

Consolidated Financial Statements **NAGASE & CO., LTD.**

Year ended March 31, 2025
with Independent Auditor's Report

Financial Section

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Consolidated Balance Sheet

31 March 2025

Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current assets:			
Cash and time deposits (Notes 20 and 27)	¥ 66,310	¥ 59,410	\$ 443,486
Notes and accounts receivable and contract assets (Note 20)	311,251	321,126	2,081,668
Inventories (Notes 8 and 9)	166,224	147,991	1,111,717
Other current assets	17,387	14,881	116,285
Less allowance for doubtful accounts	(1,048)	(940)	(7,009)
Total current assets	560,126	542,470	3,746,161
Non-current assets			
Property, plant and equipment, at cost (Notes 10,11 and 25):			
Land	20,114	20,221	134,524
Buildings and structures	59,437	63,432	397,519
Machinery, equipment and vehicles	97,913	98,976	654,849
Leased assets	14,685	15,053	98,214
Construction in progress	6,452	3,548	43,151
	198,603	201,233	1,328,270
Less accumulated depreciation	(106,931)	(113,840)	(715,162)
Property, plant and equipment, net (Note 28)	91,671	87,392	613,102
Investments and other assets:			
Investments in securities (Notes 12 and 20):			
Unconsolidated subsidiaries and affiliates	11,161	10,286	74,646
Other	60,866	65,939	407,076
	72,028	76,225	481,728
Long-term loans receivable	2,278	326	15,235
Goodwill (Note 28)	25,400	27,884	169,877
Technology-based assets	1,289	2,761	8,621
Retirement benefit asset (Note 15)	6,072	6,217	40,610
Deferred tax assets (Note 16)	5,700	4,596	38,122
Other assets (Note 11)	44,755	44,638	299,325
Less allowance for doubtful accounts	(1,179)	(177)	(7,885)
Total investments and other assets	156,345	162,473	1,045,646
Total non-current assets	248,017	249,865	1,658,755
Total assets (Note 28)	¥ 808,143	¥ 792,336	\$ 5,404,916

Liabilities and Net Assets	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current liabilities:			
Notes and accounts payable (Note 20)	¥ 151,269	¥ 156,352	\$ 1,011,697
Short-term loans (Notes 13 and 20)	42,310	50,731	282,972
Current portion of long-term loans and lease obligations (Notes 13,20 and 25)	8,644	9,190	57,812
Commercial papers (Notes 13 and 20)	19,500	37,000	130,417
Current portion of bonds payable (Note 13)	—	10,000	—
Accrued income taxes (Note 16)	3,753	5,195	25,100
Accrued expenses	10,417	6,543	69,670
Accrued bonuses for employees	8,518	7,569	56,969
Accrued bonuses for directors and executive officers	394	251	2,635
Other current liabilities	24,767	19,841	165,643
Total current liabilities	269,576	302,675	1,802,943
Long-term liabilities:			
Bonds (Notes 13 and 20)	40,000	20,000	267,523
Long-term loans and lease obligations (Notes 13,20 and 25)	64,926	40,025	434,230
Long-term income taxes payable	22	—	147
Deferred tax liabilities (Note 16)	13,275	13,567	88,784
Retirement benefit liability (Note 15)	12,289	12,345	82,190
Provision for directors' stock benefit	111	60	742
Other long-term liabilities	1,481	2,345	9,905
Total long-term liabilities	132,106	88,345	883,534
Contingent liabilities (Note 24)			
Net assets:			
Shareholders' equity (Note 18):			
Common stock:			
Authorized — 346,980,000 shares			
Issued — 114,908,285 shares in 2025 and 117,908,285 shares in 2024	9,699	9,699	64,868
Capital surplus	9,348	9,348	62,520
Retained earnings (Notes 26 and 30)	312,244	303,328	2,088,309
Treasury stock, at cost (Note 19) — 6,443,222 shares in 2025 and 4,143,115 shares in 2024	(19,579)	(9,543)	(130,946)
Total shareholders' equity	311,712	312,832	2,084,751
Accumulated other comprehensive income:			
Net unrealized holding gain on securities (Note 12)	30,665	33,763	205,090
Deferred gain (loss) on hedges (Note 21)	6	119	40
Translation adjustments	56,864	44,846	380,310
Retirement benefit liability adjustments (Note 15)	(196)	2,503	(1,311)
Total accumulated other comprehensive income	87,340	81,232	584,136
Non-controlling interests	7,406	7,250	49,532
Total net assets	406,459	401,315	2,718,426
Total liabilities and net assets	¥ 808,143	¥ 792,336	\$ 5,404,916

See notes to consolidated financial statements.

