Summary of Q&A at Financial Results Briefing for Q3 Fiscal 2025

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Asahi Kasei Corporation

Participants

Toshiyasu Horie
CFO

Motomichi Kishino
Executive Officer

Tomoo Otsubo
General Manager, Investor Relations

Healthcare

Seiji Nakano
Senior Managing Executive

Homes

Kensuke Sakai
Director, Senior Executive Officer, Asahi Kasei Homes Corporation

Material

Takuya Takahashi
Executive Officer

Nobuaki Hashimoto
Senior Managing Executive

Nobuya Kaneko
Managing Executive

Questions and Answers

Corporate:

Q: The performance forecast has been revised upward from the November forecast, raising expectations for a dividend increase. However, the full-year dividend forecast has not been changed from the previous forecast. Could you please explain the background for this? Are you anticipating the risk of one-time losses such as impairment losses in Q4?

Horie: We had been concerned about the possibility of the yen strengthening as a fluctuation risk in the performance forecast. However, the exchange rate has stabilized recently, so we currently see no particular risk to achieving the performance forecast. We will consider the full-year dividend based on full-year results, but we aim to achieve our benchmark DOE of 3% as soon as possible.

Q: Why has the share buyback program decided in November 2025 not yet progressed at this point?

Horie: This is because we had multiple projects underway related to business portfolio transformation, including the study on the ethylene production facilities in western Japan that we announced on January 27, 2026. There are no other factors, and we will proceed with repurchases sequentially going forward.

Q: Why did the net equity in earnings of affiliates improve year-on-year in Q3 and from Q2 to Q3 of FY 2025?

Kishino: In November 2024, we decided to discontinue the operations of PTT Asahi Chemical Co., Ltd., an equity-method affiliate, and recorded a provision for the removal costs of plant facilities in Q3 of FY 2024. As it became certain that the removal costs would be lower than initially expected upon signing a contract for the removal work, we recorded a partial reversal of the provision in Q3 of FY 2025.

Q: What is the outlook for extraordinary gains and losses in FY 2026 and beyond? Do you aim to increase net income also in FY 2026?

Horie: For extraordinary gains, we will continue to accelerate the sale of strategic shareholdings. On the other hand, for extraordinary losses, we expect a certain amount to be recorded as we advance business portfolio transformation. However, we will manage extraordinary gains and losses with a focus on our medium-term strategy to avoid recognizing large unexpected losses.

We are currently considering our plan for FY 2026, but we intend to pursue growth in net income.

Healthcare:

Pharmaceuticals & Life Science

Q: What specifically is the lump sum income of Calliditas Therapeutics AB that is a factor behind the upward revision from the previous forecast in Pharmaceuticals? Also, could you comment on potential expenses that may arise in Q4?

Nakano: We have licensed out the sales rights for Tarpeyo IgA nephropathy treatment in China and Europe to partner companies, and sales have been better than expected. As a result, we recorded milestone revenue in Q3.

Furthermore, while some in-licensing expenses are expected to be incurred in Q4, they are projected to be lower than previously forecasted, reflecting the progress of the projects. Additionally, Q4 typically sees a seasonal concentration of fixed costs such as R&D expenses.

Q: Sales of Tarpeyo in the U.S. have remained around $80 million per quarter, appearing to show little growth. How do you assess the sales situation? Also, what is the expected sales growth rate for FY 2026?

Nakano: Tarpeyo (generic name: Nefecon) was recommended in *Kidney Disease: Improving Global Outcomes (KDIGO) 2025 Clinical Practice Guideline for the Management of IgA Nephropathy (IgAN) and Immunoglobulin A Vasculitis (IgAV)* as the only treatment for IgAN that has demonstrated a reduction in pathogenic IgA in the blood. Consequently, adoption by doctors is progressing faster than expected at the time of the acquisition, and sales continue to be strong as planned. Although quarterly sales fluctuate due to calendar-related factors, preventing a straight upward trend, year-on-year sales growth remains steady.

Looking ahead to FY 2026, maintaining the same growth rate as FY 2025 may be difficult due to the expanded sales base, but we expect growth in the 20–30% range compared to FY 2025.

Q: For Envarsus XR immunosuppressant of Veloxis Pharmaceuticals, Inc., how do you assess recent sales performance? Also, what is the expected sales growth rate for FY 2026?

