Detailed Consolidated Financial Statements

Years ended March 31, 2025 and 2024

ASAHI KASEI CORPORATION

Contents

Consolidated Balance Sheets

Asahi Kasei Corporation and Consolidated Subsidiaries
March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS:	2025	2024	2025
Current assets:			
Cash and deposits (Notes 5(b), 9 and 11)	¥393,467	¥338,108	$2,631,358
Notes, accounts receivable - trade, and contract assets (Note 5(c) and (f))	491,414	485,941	3,286,391
Merchandise and finished goods	341,531	317,397	2,284,030
Work in process	183,613	171,645	1,227,934
Raw materials and supplies	194,186	189,794	1,298,642
Other (Note 5(g))	169,042	150,030	1,130,489
Allowance for doubtful accounts	(3,805)	(2,877)	(25,446)
Total current assets	1,769,448	1,650,037	11,833,398
Noncurrent assets:			
Property, plant and equipment			
Buildings and structures (Note 5(e))	698,602	669,119	4,671,986
Accumulated depreciation	(373,652)	(366,214)	(2,498,843)
Buildings and structures, net	324,950	302,906	2,173,143
Machinery, equipment and vehicles (Note 5(b) and (e))	1,640,722	1,621,333	10,972,527
Accumulated depreciation	(1,368,752)	(1,351,326)	(9,153,695)
Machinery, equipment and vehicles, net	271,970	270,007	1,818,832
Land (Note 5(e))	81,945	72,750	548,017
Lease assets (Note 10)	14,839	13,936	99,238
Accumulated depreciation	(7,114)	(7,010)	(47,576)
Lease assets, net	7,725	6,926	51,662
Construction in progress	162,890	132,051	1,089,347
Other (Note 5(e))	221,775	211,763	1,483,147
Accumulated depreciation	(150,645)	(143,113)	(1,007,457)
Other, net	71,131	68,650	475,697
Subtotal	920,611	853,289	6,156,698
Intangible assets			
Goodwill	389,640	360,676	2,605,765
Technology assets	297,384	146,643	1,988,792
Other	243,529	247,409	1,628,630
Subtotal	930,553	754,728	6,223,186
Investments and other assets			
Investment securities (Notes 5(a), (b), 11 and 12)	168,371	188,288	1,126,001
Long-term loans receivable (Note 11)	9,561	17,198	63,940
Long-term advance payments-trade (Note 5(g))	24,416	26,692	163,285
Net defined benefit asset	74,133	41,876	495,773
Deferred tax assets (Note 15)	69,217	84,557	462,897
Other	49,431	46,638	330,576
Allowance for doubtful accounts	(527)	(574)	(3,524)
Subtotal	394,602	404,676	2,638,949
Total noncurrent assets	2,245,766	2,012,693	15,018,832
Total assets	¥4,015,214	¥3,662,730	$26,852,230

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS	Millions of yen 2025	2024	Thousands of U.S. dollars (Note 1) 2025
Liabilities:			
Current liabilities:			
Notes and accounts payable–trade (Note 5(f) and 11)	¥193,583	¥213,252	$1,294,610
Short-term loans payable (Notes 5(b), 11 and 23)	203,249	178,091	1,359,252
Commercial paper (Notes 11 and 23)	87,000	83,000	581,823
Current portion of bonds payable	20,000	30,000	133,752
Lease obligations (Notes 10, 11 and 23)	8,049	7,815	53,829
Accrued expenses	180,644	151,577	1,208,079
Income taxes payable (Note 11)	18,666	17,827	124,831
Advances received	109,750	88,415	733,966
Provision for grant of shares	176	70	1,177
Provision for periodic repairs	10,297	4,805	68,862
Provision for product warranties	4,708	4,369	31,485
Provision for removal cost of property, plant and equipment	13,854	6,511	92,650
Other	114,631	128,838	766,609
Total current liabilities	964,608	914,572	6,450,933
Noncurrent liabilities:			
Bonds payable (Notes 11 and 23)	280,000	200,000	1,872,534
Long-term loans payable (Note 5(b),11 and 23)	567,209	425,926	3,793,279
Lease obligations (Notes 10,11 and 23)	29,538	30,729	197,539
Deferred tax liabilities (Note 15)	55,608	20,184	371,885
Provision for grant of shares	611	545	4,086
Provision for periodic repairs	5,516	7,924	36,889
Provision for removal cost of property, plant and equipment	6,874	15,843	45,971
Net defined benefit liability (Note 14)	121,619	133,434	813,342
Long-term guarantee deposits (Note 11)	24,070	23,295	160,971
Other	45,618	41,654	305,076
Total noncurrent liabilities	1,136,663	899,534	7,601,572
Total liabilities	2,101,271	1,814,106	14,052,505
Net assets:			
Shareholders' equity			
Capital stock			
Authorized—4,000,000,000 shares			
Issued and outstanding—1,365,751,932 shares	103,389	103,389	691,426
Capital surplus	80,319	80,272	537,143
Retained earnings (Note 8(b) (ii))	1,191,076	1,135,533	7,965,465
Treasury stock	(8,015)	(7,316)	(53,601)
(2025— 7,683,150 shares, 2024— 7,761,893 shares)			
Total shareholders' equity	1,366,768	1,311,878	9,140,427
Accumulated other comprehensive income			
Net unrealized gain on other securities	35,996	51,269	240,728
Deferred gains (losses) on hedges	78	(14)	522
Foreign currency translation adjustment	394,803	417,391	2,640,293
Remeasurements of defined benefit plans	61,776	32,867	413,134
Total accumulated other comprehensive income	492,652	501,513	3,294,670
Non-controlling interests	54,523	35,234	364,629
Total net assets	1,913,944	1,848,625	12,799,732
Commitments and contingent liabilities (Notes 5(d) and 10)			
Total liabilities and net assets	¥4,015,214	¥3,662,730	$26,852,230

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income

Asahi Kasei Corporation and Consolidated Subsidiaries

Years Ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Note 6(a),18, and 19)	¥3,037,312	¥2,784,878	$20,312,392
Cost of sales (Note 6(b) and (c))	2,079,051	1,968,909	13,903,906
Gross profit	958,260	815,969	6,408,480
Selling, general and administrative expenses (Note 6(b))	746,340	675,223	4,991,239
Operating income (Note 19)	211,921	140,746	1,417,247
Non-operating income:			
Interest income	9,982	7,684	66,756
Dividends income	3,396	3,504	22,711
Other	7,448	6,504	49,809
Total non-operating income	20,826	17,693	139,276
Non-operating expenses:			
Interest expense	9,096	7,448	60,831
Equity in losses of affiliates (Note 6(d))	7,188	38,106	48,071
Foreign exchange loss	5,624	2,786	37,611
Other	17,380	19,980	116,231
Total non-operating expenses	39,288	68,320	262,743
Ordinary income	193,459	90,118	1,293,781
Extraordinary income:			
Gain on sales of investment securities	32,453	27,088	217,033
Gain on sales of noncurrent assets (Note 6(e))	336	527	2,247
Insurance income	9,512	15,346	63,613
Gain on business transfer	—	2,986	—
Settlement income	—	6,163	—
Gain on negative goodwill	2,218	—	14,833
Total extraordinary income	44,520	52,110	297,733
Extraordinary loss:			
Loss on valuation of investment securities	2,286	1,773	15,288
Loss on disposal of noncurrent assets (Note 6(f))	8,503	8,044	56,865
Impairment loss (Note 6(g))	12,181	92,834	81,462
Loss on product compensation	1,977	—	13,221
Business structure improvement expenses (Notes 6(g) and (h))	18,429	10,733	123,246
Total extraordinary loss	43,377	113,385	290,089
Income before income taxes	194,602	28,843	1,301,424
Income taxes (Note 6(i) and 15) — current	47,914	31,984	320,431
Income taxes (Note 6(i) and 15) — deferred	6,283	(49,469)	42,018
Total income taxes	54,197	(17,484)	362,449
Net income	140,404	46,328	938,969
Net income attributable to non-controlling interests	5,408	2,522	36,167
Net income attributable to owners of the parent	¥134,996	¥43,806	$902,802

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net income	¥140,404	¥46,328	$938,969
Other comprehensive income			
Net increase (decrease) in unrealized gain on other securities	(14,994)	(1,184)	(100,274)
Deferred gains (losses) on hedges	92	(86)	615
Foreign currency translation adjustment	(22,332)	151,830	(149,348)
Remeasurements of defined benefit plans	28,867	7,369	193,052
Share of other comprehensive income of affiliates accounted for using equity method	(572)	1,925	(3,825)
Total other comprehensive income (Note 7)	(8,938)	159,854	(59,774)
Comprehensive income	¥131,466	¥206,181	$879,195
Comprehensive income attributable to:			
Owners of the parent	¥126,135	¥202,517	$843,543
Non-controlling interests	5,331	3,665	35,652

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, 2025 and 2024

	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, 2024	¥103,389	¥80,272	¥1,135,533	¥(7,316)	¥1,311,878	¥51,269	¥(14)	¥417,391	¥32,867	¥501,513	¥35,234	¥1,848,625
Changes during the fiscal year												
Dividends from surplus			(49,962)		(49,962)							(49,962)
Net income attributable to owners of the parent			134,996		134,996							134,996
Purchase of treasury stock				(30,010)	(30,010)							(30,010)
Disposal of treasury stock		(0)		94	94							94
Cancellation of treasury stock		(29,216)		29,216	—							—
Transfer from retained earnings to capital surplus		29,216	(29,216)		—							—
Change of scope of consolidation			(275)		(275)							(275)
Capital increase of consolidated subsidiaries		47			47							47
Net changes of items other than shareholders' equity						(15,273)	92	(22,589)	28,908	(8,861)	19,290	10,429
Total changes of items during the period	—	47	55,543	(700)	54,890	(15,273)	92	(22,589)	28,908	(8,861)	19,290	65,319
Balance at March 31, 2025	¥103,389	¥80,319	¥1,191,076	¥(8,015)	¥1,366,768	¥35,996	¥78	¥394,803	¥61,776	¥492,652	¥54,523	¥1,913,944

	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 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
Cancellation of treasury stock					—							—
Transfer from retained earnings to capital surplus					—							—
Change of scope of consolidation					—							—
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

	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, 2024	$691,426	$536,829	$7,594,015	$(48,927)	$8,773,343	$342,868	$(94)	$2,791,353	$219,802	$3,353,929	$235,632	$12,362,904
Changes during the fiscal year												
Dividends from surplus			(334,127)		(334,127)							(334,127)
Net income attributable to owners of the parent			902,802		902,802							902,802
Purchase of treasury stock				(200,696)	(200,696)							(200,696)
Disposal of treasury stock		(0)		629	629							629
Cancellation of treasury stock		(195,386)		195,386	—							—
Transfer from retained earnings to capital surplus		195,386	(195,386)		—							—
Change of scope of consolidation			(1,839)		(1,839)							(1,839)
Capital increase of consolidated subsidiaries		314			314							314
Net changes of items other than shareholders' equity						(102,140)	615	(151,067)	193,326	(59,259)	129,004	69,745
Total changes of items during the period	—	314	371,451	(4,681)	367,084	(102,140)	615	(151,067)	193,326	(59,259)	129,004	436,829
Balance at March 31, 2025	$691,426	$537,143	$7,965,465	$(53,601)	$9,140,427	$240,728	$522	$2,640,293	$413,134	$3,294,670	$364,629	$12,799,732

