

Asahi Kasei Corporation

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Consolidated Results for Fiscal 2021: April 1, 2021 – March 31, 2022

(All figures in millions of yen, rounded to the nearest million, unless otherwise specified)

I. Summary of Consolidated Results

1. Operating results (percent change from previous year in brackets)

	FY 2021	FY 2020
Net sales	2,461,317 [+16.9%]	2,106,051 [-2.1%]
Operating income	202,647 [+17.9%]	171,808 [-3.1%]
Ordinary income	212,052 [+19.1%]	178,036 [-3.2%]
Net income attributable to owners of the parent	161,880 [+102.9%]	79,768 [-23.2%]
Net income per share*	116.68	57.49
Diluted net income per share*	—	—
Net income/shareholders' equity	10.3%	5.6%
Ordinary income/total assets	6.8%	6.2%
Operating income/net sales	8.2%	8.2%

* Yen

Notes:

- Comprehensive income was ¥261,502 million during fiscal 2021, and ¥157,941 million during fiscal 2020.
- Equity in earnings of affiliates was ¥8,878 million during fiscal 2021, and ¥3,451 million during fiscal 2020.

2. Financial position

At fiscal year end March	2022	2021
Total assets	3,349,075	2,918,941
Net assets	1,718,815	1,494,535
Net worth/total assets	50.4%	50.3%
Net worth per share*	1,216.33	1,057.61

* Yen

Notes:

- Net worth consists of shareholders' equity and accumulated other comprehensive income.
- Net worth was ¥1,687,410 million as of March 31, 2022, and ¥1,467,476 million as of March 31, 2021.

3. Cash flows

	FY 2021	FY 2020
Cash flows from operating activities	183,271	253,676
Cash flows from investing activities	(221,019)	(157,751)
Cash flows from financing activities	42,321	(95,869)
Cash and cash equivalents at end of period	242,948	216,235

II. Cash Dividends

Fiscal year	Cash dividends per share*				Total annual dividend amount	Dividends/ consolidated net income	Dividends/ consolidated net worth	
	Q1	Q2	Q3	Q4				
2020	—	17.00	—	17.00	34.00	47,187	59.1%	3.3%
2021	—	17.00	—	17.00	34.00	47,187	29.1%	3.0%
2022 (forecast)	—	18.00	—	18.00	36.00		30.4%	

* Yen

III. Forecast for Fiscal 2022 (April 1, 2022 – March 31, 2023)

(percent change from previous year in brackets)

Net sales	2,731,000 [+11.0%]
Operating income	210,500 [+3.9%]
Ordinary income	216,500 [+2.1%]
Net income attributable to owners of the parent	164,500 [+1.6%]
Net income per share*	118.58

* Yen

Note:

Performance forecasts are based on the best information available at this time, but actual results may diverge from these forecasts due to a variety of factors which cannot be foreseen.

IV. Other Information

1. Changes in significant subsidiaries which affected scope of consolidation during the period

Addition of three new subsidiaries:

McDonald Jones Homes Pty Ltd

Respicardia, Inc.

Itamar Medical Ltd.

Elimination of one subsidiary:

Zeus Merger Sub Ltd.

2. Changes in accounting policies, changes in accounting estimates, and retroactive restatement

i. Application of Accounting Standard for Revenue Recognition, etc.

Accounting Standards Board of Japan (ASBJ) Statement No. 29 “Accounting Standard for Revenue Recognition” and other standards are applied from the beginning of the fiscal year ended March 31, 2022, whereby revenue is recognized in the amount foreseeable to be received in exchange for goods or services at the time control of promised goods or services is transferred to the customer.

Accordingly, the method of revenue recognition for contracted construction is changed, mainly in the Homes segment. Whereas previously the construction completion standard was applied to works whose outcome lacked certainty, this is changed to recognizing revenue over a certain period when conditions of performance obligations are fulfilled over a certain period. Measurement of progress related to fulfilment of performance obligations is based on the proportion of the total foreseen construction cost which is incurred by the closing date of each financial period.

In accordance with the proviso of Article 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactive application is adjusted to retained earnings as of the beginning of the fiscal year ended March 31, 2022. However, in accordance with Article 86 of the Accounting Standard for Revenue Recognition, the new accounting standard is not applied

retroactively to contracts for which nearly all revenue was recognized by the previous method prior to the beginning of the fiscal year ended March 31, 2022.

As a result, net sales, cost of sales, and selling, general and administrative expenses each decreased, by ¥48,666 million, ¥49,860 million, and ¥34 million, respectively, and operating income, ordinary income, and income before income taxes each increased by ¥1,227 million during the fiscal year ended March 31, 2022. Retained earnings at the beginning of the period increased by ¥9,212 million.

