

ASAHI KASEI Revised Earnings Forecast for FY2022— Limited Impact on Rating

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on the announcement by ASAHI KASEI CORPORATION (security code: 3407) concerning the recording of an impairment loss and revision of earnings forecast for the fiscal year ending March 31, 2023.

- (1) On March 8, ASAHI KASEI CORPORATION (the "Company") announced that it expects to record an impairment loss of approximately 185 billion yen on the goodwill and other intangible assets associated with its consolidated subsidiary Polypore (acquired in August 2015). As a result, the Company revised its net income forecast for the fiscal year ending March 2023 (FY2022) from a previous profit of 70 billion yen to a loss of 105 billion yen. Demand for the Company's wet-process lithium-ion battery (LIB) separator (Hipore) has been growing steadily. On the other hand, demand and earnings for Polypore's dry-process LIB separator and lead-acid battery separator have been weak due to trends in markets for environmentally friendly vehicles and soaring raw material costs, and Polypore's performance has fallen far short of the plan at the time of acquisition. In light of these factors, the Company has clarified its policies for each of its businesses. As a result, the Hipore and Polypore businesses will be converted from integrated operations to separated operations, and the regrouping into separate units is the reason for the impairment loss.
- (2) The revised net loss is somewhat large and will have a certain negative impact on the Company's financial base. However, the Company's equity capital at the end of the third quarter of FY2022 was 1.8 trillion yen, allowing it to have sufficient risk endurance. While interest-bearing debt has been on the rise in recent years due to proactive investment for future growth, there are currently no particular concerns about the Company's financial structure or ability to repay debt. It is also unlikely that the entire business base will be damaged. JCR believes that the impact of this announcement on the rating is limited. Although the business environment is difficult due to the global economic slowdown and high prices of raw materials and fuels, JCR will pay attention to whether the Company can quickly return to a growth track by promoting growth strategies in line with social megatrends.

Shigenobu Tonomura, Takeshi Fujita

<Reference>

Issuer: ASAHI KASEI CORPORATION

Long-term Issuer Rating: AA Outlook: Stable

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