilities were ¥72,948 million (US$482,046 thousand) and ¥62,476 million respectively. There is no significant change in the balance of contract assets and contract liabilities.

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. Applying the practical expedient regarding notes on transaction prices allocated to outstanding performance obligations, there are some contracts whose period was initially expected to be within one year which are not included in the scope of the note below.

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Within 1 year	¥272,100	¥253,225	$1,798,057
Over 1 year	125,257	106,780	827,708
Total	¥397,357	¥360,006	$2,625,765

18. 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 is organized under an operating holding company configuration with the operating holding company and core operating companies performing operations in three business sectors. The operating holding company and each core operating company lays out strategy and develops business activities in Japan and abroad.

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

Material segment

Environmental Solutions business

The Company manufactures, processes, and sells petrochemical products such as styrene, acrylonitrile, polyethylene, polystyrene, synthetic rubber, battery separator products such as lithium-ion battery separator and lead-acid battery separator, and membranes such as hollow-fiber membranes and ion-exchange membranes.

Mobility & Industrial business

The Company manufactures, processes, and sells fiber products such as fibers related to automotive, and performance polymer products such as synthetic rubber and engineering plastics, and coating materials.

Life Innovation business

The Company manufactures, processes, and sells electronic materials such as mixed-signal LSIs, Hall elements, and UVC LEDs, and consumable products such as fibers related to apparel and industrial, food wrapping film, plastic films and sheets, microcrystalline cellulose, explosives, and explosion-bonded metal clad.

Homes segment

Homes business

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

Health Care segment

Pharmaceuticals business

The Company manufactures and sells pharmaceuticals and diagnostic reagents.

Medical Care business

The Company manufactures and sells artificial kidneys, therapeutic apheresis devices, and virus removal filters, and operates biologics CRO businesses and biologics CDMO businesses.

Critical Care business

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

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.

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

	Millions of yen					
	2024					
	Material	Homes	Health Care	Subtotal	Others(*1)	Total
Sales:						
External customers	¥1,261,729	¥954,405	¥553,786	¥2,769,920	¥14,958	¥2,784,878
Intersegment	12,313	9,621	4	21,938	41,132	63,070
Total	1,274,042	964,026	553,790	2,791,858	56,090	2,847,948
Operating income	42,561	82,953	48,494	174,007	3,161	177,168
Assets	1,759,867	609,350	1,054,103	3,423,320	128,076	3,551,395
Other items:						
Depreciation and amortization(*2)	72,020	20,079	47,203	139,302	926	140,228
Amortization of goodwill	5,316	1,295	22,992	29,603	—	29,603
Investments in affiliates accounted for using equity method	46,983	4,932	1,290	53,206	23,344	76,550
Increase in property, plant and equipment, and intangible assets	111,464	25,786	32,186	169,436	1,113	170,550

(*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					
	2023					
	Material	Homes(*3)	Health Care	Subtotal(*3)	Others(*1)	Total(*3)
Sales:						
External customers	¥1,316,615	¥898,971	¥496,881	¥2,712,466	¥14,019	¥2,726,485
Intersegment	10,739	8,291	33	19,063	44,888	63,951
Total	1,327,354	907,262	496,914	2,731,530	58,906	2,790,436
Operating income	41,016	75,383	41,860	158,260	4,250	162,510
Assets	1,751,117	672,631	954,538	3,378,285	102,287	3,480,571
Other items:						
Depreciation and amortization(*2)	72,078	17,228	43,397	132,703	775	133,479
Amortization of goodwill	15,384	778	21,111	37,273	—	37,273
Investments in affiliates accounted for using equity method	66,560	5,242	2,502	74,305	22,553	96,858
Increase in property, plant and equipment, and intangible assets	106,494	25,685	25,106	157,285	645	157,930

(*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.

(*3) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations".