Due to the application of the Accounting Standard for Revenue Recognition, “notes and accounts receivable–trade” from the previous fiscal year under current assets in the consolidated balance sheets are included in “notes, accounts receivable–trade, and contract assets” beginning with the fiscal year ended March 31, 2022, while “decrease in notes and accounts receivable–trade” from the previous fiscal year under cash flows from operating activities in the consolidated statements of cash flows is included in “increase in notes, accounts receivable–trade, and contract assets” beginning with the fiscal year ended March 31, 2022. In accordance with Article 89-2 of the Accounting Standard for Revenue Recognition regarding transitional treatment, results for the previous fiscal year are not recalculated by the new method.

ii. Application of Accounting Standard for Accounting Standard for Fair Value Measurement, etc.

ASBJ Statement No. 30 “Accounting Standard for Fair Value Measurement” and other standards are applied from the beginning of the fiscal year ended March 31, 2022. In accordance with Article 19 of the Accounting Standard for Fair Value Measurement and Article 44-2 of ASBJ Statement No. 10 “Accounting Standard for Financial Instruments” regarding transitional treatment, the new accounting policy is to be applied in the future. Whereas certain investment securities and certain long-term loans receivable, which were deemed to be financial instruments whose fair value was extremely difficult to ascertain, had been reflected on the consolidated balance sheets at their acquisition price, they are now reflected on the consolidated balance sheets at their fair value calculated using significant unobservable inputs based on the best information available, even when observable inputs are unavailable. The effect on the consolidated financial statements is immaterial.

iii. Changes in presentation

Consolidated statements of income:

Insurance income, which was reported separately under non-operating income for the year ended March 31, 2021, is included in other from the year ended March 31, 2022, due to diminished materiality. Consolidated statements of income for the year ended March 31, 2021, are restated to reflect this change. As a result, ¥2,618 million, previously reported as insurance income, is included in other under non-operating income.

3. Number of shares outstanding

	FY 2021	FY 2020
Number of shares outstanding at end of period	1,393,932,032	1,393,932,032
Number of shares of treasury stock at end of period	6,640,935	6,396,867
Average number of shares outstanding during period	1,387,432,219	1,387,525,767

V. Summary of Non-Consolidated Results

1. Results for fiscal 2021 (April 1, 2021 – March 31, 2022)

(1) Operating results (percent change from previous year in brackets)

	FY 2021	FY 2020
Net sales	652,631 [+19.1%]	548,149 [-8.6%]
Operating income	35,059 [+450.0%]	6,374 [-69.1%]
Ordinary income	81,940 [+26.9%]	64,546 [-15.9%]
Net income	52,484 [-22.5%]	67,717 [+17.0%]
Net income per share*	37.83	48.80
Diluted net income per share*	—	—

* Yen

(2) Financial position

At fiscal year end, March	2022	2021
Total assets	2,149,337	2,289,241
Net assets	771,809	790,312
Net worth/total assets	35.9%	34.5%
Net worth per share*	556.34	569.58

* Yen

VI. Overview of Consolidated Results

1. Consolidated group results

Net sales increased substantially in the Material and Homes sectors which had major impacts from the COVID-19 pandemic in the previous fiscal year. While the previous year's sales in the Health Care sector were bolstered by businesses contributing to treatment of COVID-19, net sales increased slightly with other businesses performing well. Total consolidated net sales increased by ¥355.3 billion from a year ago to ¥2,461.3 billion, operating income increased by ¥30.8 billion to ¥202.6 billion, and ordinary income increased by ¥34.0 billion to ¥212.1 billion. Net income attributable to owners of the parent increased considerably by ¥82.1 billion to ¥161.9 billion as expenses related to a semiconductor plant fire in the previous fiscal year decreased, and income tax expenses decreased in relation to reconfiguration of Veloxis Pharmaceuticals, Inc.

2. Results by operating segment

The Asahi Kasei Group's operations are described by major business classification: three reportable segments of Material, Homes, and Health Care, together with an "Others" category.

MATERIAL

Sales increased by ¥207.0 billion from a year ago to ¥1,198.2 billion, and operating income increased by ¥43.8 billion from a year ago to ¥110.3 billion.

Operating income increased considerably with higher shipments of engineering plastics as automotive markets recovered, product price increases as feedstock prices rose, higher shipments of digital solution products as semiconductor markets were brisk, and sharply higher petrochemical market prices as demand recovered.

HOMES

Sales increased by ¥140.7 billion from a year ago to ¥833.4 billion, and operating income increased by ¥9.6 billion from a year ago to ¥73.2 billion.

Operating income increased with a considerable rise in income from North American operations as lumber prices rose, and larger deliveries and higher added-value in domestic order-built homes operations although the order backlog was impacted by the previous year's COVID-19

restrictions on sales activities and materials costs rose.

HEALTH CARE

Sales increased by ¥8.0 billion from a year ago to ¥415.9 billion, and operating income decreased by ¥15.4 billion from a year ago to ¥52.2 billion.

Although shipments of ventilators decreased considerably with normalization of demand from previous year's surge due to COVID-19, mainstay products in critical care operations such as defibrillators performed well and the decrease in operating income was curtailed. Mainstay products in pharmaceutical and medical device operations performed well, but license fees for future growth resulted in higher SG&A and decreased operating income.