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, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities:			
Income before income taxes	¥194,602	¥28,843	$1,301,424
Depreciation and amortization	153,478	152,593	1,026,403
Impairment loss	12,181	92,834	81,462
Amortization of goodwill	32,628	29,603	218,204
Increase (decrease) in provision for grant of shares	171	196	1,144
Increase (decrease) in provision for periodic repairs	3,084	11	20,625
Increase (decrease) in provision for product warranties	273	(9)	1,826
Increase (decrease) in provision for removal cost of property, plant and equipment	(1,623)	2,649	(10,854)
Increase (decrease) in net defined benefit liability	2,188	2,348	14,633
Interest and dividend income	(13,378)	(11,189)	(89,467)
Interest expense	9,096	7,448	60,831
Equity in (earnings) losses of affiliates	7,188	38,106	48,071
(Gain) loss on sales of investment securities	(32,453)	(27,088)	(217,033)
(Gain) loss on valuation of investment securities	2,286	1,773	15,288
(Gain) loss on sale of property, plant and equipment	(336)	(527)	(2,247)
(Gain) loss on disposal of noncurrent assets	8,503	8,044	56,865
(Gain) loss on business transfer	—	(2,986)	—
Gain on negative goodwill	(2,218)	—	(14,833)
(Increase) decrease in notes, accounts receivable–trade, and contract assets	2,816	(19,087)	18,832
(Increase) decrease in inventories	(32,068)	(16,303)	(214,459)
Increase (decrease) in notes and accounts payable–trade	(26,732)	18,630	(178,773)
Increase (decrease) in accrued expenses	21,115	(2,416)	141,209
Increase (decrease) in advances received	20,982	14,979	140,320
Other, net	(22,176)	3,907	(148,305)
Subtotal	339,608	322,360	2,271,170
Interest and dividend income, received	15,886	14,816	106,240
Interest expense paid	(8,549)	(7,042)	(57,172)
Income taxes (paid) refund	(45,456)	(34,834)	(303,993)
Net cash provided by (used in) operating activities	301,489	295,300	2,016,244
Cash flows from investing activities:			
Payments into time deposits	(5,065)	(4,218)	(33,873)
Proceeds from withdrawal of time deposits	6,472	3,115	43,282
Purchase of property, plant and equipment	(201,684)	(147,705)	(1,348,786)
Proceeds from sales of property, plant and equipment	723	1,183	4,835
Purchase of intangible assets	(16,255)	(24,249)	(108,707)
Purchase of investment securities	(8,025)	(10,576)	(53,668)
Proceeds from sales of investment securities	36,913	37,559	246,860
Purchase of shares in subsidiaries resulting in change in scope of consolidation (Note 9(b))	(191,174)	—	(1,278,499)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,809	—	12,098
Payments for transfer of business	(8,281)	—	(55,380)
Proceeds from business transfer (Note 9(c))	—	7,320	—
Payments of loans receivable	(9,191)	(13,887)	(61,466)
Collection of loans receivable	12,799	8,144	85,595
Other, net	(191)	715	(1,277)
Net cash provided by (used in) investing activities	¥(381,150)	¥(142,598)	$(2,548,987)

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from financing activities:			
Net increase (decrease) in short-term loans payable	¥14,841	¥(23,674)	$99,251
Increase (decrease) in commercial paper	4,000	(41,000)	26,750
Proceeds from long-term loans payable	206,063	65,500	1,378,071
Repayment of long-term loans payable	(72,482)	(54,499)	(484,732)
Proceeds from issuance of bonds payable	100,000	60,000	668,762
Redemption of bonds	(30,000)	(40,000)	(200,629)
Repayments of lease obligations	(10,903)	(9,274)	(72,915)
Purchase of treasury stock	(30,019)	(12)	(200,756)
Proceeds from disposal of treasury stock	122	122	816
Cash dividends paid	(49,962)	(49,962)	(334,127)
Proceeds from share issuance to non-controlling interests	16,312	―	109,088
Cash dividends paid to non-controlling interests	(2,824)	(1,132)	(18,886)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(325)	(166)	(2,173)
Other, net	(256)	(233)	(1,712)
Net cash provided by (used in) financing activities	144,567	(94,331)	966,809
Effect of exchange rate change on cash and cash equivalents	(8,503)	29,662	(56,865)
Net increase (decrease) in cash and cash equivalents	56,403	88,034	377,202
Cash and cash equivalents at beginning of year	333,498	247,903	2,230,308
Increase (decrease) in cash and cash equivalents resulting from changes in scope of consolidation	134	―	896
Increase (decrease) in cash and cash equivalents resulting from corporate division	―	(2,439)	―
Cash and cash equivalents at end of year (Note 9(a))	¥390,035	¥333,498	$2,608,406

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

Asahi Kasei Corporation and Consolidated Subsidiaries

1. Major policies for preparing the consolidated financial statements

The consolidated financial statements, which are filed with the prime minister of Japan as required by the Financial Instruments and Exchange Act in Japan, are prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements are a translation of those filed with the prime minister of Japan and incorporate certain modifications to enhance foreign readers' understanding of the consolidated financial statements. In addition, the notes to the consolidated financial statements include certain financial information which is not required under the disclosure regulations in Japan, but is presented herein as additional information.

The U.S. dollar amounts presented in the consolidated financial statements are included solely for the convenience of readers. As the amounts shown in U.S. dollars are for convenience only, and are not intended to be computed in accordance with generally accepted translation procedures, the approximate current exchange rate of ¥149.53 = US$1 prevailing on March 31, 2025, has been used.

Consolidation and investments in affiliated companies

The consolidated financial statements consist of the accounts of the parent company and 309 subsidiaries (287 subsidiaries at March 31, 2024, 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 34 such unconsolidated subsidiaries and 20% to 50% owned companies to which the equity method is applied at March 31, 2025 (39 at March 31, 2024), including Asahi Kasei Networks Corporation and Asahi Yukizai Corporation.

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

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

2. Significant accounting policies

(a) Cash and cash equivalents

For cash flow statement purposes, cash and cash equivalents include all highly liquid investments, generally with original maturities of three months or less, which are readily convertible to known amounts of cash, and therefore present an insignificant risk of changes in value.

(b) Inventories

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

(c) Noncurrent assets and depreciation/amortization

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

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

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

(d) Significant allowances

i) Allowance for doubtful accounts

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

ii) Provision for grant of shares

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

iii) Provision for periodic repairs

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

iv) Provision for product warranties

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

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

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

(e) Accounting for retirement benefits

i) Method of attributing expected retirement benefits to each period

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

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

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

iii) Adoption of the simplified method

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

(f) Significant revenue and expense recognition

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

(g) Financial instruments

i) Securities

Securities are classified into four categories: trading securities, held-to-maturity debt securities, equity securities of unconsolidated subsidiaries and affiliates, and other securities. As of March 31, 2025 and 2024, the Company did not have trading securities or held-to-maturity debt securities.

Equity securities of unconsolidated subsidiaries and affiliates are accounted for, with minor exceptions due to immateriality, using the equity method of accounting.

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

ii) Derivative financial instruments

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

(h) Significant hedge accounting

i) Hedge accounting

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

ii) Hedging instruments and hedged items

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

iii) Hedge policy

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

iv) Assessment of hedge effectiveness

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

(i) Taxes

Accrued income taxes are stated at the estimated amount of payables for corporation, enterprise, and inhabitant taxes. The asset and liability approach is applied to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

(j) Translation of foreign currencies

Foreign currency receivables and payables are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. Resulting income and expenses are charged to income for the period.

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

3. Significant Accounting Estimates

For the year ended March 31, 2025

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

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

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

	Thousands of U.S. dollars
	2025
	Net book value (after recording impairment loss)
Property, plant and equipment and Intangible assets (including goodwill)	$4,653,026

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

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

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

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

The future cash flows used to test the recognition of impairment losses are based on financials constituted by the company’s medium-term management approved by the Board of Directors. This includes important assumptions about future growth and market share gains in the electric vehicle market, as well as forecasts for sales volumes, sales prices, and feedstock prices based on the supply-demand balance for petrochemical products.

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

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

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

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

	Thousands of U.S. dollars
	2025
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	$415,649

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

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

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

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

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

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

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

	Thousands of U.S. dollars
	2025
	Net book value
Property, plant and equipment and Intangible assets (including goodwill)	$350,451

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

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

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

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

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

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

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

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

	Thousands of U.S. dollars
	2025
	Net book value
Technology assets	$1,143,623

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

The Company estimates the fair value of intangible assets acquired as the result of a business combination as of the acquisition date based on values reasonably calculated by the cost approach, market approach, income approach, etc. In the previous fiscal year, the Company completed the acquisition of 100% of the outstanding shares of Calliditas Therapeutics AB with cash consideration payment in ¥167,810 million (US$1,122,250 thousand). The fair value of the technology assets, identified based on the facts and circumstances existing at the acquisition date, was calculated using the excess earnings method, resulting in the recognition of technology-related assets totaling ¥166,242 million (US$1,111,764 thousand).

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

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

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 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 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

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.

4. Changes in significant accounting policies

(a) Accounting Standards issued but not yet applied

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

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

(b) Changes in presentation

i) Consolidated balance sheets

In the year ended March 31, 2025, technology assets, which had previously been included in other under intangible assets for the fiscal year ended March 31, 2024, is reported separately due to increased materiality. The consolidated balance sheets for the fiscal year ended March 31, 2024, have been adjusted accordingly, resulting in others under intangible assets being ¥247,409 million, ¥146,643 million lower than the previously reported ¥394,052 million, reflecting the separation of the same amount as technology assets.

ii) Consolidated Statements of Income

In the year ended March 31, 2025, foreign exchange loss, which had previously been included in others under non-operating expenses for the fiscal year ended March 31, 2024, exceeded 10% of total non-operating expenses, and is reported separately. The consolidated statements of income for the fiscal year ended March 31, 2024, have been adjusted accordingly, resulting in others under non-operating expenses being ¥19,980 million, ¥2,786 million lower than the previously reported ¥22,766 million, reflecting the separation of the same amount as foreign exchange loss.

5. Notes to Consolidated Balance Sheets

(a) Investment securities

Among investment securities, shares of unconsolidated subsidiaries and affiliates as of March 31, 2025 and 2024, amounted to ¥83,696 million (US$559,727 thousand) and ¥83,919 million, respectively. Included in these amounts are investments in joint ventures of ¥35,854 million (US$239,778 thousand) and ¥36,322 million, respectively.

(b) Pledged assets and secured debt

A summary of assets pledged as collateral and secured debt as of March 31, 2025 and 2024, is shown below:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Pledged assets:			
Machinery, equipment and vehicles	¥949	¥749	$6,347
Total pledged assets	¥949	¥749	$6,347
Secured debt:			
Short-term loans payable	197	249	1,317
Long-term loans payable	752	500	5,029
Total secured debt	¥949	¥749	$6,347

Besides the above, cash and deposits pledged as collateral for bank guarantees as of March 31, 2025 and 2024, were ¥113 million (US$756 thousand) and ¥114 million, respectively. Investment securities pledged to suppliers as transaction guarantees as of March 31, 2025 and 2024, were ¥53 million (US$354 thousand) and ¥56 million, respectively.