Consolidated Statement of Income

Year ended March 31, 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Note 28)	¥ 944,961	¥ 900,149	\$ 6,319,964
Cost of sales (Note 9)	763,670	735,430	5,107,477
Gross profit	181,291	164,719	1,212,487
Selling, general and administrative expenses (Notes 22 and 23)	142,212	134,100	951,124
Operating income (Note 28)	39,078	30,618	261,356
Other income (expenses):			
Interest and dividend income	2,989	2,164	19,991
Interest expense	(3,734)	(3,744)	(24,973)
Equity in earnings of affiliates	979	568	6,548
Gain on sales of investments in securities (Note 12)	2,792	5,591	18,673
Loss on sales of investments in capital of subsidiaries and affiliates	(108)	—	(722)
Loss on sales of investment securities	(19)	(21)	(127)
Loss on devaluation of investments in securities (Note 12)	(1,234)	(135)	(8,253)
Gain on sales of property, plant and equipment	2,159	83	14,440
Loss on sales of property, plant and equipment	(388)	(41)	(2,595)
Loss on disposal of property, plant and equipment	(575)	(1,422)	(3,846)
Loss on impairment of fixed assets (Notes 11 and 28)	(1,173)	(2,276)	(7,845)
Subsidy income	258	512	1,726
Gain on liquidation of subsidiaries and affiliates	74	—	495
Loss on business withdrawal	(2,048)	(263)	(13,697)
Other, net	(921)	1,031	(6,160)
Profit before income taxes	38,130	32,665	255,016
Income taxes (Note 16):			
Current	10,958	10,627	73,288
Deferred	901	(815)	6,026
Profit	26,270	22,853	175,696
Profit attributable to:			
Non-controlling interests	(748)	(450)	(5,003)
Owners of parent	¥ 25,521	¥ 22,402	\$ 170,686

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year ended March 31, 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Profit	¥ 26,270	¥ 22,853	\$ 175,696
Other comprehensive income (Note 14):			
Net unrealized holding gain (loss) on securities	(3,091)	4,827	(20,673)
Deferred gain (loss) on hedges	(113)	126	(756)
Translation adjustments	11,824	14,738	79,080
Retirement benefit liability adjustments	(2,699)	3,229	(18,051)
Share of other comprehensive income of affiliates accounted for by the equity method	109	560	729
	6,028	23,482	40,316
Comprehensive income	¥ 32,299	¥ 46,335	\$ 216,018
Total comprehensive income attributable to:			
Owners of parent	¥ 31,668	¥ 45,024	\$ 211,798
Non-controlling interests	¥ 630	¥ 1,310	\$ 4,213

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2025

	Millions of yen											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 15)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2023	¥ 9,699	¥ 10,636	¥290,279	¥ (1,550)	¥309,064	¥ 28,928	¥ (7)	¥ 30,414	¥ (726)	¥ 58,610	¥ 10,713	¥378,388
Cumulative effects of changes in accounting policies (Note 3)	—	—	(72)	—	(72)							
Adjusted balance at April 1, 2023	9,699	10,636	290,207	(1,550)	308,992	28,928	(7)	30,414	(726)	58,610	10,713	378,315
Profit attributable to owners of parent	—	—	22,402	—	22,402	—	—	—	—	—	—	22,402
Cash dividends	—	—	(9,281)	—	(9,281)	—	—	—	—	—	—	(9,281)
Purchases of treasury stock	—	—	—	(8,001)	(8,001)	—	—	—	—	—	—	(8,001)
Disposition of treasury stock	—	—	—	7	7	—	—	—	—	—	—	7
Changes in parent's ownership interest due to transactions with non-controlling interests	—	(1,287)	—	—	(1,287)	—	—	—	—	—	—	(1,287)
Other changes	—	—	—	—	—	4,834	126	14,431	3,229	22,622	(3,462)	19,159
Balance at April 1, 2024	9,699	9,348	303,328	(9,543)	312,832	33,763	119	44,846	2,503	81,232	7,250	401,315
Profit attributable to owners of parent	—	—	25,521	—	25,521	—	—	—	—	—	—	25,521
Cash dividends	—	—	(9,557)	—	(9,557)	—	—	—	—	—	—	(9,557)
Purchases of treasury stock	—	—	—	(17,000)	(17,000)	—	—	—	—	—	—	(17,000)
Disposition of treasury stock	—	—	—	12	12	—	—	—	—	—	—	12
Cancellation of treasury stock	—	—	(6,951)	6,951	—	—	—	—	—	—	—	—
Decrease in retained earnings resulting from changes in scope of equity method	—	—	(96)	—	(96)	—	—	—	—	—	—	(96)
Other changes	—	—	—	—	—	(3,097)	(113)	12,018	(2,699)	6,107	156	6,264
Balance at March 31, 2025	¥ 9,699	¥ 9,348	¥312,244	¥(19,579)	¥311,712	¥ 30,665	¥ 6	¥ 56,864	¥ (196)	¥ 87,340	¥ 7,406	¥406,459

See notes to consolidated financial statements.

