

## **Summary of Q&A at Financial Results Briefing for Q1 Fiscal 2025**

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Asahi Kasei Corporation

### **Participants**

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CFO

Motomichi Kishino  
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### **Healthcare**

Seiji Nakano  
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### **Homes**

Kensuke Sakai  
Director, Senior Executive Officer, Asahi Kasei Homes Corp.

### **Material**

Takuya Takahashi  
Executive Officer

Nobuaki Hashimoto  
Senior Managing Executive

Nobuya Kaneko  
Managing Executive

### **Questions and Answers**

#### **Corporate:**

Q: In Q1 2025, you recorded an extraordinary loss related to structural transformation of Material. What is your outlook for extraordinary income and loss in Q2 and H2? Is there a possibility of a downward revision to the full-year net income forecast?

Horie: We expect extraordinary income and loss to improve in Q2 due to gain on sale of investment securities, etc. While there is a possibility of additional extraordinary income or loss in H2, we believe it can be managed so the full-year net income forecast is achieved as previously announced.

Q: There may be a possibility of an upward revision to the full-year performance forecast. What are your thoughts on shareholder returns for FY 2025?

Horie: Regarding shareholder returns, while maintaining the basic policy of paying progressive dividends, we will continue to flexibly consider implementing share repurchases in light of factors such as optimal capital structure, investment projects, cash flow, and share price conditions. We will

respond flexibly based on our business performance and market valuation.

## **Healthcare:**

### **Pharmaceuticals & Life Science**

Q: Sales of Tarpeyo IgA nephropathy treatment from Calliditas Therapeutics AB and Envarsus XR immunosuppressant from Veloxis Pharmaceuticals, Inc. have been strong. Could you share your assumptions regarding future sales growth and progress under the medium-term management plan?

Nakano: For Tarpeyo, H1 2025 sales in U.S. dollars are expected to grow by a high double-digit percentage compared to H1 2024, prior to consolidation, exceeding our initial expectations at the time of the acquisition. For Envarsus XR, we are working to further expand its adoption among physicians, and the CAGR from FY 2020 to FY 2025 is expected to remain in the 20% range. Both products are progressing steadily toward the targets set in the medium-term management plan.

Q: What is the background behind sales of Tarpeyo in Q1 2025 performing better than previously forecasted? What is the expected sales growth rate from FY 2025 to FY 2026?

Nakano: The primary factor is that adoption among physicians has advanced faster than expected at the time of the acquisition, along with steady progress in new patient registrations. Another contributing factor is the increased awareness of Tarpeyo following its inclusion in a draft of new international treatment guidelines for kidney disease in FY 2024. We expect sales in U.S. dollars to grow at a low to mid double-digit rate from FY 2025 to FY 2026.

Q: A competing drug of Tarpeyo has shown favorable clinical trial results. What are the key differentiators of Tarpeyo compared to competing drugs?

Nakano: Tarpeyo uses a steroid that has been widely used by physicians for a long time, but it works only in the ileum and has few effects on the whole body. Tarpeyo is the first drug globally approved for the treatment of IgA nephropathy, and we believe it will maintain its market position by differentiating itself from competing drugs, even after competing products are launched.

Q: What is the background behind the forecasted decrease in sales and operating income from Q1 to Q2 of FY 2025?

Nakano: The expected decline is due to seasonal factors, including lower sales volume and higher SG&A expenses in both Pharmaceuticals and Life Science, as well as the negative impact from the divestiture of the diagnostics business in July 2025.

Q: A reduction in drug prices in the U.S is being considered. What is your view on the potential impact? In addition, how do you see the impact of higher tariffs on pharmaceuticals imported into the U.S.?

Nakano: Regarding drug price reductions, there are many uncertain factors at this point, such as the details of the executive order and its enforceability, making it difficult to assess the impact. We will continue to monitor policy developments and consider appropriate responses.

As for tariffs, as a 12- to 18-month grace period is expected before implementation, the impact has not been incorporated into the FY 2025 forecast. As the details are still in flux, we will continue to monitor developments and work to minimize the impact on performance.

Q: How do you see the risk of impairment related to Bionova Scientific, LLC?

Nakano: At this point, we do not anticipate any impairment. We will continue to review our medium-term plans and conduct appropriate verification with our accountants.

**Critical Care**

Q: What is the background behind the forecasted increase in sales and operating income from Q1 to Q2 of FY 2025? Are you expecting to launch a new defibrillator product?

Nakano: The main factors are the completion of temporary inventory adjustments for AEDs in Q1 and an expected increase in sales of defibrillators for professional use. There is also the possibility of increased demand resulting from AED recalls by a competitor. Sales of LifeVest wearable defibrillators will be affected by seasonal factors, but we expect stable performance supported by additional sales personnel and other initiatives.

Although we are not disclosing the timing of the launch of a new defibrillator product for professional use, we expect the launch will enable us to further increase our market share.

**Homes:****Housing**

Q: What is the background behind the downward revision of the H1 operating income forecast for overseas homes?

Sakai: In the previous forecast, we expected the number of construction projects in the North American business to recover from around Q2 2025, but recovery has been slower than expected.

Q: Assets have increased due to the purchase of land for real estate development. How much of an increase in assets is expected by the end of FY 2025, and when do you expect this increase to level off? In addition, although you have conventionally conducted real estate development without significantly increasing assets, how do you plan to manage capital costs going forward?