OTHERS

Sales decreased by ¥0.4 billion from a year ago to ¥13.8 billion, and operating income decreased by ¥0.6 billion from a year ago to ¥3.2 billion.

VII. Consolidated Financial Statements

1. Balance sheets

	At end of March 2021	At end of March 2022
Assets		
Current assets		
Cash and deposits	221,779	244,641
Notes and accounts receivable–trade	338,640	—
Notes, accounts receivable–trade, and contract assets	—	434,595
Merchandise and finished goods	203,159	252,521
Work in process	166,494	146,120
Raw materials and supplies	111,798	141,608
Other	97,131	117,195
Allowance for doubtful accounts	(2,225)	(2,471)
Total current assets	1,136,776	1,334,209
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	598,675	646,311
Accumulated depreciation	(319,144)	(333,966)
Buildings and structures, net	279,531	312,344
Machinery, equipment and vehicles	1,535,326	1,569,782
Accumulated depreciation	(1,286,057)	(1,288,462)
Machinery, equipment and vehicles, net	249,269	281,320
Land	70,577	69,567
Lease assets	8,615	8,679
Accumulated depreciation	(7,687)	(6,814)
Lease assets, net	928	1,865
Construction in progress	84,463	102,284
Other	182,414	159,312
Accumulated depreciation	(149,920)	(121,477)
Other, net	32,495	37,834
Subtotal	717,262	805,215
Intangible assets		
Goodwill	351,921	431,335
Other	342,454	405,508
Subtotal	694,374	836,843
Investments and other assets		
Investment securities	286,517	246,701
Long-term loans receivable	1,241	6,227
Long-term advance payments–trade	29,390	30,432
Net defined benefit asset	—	1,193
Deferred tax assets	21,116	54,276
Other	32,709	34,404
Allowance for doubtful accounts	(445)	(426)
Subtotal	370,529	372,808
Total noncurrent assets	1,782,165	2,014,866
Total assets	2,918,941	3,349,075

	At end of March 2021	At end of March 2022
Liabilities		
Current liabilities		
Notes and accounts payable–trade	142,087	178,092
Short-term loans payable	144,571	239,491
Commercial paper	84,000	113,000
Lease obligations	880	2,224
Accrued expenses	126,705	146,275
Income taxes payable	21,268	58,115
Advances received	78,601	62,476
Provision for grant of shares	124	208
Provision for periodic repairs	7,222	4,738
Provision for product warranties	3,522	4,007
Provision for removal cost of property, plant and equipment	5,651	4,445
Other	88,533	110,778
Total current liabilities	703,163	923,850
Noncurrent liabilities		
Bonds payable	110,000	160,000
Long-term loans payable	320,404	253,785
Lease obligations	3,921	8,715
Deferred tax liabilities	58,669	52,017
Provision for grant of shares	513	490
Provision for periodic repairs	3,415	5,396
Provision for removal cost of property, plant and equipment	12,652	12,298
Net defined benefit liability	158,832	152,081
Long-term guarantee deposits	21,939	22,490
Other	30,899	39,139
Total noncurrent liabilities	721,243	706,410
Total liabilities	1,424,406	1,630,260
Net assets		
Shareholders' equity		
Capital stock	103,389	103,389
Capital surplus	79,641	79,887
Retained earnings	1,158,792	1,282,325
Treasury stock	(5,932)	(6,219)
Total shareholders' equity	1,335,890	1,459,381
Accumulated other comprehensive income		
Net unrealized gain on other securities	91,887	66,287
Deferred gains or losses on hedges	(347)	(341)
Foreign currency translation adjustment	50,462	167,225
Remeasurements of defined benefit plans	(10,416)	(5,142)
Total accumulated other comprehensive income	131,586	228,029
Non-controlling interests	27,058	31,405
Total net assets	1,494,535	1,718,815
Total liabilities and net assets	2,918,941	3,349,075

2. Statements of income and statements of comprehensive income

(1) Statements of income

	FY 2020	FY 2021
Net sales	2,106,051	2,461,317
Cost of sales	1,425,342	1,691,549
Gross profit	680,709	769,769
Selling, general and administrative expenses	508,901	567,122
Operating income	171,808	202,647
Non-operating income		
Interest income	1,895	1,364
Dividends income	4,308	4,332
Equity in earnings of affiliates	3,451	8,878
Other	7,677	7,088
Total non-operating income	17,331	21,663
Non-operating expenses		
Interest expense	3,209	3,643
Other	7,893	8,614
Total non-operating expenses	11,102	12,257
Ordinary income	178,036	212,052
Extraordinary income		
Gain on sales of investment securities	17,312	26,545
Gain on sales of noncurrent assets	353	912
Insurance income	—	3,777
Gain on step acquisitions	—	1,700
Total extraordinary income	17,665	32,934
Extraordinary loss		
Loss on valuation of investment securities	66	511
Loss on disposal of noncurrent assets	10,637	7,526
Impairment losses	1,937	6,811
Loss on fire at plant facilities	22,287	—
Loss on product compensation	2,118	—
Business structure improvement expenses	7,750	15,017
Total extraordinary loss	44,795	29,866
Income before income taxes	150,906	215,121
Income taxes—current	73,273	93,046
Income taxes—deferred	(4,465)	(41,759)
Total income taxes	68,808	51,287
Net income	82,098	163,834
Net income attributable to non-controlling interests	2,330	1,954
Net income attributable to owners of the parent	79,768	161,880