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefit liability adjustments (Note 15)	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance at April 1, 2024	\$64,868	\$62,520	\$2,028,678	\$ (63,824)	\$2,092,242	\$225,809	\$ 796	\$299,933	\$ 16,740	\$543,285	\$48,488	\$2,684,022
Profit attributable to owners of parent	—	—	170,686	—	170,686	—	—	—	—	—	—	170,686
Cash dividends	—	—	(63,918)	—	(63,918)	—	—	—	—	—	—	(63,918)
Purchases of treasury stock	—	—	—	(113,697)	(113,697)	—	—	—	—	—	—	(113,697)
Disposition of treasury stock	—	—	—	80	80	—	—	—	—	—	—	80
Cancellation of treasury stock	—	—	(46,489)	46,489	—	—	—	—	—	—	—	—
Decrease in retained earnings resulting from changes in scope of equity method	—	—	(642)	—	(642)	—	—	—	—	—	—	(642)
Other changes	—	—	—	—	—	(20,713)	(756)	80,377	(18,051)	40,844	1,043	41,894
Balance at March 31, 2025	\$64,868	\$62,520	\$2,088,309	\$ (130,946)	\$2,084,751	\$205,090	\$ 40	\$380,310	\$ (1,311)	\$584,136	\$49,532	\$2,718,426

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2025

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Operating activities:			
Profit before income taxes	¥ 38,130	¥ 32,665	\$ 255,016
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization other than amortization of goodwill	15,329	13,998	102,521
Loss on impairment of fixed assets	1,173	2,276	7,845
Amortization of goodwill	2,722	2,627	18,205
Subsidy income	(258)	(512)	(1,726)
Share of gain of entities accounted for using equity method	(979)	(568)	(6,548)
Loss on business withdrawal	2,048	263	13,697
Increase (decrease) in retirement benefit liability	(798)	3,775	(5,337)
Decrease (increase) in retirement benefit asset	(3,347)	495	(22,385)
Interest and dividend income	(2,989)	(2,164)	(19,991)
Interest expense	3,734	3,744	24,973
Exchange gain, net	(689)	(1,652)	(4,608)
Gain on sales of property, plant and equipment	(1,771)	(42)	(11,845)
Gain on sales of investments in securities	(2,773)	(5,570)	(18,546)
Loss on valuation of investment securities	1,234	135	8,253
Changes in operating assets and liabilities:			
Notes and accounts receivable	11,502	(7,373)	76,926
Inventories	(13,093)	31,626	(87,567)
Notes and accounts payable	(6,617)	8,844	(44,255)
Other, net	5,700	(32)	38,122
Subtotal	48,259	82,537	322,759
Interest and dividends received	3,708	2,589	24,799
Interest paid	(3,676)	(3,865)	(24,585)
Subsidy income	258	512	1,726
Income taxes paid	(12,228)	(8,814)	(81,782)
Net cash provided by operating activities	¥ 36,321	¥ 72,959	\$ 242,917
Investing activities:			
Purchases of property, plant and equipment	¥ (12,554)	¥ (14,019)	\$ (83,962)
Proceeds from sales of property, plant and equipment	2,623	585	17,543
Purchases of intangible fixed assets included in other assets	(2,630)	(3,735)	(17,590)
Purchases of investments in securities	(953)	(623)	(6,374)
Proceeds from sales of investments in securities	3,315	7,154	22,171
Purchases of investments in capital	—	(205)	—
Proceeds from sales of investments in capital	256	—	1,712
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(244)	—
Decrease (increase) in short-term loans receivable included in other current assets, net	403	(316)	2,695
Decrease (increase) in time deposits, net	(219)	378	(1,465)
Other, net	(1,856)	(601)	(12,413)
Net cash used in investing activities	(11,615)	(11,627)	(77,682)
Financing activities:			
Decrease in short-term loans, net	(7,909)	(22,408)	(52,896)
Decrease in commercial papers, net	(17,500)	(1,000)	(117,041)
Proceeds from long-term loans	32,036	1,000	214,259
Repayments of long-term loans	(6,941)	(1,055)	(46,422)
Proceeds from issuance of bonds	20,000	—	133,761
Redemption of bonds	(10,000)	—	(66,881)
Purchase of treasury stock	(17,018)	(8,001)	(113,818)
Cash dividends paid	(9,557)	(9,281)	(63,918)
Cash dividends paid to non-controlling interests	(474)	(603)	(3,170)
Purchases of shares of subsidiaries not resulting in change in scope of consolidation	—	(6,025)	—
Other, net	(847)	(670)	(5,665)
Net cash used in financing activities	(18,212)	(48,046)	(121,803)
Effects of exchange rate changes on cash and cash equivalents	223	5,569	1,491
Net increase in cash and cash equivalents	6,717	18,854	44,924
Cash and cash equivalents at beginning of the year	59,185	40,331	395,833
Cash and cash equivalents at end of the year (Note 27)	¥ 65,903	¥ 59,185	\$ 440,764