Nakano: Sales of Envarsus XR for the April–December period increased by around 10% year-on-year, which is lower than the growth rate in H1. This deceleration is due to the recognition of one-time revenue during the price negotiation process in Q3 of FY 2024, combined with calendar-related factors making sales volume growth challenging in Q3 of FY 2025. However, looking at the CAGR over the past five years, it has maintained a growth rate in the low 20% range.

The overall kidney transplant market was originally expected to grow by a few percent, but recently growth has been constrained by donor availability. Even in this environment, strategic marketing activities have expanded the share of Envarsus XR in the tacrolimus market, and we anticipate a high-teens growth rate in FY 2026.

Critical Care

Q: Q3 is usually a period in which sales growth is constrained by seasonal factors such as the Christmas holidays, but in FY 2025 sales increased from Q2 to Q3, mainly in ACT (defibrillators for professional use, AEDs, etc.). Could you explain the background for this?

Nakano: The main factors behind higher sales in ACT were that sales began in earnest for a new defibrillator product for professional use that was launched at the end of September; that some shipments shifted from Q2 to Q3 due to issues during the launch of a new logistics center; and that AED sales volume increased due to the impact of recalls by a competitor.

Sales of the new defibrillator product for professional use are currently growing at a pace exceeding our expectations, and we expect it to remain strong in Q4 as well.

Q: For the April–December period, sales increased year-on-year, but operating income decreased. Could you explain the background for this? Also, have the issues that occurred in Q2 during the launch of a new logistics center been resolved?

Nakano: The main reasons for the decline in operating income were an increase in one-time SG&A expenses related to addressing the logistics center issues in Q2, and deterioration in the product mix for ACT due to customers refraining from purchases ahead of the launch of the new defibrillator product for professional use in H1.

The logistics center issues have largely been resolved as of now.

Q: Could you provide an update on sales of the sleep apnea diagnostic device from Itamar Medical Ltd.?

Nakano: Sales of Itamar for the April–December period increased by around 20% year-on-year, reflecting solid growth. As the first drug to treat obstructive sleep apnea has been approved in the U.S., which is expected to increase patient awareness of this disease, we expect sales growth to accelerate further going forward.

Homes:

Housing

Q: Orders received for order-built homes in FY 2025 are projected to decrease slightly year-on-year. Based on current order trends, what level of order backlog do you expect at the end of FY 2025? Also, what is the outlook for sales of order-built homes in FY 2026?

Sakai: Orders received for the April–December period decreased slightly year-on-year, reflecting challenges in H1. However, orders in Q3 have been firm since November, and if this trend continues, we expect the year-end backlog to be roughly in line with typical levels.

We are currently reviewing our sales outlook for FY 2026, but as orders in H1 of FY 2026 will also impact this, we will continue our efforts to expand orders.

Q: Could you explain the factors behind the operating income loss in development for Q4?

Sakai: Q4 is expected to temporarily turn to a loss, as the number of condominium units sold will just happen to be very low during this period. There is no particular concern such as a rapid deterioration in the business environment.

Material:

Electronics

Q: What are the forecasted sales growth rates for Pimel photosensitive insulator, glass fabric, dry film photoresist, and camera module ICs in FY 2025? The growth rate for glass fabric appears weaker than the market growth rate; what is the background?

Hashimoto: Sales for the April–December period increased year-on-year by around 30% for Pimel, and by around 10% each for glass fabric, dry film, and camera module ICs, and we expect similar growth rates for the full year.

As glass fabric production is currently running at full capacity, we will shift from the current generation to the next generation and pursue a high value-added product strategy to drive operating income growth. In H2 of FY 2025, there will be a transition period as we switch production, and sales volume of the current generation glass fabric may decline slightly, but we expect to steadily increase sales from FY 2026 onward.

Q: How do you consider the potential to raise selling prices for Pimel and glass fabric?

Hashimoto: Raising selling prices is not easy for both Pimel and glass fabric, but considering the rising costs of raw materials and other expenses, we will continue to review the matter.

Q: What is the outlook for customer qualification and mass production of quartz glass fabric?