(2) Statements of comprehensive income

	FY 2020	FY 2021
Net income	82,098	163,834
Other comprehensive income		
Net increase (decrease) in unrealized gain on other securities	24,806	(25,746)
Deferred gains or losses on hedges	(106)	5
Foreign currency translation adjustment	35,491	114,406
Remeasurements of defined benefit plans	12,631	5,403
Share of other comprehensive income of affiliates accounted for using equity method	3,020	3,599
Total other comprehensive income	75,842	97,668
Comprehensive income	157,941	261,502
Comprehensive income attributable to:		
Owners of the parent	154,817	258,322
Non-controlling interests	3,124	3,180

3. Statements of changes in net assets

	FY 2020	FY 2021
Shareholders' equity		
Capital stock		
Balance at beginning of fiscal year	103,389	103,389
Balance at end of fiscal year	103,389	103,389
Capital surplus		
Balance at beginning of fiscal year	79,641	79,641
Changes during the fiscal year		
Disposal of treasury stock	(0)	0
Transfer from retained earnings to capital surplus	0	—
Capital increase of consolidated subsidiaries	0	245
Total changes of items during the period	0	245
Balance at end of fiscal year	79,641	79,887
Retained earnings		
Balance at beginning of fiscal year	1,125,738	1,158,792
Cumulative effect of changes in accounting policies	—	9,212
Restated balance	—	1,168,004
Changes during the fiscal year		
Dividends from surplus	(45,800)	(47,187)
Net income attributable to owners of the parent	79,768	161,880
Transfer from retained earnings to capital surplus	(0)	—
Change of scope of consolidation	(914)	(371)
Total changes of items during the period	33,054	114,321
Balance at end of fiscal year	1,158,792	1,282,325
Treasury stock		
Balance at beginning of fiscal year	(5,990)	(5,932)
Changes during the fiscal year		
Purchase of treasury stock	(10)	(412)
Disposal of treasury stock	69	125
Total changes of items during the period	59	(287)
Balance at end of fiscal year	(5,932)	(6,219)
Total shareholders' equity		
Balance at beginning of fiscal year	1,302,777	1,335,890
Cumulative effect of changes in accounting policies	—	9,212
Restated balance	—	1,345,102
Changes during the fiscal year		
Dividends from surplus	(45,800)	(47,187)
Net income attributable to owners of the parent	79,768	161,880
Purchase of treasury stock	(10)	(412)
Disposal of treasury stock	69	125
Change of scope of consolidation	(914)	(371)
Capital increase of consolidated subsidiaries	0	245
Total changes of items during the period	33,113	114,279
Balance at end of fiscal year	1,335,890	1,459,381

	FY 2020	FY 2021
Accumulated other comprehensive income		
Net unrealized gain on other securities		
Balance at beginning of fiscal year	67,027	91,887
Changes during the fiscal year		
Net changes of items other than shareholders' equity	24,860	(25,600)
Total changes of items during the period	24,860	(25,600)
Balance at end of fiscal year	91,887	66,287
Deferred gains or losses on hedges		
Balance at beginning of fiscal year	(241)	(347)
Changes during the fiscal year		
Net changes of items other than shareholders' equity	(106)	5
Total changes of items during the period	(106)	5
Balance at end of fiscal year	(347)	(341)
Foreign currency translation adjustment		
Balance at beginning of fiscal year	13,027	50,462
Changes during the fiscal year		
Net changes of items other than shareholders' equity	37,434	116,763
Total changes of items during the period	37,434	116,763
Balance at end of fiscal year	50,462	167,225
Remeasurements of defined benefit plans		
Balance at beginning of fiscal year	(23,275)	(10,416)
Changes during the fiscal year		
Net changes of items other than shareholders' equity	12,859	5,274
Total changes of items during the period	12,859	5,274
Balance at end of fiscal year	(10,416)	(5,142)
Total accumulated other comprehensive income		
Balance at beginning of fiscal year	56,538	131,586
Changes during the fiscal year		
Net changes of items other than shareholders' equity	75,049	96,443
Total changes of items during the period	75,049	96,443
Balance at end of fiscal year	131,586	228,029
Non-controlling interests		
Balance at beginning of fiscal year	24,145	27,058
Changes during the fiscal year		
Net changes of items other than shareholders' equity	2,913	4,347
Total changes of items during the period	2,913	4,347
Balance at end of fiscal year	27,058	31,405
Total net assets		
Balance at beginning of fiscal year	1,383,460	1,494,535
Cumulative effect of changes in accounting policies	—	9,212
Restated balance	—	1,503,747
Changes during the fiscal year		
Dividends from surplus	(45,800)	(47,187)
Net income attributable to owners of the parent	79,768	161,880
Purchase of treasury stock	(10)	(412)
Disposal of treasury stock	69	125
Change of scope of consolidation	(914)	(371)
Capital increase of consolidated subsidiaries	0	245
Net changes of items other than shareholders' equity	77,962	100,789
Total changes of items during the period	111,075	215,069
Balance at end of fiscal year	1,494,535	1,718,815