	Thousands of U.S. dollars					
	2024					
	Material	Homes	Health Care	Subtotal	Others(*1)	Total
Sales:						
External customers	$8,337,600	$6,306,780	$3,659,459	$18,303,839	$98,844	$18,402,683
Intersegment	81,365	63,576	26	144,968	271,803	416,771
Total	8,418,965	6,370,356	3,659,486	18,448,807	370,647	18,819,454
Operating income	281,246	548,160	320,452	1,149,851	20,888	1,170,739
Assets	11,629,333	4,026,631	6,965,592	22,621,556	846,336	23,467,885
Other items:						
Depreciation and amortization(*2)	475,914	132,684	311,921	920,518	6,119	926,637
Amortization of goodwill	35,129	8,557	151,933	195,619	—	195,619
Investments in affiliates accounted for using equity method	310,467	32,591	8,524	351,589	154,259	505,848
Increase in property, plant and equipment, and intangible assets	736,562	170,396	212,688	1,119,646	7,355	1,127,007

(*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
	2024	2023	2024
Total of reporting segments	¥2,791,858	¥2,731,530	$18,448,807
Net sales in “Others” category	56,090	58,906	370,647
Elimination of intersegment transactions	(63,070)	(63,951)	(416,771)
Net sales on consolidated statements of income	¥2,784,878	¥2,726,485	$18,402,683

Operating income	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total of reporting segments(*2)	¥174,007	¥158,260	$1,149,851
Operating income in “Others” category	3,161	4,250	20,888
Elimination of intersegment transactions	(21)	301	(139)
Corporate expenses, etc.(*1)	(36,401)	(35,095)	(240,541)
Operating income on consolidated statements of income(*2)	¥140,746	¥127,716	$930,060

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

(*2) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations".

Assets	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total of reporting segments(*2)	¥3,423,320	¥3,378,285	$22,621,556
Assets in “Others” category	128,076	102,287	846,336
Elimination of intersegment transactions	(417,696)	(519,877)	(2,760,167)
Corporate assets(*1)	529,031	493,205	3,495,877
Total assets on consolidated balance sheets(*2)	¥3,662,730	¥3,453,900	$24,203,595

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

(*2) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations".

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
	2024	2023	2024	2024	2023	2024	2024	2023	2024	2024	2023	2024
Depreciation and amortization (*2,3)	¥139,302	¥132,703	$920,518	¥926	¥775	$6,119	¥12,365	¥6,535	$81,709	¥152,593	¥140,013	$1,008,346
Amortization of goodwill (*3)	29,603	37,273	195,619	—	—	—	—	—	—	29,603	37,273	195,619
Investments in affiliates accounted for using equity method	53,206	74,305	351,589	23,344	22,553	154,259	—	—	—	76,550	96,858	505,848
Increase in property, plant and equipment, and intangible assets	169,436	157,285	1,119,646	1,113	645	7,355	13,162	16,943	86,975	183,712	174,873	1,213,983

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

(*2) Amortization of goodwill is not included.

(*3) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations".

(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				
2024					2024				
Japan	United States	China	Others	Total	Japan	United States	China	Others	Total
¥1,315,828	¥516,793	¥249,401	¥702,856	¥2,784,878	$8,695,090	$3,415,007	$1,648,061	$4,644,525	$18,402,683

Millions of yen				
2023				
Japan	United States	China	Others	Total
¥1,347,958	¥455,712	¥241,960	¥680,855	¥2,726,485

2) Property, plant and equipment

Millions of yen								Thousands of U.S. dollars			
2024				2023				2024			
Japan	United States	Others	Total	Japan	United States	Others	Total	Japan	United States	Others	Total
¥564,017	¥164,954	¥124,318	¥853,289	¥595,513	¥156,637	¥119,551	¥871,701	$3,727,067	$1,090,028	$821,503	$5,638,598

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						
	2024						
	Material	Homes	Health Care	Subtotal	Others(*)	Corporate	Total
Impairment loss	¥92,389	¥232	¥451	¥93,072	¥−	¥326	¥93,398

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

	Millions of yen						
	2023						
	Material	Homes	Health Care	Subtotal	Others(*)	Corporate	Total
Impairment loss	¥190,406	¥2,440	¥20	¥192,866	¥−	¥1,039	¥193,905

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

	Thousands of U.S. dollars						
	2024						
	Material	Homes	Health Care	Subtotal	Others(*)	Corporate	Total
Impairment loss	$610,513	$1,533	$2,980	$615,027	$−	$2,154	$617,181

(*) 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						
	2024						
	Material	Homes	Health Care	Subtotal	Others(*)	Corporate	Total
Amortization	¥5,316	¥1,295	¥22,992	¥29,603	¥−	¥−	¥29,603
Balance	78,479	23,754	258,443	360,676	−	−	360,676

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

	Millions of yen						
	2023						
	Material	Homes(*2)	Health Care	Subtotal(*2)	Others(*1)	Corporate	Total
Amortization	¥15,384	¥778	¥21,111	¥37,273	¥−	¥−	¥37,273
Balance	77,161	21,942	249,458	348,561	−	−	348,561

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

(*2) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations".