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

Amounts of receivables and contract assets arising from contracts with customers included in Notes, accounts receivable–trade, and contract assets as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Notes receivable-trade	¥19,788	¥20,662	$132,335
Accounts receivable-trade	433,498	423,172	2,899,070
Contract assets	33,640	37,084	224,972

(d) Contingent liabilities

i) Guarantee liabilities as of March 31, 2025 and 2024, arising in the ordinary course of business were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Loans guaranteed	¥44,303	¥37,347	$296,282
of which, the amount owed by other companies in joint guarantees	*¥1,175*	*¥1,272*	*$7,858*
Total	¥44,303	¥37,347	$296,282

ii) Litigation

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

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

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

The accumulated reduced-value entries, which are directly deducted from property, plant and equipment, as of March 31, 2025 and 2024, were ¥26,695 million (US$178,526 thousand) and ¥23,407 million, respectively.

The breakdown of reduced-value entries as of March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Buildings and structures	¥5,831	¥5,219	$38,996
Machinery, equipment and vehicles	20,561	17,896	137,504
Land	167	167	1,117
Other	136	125	910
Total	¥26,695	¥23,407	$178,526

(f) Notes maturing on March 31, 2024

Despite the fact that financial institutions in Japan were closed on March 31, 2024, resulting in notes due on that date being settled on the next business day, April 1, 2024, these notes have been recorded as settled on March 31, 2024, for accounting purposes.

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

	Millions of yen
	2024
Notes and accounts receivable-trade	¥1,832
Notes and accounts payable-trade	653

(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. Partial advance payments have been made in accordance with the contracts.

6. Notes to Consolidated Statements of Income

(a) Revenue from contracts with customers

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

(b) Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Salaries and benefits	¥304,696	¥276,025	$2,037,691
Research and development(*)	80,752	73,353	540,039
Depreciation and amortization	79,292	70,300	530,275
Outsourcing fee	75,081	69,098	502,113

(*) The aggregate amounts of research and development expenses included in manufacturing costs and selling, general and administrative expenses for the years ended March 31, 2025 and 2024, were ¥ 110,641 million (US$739,925 thousand) and ¥106,597 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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
	¥289	¥(1,872)	$1,933

(d) Equity in losses of affiliates

For the year ended March 31, 2025:

On the consolidated financial statements for the year ended March 31, 2025, ¥9,877 million (US$66,054 thousand) was recorded as equity in losses of affiliates under non-operating expenses as an effect of the recording of losses associated with decision to discontinue operations of equity-method affiliate PTT Asahi Chemical Co., Ltd.

For the year ended March 31, 2024

On the consolidated financial statements for the year ended March 31, 2024, ¥41,663 million 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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Land	¥126	¥163	$843
Machinery	40	112	268
Other	170	252	1,137

(f) Loss on disposal of noncurrent assets

Loss on disposal of noncurrent assets for the years ended March 31, 2025 and 2024, 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, 2025 and 2024, were as follows:

Use	Asset class	Location	Millions of yen		Thousands of U.S. dollars	Item on the Consolidated Statements of Income
			2025	2024	2025	
Production facility for electronics materials	Machinery and equipment, etc.	Fuji, Shizuoka, etc.	¥4,715	¥―	$31,532	Impairment loss
Production facility for battery materials	Machinery and equipment	Kentucky, U.S.A.	3,228	―	21,588	Business structure improvement expenses
Production facility for chemical intermediates	Buildings, etc.	Hyuga, Miyazaki, etc.	2,615	―	17,488	Impairment loss
Production facility for foamed products	Construction in progress, etc.	Suzuka, Mie, etc.	1,012	―	6,768	Impairment loss
Production facility for battery materials	Buildings, etc.	Pyeongtaek, Korea	975	―	6,520	Impairment loss
Production facility for battery materials	Construction in progress, etc.	Moriyama, Shiga, etc.	803	―	5,370	Impairment loss
R&D facility	Tools, furniture, and fixtures	North Rhine-Westphalia, Germany	329	―	2,200	Impairment loss
Production facility for leukocyte reduction filters	Construction in progress	Oita, Oita	308	―	2,060	Impairment loss
Others	―	―	1,606	―	10,740	Impairment loss and business structure improvement expenses
Equipment related to asset group for general-purpose petrochemicals and resins (*)	Machinery and equipment, etc.	Kurashiki, Okayama, etc.	―	58,381	―	Impairment loss
Equipment for manufacturing regenerated fiber	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	―	12,230	―	Impairment loss
Goodwill etc. related to gas sensor business	Goodwill and other intangible assets	Delsbo, Sweden, etc.	―	3,983	―	Impairment loss
Production facility for synthetic fibers	Machinery and equipment, etc.	Moriyama, Shiga, etc.	―	3,519	―	Impairment loss
Production facility for nonwoven fabrics	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	―	2,755	―	Impairment loss
Production facility for chemical intermediates	Machinery and equipment, etc.	Hyuga, Miyazaki, etc.	―	2,481	―	Impairment loss
Production facility for foamed products	Machinery and equipment, etc.	Suzuka, Mie, etc.	―	2,144	―	Impairment loss
Production facility for plastic raw materials	Construction in progress, etc.	Ulsan, Korea	―	2,124	―	Impairment loss
Production facility for synthetic fibers	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	―	1,701	―	Impairment loss
Production facility for plastic raw materials	Construction in progress	Kuala Lumpur, Malaysia	―	1,403	―	Impairment loss
Power generation facility	Machinery and equipment, etc.	Nobeoka, Miyazaki, etc.	―	584	―	Impairment loss

Office and R&D facility	Buildings and structures, etc.	Oita, Oita	—	451	—	Impairment loss
Others	—	—	—	1,641	—	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 production facility for electronics materials, production facility for chemical intermediates, production facility for foamed products, and production facility for battery materials (Pyeongtaek, Korea) 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 10.6%, 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 value of production facility for battery materials (Kentucky, U.S.A) was reduced to zero due to a decision to dispose of certain facilities as a result of reconsideration of the production system in order to streamline the supply chain. The book values of production facility for battery materials (Moriyama, Shiga, etc.), R&D facility, and production facility for leukocyte reduction filters were reduced to zero due to the lack of prospects for future use. Among the extraordinary losses under Others, ¥183 million (US$1,224 thousand) and ¥564 million were recorded under business structure improvement expenses for the years ended March 2025 and 2024, respectively.

(h) Business structure improvement expenses

Major components of business structure improvement expenses for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Impairment of fixed assets	¥3,411	¥564	$22,811
Additional payment of retirement benefits due to application of early retirement, etc.	3,441	1,314	23,012
Loss on disposal and devaluation of inventory and others	11,577	8,855	77,423

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

For the year ended March 31, 2025: None

For the year ended March 31, 2024

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 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, income taxes and tax effects on other comprehensive income for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net unrealized gain on other securities			
Changes during the fiscal year	¥10,103	¥22,668	$67,565
Recycling adjustment	(31,036)	(24,464)	(207,557)
Before income taxes and tax effect	(20,933)	(1,797)	(139,992)
Income taxes and tax effect	5,939	613	39,718
Net unrealized gain on other securities	(14,994)	(1,184)	(100,274)
Deferred gains (losses) on hedges			
Changes during the fiscal year	(7,797)	(385)	(52,143)
Recycling adjustment	49	263	328
Adjustment on the acquisition cost of assets	7,881	―	52,705
Before income taxes and tax effect	132	(122)	883
Income taxes and tax effect	(41)	36	(274)
Deferred gains (losses) on hedges	92	(86)	615
Foreign currency translation adjustment			
Changes during the fiscal year	(22,332)	155,657	(149,348)
Recycling adjustment	―	(3,827)	―
Foreign currency translation adjustment	(22,332)	151,830	(149,348)
Remeasurements of defined benefit plans			
Changes during the fiscal year	45,253	13,300	302,635
Recycling adjustment	(3,055)	(2,608)	(20,431)
Before income taxes and tax effect	42,198	10,692	282,204
Income taxes and tax effect	(13,331)	(3,323)	(89,153)
Remeasurements of defined benefit plans	28,867	7,369	193,052
Share of other comprehensive income of affiliates accounted for using equity method			
Changes during the fiscal year	(572)	2,397	(3,825)
Recycling adjustment	―	(472)	―
Share of other comprehensive income of affiliates accounted for using equity method	(572)	1,925	(3,825)
Total other comprehensive income	¥(8,938)	¥159,854	$(59,774)

8. Notes to Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2025

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

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

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

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

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

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

(b) Dividends

i) Cash dividends paid

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

Dividends for common stock

Total dividends	¥24,981 million (US$167,063 thousand)
Dividend per share	¥18.00 (US$0.12)
Date of record	Mar 31, 2024
Payment date	Jun 3, 2024

Note: Total dividends includes ¥30 million (US$201 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 1, 2024.

Dividends for common stock

Total dividends	¥24,981 million (US$167,063 thousand)
Dividend per share	¥18.00 (US$0.12)
Date of record	September 30, 2024
Payment date	December 2, 2024

Note: Total dividends includes ¥28 million (US$187 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, 2025.

Dividends for common stock

Total dividends	¥27,193 million (US$181,856 thousand)
Source of dividends	Retained earnings
Dividend per share	¥20.00 (US$0.13)
Date of record	March 31, 2025
Payment date	June 2, 2025

Note: Total dividends includes ¥31 million (US$207 thousand) for shares held by the trust for granting shares to Directors, etc.

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
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.

2) The following was resolved by the Board of Directors on Nov 7, 2023.