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year ended March 31, 2025

1. BASIS OF PREPARATION

The accompanying consolidated financial statements of NAGASE & CO., LTD. (the "Company") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current

year's presentation. Such reclassifications had no effect on consolidated profit or net assets.

The U.S. dollar amounts in the accompanying consolidated financial statements have been translated from yen amounts solely for the convenience of the reader, as a matter of arithmetic computation only, at ¥149.52 = U.S.\$1.00, the rate of exchange prevailing on March 31, 2025. This translation should not be construed as a representation that the yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its 73 significant domestic and foreign subsidiaries, the management of which is controlled by the Company. The changes in the scope of consolidation are as follows.

[Decrease]

- Nagase Specialty Materials NA LLC (dissolved in an absorption-type merger, in which consolidated subsidiary Nagase America LLC was the surviving company, on April 1, 2024)
- SOFIX LLC (liquidated on December 3, 2024)

Affiliates over which the Company exercises significant influence in terms of their operating and financial policies have been accounted for by the equity method. The Company has 18 affiliates accounted for by the equity method. The changes in the scope of application of the equity method are as follows.

[Decrease]

- Wuxi Chenghong Electronic Chemicals Co., LTD (Due to the partial sale of investments in capital on December 11, 2024)
- All significant intercompany balances and transactions have been eliminated in consolidation. The 7 subsidiaries were excluded from the scope of consolidation because the effect of their sales, net profit or loss, total assets and retained earnings on the accompanying consolidated financial statements was immaterial. The main unconsolidated subsidiary is CHOKO CO., LTD. The 7 unconsolidated subsidiaries and 3 affiliates not accounted for by the entity method were excluded from the scope of application of the equity method, because their profit or loss and retained

earnings attributable to the Company's interest were not material to the consolidated financial statements. The main affiliates is ON Colors & Chemicals (Shanghai) Co., Ltd.

Of the Company's subsidiaries, 33 have a December 31 year end, which is different from that of the Company. The financial statements of 11 subsidiaries have been included in consolidation based on a provisional statement of accounts for a full fiscal year ending March 31. As for the other 22 subsidiaries, adjustments have been made for any significant intercompany transactions that took place during the period between the year end of these subsidiaries and the year end of the Company.

Unrealized intercompany gains among the Company and the consolidated subsidiaries have been entirely eliminated and the portion attributable to non-controlling interests has been charged to non-controlling interests.

(b) Foreign Currency Translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding contract rates. All other assets and liabilities denominated in foreign currencies are translated at their historical rates. Gain or loss on each translation is credited or charged to income.

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Foreign exchange gain or loss is credited or charged to income in the period in which such gain or loss is recognized for financial reporting purposes.

The balance sheet accounts of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date, except that the components of net assets excluding non-controlling interests, net unrealized holding gain on securities, and deferred gain or loss on hedges are translated at their historical exchange rates. Revenue and expense accounts are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating financial statements whose accounts are denominated in foreign currencies are not included in the determination of profit but are reported as "Translation adjustments" as a component of accumulated other comprehensive income or loss in the accompanying consolidated balance sheets.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments which are readily convertible to cash and subject to an insignificant risk of any change in their value, which were purchased with an original maturity of three months or less.

(d) Inventories

Inventories are stated at the lower of cost or the net selling value, cost being determined primarily by the moving-average method.

(e) Investments in Securities

Securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain and loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income or loss. Non-marketable securities classified as other securities are carried at cost determined by the moving-average method.

(f) Property, Plant and Equipment and Depreciation (except for leased assets)

Property, plant and equipment are stated at cost.

Depreciation of property, plant and equipment is calculated by the straight-line method based on the estimated useful lives of the respective assets.

The estimated useful lives of the principal assets are as follows:

Buildings (other than structures attached to the buildings)	15 to 50 years
Machinery and equipment	2 to 20 years

(g) Intangible Assets (except for leased assets)

Technology-based assets recognized upon acquisition are amortized on a straight-line basis over 13 to 17 years.