4. Statements of cash flows

	FY 2020	FY 2021
Cash flows from operating activities		
Income before income taxes	150,906	215,121
Depreciation and amortization	108,369	119,738
Impairment loss	1,937	6,811
Amortization of goodwill	24,903	28,391
Increase in provision for grant of shares	148	60
Increase (decrease) in provision for periodic repairs	2,033	(502)
(Decrease) increase in provision for product warranties	(221)	233
Increase (decrease) in provision for removal cost of property, plant and equipment	9,891	(1,562)
Decrease in net defined benefit liability	(4,303)	(2,939)
Interest and dividend income	(6,202)	(5,696)
Interest expense	3,209	3,643
Equity in earnings of affiliates	(3,451)	(8,878)
Gain on sales of investment securities	(17,312)	(26,545)
Loss on valuation of investment securities	66	511
Gain on sale of property, plant and equipment	(353)	(912)
Loss on disposal of noncurrent assets	10,637	7,526
Decrease in notes and accounts receivable–trade	5,214	—
Increase in notes, accounts receivable–trade, and contract assets	—	(45,911)
Decrease (increase) in inventories	6,110	(73,257)
Increase in notes and accounts payable–trade	1,706	21,392
Increase in accrued expenses	1,371	10,184
Increase in advances received	8,190	10,546
Other, net	15,896	(19,112)
Subtotal	318,744	238,843
Interest and dividend income, received	8,690	7,212
Interest expense paid	(3,086)	(3,647)
Income taxes paid	(70,672)	(59,137)
Net cash provided by operating activities	253,676	183,271
Cash flows from investing activities		
Payments into time deposits	(6,262)	(3,267)
Proceeds from withdrawal of time deposits	4,333	7,224
Purchase of property, plant and equipment	(133,347)	(142,256)
Proceeds from sales of property, plant and equipment	656	1,280
Purchase of intangible assets	(16,945)	(27,452)
Purchase of investment securities	(8,061)	(5,805)
Proceeds from sales of investment securities	20,264	33,437
Purchase of shares in subsidiaries resulting in change in scope of consolidation	(4,811)	(80,912)
Payments for transfer of business	(17,566)	—
Payments of loans receivable	(6,144)	(6,102)
Collection of loans receivable	10,428	2,782
Other, net	(297)	52
Net cash used in investing activities	(157,751)	(221,019)

	FY 2020	FY 2021
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	(168,641)	65,632
(Decrease) increase in commercial paper	(55,000)	29,000
Proceeds from long-term loans payable	143,467	896
Repayment of long-term loans payable	(16,936)	(51,094)
Proceeds from issuance of bonds payable	50,000	50,000
Repayments of lease obligations	(1,226)	(2,298)
Purchase of treasury stock	(10)	(412)
Proceeds from disposal of treasury stock	69	125
Cash dividends paid	(45,800)	(47,187)
Cash dividends paid to non-controlling interests	(1,198)	(2,190)
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(307)	—
Other, net	(287)	(152)
Net cash (used in) provided by financing activities	(95,869)	42,321
Effect of exchange rate change on cash and cash equivalents	9,639	21,027
Net increase in cash and cash equivalents	9,695	25,600
Cash and cash equivalents at beginning of period	204,771	216,235
Increase in cash and cash equivalents resulting from changes in scope of consolidation	1,769	1,112
Cash and cash equivalents at end of period	216,235	242,948

VIII. Business combinations

1) Purchase of shares of Respicardia, Inc.

ZOLL Medical Corporation (ZOLL), a consolidated subsidiary of Asahi Kasei, has acquired Respicardia, Inc.* (Respicardia), a U.S. medical equipment company which manufactures and sells the **remedē**[®] System, an implantable neurostimulator device for the treatment of central sleep apnea (CSA). The acquisition process was completed on April 9, 2021 (U.S. Eastern time).

* Registered in Delaware head office functions in Minnesota.

1. Outline of business combination

(1) Name and nature of business of counterparty

Name of acquired company: Respicardia, Inc.

Nature of business: Development, manufacture, and sale of an implantable neurostimulator device

(2) Main reasons for the acquisition

With established businesses centered on cardiopulmonary resuscitation, notably defibrillators for medical professionals, automated external defibrillators (AEDs), and LifeVest[®] wearable defibrillators, ZOLL has sought to further expand in the field of acute critical care including peripheral areas such as heart failure and respiratory dysfunction. Respicardia develops innovative therapies for conditions with large unmet clinical needs. With this acquisition, ZOLL will combine its expertise in cardiac and respiratory care with Respicardia's novel **remedē**[®] System to make a meaningful difference in the health and quality of life for many patients.