Dividends for common stock

Total dividends	¥24,981 million
Dividend per share	¥18.00
Date of record	September 30, 2023
Payment date	December 4, 2023

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

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

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

Dividends for common stock

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

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

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, 2025 and 2024, was as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and deposits	¥393,467	¥338,108	$2,631,358
Time deposits with deposit term of over 3 months	(3,432)	(4,610)	(22,952)
Cash and cash equivalents	¥390,035	¥333,498	$2,608,406

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

For the year ended March 31, 2025

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥6,934	$46,372
Noncurrent assets	17,779	118,899
Goodwill	16,972	113,502
Current liabilities	(6,621)	(44,279)
Noncurrent liabilities	(77)	(515)
Acquisition cost of ownership	34,987	233,980
Cash and cash equivalents	(67)	(448)
Net cash used for acquisition	34,920	233,532

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥16,650	$111,349
Noncurrent assets	167,950	1,123,186
Goodwill	45,608	305,009
Current liabilities	(14,802)	(98,990)
Noncurrent liabilities	(56,065)	(374,941)
Foreign currency translation adjustment	8,468	56,631
Acquisition cost of shares	167,810	1,122,250
Cash and cash equivalents	(11,555)	(77,275)
Net cash used for acquisition	156,255	1,044,974

(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
Current assets	¥3,333
Noncurrent assets	1,509
Current liabilities	(384)
Noncurrent liabilities	(124)
Gain on business transfer	2,986
Consideration for transfer	7,320
Cash and cash equivalents	—
Proceeds from business transfer	¥7,320

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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Due within one year	¥8,347	¥7,759	$55,822
Due after one year	27,304	27,779	182,599
Total	¥35,650	¥35,537	$238,414

11. Financial instruments

(a) Overview of financial instruments

i) Policy related to financial instruments

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

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

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

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

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

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

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

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

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

iii) Supplementary explanation of fair value of financial instruments

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

(b) Fair value of financial instruments

Amounts carried on the consolidated balance sheets, their fair values, and the differences between them as of March 31, 2025 and 2024, were as follows:

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

	Millions of yen		
	2024		
	Carrying amount	Fair value	Difference
Investment securities			
Investments in affiliates	¥20,089	¥35,406	¥15,317
Other securities	87,685	87,685	—
Long-term loans receivable(*3)	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(*4)	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(*5)	¥(1,683)	¥(1,683)	¥—

	Thousands of U.S. dollars		
	2025		
	Carrying Amount	Fair value	Difference
Investment securities			
Investments in affiliates	$141,069	$169,391	$28,322
Other securities	428,369	428,369	—
Long-term loans receivable(*3)	73,698	73,691	(7)
Total assets	643,135	671,451	28,315
Bonds payable	2,006,286	1,940,005	66,281
Long-term loans payable(*4)	4,220,070	4,097,011	123,066
Lease obligations	251,361	249,348	2,013
Long-term guarantee deposits	160,971	158,416	2,555
Total liabilities	6,638,695	6,444,780	193,914
Derivative financial instruments(*5)	$535	$535	$—

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

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Equity investments in nonpublic companies	¥82,905	¥79,895	$554,437
Equity securities	¥1,310	¥618	$8,761

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

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

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

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

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

	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	¥—

	Thousands of U.S. dollars			
	2025			
	Due within one year	Due after one year, within five years	Due after five years, within ten years	Due after more than ten years
Cash and deposits	$2,631,358	$—	$—	$—
Notes receivable–trade	132,335	—	—	—
Accounts receivable-trade	2,929,078	—	—	—
Long-term loans receivable	9,757	58,503	5,437	—
Total	$5,702,535	$58,503	$5,437	$—

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

Year ending March 31	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	Thousands of U.S dollars					
	2025					
	Short-term loans payable	Commercial paper	Bonds payable	Long-term loans payable	Lease obligations	Total
2026	$932,462	$581,823	$133,752	$426,797	$53,829	$2,128,656
2027	—	—	200,629	419,909	43,476	$664,014
2028	—	—	267,505	407,584	33,973	$709,062
2029	—	—	133,752	490,310	26,617	$650,679
2030	—	—	267,505	471,002	20,879	$759,386
2031 and thereafter	—	—	1,003,143	2,004,474	72,594	$3,080,211

(C)Fair value of financial instruments by level

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

Level 1:

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

Level 2:

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

Level 3:

Fair value is measured by using significant unobservable inputs.

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

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

Fair value of financial assets and liabilities recorded on the consolidated balance sheets at March 31, 2025 and 2024, were as follows:

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

	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
Derivative financial instruments				
Currency-related	—	—	—	¥—
Total assets	¥85,654	¥—	¥4,927	¥90,582
Derivative financial instruments				
Currency-related	—	1,683	—	¥1,683
Total liabilities	¥—	¥1,683	¥—	¥1,683

	Thousands of U.S. dollars			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Equity securities	$418,966	$—	$—	$418,966
Convertible bonds	—	—	9,403	$9,403
Long-term loans receivable	—	—	21,053	$21,053
Derivative financial instruments	—	—	—	$—
Currency-related	—	535	—	$535
Total assets	$418,966	$535	$30,455	$449,963
Derivative financial instruments				
Currency-related	—	—	—	$—
Total liabilities	$—	$—	$—	$—

Fair value of financial assets and liabilities not recorded on the consolidated balance sheets at March 31, 2025 and 2024, were as follows:

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	¥25,329	¥—	¥—	¥25,329
Long-term loans receivable	—	—	7,871	¥7,871
Total assets	¥25,329	¥—	¥7,871	¥33,200
Bonds payable	—	290,089	—	¥290,089
Long-term loans payable	—	—	612,626	¥612,626
Lease obligations	—	—	37,285	¥37,285
Long-term guarantee deposits	—	—	23,688	¥23,688
Total liabilities	¥—	¥290,089	¥673,599	¥963,688

	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

	Thousands of U.S. dollars			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities				
Investments in affiliates	$169,391	$—	$—	$169,391
Long-term loans receivable	—	—	52,638	$52,638
Total assets	$169,391	$—	$52,638	$222,029
Bonds payable	—	1,940,005	—	$1,940,005
Long-term loans payable	—	—	4,097,011	$4,097,011
Lease obligations	—	—	249,348	$249,348
Long-term guarantee deposits	—	—	158,416	$158,416
Total liabilities	$—	$1,940,005	$4,504,775	$6,444,780

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

Investment securities

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

Derivative financial instruments

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

Long-term loans receivable

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

Bonds payable

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

Long-term loans payable

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

Lease obligations

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

Long-term guarantee deposits

When the period of deposit is 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, 2025 and 2024, were as follows:

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

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

		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 values are not included in the table above as no quoted market price is available.

		Thousands of U.S. dollars		
		2025		
		Carrying amount	Cost	Unrealized gains (losses)
Securities with unrealized gains:				
	Equity securities	$415,281	$72,113	$343,169
	Convertible bonds	5,210	5,002	207
	Subtotal	420,491	77,115	343,376
Securities with unrealized losses:				
	Equity securities	3,692	4,782	(1,090)
	Convertible bonds	4,193	4,320	(134)
	Subtotal	7,878	9,102	(1,224)
Total		$428,369	$86,217	$342,152

For equity investments in nonpublic companies and equity securities, with a carrying amount of $554,437 thousand and $8,761 thousand, respectively, as of March 31, 2025, fair values are not included in the table above as no quoted market price is available.

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

The realized gains and losses on the sale of other securities during the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Selling amount	¥36,737	¥31,308	$245,683
Gain on sales of securities	32,453	26,088	217,033
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, 2025, was ¥2,286 million (US$15,288 thousand), which is the sum of ¥ 2,226 million (US$14,887 thousand) for equity securities of other securities and ¥60 million (US$401 thousand) for convertible bonds of other securities, etc. For the year ended March 31, 2024, it was ¥1,773 million, which is the sum of ¥7 million for equity securities of unconsolidated subsidiaries and affiliates, ¥1,739 million for equity securities of other securities, and ¥27 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			
		2025			
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	¥34,263	¥−	¥295	¥295
	Euro	16,221	−	(310)	(310)
	Thai baht	1,307	−	12	12
	Chinese yuan	4,115	−	16	16
	Buying				
	U.S. dollar	4,284	−	(36)	(36)
	Euro	141	−	4	4
	Chinese yuan	34	−	(0)	(0)
	Japanese yen	2,377	−	(23)	(23)
	British pound	1	−	0	0
	Total	¥62,742	¥−	¥(41)	¥(41)

Classification	Items	Millions of yen 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	¥37,017	¥—	¥(1,067)	¥(1,067)
	Euro	18,157	—	(490)	(490)
	Thai baht	2,098	—	(23)	(23)
	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	Thousands of U.S. dollars 2025 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	$229,138	$—	$1,973	$1,973
	Euro	108,480	—	(2,073)	(2,073)
	Thai baht	8,741	—	80	80
	Chinese yuan	27,520	—	107	107
	Buying				
	U.S. dollar	28,650	—	(241)	(241)
	Euro	943	—	27	27
	Chinese yuan	227	—	(0)	(0)
	Japanese yen	15,896	—	(154)	(154)
	British pound	7	—	0	0
	Total	$419,595	$—	$(274)	$(274)

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

i) Forward exchange contracts

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

Classification	Items	Hedged assets/liabilities	Millions of yen 2024 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)
	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)

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars 2025 Amount of contract	Amount of contract over 1 year	Fair value
Principle-based accounting	Forward exchange contracts				
	Selling				
	U.S. dollar	Accounts receivable–trade	$40,360	$22,123	$883
	Euro	Accounts receivable–trade	8,192	―	(87)
	British pound	Accounts receivable–trade	13	―	(0)
	Buying				
	U.S. dollar	Accounts payable–trade	1,645	―	(0)
	Euro	Accounts payable–trade	27	―	0
	Japanese yen	Accounts payable–trade	2,528	―	13
	Chinese yuan	Accounts payable–trade	254	―	(7)
	Total		$53,026	$22,123	$809

ii) Interest-rate swaps

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

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

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

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

Classification	Items	Hedged assets/liabilities	Thousands of U.S. dollars		
			2025		
			Amount of contract	Amount of contract over 1 year	Fair value
Special treatment for interest-rate swaps	Interest-rate swaps				
	Pay fixed/receive floating	Long-term loans payable	$83,441	$—	(*)
	Total		$83,441	$—	$—

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

14. Provision for retirement benefits

Upon terminating employment, employees of the parent company and its subsidiaries are entitled, under most circumstances, to lump-sum severance indemnities and/or pension payments determined by reference mainly to their current basic rate of pay and length of service and/or defined contribution plans. Additional benefits may be granted to employees depending on the conditions under which termination of employment occurs. Certain consolidated subsidiaries adopt the simplified method in calculating projected benefit obligations.