Costs incurred for computer software obtained for

internal use are capitalized and amortized on a straight-line basis over an estimated useful life of 5 years.

(h) Goodwill

Goodwill is amortized over a period not exceeding 20 years on a straight-line basis. When immaterial, goodwill is charged to income as incurred.

(i) Leased Assets

Leased assets under finance lease contracts which do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method over the respective lease terms.

(j) Allowance for Doubtful Accounts

The Company and its consolidated subsidiaries provide allowances for doubtful accounts based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific doubtful accounts from customers experiencing financial difficulties.

(k) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred tax assets and liabilities are computed based on the temporary differences between the financial reporting and the tax bases of the assets and liabilities that will result in taxable or deductible amounts in the future. Computations of deferred tax assets and liabilities are based on the tax rates which have been enacted as of the balance sheet date.

(l) Accrued Bonuses for Employees

Accrued bonuses for employees are provided based on the estimated amount of bonuses to be paid to employees in the following fiscal year which is attributable to the current fiscal year.

(m) Accrued Bonuses for Directors and Executive Officers

Accrued bonuses for directors and executive officers are provided based on the estimated amount of bonuses to be paid to directors and executive officers in the following fiscal year which is attributable to the current fiscal year.

(n) Provision for Directors' Stock Benefit

In order to provide for the payment of shares, etc. of the Company to Directors (excluding Outside Directors) and executive officers, the estimated amount of stock-based compensation payable in accordance with the Stock-Grant Rules for Directors (internal rules) is recorded.

(o) Retirement Benefit Liability

Retirement benefit liability is provided based on the amount of the retirement benefit obligation less estimated pension plan assets at the end of the fiscal year. The estimated benefit is attributed to each period based on the plan's benefit formula.

Prior service cost is charged to income in the fiscal year in which such cost is recognized for financial reporting purposes. Actuarial differences are principally credited or charged to income in the fiscal year following the fiscal year in which such differences are recognized for financial reporting purposes.

(p) Accounting for Significant Revenues and Expenses

The following is a description of the principal performance obligations of the Company and its consolidated subsidiaries' principal businesses relating to revenue from contracts with customers and the usual timing at which point such performance obligations are satisfied (the usual time at which revenue is recognized).

Sales of merchandise and products are classified based on the reportable segments and revenue is recognized primarily at the time the merchandise and products are delivered to the customer, since the risks and economic value of ownership of the products are transferred and the right to receive payment is established at that time. In addition, the Group may act as an agent in certain transactions. The consideration from the customer is received primarily within one year of satisfying the performance obligation and does not include a significant financing component.

When the Group is acting as a principal in a transaction, revenue is recognized at the gross amount of consideration received from the customer, and when the Group is acting as an agent for a third party, revenue is presented in a net amount of fees received, which is the gross amount of consideration received from the customer less the amount collected for the third party.

(q) Derivatives and Hedging Activities

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a component of net assets. Foreign currency receivables and payables hedged by qualified foreign currency forward exchange contracts are translated at the corresponding foreign exchange contract rates ("allocation method"). Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying loans.

Derivative financial instruments are utilized principally in order to manage the risk arising from adverse fluctuation in foreign currency exchange rates and interest-rate swaps are also utilized to mitigate the risk of fluctuation in interest rates on loans. Hedging instruments are foreign currency forward exchange contracts, foreign currency deposits, foreign currency loans and interest-rate swaps. Hedged items are foreign currency receivables and payables, forecast transactions and interest rates on loans from financial institutions.

The Company and its consolidated subsidiaries (collectively, the "Group") manage derivative transactions in accordance with internal management rules. Under these rules, the Group conducts foreign currency forward exchange contracts within a range of actual demand of accounts receivable, accounts payable and actual transactions in foreign currencies. Execution and management of interest-rate swaps are based on internal management rules and hedged items of interest-rate swaps are identified by individual contracts.

The Company and certain consolidated subsidiaries assess the effectiveness of the hedging activities based on a comparison of the accumulated fluctuations of the hedged items and those of the hedging instruments in the period from the start of the hedging activities to the assessment date. However, with regard to interest-rate swaps which meet certain conditions, the evaluation of effectiveness is omitted.

(r) Research and Development Costs

Research and development costs are charged to income when incurred.

(s) Distributions of Retained Earnings

Dividends and other distributions of retained earnings are approved by the shareholders at a meeting held subsequent to the end of the fiscal year to which such distributions are applicable. The accompanying consolidated financial statements do not, however, reflect the applicable distributions of retained earnings as approved by the shareholders subsequent to the fiscal year end. (Refer to Note 30(a).)