	Thousands of U.S. dollars						
	2024						
	Material	Homes	Health Care	Subtotal	Others(*)	Corporate	Total
Amortization	$35,129	$8,557	$151,933	$195,619	$−	$−	$195,619
Balance	518,595	156,968	1,707,811	2,383,374	−	−	2,383,374

(*) 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, 2024: None

For the year ended March 31, 2023: None

19. Information on related parties

For the year ended March 31, 2024

(a) Condensed financial information of significant affiliates

PTT Asahi Chemical Co.,Ltd. is a significant affiliate in the year ended March 31, 2024.

The condensed financial information is as shown below:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total current assets	¥22,149	¥—	$146,362
Total noncurrent assets	113	—	747
Total current liabilities	10,755	—	71,070
Total noncurrent liabilities	20,654	—	136,483
Total net assets	(9,146)	—	(60,437)
Net sales	44,735	—	295,612
Income (loss) before income taxes	(92,508)	—	(611,300)
Net income (loss)	(92,473)	—	(611,069)

Note) PTT Asahi Chemical Co.,Ltd. was deemed as a significant affiliate from the year ended March 31, 2024 as its materiality has increased. As to the above figures, the impairment loss calculated by Asahi Kasei is reflected on the financial statements of PTT Asahi Chemical Co., Ltd. for the year ended March 31, 2024.

For the year ended March 31, 2023: None

20. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2024 and 2023, were as follows:

	Yen		U.S. dollars
	2024	2023	2024
Basic net assets per share	¥1,308.20	¥1,197.85	$8.64
Basic net income (loss) per share	31.60	(66.30)	0.21

Note1) As the Company had no dilutive securities at March 31, 2024 and 2023, the Company does not disclose diluted net income per share for the years ended March 31, 2024 and 2023

Note2) Figures revised to reflect finalization of provisional accounting treatment as described in Note 16."Business combinations".

(a) Basis for measurement of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Total net assets	¥1,848,625	¥1,695,382	$12,215,853
Amount deducted from total net assets	35,234	35,087	232,829
of which, non-controlling interests	*(35,234)*	*(35,087)*	*(232,829)*
Net assets allocated to capital stock	¥1,813,391	¥1,660,295	$11,983,024
Number of shares of capital stock outstanding at fiscal year end used in calculation of net assets per share (thousand)	1,386,170	1,386,068	1,386,170

Note) Shares held by the trust for granting shares to Directors, etc., numbering 1,662 thousand at March 31, 2024, and 1,776 thousand at March 31, 2023, 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 (loss) per share

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Net income (loss) attributable to owners of the parent	¥43,806	¥(91,948)	$289,473
Amount not attributable to common stock shareholders	—	—	—
Net income (loss) attributable to common stock owners of the parent	¥43,806	¥(91,948)	$289,473
Weighted-average number of shares of capital stock (thousand)	1,386,143	1,386,887	1,386,143

Note) Shares held by the trust for granting shares to Directors, etc., numbering 1,695 thousand during the year ended March 31, 2024, and 961 thousand during the year ended March 31, 2023, are excluded from the weighted-average number of shares of capital stock used in measurement of net income (loss) per share.

21. Subsequent events

(a) Significant capital investment

i) Main reason for the investment

At the Board of Directors Meeting held on April 24, 2024, a decision was made to construct an integrated plant in Ontario, Canada for the base film manufacturing and coating of Hipore™ wet-process lithium-ion battery (LIB) separator.
Asahi Kasei positions Energy Storage as one of the “10 Growth Gears” (GG10) businesses expected to drive future growth in its medium-term management plan for fiscal 2024, focused on the theme “Be a Trailblazer.” The core of the Energy Storage business is Hipore™ wet-process LIB separator, which has been leading technological innovation based on over 40 years of business history, and is currently expanding its sales in automotive applications in addition to consumer electronics applications.
To meet increasing North American demand for battery separator for electric vehicles as an effect of the Inflation Reduction Act (IRA) in the U.S. and other governmental clean energy policies, and to join North American LIB supply chains being established, the decision was made to construct a manufacturing plant in Ontario, Canada.