Reconciliations of beginning and ending balances of projected benefit obligations for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Beginning balance of the projected benefit obligations	¥358,636	¥354,926	$2,398,422
Service cost	12,375	12,321	82,759
Interest cost	3,391	3,369	22,678
Actuarial gains (losses)	(49,144)	420	(328,656)
Payment of retirement benefits	(13,644)	(13,418)	(91,246)
Other	(156)	1,018	(1,043)
Ending balance of the projected benefit obligations	¥311,458	¥358,636	$2,082,913

Reconciliations of beginning and ending balances of plan assets for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Beginning balance of plan assets	¥267,078	¥252,054	$1,786,116
Expected return	6,689	6,326	44,733
Actuarial gains (losses)	(3,891)	13,720	(26,022)
Contributions	3,876	3,941	25,921
Payment of retirement benefits	(9,598)	(9,472)	(64,188)
Other	(182)	509	(1,217)
Ending balance of plan assets	¥263,972	¥267,078	$1,765,345

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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Projected benefit obligations of funded plans	¥191,216	¥226,345	$1,278,780
Plan assets	(263,972)	(267,078)	(1,765,345)
Subtotal	(72,756)	(40,733)	(486,565)
Projected benefit obligations of unfunded plans	120,243	132,291	804,140
Net of liability and asset that have been recorded in the consolidated balance sheets	47,486	91,558	317,568
Net defined benefit liability	121,619	133,434	813,342
Net defined benefit assets	(74,133)	(41,876)	(495,773)
Net of liability and asset that have been recorded in the consolidated balance sheets	¥47,486	¥91,558	$317,568

Periodic retirement benefit expenses for employees and the breakdown of items for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost (net of employee contributions)	¥12,375	¥12,318	$82,759
Interest cost	3,391	3,369	22,678
Expected return on plan assets	(6,689)	(6,326)	(44,733)
Amortization of actuarial gains (losses)	(2,048)	(1,601)	(13,696)
Amortization of prior service costs	(1,007)	(1,007)	(6,734)
Additional retirement benefits and other	4,981	3,215	33,311
Retirement benefit expenses of defined benefit plans	¥11,003	¥9,968	$73,584

The components of other comprehensive income on defined benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Prior service costs	¥(1,007)	¥(1,007)	$(6,734)
Actuarial gains (losses)	43,204	11,699	288,932
Total	¥42,198	¥10,692	$282,204

Accumulated other comprehensive income on defined benefit plans at March 31, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized prior service costs	¥(7,461)	¥(8,468)	$(49,896)
Unrecognized actuarial gains (losses)	(82,092)	(38,887)	(549,000)
Total	¥(89,553)	¥(47,355)	$(598,897)

Share by major classifications for plan assets at March 31, 2025 and 2024, were as follows:

	2025	2024
Alternative investments	32%	32%
Bonds	32%	33%
Stock	17%	20%
Life insurance	11%	10%
Cash and deposits	8%	4%
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, 2025 and 2024, were as follows:

	2025	2024
Discount rate	Mainly 2.0%	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%	2.2–6.5%

Required payments to defined contribution plans at March 31, 2025, amounted to ¥8,995 million (US$ 60,155 thousand), and at March 31, 2024, amounted to ¥8,662 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, 2025 and 2024, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Tax loss carry forwards(*)	¥68,553	¥92,477	$458,456
Impairment loss	33,206	33,372	222,069
Unrealized loss on share of subsidiaries and associates	32,394	31,447	216,639
Net defined benefit liability	14,282	27,395	95,513
Loss on disposal of noncurrent assets	8,851	7,395	59,192
Accrued bonuses	8,192	7,521	54,785
Unrealized gain on noncurrent assets and others	5,435	5,055	36,347
Foreign tax credit carry forwards	2,170	1,937	14,512
Other	69,618	58,010	465,579
Subtotal deferred tax assets	242,702	264,610	1,623,099
Valuation allowance for tax loss carryforwards(*)	(33,434)	(37,300)	(223,594)
Valuation allowance for deductible temporary difference	(70,581)	(63,135)	(472,019)
Less: Valuation allowance	(104,015)	(100,436)	(695,613)
Total deferred tax assets	138,687	164,174	927,486
Deferred tax liabilities:			
Identified intangible assets during business combination	(75,074)	(44,176)	(502,066)
Unrealized gain on other securities	(15,692)	(21,893)	(104,942)
Depreciation—overseas subsidiaries	(9,658)	(10,774)	(64,589)
Deferred gain on property, plant and equipment	(8,796)	(8,525)	(58,824)
Other	(15,859)	(14,432)	(106,059)
Total deferred tax liabilities	(125,078)	(99,801)	(836,474)
Net deferred tax assets (liabilities)	¥13,609	¥64,372	$91,012

(*) Tax loss carryforwards and related deferred tax assets by period of expiration at March 31, 2025 and 2024, were as follows:

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

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

(*2) Deferred tax assets of ¥35,120 million (US$234,869 thousand) was recorded for tax loss carryforwards of ¥68,553 million (US$458,456 thousand, calculated by applying the statutory effective tax rate). This amount is recognized to be recoverable based on the expected future taxable income.

	Millions of yen 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)	¥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 (*4)

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

(*4) Deferred tax assets of ¥55,177million was recorded for tax loss carryforwards of ¥92,477 million (calculated by applying the statutory effective tax rate). This amount is recognized as recoverable based on the expected future taxable income.

	Thousands of U.S. dollars 2025						
	Up to 1year	Over 1year up to 2years	Over 2years up to 3years	Over 3years up to 4years	Over 4years up to 5years	Over 5years	Total
Tax loss carryforwards	$4,568	$3,772	$4,976	$2,528	$12,727	$429,887	$458,456
Valuation allowance	(4,568)	(3,772)	(3,364)	(1,478)	(4,026)	(206,393)	$(223,594)
Deferred tax assets	$－	$－	$1,612	$1,050	$8,707	$223,500	$234,869

Reconciliation of the differences between the statutory tax rate and the effective income tax rate for the years ended March 31, 2025 and 2024, were as follows:

	2025	2024
Statutory tax rate	30.6%	30.6%
Increase (reduction) in taxes resulting from:		
Non-deductible expenses and non-taxable income	0.5	16.2
R&D expenses, etc. deductible from income taxes	(2.2)	(25.0)
Amortization of goodwill	5.1	31.4
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	1.1	40.5
Undistributed earnings (losses) of foreign subsidiaries	0.4	2.4
Difference of tax rates for foreign subsidiaries	(4.0)	(28.4)
Deductible temporary difference included in deductible expenses related to investment in consolidated subsidiary	－	(230.2)
Valuation allowance	(2.1)	104.7
Other	(1.6)	(2.7)
Effective income tax rate	27.9%	(60.6%)

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).

“Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) was enacted on March 25, 2025. As a result, special corporation income tax for national defense will be imposed starting from fiscal years beginning on or after April 1, 2026.
In line with this, for temporary differences expected to be reversed in fiscal years beginning on or after April 1, 2026, the statutory tax rate used in the calculation of deferred tax assets and deferred tax liabilities for the year ended March 31, 2025, has been changed from the year ended March 31, 2024.

As a result of this change in tax rate, the amount of deferred tax assets (net of deferred tax liabilities), income taxes-deferred (credit), and unrealized gain on other securities (debit), increased by ¥1,490 million (US$ 9,965 thousand), ¥1,937 million (US$ 12,954 thousand), and ¥447 million (US$ 2,989 thousand), respectively for the year ended March 31, 2025.

16. Business combinations

(a) Purchase of ownership of ODC Construction, LLC

Asahi Kasei Homes, a consolidated subsidiary of Asahi Kasei, concluded an agreement to acquire 100% ownership of ODC Construction, LLC (ODC), a Florida-based subcontractor performing residential construction work, on August 6, 2024 (US Eastern time), through a U.S. subsidiary, and completed the acquisition on August 29, 2024.

i) Outline of business combination

1) Name and nature of business of counterparty

Name of acquired company: ODC Construction, LLC

Nature of business: Framing work, foundation work, etc. for home construction in Florida

2) Main reasons for the acquisition

While strengthening its core business of order-built unit homes in Japan, Asahi Kasei Homes considers North American and Australian businesses to be important sources of additional growth, positioned as one of the Asahi Kasei Group's "10 Growth Gears" (GG10), businesses to lead the next phase of growth in fields of focus as part of its medium-term management plan for fiscal 2024 focused on the theme "Be a Trailblazer."

The holding company of the North American homes business, Synergos Companies LLC (Synergos), aims to enhance productivity and quality at manufacturing and construction sites mainly in Arizona and Nevada by leveraging its strength in construction process management while integrating subcontractors that are the core of the construction process, such as Erickson Framing Operations LLC and Focus Companies LLC, suppliers of building components, Austin Companies LLC, a residential electrical, concrete, and HVAC group, and Brewer Companies LLC, a residential plumbing group.

As Synergos has recorded firm performance by meeting growing needs for streamlining and cost reduction at construction sites due to labor shortages, long construction periods, and rising construction costs, Asahi Kasei Homes has continued to study opportunities to expand into new regions.

With the acquisition of ODC, Asahi Kasei Homes expands its business to Florida, which ranked second among the 50 states in terms of the number of residential building permits in 2023, and where strong housing demand is expected to continue.

ODC is one of the largest subcontractors in Florida performing framing and foundation work. ODC has a strong business platform in Florida, and is pursuing an efficient business model through means such as a work management system. Going forward, Asahi Kasei Homes and ODC will generate synergy by leveraging each other's expertise and know-how, aiming to further improve the efficiency and quality of construction work.

3) Acquisition date

August 29, 2024

4) Statutory form of business combination

Ownership purchase for cash as consideration

5) Name of company after transaction

ODC Construction, LLC

6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

7) Grounds for determining acquiring company

Ownership purchase for cash as consideration by a consolidated subsidiary

ii) The period of acquired business's results included in the consolidated financial statements

From August 30, 2024, to March 31, 2025

iii) Cost of acquisition and details

		Millions of yen	Thousands of U.S. dollars
Purchase consideration	cash	¥34,987	$233,980
Purchase price		¥34,987	$233,980

iv) Major acquisition related costs

Advisory fees and others: ¥662 million (US$4,427 thousand)

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

1) Amount of goodwill

¥16,972 million (US$113,502 thousand)

2) Measurement principle

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

3) Amortization method and useful life

Straight-line method over 20 years

vi) Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥6,934	$46,372
Noncurrent assets	17,779	118,899
Total assets	¥24,713	$165,271
Current liabilities	¥6,621	$44,279
Noncurrent liabilities	77	515
Total liabilities	¥6,697	$44,787

vii) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

1) Purchased price allocated to intangible assets and its major items

	Millions of yen	Thousands of U.S. dollars
Customer-related assets	¥12,820	$85,735
Trade name	3,512	23,487
Software	43	288

2) Major weighted average useful life

Customer-related assets	10 years
Trade name	20 years
Software	5 years
Total	12 years

viii) Pro forma effects on the consolidated statements of income assuming the business combination had been completed at the beginning of fiscal year, and method of calculation thereof

Information is omitted due to immateriality. This note is not subject to audit.

(b) Purchase of shares of Calliditas Therapeutics AB

Asahi Kasei resolved to acquire the shares of Swedish pharmaceutical company Calliditas Therapeutics AB for the purpose of making Calliditas a wholly-owned subsidiary of Asahi Kasei through a voluntary tender offer for Calliditas, and completed its tender offer on September 2, 2024 (CEST), making Calliditas a wholly-owned consolidated subsidiary of Asahi Kasei through a squeeze-out procedure under Swedish law.

i) Outline of business combination

1) Name and nature of business of counterparty

Name of acquired company: Calliditas Therapeutics AB

Nature of business: Development, manufacture, and sale of medicine and related products

2) Main reasons for the acquisition

Asahi Kasei is confident that the acquisition will accelerate its transformation into a global specialty pharmaceutical business by unlocking the potential of existing business operations and human resources of Calliditas. Asahi Kasei expects 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

・Greater breadth of in-licensing opportunities that leverage an expanded platform as a global pharmaceutical company

3) Acquisition date

September 9, 2024

4) Statutory form of business combination

Stock purchase for cash as consideration

5) Name of company after transaction

Calliditas Therapeutics AB

6) Acquired voting right

Voting right before the acquisition: 0%

Voting right after the acquisition: 100%

7) Grounds for determining acquiring company

Stock purchase for cash as consideration by Asahi Kasei

ii) The period of acquired business's results included in the consolidated financial statements

From October 1, 2024, to March 31, 2025

iii) Cost of acquisition and details

		Millions of yen	Thousands of U.S. dollars
Purchase consideration	cash	¥167,810	$1,122,250
Purchase price		¥167,810	$1,122,250

iv) Major acquisition related costs

Advisory fees and others: ¥3,220 million (US$21,534 thousand)

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

1) Amount of goodwill

¥45,608 million (US$305,009 thousand)

2) Measurement principle

Goodwill is measured as the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed.