(3) Acquisition date

April 9, 2021

(4) Statutory form of business combination

Stock purchase for mainly cash as consideration

(5) Name of company after transaction
ZOLL Respicardia, Inc.

(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 mainly cash as consideration by a consolidated subsidiary

2. The period of acquired company's results included in the consolidated financial statements
From April 9, 2021, to March 31, 2022

3. Cost of acquisition and details

Purchase consideration*	cash	¥18,878 million
	loans and accrued interest	¥11,775 million
<hr/>		
Purchase price		¥30,653 million

* Including conditional consideration of ¥5,640 million (fair value)

4. Major acquisition related costs
Advisory fees and others: ¥17 million

5. Substance of conditional consideration specified in the stock purchase agreement and policy for accounting treatment

(1) Substance of conditional consideration

The agreement provides for additional payment based on the acquired company's achievement of certain performance targets

(2) Policy for accounting treatment

Variable portion of conditional consideration will be treated in accordance with Generally Accepted Accounting Principles of the United States

6. Amount of goodwill, measurement principle, amortization method, and useful life

(1) Amount of goodwill:
¥14,362 million

(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

7. Details of assets acquired and liabilities assumed as of the acquisition date

Current assets	¥408 million
<u>Noncurrent assets</u>	<u>¥16,185 million</u>
<u>Total assets</u>	<u>¥16,593 million</u>
Current liabilities	¥278 million
<u>Noncurrent liabilities</u>	<u>¥24 million</u>
<u>Total liabilities</u>	<u>¥301 million</u>

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

(1) Purchase price allocated to intangible assets and its major items

Technology assets	¥14,243 million
Customer relationships	¥721 million
Trademarks	¥623 million

(2) Major weighted average useful life

Technology assets	13 years
Customer relationships	12 years
<u>Trademarks</u>	<u>10 years</u>
Total	13 years

9. 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.

2) Purchase of additional shares in McDonald Jones Homes Pty Ltd

Asahi Kasei Homes Australia Pty Ltd, a consolidated subsidiary of Asahi Kasei, concluded an agreement on April 16, 2021, to purchase additional shares in McDonald Jones Homes Pty Ltd (McDonald Jones), an equity-method affiliate of Asahi Kasei. The transaction was completed on June 11, 2021, and McDonald Jones became a consolidated subsidiary of Asahi Kasei.

1. Outline of business combination

(1) Name and nature of business of counterparty

Name of acquired company: McDonald Jones Homes Pty Ltd

Nature of business: Construction of custom-built homes and sale of pre-built homes

(2) Main reasons for the acquisition

In July 2017, Asahi Kasei acquired a 40% interest in McDonald Jones, a detached housing company in Australia. Expertise of Asahi Kasei Homes Corp., a consolidated subsidiary of Asahi Kasei, regarding industrialized housing provided valuable support for sales and marketing, and helped to reduce costs by shortening the construction period. The acquisition of additional shares will accelerate such measures and enable further market expansion and growth in the Australian housing market, contributing to sustainable growth in corporate value for Asahi Kasei.

(3) Acquisition date

June 11, 2021

(4) Statutory form of business combination

Stock purchase for cash as consideration

(5) Name of company after transaction

McDonald Jones Homes Pty Ltd

(6) Acquired voting right

Voting right before the acquisition: 40%

Additionally acquired voting right: 40%

Voting right after the acquisition: 80%

(7) Grounds for determining acquiring company

Stock purchase for cash as consideration by a consolidated subsidiary

2. The period of acquired business's results included in the consolidated financial statements

From April 1, 2021, to March 31, 2022

3. Cost of acquisition and details

Value of equity stake immediately prior to transaction	¥9,555 million
<u>Additional purchase consideration</u> cash	<u>¥9,555 million</u>
Purchase price:	¥19,110 million

4. Difference between cost of acquisition and total of individual transactions leading to the acquisition
Gain on step acquisitions: ¥1,700 million

5. Major acquisition related costs
Advisory fees and others: ¥117 million

6. Amount of goodwill, measurement principle, amortization method, and useful life

(1) Amount of goodwill:
¥5,454 million

(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

7. Details of assets acquired and liabilities assumed as of the acquisition date

Current assets	¥24,301 million
<u>Noncurrent assets</u>	<u>¥19,877 million</u>
<u>Total assets</u>	<u>¥44,178 million</u>
Current liabilities	¥23,084 million
<u>Noncurrent liabilities</u>	<u>¥4,172 million</u>
<u>Total liabilities</u>	<u>¥27,256 million</u>

8. 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
Trademarks ¥8,736 million
Customer relationships ¥422 million

(2) Major weighted average useful life
Trademarks 20 years
Customer relationships 5 years
Total 19 years

3) Purchase of shares of Itamar Medical Ltd.