Hashimoto: We have already shipped samples for customer evaluation in FY 2025, and are proceeding on schedule to obtain customer qualification in FY 2026. We aim for a full-scale sales contribution from FY 2027 onward.

While quartz glass fabric uses quartz glass fiber, which is more brittle and harder to handle than ordinary glass fiber, we will leverage our strength in having a fully integrated in-house framework for setting specifications, development, manufacture, and quality assurance.

Q: Regarding glass fabric, you have strengths in low-dielectric products. Could you share the development status of low-thermal-expansion products?

Hashimoto: We are currently advancing development and are at the stage of conducting customer evaluation. While the specific launch timing is undecided, we are aiming for a launch within the next few years.

Q: For camera module ICs, what risk factors do you foresee in FY 2026?

Hashimoto: As a risk factor, we need to closely monitor fluctuations from FY 2026 onward in the smartphone market, which is the main application, but at this point we expect continued steady growth.

Car Interior

Q: What factors are expected to drive the increase in operating income from Q3 to Q4? Also, how do you view the business environment from Q4 onward?

Takahashi: From Q3 to Q4, we expect increased operating income due to changes in the product mix and cost control.

Regarding the business environment from Q4 onward, while we need to continue monitoring the overall automotive market, we anticipate the car interior materials market to remain relatively firm.

Energy & Infrastructure

Q: What factors lead to the forecast of increased profits despite flat sales from Q3 to Q4?

Takahashi: In separators, there is an impact from the divestiture of the lead battery separator business. On the other hand, in the ion-exchange membrane process chlor-alkali electrolysis business, we expect sales of chlor-alkali electrolysis plants to be concentrated in Q4. We also expect firm performance in the ion-exchange membrane process chlor-alkali electrolysis business in FY 2026.

Q: At the time you decided on the North American investment, you likely expected improved earnings by expanding coating capacity for Hipore wet-process LIB separator in H1 of FY 2026. What is the current outlook for operating income and loss in FY 2026? Also, will you proceed with the coating capacity expansion as planned?

Kaneko: While the ramp-up of the EV market has been slower than expected, we anticipate that demand will emerge in FY 2026 for energy storage system (ESS) applications for grid power, which will increase Hipore sales volume and improve earnings. The profitability improvement associated with the coating capacity expansion was planned targeting EV demand, and therefore we expect contributions to earnings from increased sales volume of higher-margin coated separators to begin in earnest from FY 2027 onward.

Construction for the coating capacity expansion is progressing as planned, but we will determine the optimal timing of its operation based on market conditions. We believe the impact of higher depreciation in FY 2026 will be limited.

Q: Against the operating income target for FY 2027 under the medium-term management plan, operating income is currently in a difficult situation. Could you share the outlook for medium-term performance in separators?

Kaneko: At present, amid the slower ramp-up of the EV market in North America, fixed costs such as initial costs for the construction of the Canadian plant are temporarily being incurred. As a result, operating income has deteriorated and EBITDA is negative. However, from a medium- to long-term perspective beyond FY 2030, our outlook remains unchanged that the EV market in North America will ramp up and demand for LIB separators will expand. We will proceed with the construction of the Canadian plant as planned, while optimizing the timing of start-up by assessing market conditions and customer demand. By doing so, we will control the timing of fixed costs such as start-up costs and aim to maximize profitability.

Essential Chemical

Q: What is the scale of the negative impacts from inventory valuation and the maintenance turnaround, which are the factors contributing to decreased operating income in the April–December period? Additionally, what factors are expected to contribute to decreased operating income from Q3 to Q4?

Takahashi: Of the decreased operating income for the April–December period, the impact of the maintenance turnaround in Mizushima was approximately ¥5.0 billion. Most of the remainder was due to the impact of inventory valuation from the decline in naphtha prices and the deterioration in terms of trade.

From Q3 to Q4, in addition to continued sluggish demand, we expect a seasonal increase in fixed costs and deterioration in terms of trade in elastomers due to a rapid rise in the market price of the raw material butadiene. As a result, we expect operating income to decrease.

Q: You recently announced the decarbonization and production capacity optimization of ethylene manufacturing facilities in western Japan. Could you provide an update on the progress of structural transformation in Chemical?

Horie: We are continuing discussions and will steadily proceed so that we can make an announcement as soon as possible.