3) Amortization method and useful life

Straight-line method over 20 years

vi) Details of assets acquired and liabilities assumed as of the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥16,650	$111,349
Noncurrent assets	167,950	1,123,186
Total assets	¥184,600	$1,234,535
Current liabilities	¥14,802	$98,990
Noncurrent liabilities	56,065	374,941
Total liabilities	¥70,867	$473,932

vii) Amount of identifiable intangible assets other than goodwill, its details and major weighted average useful life

1) Purchased price allocated to intangible assets and its major items

Technology assets ¥166,242 million (US$1,111,764 thousand)

2) Major weighted average useful life

Technology assets 19 years

viii) Pro forma effects on the consolidated statements of income assuming the business combination had been completed at the beginning of fiscal year, and method of calculation thereof

Information is omitted due to immateriality. This note is not subject to audit.

17. Additional information

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

Asahi Kasei Pharma Corp., a wholly-owned subsidiary of Asahi Kasei, concluded a final agreement on September 24, 2024, with Nagase & Co., Ltd. (Nagase) regarding the transfer to Nagase of its diagnostics business, Ohito Pharmaceuticals Plant, and Ohito Office (the Transfer).

i) Outline of business separation

1) Name of company separated to

Nagase & Co., Ltd.

2) Nature of separated business

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

・Ohito Pharmaceuticals Plant (manufacturing plant for raw material of enzymes for diagnostic reagents, and for active pharmaceutical ingredients of Bredinin™ and other pharmaceuticals)

・Ohito Office (infrastructure management organization mainly for the Ohito District overall, including the diagnostics business and the Ohito Pharmaceuticals Plant)

3) Main reasons for the separation

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

4) Date of business separation

July 1, 2025 (scheduled)

5) Other items related to the transaction

With an effective date scheduled for July 1, 2025, Asahi Kasei Pharma will transfer its rights and obligations pertaining to the Transfer, and its land and facilities in the Ohito District, to a subsidiary which was newly established by corporate separation, and on the same date, Asahi Kasei Pharma will transfer all of said shares to Nagase.

ii) Reportable segment which the separated business was included in

Healthcare

18. Revenue recognition

(a) Revenue from contracts with customers

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

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

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

	Millions of yen					
	2024					
	Material	Homes	Healthcare	Subtotal	Others (*1)	Total
Japan	¥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(*2)	¥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.

	Thousands of U.S. dollars					
	2025					
	Material	Homes	Healthcare	Subtotal	Others (*1)	Total
Japan(*2)	$3,391,139	$4,967,833	$751,822	$9,110,794	$100,589	$9,211,382
United States	644,065	1,016,050	2,330,255	3,990,370	8,386	$3,998,756
China	1,781,154	—	128,068	1,909,222	575	$1,909,791
Others	3,337,451	943,550	908,767	5,189,775	2,682	$5,192,463
Revenue from contracts with customers	$9,153,815	$6,927,439	$4,118,913	$20,200,161	$112,225	$20,312,392
Sales to external customers	$9,153,815	$6,927,439	$4,118,913	$20,200,161	$112,225	$20,312,392

(*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$952,672 thousand in the Homes segment.

(b)Basis for revenue recognition

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

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

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Receivables from contracts with customers (beginning balance)	¥443,834	¥398,493	$2,968,194
Receivables from contracts with customers (ending balance)	453,287	443,834	3,031,412
Contract assets (beginning balance)	37,084	41,060	248,004
Contract assets (ending balance)	33,640	37,084	224,972
Contract liabilities (beginning balance)	83,034	72,948	555,300
Contract liabilities (ending balance)	104,264	83,034	697,278

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, 2025 and 2024, the amount included in the beginning balance of contract liabilities were ¥83,034 million (US$555,300 thousand) and ¥72,948 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. Please note that for notes on transaction prices allocated to outstanding performance obligations, a practical expedient has been applied. As a result, some contracts initially expected to have a term of one year or less are not included in the following note.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Within 1 year	¥317,953	¥272,100	$2,126,349
Over 1 year	96,740	125,257	646,960
Total	¥414,692	¥397,357	$2,773,303

19. Business segment information

(a) Overview of reportable segments

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

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

Main businesses and main products of the three 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.

Healthcare 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					
	2025					
	Material	Homes	Healthcare	Subtotal	Others(*1)	Total
Sales:						
External customers	¥1,368,770	¥1,035,860	¥615,901	¥3,020,530	¥16,781	¥3,037,312
Intersegment	18,234	10,036	5	28,275	45,549	73,823
Total	1,387,004	1,045,895	615,905	3,048,805	62,330	3,111,135
Operating income	87,382	95,912	64,026	247,321	2,929	250,249
Assets	1,834,743	688,131	1,326,101	3,848,975	123,024	3,971,998
Other items:						
Depreciation and amortization(*2)	64,119	20,675	54,736	139,530	1,097	140,627
Amortization of goodwill	5,460	1,875	25,293	32,628	―	32,628
Investments in affiliates accounted for using equity method	47,934	5,091	1,398	54,423	24,335	78,758
Increase in property, plant and equipment, and intangible assets	124,223	31,493	42,644	198,360	1,787	200,147

(*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					
	2024					
	Material	Homes	Healthcare	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.

	Thousands of U.S. dollars					
	2025					
	Material	Homes	Healthcare	Subtotal	Others(*1)	Total
Sales:						
External customers	$9,153,815	$6,927,439	$4,118,913	$20,200,161	$112,225	$20,312,392
Intersegment	121,942	67,117	33	189,092	304,614	493,700
Total	9,275,757	6,994,550	4,118,939	20,389,253	416,839	20,806,092
Operating income	584,378	641,423	428,182	1,653,989	19,588	1,673,571
Assets	12,270,066	4,601,959	8,868,461	25,740,487	822,738	26,563,218
Other items:						
Depreciation and amortization(*2)	428,804	138,267	366,054	933,124	7,336	940,460
Amortization of goodwill	36,514	12,539	169,150	218,204	—	218,204
Investments in affiliates accounted for using equity method	320,564	34,047	9,349	363,960	162,743	526,704
Increase in property, plant and equipment, and intangible assets	830,756	210,613	285,187	1,326,557	11,951	1,338,507

(*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
	2025	2024	2025
Total of reporting segments	¥3,048,805	¥2,791,858	$20,389,253
Net sales in “Others” category	62,330	56,090	416,839
Elimination of intersegment transactions	(73,823)	(63,070)	(493,700)
Net sales on consolidated statements of income	¥3,037,312	¥2,784,878	$20,312,392

Operating income	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total of reporting segments	¥247,321	¥174,007	$1,653,989
Operating income in “Others” category	2,929	3,161	19,588
Elimination of intersegment transactions	23	(21)	154
Corporate expenses, etc.(*)	(38,351)	(36,401)	(256,477)
Operating income on consolidated statements of income	¥211,921	¥140,746	$1,417,247

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

Assets	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total of reporting segments	¥3,848,975	¥3,423,320	$25,740,487
Assets in “Others” category	123,024	128,076	822,738
Elimination of intersegment transactions	(483,217)	(417,696)	(3,231,572)
Corporate assets(*)	526,433	529,031	3,520,584
Total assets on consolidated balance sheets	¥4,015,214	¥3,662,730	$26,852,230

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

Other items	Total of reportable segments			Others			Adjustments(*1)			Amounts from consolidated financial statements		
	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025	2025	2024	2025	2025	2024	2025	2025	2024	2025
Depreciation and amortization (*2)	¥139,530	¥139,302	$933,124	¥1,097	¥926	$7,336	¥12,851	¥12,365	$85,943	¥153,478	¥152,593	$1,026,403
Amortization of goodwill	32,628	29,603	218,204	―	―	―	―	―	―	32,628	29,603	218,204
Investments in affiliates accounted for using equity method	54,423	53,206	363,960	24,335	23,344	162,743	―	―	―	78,758	76,550	526,704
Increase in property, plant and equipment, and intangible assets	198,360	169,436	1,326,557	1,787	1,113	11,951	10,879	13,162	72,755	211,026	183,712	1,411,262

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

(*2) Amortization of goodwill is not included.

(e) Related Information

i) Information on products and services

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

ii) Geographic information

1) Net sales

Millions of yen					Thousands of U.S. dollars				
2025					2025				
Japan	United States	China	Others	Total	Japan	United States	China	Others	Total
¥1,377,378	¥597,934	¥285,571	¥776,429	¥3,037,312	$9,211,382	$3,998,756	$1,909,791	$5,192,463	$20,312,392

Millions of yen				
2024				
Japan	United States	China	Others	Total
¥1,315,828	¥516,793	¥249,401	¥702,856	¥2,784,878

2) Property, plant and equipment

Millions of yen								Thousands of U.S. dollars			
2025				2024				2025			
Japan	United States	Others	Total	Japan	United States	Others	Total	Japan	United States	Others	Total
¥586,706	¥179,674	¥154,232	¥920,611	¥564,017	¥164,954	¥124,318	¥853,289	$3,923,667	$1,201,592	$1,031,445	$6,156,698

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

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

	Millions of yen						
	2024						
	Material	Homes	Healthcare	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.

	Thousands of U.S. dollars						
	2025						
	Material	Homes	Healthcare	Subtotal	Others(*)	Corporate	Total
Impairment loss	$99,050	$147	$2,060	$101,257	$—	$3,016	$104,273

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

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

	Millions of yen						
	2024						
	Material	Homes	Healthcare	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.

	Thousands of U.S. dollars						
	2025						
	Material	Homes	Healthcare	Subtotal	Others(*)	Corporate	Total
Amortization	$36,514	$12,539	$169,150	$218,204	$—	$—	$218,204
Balance	481,910	260,062	1,863,793	2,605,765	—	—	2,605,765

(*) 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, 2025:

¥2,218 million (US$14,833 thousand) was recorded as gain on negative goodwill in the Healthcare segment as an effect of the acquiring of the ventilators business of Vyaire Medical, Inc. by ZOLL Medical Corporation, a consolidated subsidiary.

For the year ended March 31, 2024: None

20. Information on related parties

(a) Condensed financial information of significant affiliates

For the year ended March 31, 2025: None

The condensed financial information of PTT Asahi Chemical Co.,Ltd, which was a significant affiliate in the year ended March 31, 2024, is omitted due to diminished materiality.

For the year ended March 31, 2024:

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

The condensed financial information was as shown below:

	Millions of yen
Total current assets	¥22,149
Total noncurrent assets	113
Total current liabilities	10,755
Total noncurrent liabilities	20,654
Total net assets	(9,146)
Net sales	44,735
Income (loss) before income taxes	(92,508)
Net income (loss)	(92,473)

Note) As to the above figures, the impairment loss calculated by Asahi Kasei was reflected on the financial statements of PTT Asahi Chemical Co., Ltd. for the year ended March 31, 2024.