ZOLL Medical Corporation (ZOLL), a consolidated subsidiary of Asahi Kasei, concluded an agreement on September 13, 2021, to acquire all outstanding ordinary shares of Itamar Medical Ltd. (Itamar), an Israeli medical device and digital health company focused on the integration of sleep apnea diagnosis into the cardiac patient care pathway. The acquisition closed on December 16, 2021 (US Eastern time).

1. Outline of business combination

(1) Name and nature of business of counterparty
Name of acquired company: Itamar Medical Ltd.
Nature of business: Development, manufacture, and sale of diagnostic devices for sleep apnea

(2) Main reasons for the acquisition
With established businesses centered on cardiopulmonary resuscitation, notably defibrillators for

medical professionals, automated external defibrillators (AEDs), and LifeVest® wearable defibrillators, ZOLL has sought ways to improve outcomes for patients in related areas such as heart failure and respiratory dysfunction.

There are two primary classifications of sleep apnea: obstructive sleep apnea (OSA) and central sleep apnea (CSA). While OSA results from a blockage of the upper airway, CSA occurs when the brain fails to send appropriate signals to the breathing muscles that stimulate a regular breathing pattern. Research has shown complex interrelationships between cardiovascular disease and both obstructive sleep apnea (OSA) and central sleep apnea (CSA). OSA is associated with increases in the incidence and progression of coronary heart disease, heart failure, stroke, and atrial fibrillation, while CSA associated with Cheyne-Stokes respiration predicts incident heart failure and atrial fibrillation, and strongly predicts mortality among patients with heart failure.

In April 2021, ZOLL acquired Respicardia, Inc., a U.S. medical equipment company which manufactures and sells the **remedē**® System, an implantable neurostimulator device for the treatment of CSA. The acquisition of Itamar allows ZOLL to extend its business in this field.

(3) Acquisition date

December 16, 2021

(4) Statutory form of business combination

Stock purchase for cash as consideration

(5) Name of company after transaction

Itamar Medical Ltd.

(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 a consolidated subsidiary

2. The period of acquired business's results included in the consolidated financial statements

From December 16, 2021, to March 31, 2022

3. Cost of acquisition and details

<u>Purchase consideration</u>	cash	¥60,855 million
Purchase price		¥60,855 million

4. Major acquisition related costs

Advisory fees and others: ¥844 million

5. Amount of goodwill, measurement principle, amortization method, and useful life

(1) Amount of goodwill:

¥37,776 million*

* Based on provisional calculation as purchase price allocation is incomplete due to the short time between closing of the transaction and fiscal year end preventing completion of identification and estimation of the value of identifiable assets and liabilities.

(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:

Not determined

6. Details of assets acquired and liabilities assumed as of the acquisition date

Current assets	¥9,896 million
<u>Noncurrent assets</u>	<u>¥17,839 million</u>

<u>Total assets</u>	<u>¥27,735 million</u>
Current liabilities	¥4,398 million
<u>Noncurrent liabilities</u>	<u>¥258 million</u>
<u>Total liabilities</u>	<u>¥4,656 million</u>

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

(1) Purchase price allocated to intangible assets and its major items

Technology assets	¥12,563 million
Trademarks	¥3,084 million
Customer relationships	¥1,656 million

(2) Major weighted average useful life

Technology assets	9 years
Trademarks	14 years
<u>Customer relationships</u>	<u>13 years</u>
Total	10 years

8. Purchase price allocation

Purchase price allocation is incomplete because calculation of fair value of assets and liabilities has not been completed as of the end of the consolidated fiscal year. Provisional treatment is based on rational information available at that time.

9. 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.

IX. Segment Information

1. Reporting segments

(1) Fiscal 2020

	Reporting segments				Others ¹	Total
	Material	Homes	Health Care	Subtotal		
<i>Sales</i>						
Customers	991,227	692,639	407,904	2,091,770	14,281	2,106,051
Intersegment	5,515	22	24	5,561	41,010	46,572
Total	996,743	692,661	407,928	2,097,331	55,292	2,152,623
Operating income	66,461	63,548	67,603	197,612	3,800	201,413
Assets	1,567,831	568,563	734,658	2,871,052	92,878	2,963,930
<i>Other items</i>						
Depreciation and amortization ²	59,019	11,180	31,106	101,305	1,538	102,843
Amortization of goodwill	11,934	91	12,878	24,903	—	24,903
Investments in associates accounted for using equity method	62,204	14,121	2,192	78,517	19,085	97,602
Increase in property, plant and equipment, and intangible assets	100,458	18,658	15,934	135,050	809	135,859

¹ Plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

² Excluding amortization of goodwill.