ii) Overview of the capital investment

1) **Location:** Ontario, Canada
2) **Plant overview:** Integrated plant for the base film manufacturing and coating of Hipore™ lithium-ion battery separator
3) **Amount of investment:** Approximately ¥180 billion (US$1.19 billion)
4) **Production capacity:** Approximately 700 million m^2 per year (as coated film)
5) **Start of operation:** Commercial start-up scheduled in 2027

iii) Material impact of the capital investment on sales and production activities

The impact of this capital investment on consolidated results for the year ending March 31, 2025, is immaterial.

(b) Acquiring the shares of Calliditas Therapeutics AB

At the Board of Directors Meeting held on May 28, 2024, a decision was made to offer the shareholders of Calliditas Therapeutics AB (Head office: Stockholm, Sweden.; CEO: Renée Aguiar Lucander; hereinafter “Calliditas”) to acquire the shares of the pharmaceutical company Calliditas for the purpose of making Calliditas a wholly-owned subsidiary of the parent company (“the Acquisition”) through a voluntary tender offer for Calliditas (“the Tender Offer”). The Tender Offer will also include a concurrent offer by the parent company to acquire all the American Depositary Shares (“ADS”) of Calliditas, each representing two shares in Calliditas, which will be conducted pursuant to the securities rules of the United States.
The parent company will offer to acquire all of the ordinary shares of Calliditas, which are listed on Nasdaq Stockholm, and American Depositary Shares of Calliditas, which are listed on Nasdaq Global Select Market and each represent two ordinary shares, offering SEK 208 per share (approximately ¥3,076, US$20.3264) (*1) to the shareholders of Calliditas and SEK 416 to the holders of American Depositary Shares of Calliditas, through the Tender Offer for the purpose of making Calliditas a wholly-owned subsidiary of the parent company. BVF Partners, Linc AB and Stiftelsen Industrifonden (the three largest holders of shares and ADS in Calliditas) as well as other large shareholders and ADS holders who in aggregate control 44.65 per cent of all shares (*2) of Calliditas have irrevocably undertaken to accept the Offer, subject to customary conditions, in support of the Tender Offer at a price of SEK 208 per share for their shares. The Tender Offer has been approved by the Board of Directors of the parent company and the Board of Directors of Calliditas recommends the shareholders and holders of American Depositary Shares of Calliditas to accept the Tender Offer. The parent company aims to acquire Calliditas for the total equity value of approximately SEK

11.8 billion (approximately ¥174 billion, US$1.15 billion). The closing of the Acquisition is subject to the satisfaction of customary closing conditions, including antitrust and foreign direct investment clearances.
(*1) SEK 1 = ¥14.7906 exchange rate as of May 27, 2024. Using the same FX rate in this note.
(*2) Calculated using total ordinary shares outstanding (53,672,069 shares excluding treasury stock) as of December 31, 2023.

i) Significance of the Acquisition

1) Position of the Health Care segment for the Company

The Company expects that the health care industry will continue to exhibit stable growth in developed countries which are addressing the needs of aging population and is a crucial industry for the Company as well. The Company has significant experience, expertise, and resources in this area. Under the mission of "Improve and save patients' lives", the Company has worked towards seizing a wide range of business opportunities in both pharmaceuticals and medical devices to drive the Company's profit growth through both organic growth of existing businesses and aggressive investment. The Company has realized a strong inorganic growth by obtaining Critical Care business through the acquisition of ZOLL in 2012 and the U.S. Pharmaceuticals business through the acquisition of Veloxis in 2020. Both ZOLL and Veloxis have since experienced strong organic growth, portrayed by a revenue CAGR of 13% in Health Care segment since 2011, with income growing at an even faster rate. As a result, Health Care segment has become one of the core businesses of the Company and it has been leading a sustainable growth of the Company. For the year ended March 31, 2024, Health Care segment accounted for 20% of the Company's net sales and 34% of its operating income.