3. ACCOUNTING CHANGES

(a) Application of Accounting Standard for Current Income Taxes

The Company adopted the Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan ("ASBJ") Statement No. 27, October 28, 2022; "Revised Accounting Standard 2022") at the beginning of the current fiscal year.

Adjustments related to the classification of income taxes (taxes on other comprehensive income) have been made in accordance with the transitional treatment provided in the proviso of Paragraph 20-3 of the Revised Accounting Standard 2022 and the proviso of Paragraph 65-2(2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; "Revised Guidance 2022"). This change in accounting policy has no impact on the consolidated financial statements.

At the start of the current fiscal year, the Company adopted Revised Guidance 2022 to revise the treatment in the consolidated financial statements when tax deferrals are applied for gains or losses on the sale of subsidiary company shares, etc., between consolidated companies.

This change in accounting policy has been applied retrospectively, and the consolidated financial statements for the previous year were prepared on a retrospective basis.

Deferred tax assets or liabilities are recorded on the financial statements of the company selling shares of the subsidiary in question for temporary differences related to gains or losses on the sale in question when recording the tax effects in cases where the gain or loss on the sale of subsidiary company shares, etc., between consolidated companies is deferred for tax purposes. In this case, deferred tax assets or deferred tax liabilities related to the temporary difference in question are reversed rather than the past treatment in which the amount of deferred tax assets or deferred tax liabilities related to the temporary difference was not adjusted in the consolidated financial statements. This change in accounting policy has no impact on the consolidated financial statements.

(b) Revised Classification of Manufacturing Costs

Beginning of the first quarter of the fiscal year ending March 31, 2026, the Company revised the classification of manufacturing costs at the manufacturing subsidiaries of the Prinova Group.

However, the figures for the fiscal year ending March 2025 are presented before the retrospective application of this accounting policy change.

4. SIGNIFICANT ACCOUNTING ESTIMATES

Assessment of impairment of property, plant and equipment and intangible fixed assets

(a) Amounts recorded in the consolidated financial statements as of March 31, 2025 and 2024, and for the years then ended are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Property, plant and equipment	¥ 91,671	¥ 87,392	\$ 613,102
Intangible fixed assets	65,811	69,349	440,148
Impairment losses	1,173	2,276	7,845

(b) Information about significant accounting estimates pertaining to identified items

(i) Method of calculation

Non-current assets are grouped into the smallest units that generate cash flows, and are measured for impairment if any indication of impairment exists and, if so, whether an impairment loss should be recognized.

For the grouping of non-current assets, idle assets are grouped individually, and business assets are grouped mainly by company or plant. Goodwill is principally allocated to larger unit that includes related business-use assets.

Undiscounted future cash flows used to determine whether impairment losses need to be recognized are calculated in consideration of main assets' economic useful lives, etc., based on future business plans.

Impairment losses are measured by calculating the recoverable amount of the relevant asset or asset group as the higher of net selling value or the value in use, and the difference between the book value and the recoverable amount is recorded as an impairment loss for the current fiscal year.

(ii) Key assumptions used in the calculation

The key assumptions are the sales volumes of major products and the revenue growth rates included in future business plans.

(iii) Effects on consolidated financial statements for the next fiscal year

If the actual profit or loss of each asset or asset group falls below the business plan, or if there is a significant change in the assumptions on which future business plans are based, the recoverable amount may fall below the book value and an impairment loss may be recognized in the next fiscal year.

5. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Accounting Standard for Leases (ASBJ Statement No. 34, issued on September 13, 2024)

Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No. 33, issued on September 13, 2024), etc.

(a) Overview

As part of its efforts to align Japanese GAAP with international standards, the ASBJ has developed a new accounting standard for leases under which lessees are required to recognize all leases as assets and liabilities. This standard is based on the single accounting model adopted in IFRS 16 "Leases." However, rather than incorporating all provisions of IFRS 16, the ASBJ has selectively adopted the main elements in order to achieve a simplified and practical approach. The aim is to make the new standard user-friendly while minimizing the need for

adjustments when using IFRS 16 in preparing non-consolidated financial statements.

Under the lessee accounting model, depreciation of the right-of-use assets and interest expense on the lease liabilities are recognized for all leases, regardless of whether they are classified as finance leases or operating leases, in accordance with the IFRS 16 model.

(b) Scheduled date of adoption

The Company expects to adopt the accounting standard and related implementation guidance from the beginning of the fiscal year ending March 31, 2028.

(c) Impact of adoption

The Company is currently evaluating the effect of the adoption of the "Accounting Standard for Leases" and related guidance on its consolidated financial statements.