(2) Fiscal 2021

	Reporting segments				Others ¹	Total
	Material	Homes	Health Care	Subtotal		
<i>Sales</i>						
Customers	1,198,246	833,351	415,883	2,447,479	13,838	2,461,317
Intersegment	6,705	66	20	6,791	41,789	48,580
Total	1,204,951	833,417	415,903	2,454,270	55,627	2,509,898
Operating income	110,274	73,159	52,159	235,591	3,247	238,838
Assets	1,781,037	639,253	861,139	3,281,429	101,665	3,383,094
<i>Other items</i>						
Depreciation and amortization ²	63,675	13,847	34,504	112,026	1,562	113,588
Amortization of goodwill	12,775	556	15,059	28,391	—	28,391
Investments in associates accounted for using equity method	70,336	8,342	2,314	80,992	20,504	101,496
Increase in property, plant and equipment, and intangible assets	120,751	18,600	24,882	164,233	3,533	167,766

¹ Plant and environmental engineering, research and analysis, employment agency/staffing operations, etc.

² Excluding amortization of goodwill

2. Differences between total amounts of reporting segments and recorded amounts on consolidated financial statements

Sales	Fiscal 2020	Fiscal 2021
Total of reporting segments	2,097,331	2,454,270
Net sales in “Others” category	55,292	55,627
Elimination of intersegment transactions	(46,572)	(48,580)
Net sales on consolidated statements of income	2,106,051	2,461,317

Operating income	Fiscal 2020	Fiscal 2021
Total of reporting segments	197,612	235,591
Operating income in “Others” category	3,800	3,247
Elimination of intersegment transactions	551	189
Corporate expenses, etc. ¹	(30,156)	(36,380)
Operating income on consolidated statements of income	171,808	202,647

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

Assets	Fiscal 2020	Fiscal 2021
Total of reporting segments	2,871,052	3,281,429
Assets in “Others” category	92,878	101,665
Elimination of intersegment transactions	(602,842)	(532,202)
Corporate assets ¹	557,853	498,183
Total assets on consolidated balance sheets	2,918,941	3,349,075

¹ Corporate assets include assets of Asahi Kasei Corp.—surplus operating funds (cash and deposits), long-term investment capital (investment securities, etc.), and land, etc.

X. Geographic information

1. Fiscal 2020

(1) Net sales

Japan	United States	China	Other regions	Total
1,204,218	309,723	198,903	393,206	2,106,051

(2) Property, plant and equipment

Japan	United States	Other regions	Total
518,408	107,365	91,489	717,262

2. Fiscal 2021

(1) Net sales

Japan	United States	China	Other regions	Total
1,276,878	357,472	238,681	588,286	2,461,317

(2) Property, plant and equipment

Japan	United States	Other regions	Total
569,214	119,423	116,578	805,215

XI. Important Subsequent Events

1) Fire at Bemberg Plant

On April 9, 2022, a fire occurred at the Bemberg Plant of Asahi Kasei (Nobeoka, Miyazaki, Japan). While the fire was extinguished the following day, the state of damage, prospects for recovery, and the forthcoming effect on business activity are currently being investigated, making it difficult to rationally estimate the amount of loss incurred due to the fire.

2) Acquisition of Bionova Holdings, Inc. in the U.S.

Asahi Kasei Medical Co., Ltd. (Asahi Kasei Medical), a consolidated subsidiary of Asahi Kasei, concluded an agreement on April 14, 2022 (JST) through Asahi Kasei Bioprocess Holdings, Inc., a U.S. subsidiary of Asahi Kasei Medical, to wholly acquire Bionova Holdings, Inc. (Registered in Delaware, U.S.; CEO: Darren Head), the 100% parent company of Bionova Scientific, LLC, a provider of contract process development services and GMP (Good Manufacturing Practice) compliant contract manufacturing services to biopharmaceutical companies, especially those developing next-generation antibody based drugs.

1. Main reason for the acquisition

This acquisition will enable Asahi Kasei Medical to add a biopharmaceutical CDMO (contract development and manufacturing organization) to its bioprocess business. As process development and GMP manufacturing operations are key to the overall success of biopharmaceutical customers' businesses and the launch of new drugs, being able to offer a broader range of critical know-how driven services to biopharmaceutical customers will allow Asahi Kasei Medical to grow its bioprocess business more rapidly by better serving the industry and by reaching a broader range of customers, including those at the cutting edge of next generation biopharmaceuticals.

2. Corporate profile of Bionova Holdings, Inc.

Name:	Bionova Holdings, Inc.
CEO:	Darren Head
Registered Office:	Wilmington, Delaware, USA
Establishment:	2019
Operations:	Biopharmaceutical manufacturing process development, GMP-compliant manufacturing of current and next-generation antibody drugs (all via its 100% owned operating subsidiary, Bionova Scientific, LLC)

3. Outline of the acquisition

(1) Methods and procedures

The agreement is among Asahi Kasei, Asahi Kasei Bioprocess Holdings, Inc., and Bionova Holdings, Inc. and its shareholders. Closing of the acquisition is subject to receipt of necessary regulatory clearances.

(2) Transaction price (reference value)

The transaction price is approximately US\$333 million, on a cash and debt free basis as of the time of closing.

(3) Change in percentage of voting rights

Voting rights before the acquisition:	0%
Voting rights after the acquisition:	100%