21. Per share information

Basic and diluted net assets per share and net income per share for the years ended March 31, 2025 and 2024, were as follows:

	Yen		U.S. dollars
	2025	2024	2025
Basic net assets per share	¥1,369.16	¥1,308.20	$9.16
Basic net income per share	97.94	31.60	0.65

Note) As the Company had no dilutive securities at March 31, 2025 and 2024, the Company does not disclose diluted net income per share for the years ended March 31, 2025 and 2024.

(a) Basis for measurement of net assets per share

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Total net assets	¥1,913,944	¥1,848,625	$12,799,732
Amount deducted from total net assets	54,523	35,234	364,629
of which, non-controlling interests	*(54,523)*	*(35,234)*	*(364,629)*
Net assets allocated to capital stock	¥1,859,420	¥1,813,391	$12,435,097
Number of shares of capital stock outstanding at fiscal year-end used in calculation of net assets per share (thousand)	1,358,069	1,386,170	1,358,069

Note) Shares held by the trust for granting shares to Directors, etc., numbering 1,574 thousand at March 31, 2025, and 1,662 thousand at March 31, 2024, are excluded from the number of shares of capital stock outstanding at fiscal year end used in measurement of net assets per share.

(b) Basis for measurement of net income per share

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Net income attributable to owners of the parent	¥134,996	¥43,806	$902,802
Amount not attributable to common stock shareholders	—	—	—
Net income attributable to common stock owners of the parent	¥134,996	¥43,806	$902,802
Weighted-average number of shares of capital stock (thousand)	1,378,342	1,386,143	1,378,342

Note) Shares held by the trust for granting shares to Directors, etc., numbering 1,599 thousand during the year ended March 31, 2025, and 1,695 thousand during the year ended March 31, 2024, are excluded from the weighted-average number of shares of capital stock used in measurement of net income per share.

22. Subsequent events

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

On April 1, 2025, Asahi Kasei transferred the bioprocess business, etc. of wholly owned subsidiary Asahi Kasei Medical Co., Ltd. to a newly established wholly owned subsidiary Asahi Kasei Life Science Corp. while transferring shares of Asahi Kasei Medical, performing business in hemodialysis, therapeutic apheresis, etc. (Blood Purification Business), to a special purpose company, IA Holdings Co., Ltd. (Investing Company), established by Integral Corporation and to be owned by the funds managed by Integral Corporation and its affiliates.

i) Outline of business separation

1) Name of company separated to

IA Holdings Co., Ltd.

2) Nature of separated business

・Development, manufacture, and sale of dialyzers (artificial kidneys) and related products

・Development, manufacture, and sale of therapeutic apheresis products

3) Main reasons for the separation

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

4) Date of business separation

April 1, 2025

5) Other items related to the transaction

・Asahi Kasei Life Science Corp. established as a wholly owned subsidiary of Asahi Kasei.

・Bioprocess business, etc. transferred from Asahi Kasei Medical to Asahi Kasei Life Science by absorption-type separation.

・Integral invested in Asahi Kasei Medical through the Investing Company by preferred stock, and on April 1, 2025, Asahi Kasei transferred shares in Asahi Kasei Medical to the Investing Company, etc., resulting in 20% of the voting rights in Asahi Kasei Medical being held by Asahi Kasei and 80% being held by the Investing Company. With a target date of April 2027, the Investing Company's holding of voting rights is scheduled to increase to 100% (including cases where the holding ratio jointly held with a company designated by the Investing Company is 100%).

ii) Outline of accounting treatment

1) Amount of gain or loss related to the transfer

Gain on business transfer: ¥10,473 million (US$70,039 thousand)

Note: The above amount includes gain or loss from the transfer of the remaining shares, which is targeted in April 2027. The amount is calculated provisionally as price adjustments will be made as agreed upon with the Investing Company.

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

	Millions of yen	Thousands of U.S. dollars
Current assets	¥47,647	$318,645
Noncurrent assets	25,559	170,929
Total assets	¥73,206	$489,574
Current liabilities	¥17,784	$118,933
Noncurrent liabilities	5,520	36,916
Total liabilities	¥23,303	$155,842

3) Accounting treatment

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

iii) Reportable segment which the separated business was included in

Healthcare

(b) Change in segment classification

Along with a reconfiguration of part of the functions of research and development etc. to the Material segment on April 1, 2025, a portion of research organizations etc. which had been included in corporate expenses, etc. will be included in the Material segment from the fiscal year ending March 31, 2026.

Information concerning net sales and income or loss by reportable segment based on the new classifications is as follows:

	Millions of yen							
	2025							
	Material	Homes	Healthcare	Subtotal	Others(*)	Total	Adjustments	Amounts from consolidated financial statements
Sales:								
External customers	¥1,368,770	¥1,035,860	¥615,901	¥3,020,530	¥16,781	¥3,037,312	¥—	¥3,037,312
Intersegment	18,234	10,036	5	28,275	45,549	73,823	(73,823)	—
Total	1,387,004	1,045,895	615,905	3,048,805	62,330	3,111,135	(73,823)	3,037,312
Operating income	79,905	95,912	64,026	239,844	2,929	242,772	(30,852)	211,921

	Thousands of U.S. dollars							
	2025							
	Material	Homes	Healthcare	Subtotal	Others(*)	Total	Adjustments	Amounts from consolidated financial statements
Sales:								
External customers	$9,153,815	$6,927,439	$4,118,913	$20,200,161	$112,225	$20,312,392	$—	$20,312,392
Intersegment	121,942	67,117	33	189,092	304,614	493,700	(493,700)	—
Total	9,275,757	6,994,550	4,118,939	20,389,253	416,839	20,806,092	(493,700)	20,312,392
Operating income	534,374	641,423	428,182	1,603,986	19,588	1,623,567	(206,326)	1,417,247

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

(c) Discontinuation of MMA, CHMA, PMMA resin, and SB latex businesses, and reconfiguration of acetonitrile supply framework

i) Outline

On May 27, 2025, the Board of Directors of Asahi Kasei resolved to discontinue its businesses for methyl methacrylate (MMA) monomer, cyclohexyl methacrylate (CHMA), polymethyl methacrylate (PMMA) resin (product names: Delpet™ and Delpowder™), and SB (styrene-butadiene) latex, and to reconfigure the supply framework for acetonitrile (closure of refining plant in Kawasaki).

One of the basic policies of Asahi Kasei's medium-term management plan "Trailblaze Together" for fiscal 2025–2027 is improving capital efficiency through structural transformation and enhanced productivity. This decision was made as part of a broad review of the business portfolio and reallocation of management resources in accordance with this basic policy. Asahi Kasei's PMMA resin, SB latex, and acetonitrile businesses began in 1963, and its MMA business began in 1974. Each of these products are manufactured at the company's Kawasaki Works, and have been supplied to customers around the world for over half a century.

In recent years, however, the economic conditions for these businesses have been persistently unfavorable due to deterioration of the supply-demand balance as a result of large-scale expansion of petrochemical production capacity in China, in addition to diminished competitiveness due to high feedstock costs, and the operating rates of the plants have remained at low levels. The decision to discontinue the manufacture of these products at the Kawasaki Works was made based on a conclusion that the severe operating climate is structural and irreversible.

ii) Net sales of affected operations (for fiscal year ended March 31, 2025)

¥34,635 million (US$231,626 thousand)

iii) Affected products

Product	Schedule for cessation of manufacture	Schedule for cessation of sales
Methyl methacrylate (MMA) monomer	September 2026	September 2026
Cyclohexyl methacrylate (CHMA)	March 2026	March 2026
Polymethyl methacrylate (PMMA) resin	September 2026	September 2027
SB latex	September 2027	December 2027
Acetonitrile (manufactured at Kawasaki refining plant)	To be determined after discussion with customers	The Japanese market to be supplied with acetonitrile from Tongsuh Petrochemical Corp., Ltd., a wholly owned subsidiary in South Korea

iv) Significant impact of the discontinuation on operating activites

Business structure improvement expenses of approximately ¥25,000 million (US$167,191 thousand) is expected to be recorded as extraordinary loss on the consolidated financial statements for the year ending March 31, 2026.

23. Borrowings

(a) Bonds payable at March 31, 2025 and 2024, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unsecured 0.07% yen bonds due in September 6, 2024	¥−	¥20,000	$−
Unsecured 0.21% yen bonds due in September 6, 2029	20,000	20,000	133,752
Unsecured 0.12% yen bonds (Green Bond) due in June 19, 2025	10,000	10,000	66,876
Unsecured 0.28% yen bonds due in June 19, 2030	20,000	20,000	133,752
Unsecured 0.00% yen bonds due in December 9, 2024	−	10,000	−
Unsecured 0.09% yen bonds due in December 9, 2026	20,000	20,000	133,752
Unsecured 0.24% yen bonds due in December 9, 2031	20,000	20,000	133,752
Unsecured 0.23% yen bonds due in December 5, 2025	10,000	10,000	66,876
Unsecured 0.41% yen bonds due in December 7, 2027	20,000	20,000	133,752
Unsecured 0.67% yen bonds due in December 7, 2032	20,000	20,000	133,752
Unsecured 0.40% yen bonds due in December 4, 2026	10,000	10,000	66,876
Unsecured 0.55% yen bonds (Green Bond) due in December 5, 2028	20,000	20,000	133,752
Unsecured 0.87% yen bonds due in December 5, 2030	10,000	10,000	66,876
Unsecured 1.23% yen bonds due in December 5, 2033	20,000	20,000	133,752
Unsecured 0.84% yen bonds due in December 3, 2027	20,000	−	133,752
Unsecured 0.95% yen bonds due in December 3, 2029	20,000	−	133,752
Unsecured 1.07% yen bonds due in December 3, 2031	30,000	−	200,629
Unsecured 1.40% yen bonds due in December 1, 2034	30,000	−	200,629
Total	¥300,000	¥230,000	$2,006,286

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, 2025, are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2026	¥20,000	$133,752
2027	30,000	200,629
2028	40,000	267,505
2029	20,000	133,752
2030	40,000	267,505
2031 and thereafter	150,000	1,003,143
Total	¥300,000	$2,006,286

(b) Loans payable at March 31, 2025 and 2024, comprised the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Short-term loans payable with an interest rate of 1.31%	¥139,431	¥124,714	$932,462
Current portion of long-term loans payable with an interest rate of 0.51%	63,819	53,378	426,797
Current portion of lease obligations with an interest rate of 3.99%	8,049	7,815	53,829
Long-term loans payable (except portion due within one year) with an interest rate of 0.81%	567,209	425,926	3,793,279
Lease obligations (except portion due within one year) with an interest rate of 4.38%	29,538	30,729	197,539
Commercial paper (portion due within one year) with an interest rate of 0.51%	87,000	83,000	581,823
Total	¥895,044	¥725,562	$5,985,715

Note1). Interest rates shown are weighted average interest rates for the balance outstanding at March 31, 2025.