6. CHANGES IN PRESENTATION

Consolidated Statement of Income

In the previous fiscal year, "Loss on business withdrawal" was included in "Other, net" under other income (expenses). However, due to its increased materiality, it has been presented separately from the current fiscal year. Accordingly, the consolidated statement of income for the previous fiscal year has been reclassified, and the ¥263 million previously included in "Other, net" is now separately presented as "Loss on business withdrawal".

Consolidated Statement of Cash Flows

In the previous fiscal year, both "Loss on business withdrawal" and "Gain on sales of property, plant and equipment" were

included in "Other, net" under cash flows from operating activities. Due to their increased materiality, these items have been presented separately from the current fiscal year. Accordingly, the consolidated statement of cash flows has been reclassified, and the ¥188 million previously included in "Other, net" for the fiscal year ended March 31, 2024 has been reclassified as follows:

"Loss on business withdrawal":	¥263 million
"Gain on sales of property, plant and equipment":	¥(42) million
"Other, net":	¥(32) million

7. ADDITIONAL INFORMATION

Stock-Based Compensation Plan

Effective as of fiscal year ending March 2023, the Company has adopted a stock-based compensation plan ("Plan") for directors (excluding outside directors) and executive officers (collectively, "Eligible Individuals"). The purpose of the Plan is to establish a clear link between compensation for Eligible Individuals and Company performance and share value, as well as for Eligible Individuals to share the benefits and risks associated with fluctuations in NAGASE share price with shareholders. In this way, the NAGASE Group intends to raise awareness about contributing to improved business performance and increased corporate value over the medium to long term.

(i) Overview

The Plan is a stock-based compensation plan under which a trust ("Trust") established by monetary contribution

from the Company acquires Company shares. The Company grants points to each Eligible Individual, and the Trust delivers the number of Company shares equivalent to the points earned by each Eligible Individual. In principle, said delivery is made at the time of the retirement the Eligible Individual.

(ii) Company shares remaining in the Trust

Company shares remaining in the Trust are recorded as treasury stock under net assets in the balance sheet based on the carrying value in the Trust (excluding incidental expenses). The carrying value and number of said treasury stock amounted to ¥612 million and 288,500 shares at the end of the previous fiscal year and ¥599 million and 282,400 shares at the end of the current fiscal year.

8. INVENTORIES

Inventories at March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Merchandise and finished goods	¥ 146,834	¥ 131,137	\$ 982,036
Work in process	2,320	2,594	15,516
Raw materials and supplies	17,068	14,259	114,152
Total	¥ 166,224	¥ 147,991	\$ 1,111,717

9. LOSS ON DEVALUATION OF INVENTORIES INCLUDED IN COST OF SALES

The balance of inventories at the end of the year is the amount after writing down book values due to decline in profitability and following loss on devaluation of inventories is included in cost of sales for the year ended March 31, 2025 and 2024:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Loss on devaluation of inventories included in cost of sales	¥ 2,106	¥ 2,076	\$ 14,085

10. REDUCTIONS IN ACQUISITION COSTS DUE TO SUBSIDIES

The amounts of subsidies received from the Japanese national government and deducted from the acquisition costs of property, plant and equipment at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Buildings and structures	¥ 402	¥ 401	\$ 2,689
Machinery, equipment and vehicles	721	730	4,822
Land	190	190	1,271
Total	¥ 1,314	¥ 1,322	\$ 8,788

11. LOSS ON IMPAIRMENT OF FIXED ASSETS

Loss on impairment of fixed assets for the years ended March 31, 2025 and 2024 was as follows:

Major use	Classification	Area	Millions of yen	Thousands of U.S. dollars
			2025	2025
Goodwill, etc. related to sales of pharmaceutical and cosmetic ingredients	Goodwill, and intangible assets included in other assets	Illinois, USA	¥ 1,173	\$ 7,845

Major use	Classification	Area	Millions of yen
			2024
Business-use assets for manufacturing and selling of color formers	Buildings and structures, machinery, equipment and vehicles, and tangible assets included in other assets, and intangible assets included in other assets	Hokuriku	¥ 2,276

The Company and its consolidated subsidiaries group fixed assets for business use principally based on business management segments. Fixed assets to be disposed of and idle assets are grouped individually as the smallest cash-generating units.

For the year ended March 31, 2024, the book values were reduced to their recoverable amounts due to deterioration in profitability.

The recoverable amounts were measured at the net selling value or the value in use. Net selling value is based on the

assessed value for property tax purposes or the appraised value of real estate.

The business-use assets related to the color former manufacturing business were measured based on the net selling price.

For the year ended March 31, 2025, the book values were reduced to their recoverable amounts as the originally expected profits are no longer expected.

The recoverable amounts were measured based on the value in use.