2) Background and reasons for the Acquisition

The Company, especially the Pharmaceuticals business in Health Care segment, aims to expand its businesses globally through specializing in the areas of immunology, transplantation, and adjacent diseases. In its "Be a Trailblazer" medium-term management plan 2024, the Company established the 10 Growth Gears (GG10), which target businesses that will drive the next stage of growth, including Pharmaceuticals business. Since then, the Company has been aiming to accelerate the growth of the Pharmaceuticals business as a "Global Specialty Pharma".
The Company continues to focus on maximizing the potential of Veloxis while pursuing additional opportunities globally, with a focus on the US market. The Company has been seeking acquisition targets that contribute to its pharmaceutical growth strategy.
Calliditas is a differentiated specialty pharmaceutical company focused on treating unmet medical needs, with a strong track record of drug development and commercialization led by a highly regarded management organization. Calliditas' product, TARPEYO, is highly complementary to the Company's existing geographic and therapeutic areas and treats a rare disease called IgA nephropathy, currently the only fully approved product shown to reduce the loss of kidney function in adults with primary immunoglobulin A nephropathy who are at risk for disease progression.
The Company strongly believes this transaction will accelerate its transformation into a global specialty pharmaceutical business by unlocking the potential of existing business operations and human resources of Calliditas.
The Company aims to achieve the following outcomes through the acquisition of Calliditas:
・Solidifying its presence in the U.S. market by expanding its in-house sales structure for renal and autoimmune disease fields
・Establishing a presence in Europe, initially focused on R&D activities
・Expanding breadth of in-licensing and new drug development pipeline opportunities that leverage our expanded platform as a "Global Specialty Pharma"

ii) Overview of the Acquisition

1) Offeror: Asahi Kasei Corporation
2) Target Company: Calliditas Therapeutics AB
3) Offer Period (Expected):
Commencement of the acceptance period of Tender Offer: July 18, 2024
The acceptance period of the Tender Offer is expected to commence as soon as the Tender Offer document is approved by the Swedish Financial Supervisory Authority (SFSA). Documentation in connection with the commencement of the Tender Offer to acquire ADS in the United States will be filed with the U.S. Securities and Exchange Commission concurrently with the documentation submitted in Sweden.
4) Offer Price:
SEK 208 per share (approximately ¥3,076, US$20.3264) and SEK 416 per American Depositary Share (SEK 1 = ¥14.7906 exchange rate as of May 27, 2024)
The price per American Depositary Share equals the price per share multiplied by two because each American Depositary Share represents two shares in Calliditas.
The Offer represents a premium of:

・83 per cent compared to the closing price of the Calliditas' shares on Nasdaq Stockholm on 27 May 2024 (which was the last trading day prior to the announcement of the Offer) of SEK 113.6;

・83 per cent compared to the volume weighted average price of the Calliditas' shares on Nasdaq Stockholm during the 30 latest trading days up to and including 27 May 2024 of SEK 113.4; and

・74 per cent compared to the closing price of the ADS on Nasdaq Global Select Market on 24 May 2024 of US$22.42, and 91 per cent compared to the volume weighted average price of the ADS on Nasdaq Global Select Market during the 30 latest trading days up to and including 24 May 2024 of US$20.42 (*3).

(*3) US$1 = SEK 10.64281 exchange rate as of May 27, 2024.

5) Total Consideration:

The Offer values all outstanding shares in Calliditas at approximately SEK 11.8 billion or ¥174 billion (US$1.15 billion, based on 53,672,069 shares in Calliditas). The Offer consideration payable to shareholders of Calliditas or holders of ADS that accept the Offer is financed in full by cash on hand.

6) Minimum Acceptance Level:

The completion of the Tender Offer is subject to minimum acceptance representing more than 90% of the number of the total ordinary shares of Calliditas (excluding treasury shares). The parent company has reserved the right to waive, in whole or in part, one or more of the closing conditions for the Tender Offer, including to complete the Tender Offer at a lower acceptance level.

iii) Overview of Calliditas

Company Name	Calliditas Therapeutics AB		
Address	D5, Kungsbron 1, Stockholm, Sweden		
Representative	Renée Aguiar-Lucander, Chief Executive Officer		
Business description	Development, manufacture, and sale of medicine and related products		
Capital	SEK 2,383 k (as of December 31, 2023) (*4)		
Year of establishment	2004		
Major shareholders and shareholding ratio (*5)	BVF Partners LP		11.7%
	Linc AB		11.0%
	Stiftelsen Industrifonden		5.9%
Relationship between the parent company and Calliditas	Capital Relationship	None	
	Personnel Relationship	None	
	Business Relationship	None	