Note2) The aggregate annual maturities of long-term loans payable and lease obligations (except portion due within one year) after March 31, 2025, 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
2027	¥62,789	$419,909	¥6,501	$43,476
2028	60,946	407,584	5,080	33,973
2029	73,316	490,310	3,980	26,617
2030	70,429	471,002	3,122	20,879
2031 and thereafter	299,729	2,004,474	10,855	72,594

24. Supplementary schedule of asset retirement obligations

As the amounts of asset retirement obligations on April 1, 2024, and March 31, 2025, were 1% or less of the combined totals of liabilities and net assets on the respective dates, preparation of a supplementary schedule of asset retirement obligations is omitted in accordance with paragraph 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements.

Independent Auditor's Report

To the Board of Directors of Asahi Kasei Corporation

The Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Asahi Kasei Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheets as at March 31, 2025, 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, 2025, 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.

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.

PricewaterhouseCoopers Japan LLC
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance

Assessment on recognition of impairment losses on fixed assets in the Material segment - Notes to Consolidated Financial Statements 3. Significant Accounting Estimates (a) Examination of impairment on fixed assets in the Material segment	
Key audit matter description	How our audit addressed the key audit matter

Asahi Kasei Corporation and its subsidiaries (the Group) recorded fixed assets of JPY 695,767 million (17% of total consolidated assets) in the Material segment for the consolidated fiscal year ended March 31, 2025.
 	
Within the Material segment, the Group operates the Environmental Solutions business, centered on lithium-ion battery separators and petrochemical-related products; 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, impairment recognition testing is conducted by comparing the carrying amount and the undiscounted future cash flows.
 	
The financial performance of the Material segment, which includes the Basic Material Business that handles separators and petrochemical-related products, has been declining due to factors such as delayed growth in the electric vehicle market, the primary application for lithium-ion batteries and the deterioration of the supply-demand balance for petrochemical products. In this business environment, there are businesses comprising asset groups which recorded continuous operating losses and impairment recognition testing is conducted in the Material segment.
 	
The undiscounted future cash flows used for impairment recognition testing are estimated based on the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. These figures include assumptions regarding the
	In evaluating the assessment on recognition 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 of impairment losses on fixed assets, including assumption selection for 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 consistency between the business plan used for the estimation of the future cash flows and the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group.
	• We evaluated the reasonableness of the estimation of the future cash flows, by primarily performed the following procedures with respect to the reasonableness of Group's management plan:
	  - 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 relevant information on the supply-demand balance of products reported by third party organizations, forecasts from customers and most recent actual raw material prices.
	  - We compared the historical budgets to actual results and considered whether deviations were sufficiently analyzed and reflected in the business plan from the current fiscal year and future years.

projection of future growth and market share expansion in the electric vehicle market and the supply-demand outlook for petrochemical products, including forecasts for sales volumes, sales prices, and raw material prices. Given the assumptions contain a high degree of uncertainty and management's subjective judgment in assumption selection, we determined that the assessment on recognition of impairment losses on fixed assets in the Material segment is a key audit matter.	

pwc

Assessment on recognition of impairment losses on fixed assets in Polypore International, LLC - Notes to Consolidated Financial Statements 3. Significant Accounting Estimates (b) Examination of impairment on fixed assets in Polypore International, LLC	
Key audit matter description	How our audit addressed the key audit matter
Polypore International, LLC (Polypore), a consolidated subsidiary in the separator business in the Material segment, recorded fixed assets of JPY 62,152 million (2% of the total consolidated assets) for the consolidated fiscal year ended March 31, 2025. Polypore identified an indicator of impairment as they recorded continuous operating losses, mainly due to decreases in sales 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 fixed assets. The undiscounted future cash flows are estimated based on the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. These figures include assumptions regarding future sales forecasts, which take into account plans for capturing demand for eco-friendly vehicles and lithium-ion batteries used in energy storage systems with lithium iron phosphate cathodes. Given the assumptions contain a high degree of uncertainty and management's subjective judgment in assumption selection, we determined that the assessment on recognition of impairment losses on fixed assets in Polypore is a key audit matter.	In evaluating the assessment on 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 related to the recognition of impairment losses on fixed assets, including assumption selection for future sales forecasts estimated by considering plans to capture demand for eco-friendly vehicles and lithium-ion batteries used in energy storage systems with lithium iron phosphate cathodes. • We verified the consistency between the business plan used for the estimation of the future cash flows and the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. • We evaluated the reasonableness of the estimation of the future cash flows, by primarily performed the following procedures with respect to the reasonableness of Group's management plan: - 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 eco-friendly 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.

Assessment on recognition of impairment losses on fixed assets including goodwill recognized from the acquisition of Bionova Scientific, LLC - Notes to Consolidated Financial Statements 3. Significant Accounting Estimates (c) Examination of impairment on fixed assets including goodwill recognized on acquisition of Bionova Scientific, LLC	
Key audit matter description	How our audit addressed the key audit matter
The Group recorded tangible fixed assets and intangible assets totaling JPY 52,403 million (1% of total consolidated assets) for the asset group of Bionova Scientific, LLC (Bionova) for the consolidated fiscal year ended March 31, 2025. This includes goodwill arising from the acquisition of Bionova, which operates within the Healthcare segment, providing the contract development of manufacturing processes for biopharmaceutical companies and conducting GMP manufacturing for antibody drugs in accordance with the pharmaceutical manufacturing management and the quality control standards. The Group classifies Bionova's operations asset group, including contract development, antibody GMP manufacturing and plasmid production, as the cash-generating unit. If an impairment indicator is identified in the asset group, impairment recognition testing is conducted primarily by comparing the carrying amount and the undiscounted future cash flows. Bionova has reported continuous operating losses, largely due to subdued demand and declining funding inflows in the Biotech Ventures sector, resulting in the identification of potential impairment indicators within Bionova's asset group. This prompted the Group to evaluate whether impairment loss should be recognized at the fiscal year end. The Group determined that undiscounted future cash flows exceeded the asset group's carrying amount and did not recognize any impairment losses. The undiscounted future cash flows are estimated based on the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. These figures include assumptions regarding Bionova's anticipated growth, as a result of future customer pipeline expansion, increases in biopharmaceutical development and manufacturing contracts and additional	In evaluating the assessment on recognition of impairment losses on fixed assets including goodwill recognized from the acquisition of Bionova, we primarily performed the following primary audit procedures: • We evaluated the design and operating effectiveness of internal controls related to the recognition of impairment losses on fixed assets, including assumption selection for future sales forecasts estimated by considering sales increases from biopharmaceutical development and manufacturing contracts increases, etc. • We verified the consistency between the business plan used for the estimation of the future cash flows and the figures underlying the Group's medium-term management plan approved by the Board of Directors of the Group. • We evaluated the reasonableness of the estimation of the future cash flows, by primarily performed the following procedures with respect to the reasonableness of Group's management plan: - 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 relevant information on the supply-demand balance of products reported by third party organizations, forecasts from future customer pipeline and most recent actual raw material prices. - We examined relevant evidence, including proposals, communication records with customers, and contracts, to review the validity of customer acquisition rate estimates for future customer pipeline; - We compared assumptions concerning the increase in biopharmaceutical development and manufacturing contracts, market size expansion and the

revenue generated from plasmid production. Given the assumptions contain a high degree of uncertainty and management's subjective judgment in assumption selection, we determined that the assessment on recognition of impairment losses on fixed assets including goodwill recognized from the acquisition of Bionova is a key audit matter.	onset of plasmid production with data published by external research institutions; and - 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.

<table>
<tr><td colspan="2">Estimate of fair value at the acquisition date for technology assets acquired through the acquisition of Calliditas Therapeutics AB
- Notes to Consolidated Financial Statements 3. Significant Accounting Estimates (d) Valuation of technology assets identified in connection with the acquisition of Calliditas Therapeutics AB as of the acquisition date, 16. Business combinations (b) Purchase of shares of Calliditas Therapeutics AB</td></tr>
<tr><th>Key audit matter description</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>The Company completed the full acquisition of Calliditas Therapeutics AB (Calliditas) via cash payment of a total consideration of JPY 167,810 million through a public tender offer on September 2, 2024, and a squeeze-out procedure on February 19, 2025.

The acquisition aims to leverage Calliditas' IgA nephropathy treatments, business assets and human resources to accelerate the Group's transformation into a global specialty pharmaceutical Group. Furthermore, the Group seeks to reinforce its market position in the United States by expanding its sales network for renal and autoimmune diseases and to enhance its capabilities for introducing new medicines and development pipelines using its global specialty pharma platform.

This transaction is accounted for as an acquisition under the relevant accounting standards for business combinations. The acquisition cost is allocated to identifiable assets and liabilities based on their fair value at the acquisition date. Any excess of the acquisition cost over the allocated amounts is recognized as goodwill. Since certain acquired intangible assets lack observable market prices, their valuation is determined through management's use of estimates and judgments.

In the current consolidated fiscal year, the Group allocated the acquisition cost based on the conditions existing as of the acquisition date, and recognized technology assets in the amount of JPY 166,242 million. The fair value of these assets was determined using the excess earnings method, which considers the present value of forecasted future cash flows attributable to the assets. This assessment includes assumptions about future sales volumes, reflecting the risk of competitor and generic product entries, as well as the discount rate for the technology assets, which is determined based on the weighted average cost of capital.</td><td>In evaluating the estimate of fair value at the acquisition date for technology assets acquired through the acquisition of Calliditas, we primarily performed the following audit procedures:
• We inquired with management, reviewed board meeting minutes, key contracts, due diligence reports, and stock valuation documents to understand transaction details and objectives;
• We evaluated the design and operating effectiveness of the internal controls related to the purchase price allocation, including assumption selection for future sales volumes, accounting for competitor and generic product entry risks and discount rate setting.
• We evaluated whether the model used for the fair value assessment of technology assets at the acquisition date was appropriate for its purpose, whether the assumptions used were reasonable, and underlying data reliability, involving independent valuation specialists. Specific procedures included the followings:
- We inquired of management and reviewed the valuation documentation to understand the model used for the fair value assessment of technology assets at the acquisition date and the methodology for determining applicable discount rates;
- We evaluated the reasonableness of future sales volumes incorporated into the future cash flows from the business plan, considering the effect of competitor and generic market entry risks, reviewing key product patent terms, past sales performance and market growth forecasts published by external organizations; and
- We verified that the discount rate applied to technology assets was reasonably determined based on the weighted average cost of capital.</td></tr>
</table>

Estimating the fair values of the technology assets requires acknowledging uncertainties and subjective judgments, especially regarding competitor and generic product risks. Given the material significance of the technology assets identified in this transaction, we determined that the estimate of fair value at the acquisition date for technology assets acquired through the acquisition of Calliditas is a key audit matter.	

Other Information

The other information comprises the information included in the Detailed Consolidated Financial Statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. In addition, those charged with governance are responsible for overseeing the Group's reporting process of the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in

Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the consolidated financial statement audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Convenience Translation

The (Currency: e.g. U.S. dollar) amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 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, 2025, 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 1,309 million and JPY 179 million, respectively.

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

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

Kensuke Koda

Kensuke Koda

Designated Engagement Partner
Certified Public Accountant

Hideki Godai

Hideki Godai

Designated Engagement Partner
Certified Public Accountant

Masaki Nitta

Masaki Nitta

Designated Engagement Partner
Certified Public Accountant

PricewaterhouseCoopers Japan LLC

June 25, 2025