Sakai: In real estate development, we have conventionally purchased land for development, which may result in a temporary increase in assets depending on the timing, but we do not expect this to continue to increase steadily going forward. However, due to the long period of projects, it will take several years for these assets to translate into actual sales. We have established a robust management system for the land we have purchased, including reporting on sales status and monitoring the soundness of projects at management meetings.

Q: In order-built homes, orders received in Q1 2025 were weak. What is the outlook for future orders?

Sakai: Orders received in Q1 were significantly lower than initially expected due to a slowdown in marketing activities from April 2025 onward, as an effect of higher than expected orders received in March 2025. However, marketing activities are now picking up again, and we are targeting orders in Q2 to be in line with the same period of the previous year.

**Material:****General**

Q: What are the factors behind the revision of the H1 operating income forecasts for each business in Material? In addition, what is the outlook for operating income for H2 2025?

Takahashi: Electronics has been revised upward due to strong sales, mainly in electronic materials. We expect it to remain strong through H2.

Car Interior has also been revised upward due to strong sales mainly in Europe, and we expect it to remain strong through H2, although we will need to closely monitor uncertainty in automobile production trends.

In Energy & Infrastructure, the forecast has been revised upward due to steady sales of

Hipore wet-process LIB separator for consumer electronics applications, despite sluggish sales for automotive applications, as well as cost reductions at Polypore International, LLC, etc. For H2, we expect the same trend to continue in separators, and firm performance in ion-exchange membranes.

Comfort Life is performing as expected, but we will need to closely monitor the impact of tariffs through H2.

Essential Chemical has been revised upward due to the reduced negative impact of inventory valuation loss as naphtha prices did not fall as much as expected, and a reduction in fixed costs. The previous forecast incorporated the risk of tariffs and conservatively assumed the naphtha price of 55,000 yen/kL, but the current forecast for H1 assumes 64,700 yen/kL. We expect operating income to increase in H2 due to nonrecurrence of the impact of maintenance turnaround, etc., but we will need to closely monitor lower petrochemical market prices and decreased demand.

Performance Chemical was the only business category revised downward. Sales of engineering plastics are expected to be generally in line with the previous forecast, but the business is expected to be negatively affected by deteriorating terms of trade due to the lower market prices, mainly for nylon and urethane intermediates, as well as the impact of inventory valuation, etc. These effects are expected to be partially offset in H2, but we will need to closely monitor the impact of tariffs and uncertainty in automobile production trends.

Others in Material has been revised upward due to fixed cost reductions, etc.

## **Electronics**

Q: What products are driving the upward revision of the H1 forecast, and is there a surge in demand due to the impact of tariffs?

Hashimoto: Electronic materials related to generative AI applications such as Pimel photosensitive insulator, glass fabric, and photosensitive dry film are all performing well. At this point, we do not believe that there is a significant surge in demand due to the impact of tariffs.

Q: What is the status of operations at the new Fuji plant for Pimel which began operations in January 2025?

Hashimoto: Operating rates are being raised gradually as some time is required for customer certification, etc. It will only make a partial contribution to FY 2025 results, with full-scale shipments beginning in FY 2026 or later.

Q: It seems that supply and demand for Pimel and glass fabric are tight. Is there any room to raise selling prices?

Hashimoto: We are currently reviewing this and will strive to implement it as soon as possible.

Q: Regarding glass fabric, what is the progress in securing a stable supply of yarn, the raw material for glass fabric?

Hashimoto: We are continuing discussions with several suppliers to ensure stable procurement, and we hope to meet the growth in demand for glass fabric.

## **Energy & Infrastructure**

Q: What is the background behind the capacity rights agreement for Hipore with a subsidiary of Toyota Tsusho Corporation? Why was the decision made to ship from the coating facility at the Charlotte plant in the U.S., rather than from the Canadian plant? Will the location of base film manufacturing change when the Canadian plant begins operations?

Kaneko: Under the capacity rights agreement we have just concluded, we have ensured a portion of Hipore's production capacity and agreed to prioritize supply to a subsidiary of Toyota Tsusho. Amid growing uncertainty in the EV market, we are working to ensure stable operations at the

Canadian plant currently under construction by pursuing vertical integration with our customers, etc. Our initiative with Toyota Tsusho is part of this effort, and we would like to emphasize that we are steadily executing the strategy we committed to when making the investment decision.

The reason for shipping from the Charlotte plant is to align with the start-up schedules of battery manufacturers that Toyota Tsusho will supply LIB separators to. The base film to be coated at the Charlotte plant will initially be supplied from Japan. However, once the Canadian plant begins operations, it will be supplied from there.

Q: Regarding the H1 forecast, could you provide details on the background behind the upward revision of operating income for Polypore, despite the decline in shipment volumes of Hipore?

Kaneko: We expect shipment volumes of Hipore to remain sluggish due to a slowdown in demand for EVs, mainly in North America. On the other hand, demand for consumer electronics applications remains strong for data centers and high-end smartphones, offsetting the decline in sales for automotive applications.

While Polypore is not expected to see a significant increase in shipment volumes, we expect improved profitability through cost reductions and productivity improvements.

### **Essential Chemical**

Q: What is the background behind the forecasted decrease in operating income from Q1 to Q2 of FY 2025?

Takahashi: In Q1, there was the negative impact of a maintenance turnaround, but operating income was pushed up by a temporary improvement in terms of trade due to a time lag in reflecting lower raw material prices. In Q2, the negative impact of the maintenance turnaround will not recur, but we expect terms of trade to deteriorate as prices are gradually adjusted. As a result, operating income is expected to decrease compared to Q1.

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