Calliditas's consolidated operating results and consolidated financial position for the past three years

Accounting Period (Thousands of SEK)	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Total equity	1,008,281	766,264	334,806
Total assets	1,459,910	1,952,973	1,859,245
Total equity per ordinary share (SEK) (*5)	18.8	14.3	6.2
Sales	229,347	802,879	1,206,888
Operating income (loss)	(524,456)	(421,943)	(373,055)
Ordinary income	—	—	—
Net income (loss)	(500,293)	(412,268)	(466,185)
Basic and diluted EPS (SEK)	(9.84)	(7.78)	(8.69)
Dividend paid per ordinary share (SEK)	—	—	—

(*4) Excluding additional paid-in capital of Calliditas as of December 31, 2023.

(*5) Calculated using total ordinary shares outstanding (53,672,069 shares excluding treasury stock) as of December 31, 2023.

iv) Financial Impact of the Acquisition

Financial impact of the Acquisition is currently under examination. Should any matters warranting publication arise, disclosure will be made without delay.

22. Borrowings

(a) Bonds payable at March 31, 2024 and 2023, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Unsecured 0.10% yen bonds due in December 6, 2023	¥―	¥20,000	$―
Unsecured 0.07% yen bonds due in September 6, 2024	20,000	20,000	132,162
Unsecured 0.21% yen bonds due in September 6, 2029	20,000	20,000	132,162
Unsecured 0.12% yen bonds (Green Bond) due in June 19, 2025	10,000	10,000	66,081
Unsecured 0.01% yen bonds due in June 19, 2023	―	20,000	―
Unsecured 0.28% yen bonds due in June 19, 2030	20,000	20,000	132,162
Unsecured 0.00% yen bonds due in December 9, 2024	10,000	10,000	66,081
Unsecured 0.09% yen bonds due in December 9, 2026	20,000	20,000	132,162
Unsecured 0.24% yen bonds due in December 9, 2031	20,000	20,000	132,162
Unsecured 0.23% yen bonds due in December 5, 2025	10,000	10,000	66,081
Unsecured 0.41% yen bonds due in December 7, 2027	20,000	20,000	132,162
Unsecured 0.67% yen bonds due in December 7, 2032	20,000	20,000	132,162
Unsecured 0.40% yen bonds due in December 4, 2026	10,000	―	66,081
Unsecured 0.55% yen bonds (Green Bond) due in December 5, 2028	20,000	―	132,162
Unsecured 0.87% yen bonds due in December 5, 2030	10,000	―	66,081
Unsecured 1.23% yen bonds due in December 5, 2033	20,000	―	132,162
Total	¥230,000	¥210,000	$1,519,857

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, 2024, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2025	¥30,000	$198,242
2026	20,000	132,162
2027	30,000	198,242
2028	20,000	132,162
2029	20,000	132,162
2030 and thereafter	110,000	726,888
Total	¥230,000	$1,519,857

(b) Loans payable at March 31, 2024 and 2023, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2024	2023	2024
Short-term loans payable with an interest rate of 1.10%	¥124,714	¥140,571	$824,119
Current portion of long-term loans payable with an interest rate of 1.00%	53,378	55,461	352,726
Current portion of lease obligations with an interest rate of 4.01%	7,815	6,766	51,642
Long-term loans payable (except portion due within one year) with an interest rate of 0.59%	425,926	409,424	2,814,551
Lease obligations (except portion due within one year) with an interest rate of 4.43%	30,729	28,526	203,060
Commercial paper (portion due within one year) with an interest rate of 0.06%	83,000	124,000	548,470
Total	¥725,562	¥764,748	$4,794,568

Note1). Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2024.

Note2) The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2024, 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
2026	¥64,086	$423,485	¥6,626	$43,785
2027	63,182	417,511	5,094	33,662
2028	60,420	399,260	3,721	24,589
2029	45,616	301,434	3,763	24,866
2030 and thereafter	192,622	1,272,861	11,525	76,158

23. Supplementary schedule of asset retirement obligations

Because the amounts of asset retirement obligations on April 1, 2023, and March 31, 2024, were not more than 1% 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.

24. Others

Litigation

Litigation related to pile installation

On November 28, 2017, Mitsui Fudosan Residential Co., Ltd. filed suit (hereinafter “First Lawsuit”) in the Tokyo District Court against the three companies of Sumitomo Mitsui Construction Co., Ltd., Hitachi High-Tech Corporation (company name changed from Hitachi High-Technologies Corporation on February 12, 2020), and Asahi Kasei Construction Materials Corporation, a consolidated subsidiary of the parent company, seeking compensation for damages of approximately ¥45.9 billion (subsequently changed to approximately ¥51.0 billion) 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. Asahi Kasei Construction Materials holds that there is no basis for Mitsui Fudosan Residential’s claim, and will make this argument during the proceedings of the First Lawsuit.

Related to the First Lawsuit, on April 27, 2018, Sumitomo Mitsui Construction filed suit (hereinafter “Second Lawsuit”) against Hitachi High-Tech and Asahi Kasei Construction Materials seeking compensation for any damages it may incur in the First Lawsuit. Regarding this Second Lawsuit, the date of service of complaint to Asahi Kasei Construction Materials was May 14, 2018. Asahi Kasei Construction Materials holds that there is no basis for Sumitomo Mitsui Construction’s claim, and will make this argument during the proceedings of the Second Lawsuit.

Related to the First Lawsuit and Second Lawsuit, on May 25, 2018, Hitachi High-Tech filed suit (hereinafter “Third Lawsuit”) against Asahi Kasei Construction Materials seeking compensation for any damages it may incur in the First Lawsuit or Second Lawsuit. Asahi Kasei Construction Materials holds that there is no basis for Hitachi High-Tech’s claim, and will make this argument during the proceedings of the Third Lawsuit.

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, 2024, 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, 2024, 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 our audit of the consolidated financial statements 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

As described in Note 21 "Subsequent events", The company decided to conduct a voluntary tender offer for the purpose of acquiring the shares of Calliditas Therapeutics AB at the Board of Directors Meeting held on May 28, 2024.

Our opinion is not qualified in respect of this matter.

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.

<table>
<tr><td colspan="2">Recognition and measurement of impairment losses on fixed assets in the Material segment
- Notes to Consolidated Financial Statements 3. Significant Accounting Estimates (a) Indications, recognition and measurement of impairment of fixed assets in the material segment, 18. Business segment information (f) Impairment loss on noncurrent assets by reportable segments, 6. Notes to Consolidated Statements of Income (g) Impairment loss</td></tr>
<tr><th>Key audit matter description</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Asahi Kasei Corporation and its consolidated subsidiaries ("the Company") recorded fixed assets of JPY 672,294 million (18% of total consolidated assets) and impairment losses of JPY 92,389 million in the Material segment for the consolidated fiscal year ended March 31, 2024.

Within the Materials segment, the Company operates the Environmental Solutions business, centered on petrochemical-related products and lithium-ion battery separators; the Mobility & Industrial business, centered on products for automotive applications; and the Life Innovation business, centered on electronic components and materials, textiles, and consumer goods. Fixed assets are grouped into management accounting units based on the smallest group that generate cash inflows largely independent from other assets or groups of assets considering factors including manufacturing processes, regionality and investment decision units, etc. If an impairment indicator is identified in an asset group, a recognition of impairment loss is required to be assessed mainly by comparing the carrying amount and the undiscounted future cash flows.

If recognition of an impairment loss is assessed to be necessary and the recoverable amount is less than the carrying amount, an impairment loss is recognized. An impairment loss is recorded to reduce the asset's carrying amount to the recoverable amount. The recoverable amount is the higher of the net realizable value or the value in use. The value in use is calculated as a present value of future cash flows.

The performance of the Material segment, particularly in the Basic Materials Business, has been declining due to deterioration in the supply-demand balance of products. There are businesses comprising asset groups which</td><td>In order to verify the recognition and measurement of impairment losses on fixed assets in the Material segment, we primarily performed the following audit procedures:
· We evaluated the design and operating effectiveness of the internal controls related to the recognition and measurement of impairment losses including selecting assumptions of future sales volumes, sales prices and raw material prices which form the basis for the estimates of gains and losses from operations.
· We verified the estimates of future cash flows for consistency with the business plan approved by the Board of Directors.
· We assessed the reasonableness of the estimates of future cash flows, by primarily performing the following procedures with respect to the business plans underlying such estimates:
– We inquired of management about the assumptions of sales volumes, sales prices and raw material prices included in the business plan and ensured consistency with the forecasts of the supply-demand balance of products by third party organizations, forecasts from customers and most recent actual raw material prices.
– We compared the historical budget to actual results, and considered whether deviations were sufficiently analyzed and reflected in the business plan from the current fiscal year and future years.
– We compared sales volumes, sales prices and raw material prices in the business plan with the actual results after the year-end (April and May 2024).
· We assessed the reasonableness of the discount rate by assessing the appropriateness of the calculation method and compared the input data with external data.</td></tr>
</table>

recorded continuous operating losses and need to be assessed for impairment losses in the Material segment. The future cash flows used to determine the recognition and measurement of impairment losses are based on the business plans approved by the Board of Directors, which include assumptions that involve significant decisions by management, such as future sales volumes, sales prices and raw material prices based on the forecast of the supply-demand balance of products. As the business environment changes, the involvement of subjective judgments by management in the selection of highly uncertain assumptions is required. In addition, the calculation of value in use includes assumptions of discount rates which are subject to judgments by management in the selection of calculation method and input data required. We concluded that the recognition and measurement of impairment losses on fixed assets in the Material segment is a key audit matter due to the materiality of impairment losses recorded on fixed assets and that primary assumptions such as future sales volumes, sales prices, raw material prices and discount rates have a high degree of estimation uncertainty and are subject to management judgements.	

Determination of the recognition of impairment losses on fixed assets in Polypore International, LLC - Notes to Consolidated Financial Statements 3. Significant Accounting Estimates (b) Recognition of impairment losses on fixed assets in Polypore International, LLC	
Key audit matter description	How our audit addressed the key audit matter
Polypore International, LLC (hereinafter referred to as "Polypore"), a consolidated subsidiary in the separator business in the Material segment, recorded fixed assets of JPY 67,611 million (2% of the total consolidated assets) as of the current consolidated fiscal year ended March 31, 2024. Polypore identified an indicator of impairment as they recorded continuous operating losses, mainly due to the delays in improving production issues, and decreased demand of eco-friendly cars and energy storage systems using ternary cathodes. Polypore did not recognize any impairment losses in the current fiscal year since the total undiscounted future cash flows exceeded the carrying amount of the fixed assets. The undiscounted future cash flows are estimated based on business plans approved by the Board of Directors, which includes assumptions such as the forecast of sales volume increases in the lithium-ion battery market for hybrid vehicles and the energy storage systems using lithium iron phosphate cathodes in North America. We concluded that the determination of the recognition of impairment loss on fixed assets in Polypore is a key audit matter since the assumptions contain a high degree of uncertainty and are subject to management judgments.	In order to verify the necessity of recognition of impairment losses on fixed assets in Polypore, we primarily performed the following audit procedures: · We evaluated the design and operating effectiveness of the internal controls as they relate to the determination of the recognition of impairment losses including the selection of management assumptions such as the forecasts of sale volume increases in the lithium-ion battery market for hybrid vehicles and the energy storage systems using lithium iron phosphate cathodes in North America. · We verified the estimates of future cash flows for consistency with the business plans approved by the Board of Directors. · We assessed the reasonableness of the estimates of future cash flows, and primarily performed the following procedures with respect to the business plan underlying such estimates: – We inquired of management about the sales forecasts included in the business plan and ensured the consistency with forecasts from customers and the demand forecast in the hybrid vehicles market by a third party organization. – We compared the historical budget to actual results, and considered whether deviations were sufficiently analyzed and reflected in the business plan from the current fiscal year and future years. – We compared the sales forecast in the business plan with the actual results after the year-end (April and May 2024).

Other Information

Other information comprises information included in a document containing audited financial statements, but does not include the financial statements and our auditor's report thereon. We have determined that there is no other information and thus have not performed any work on other information.

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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 (Currency: e.g. U.S. dollar) amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into (Currency: e.g. 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, 2024, 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 1,247 million and JPY 177 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.

pwc

Kensuke Koda

Designated Engagement Partner
Certified Public Accountant

Hideki Godai

Designated Engagement Partner
Certified Public Accountant

Masaki Nitta

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Japan LLC

June 25, 2024