12. INVESTMENTS IN SECURITIES

(a) Marketable securities classified as other securities at March 31, 2025 and 2024 are summarized as follows:

	Millions of yen					
	2025			2024		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:						
Equity securities	¥ 54,426	¥ 10,965	¥ 43,460	¥ 59,580	¥ 11,829	¥ 47,751
Securities whose carrying value does not exceed their acquisition costs:						
Equity securities	1,128	1,162	(34)	1,535	1,825	(290)
Total	¥ 55,554	¥ 12,128	¥ 43,425	¥ 61,116	¥ 13,654	¥ 47,461

	Thousands of U.S. dollars		
	2025		
	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition costs:			
Equity securities	\$ 364,005	\$ 73,335	\$ 290,663
Securities whose carrying value does not exceed their acquisition costs:			
Equity securities	7,544	7,772	(227)
Total	\$ 371,549	\$ 81,113	\$ 290,429

"Acquisition costs" in the above table represent the carrying value after recognizing impairment losses.

(b) Securities classified as other securities whose market value is not available and not included in the table (a) at March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
	Carrying value	Carrying value	Carrying value
Market value not available:			
Unlisted equity securities	¥ 5,312	¥ 4,823	\$ 35,527
Total	¥ 5,312	¥ 4,823	\$ 35,527

(c) Proceeds from sales of, and gross realized gain and loss on, other securities for the years ended March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Proceeds from sales	¥ 3,283	¥ 7,184	\$ 21,957
Gain on sales	2,792	5,591	18,673
Loss on sales	18	21	120

(d) A breakdown of loss on devaluation of investments in securities for the years ended March 31, 2025 and 2024 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Loss on devaluation of investments in securities (*)			
Securities classified as other securities	¥ 1,225	¥ 125	\$ 8,193
Other investments in capital	9	9	60
Investments in capital of subsidiaries and affiliates	—	—	—
Total loss on devaluation of investments in securities	¥ 1,234	¥ 135	\$ 8,253

(*) Loss on devaluation of investments in securities is recorded on securities with market value whose market value at the end of the fiscal year has declined by 50% or more from its acquisition cost, or whose market value has declined by 30% or more but less than 50% based on the amount deemed unrecoverable.

In addition, loss on devaluation of investments in securities is recorded on securities whose market value is not available by writing down the carrying value to fair value when the decline in fair value is deemed to be unrecoverable considering the financial position of the issuers, etc., of the securities.

13. SHORT-TERM LOANS, BONDS, LONG-TERM LOANS, COMMERCIAL PAPERS AND LEASE OBLIGATIONS

Short-term loans at March 31, 2025 and 2024 principally represented loans and commercial papers in the form of deeds at weighted-average annual interest rates of 5.37% and 5.35% per annum, respectively.

Long-term loans, bonds and lease obligations at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unsecured loans from banks and insurance companies, payable in Yen, U.S. dollars, and Euros due through 2034, at rates from 0.24% to 5.50%	¥ 59,493	¥ 34,479	\$ 397,893
Unsecured bonds in Yen, due 2024, at a rate of 0.150%	—	10,000	—
Unsecured bonds in Yen, due 2029, at a rate of 0.290%	10,000	10,000	66,881
Unsecured bonds in Yen, due 2032, at a rate of 0.640%	10,000	10,000	66,881
Unsecured bonds in Yen, due 2029, at a rate of 1.053%	10,000	—	66,881
Unsecured bonds in Yen, due 2034, at a rate of 1.690%	10,000	—	66,881
Lease obligations	14,077	14,736	94,148
	113,570	79,216	759,564
Less current portion	(8,644)	(19,190)	(57,812)
Total	¥ 104,926	¥ 60,025	\$ 701,752

The aggregate annual maturities of bonds, long-term loans and lease obligations subsequent to March 31, 2025 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2026	¥ 8,644	\$ 57,812
2027	17,340	115,971
2028	6,985	46,716
2029	1,675	11,203
2030	32,680	218,566
2031 and thereafter	46,244	309,283
Total	¥ 113,570	\$ 759,564

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at March 31, 2025 and 2024 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Lines of credit	¥ 20,000	¥ 20,000	\$ 133,761
Credit utilized	—	—	—

14. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and tax effects allocated to each component of 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 holding (loss) gain on securities:			
Amount arising during the year	¥ (2,295)	¥ 12,344	\$ (15,349)
Reclassification adjustments for gains and losses realized in the statement of income	(1,689)	(5,570)	(11,296)
Amount before tax effect	(3,984)	6,774	(26,645)
Tax effect	893	(1,946)	5,972
Net unrealized holding (loss) gain on securities	(3,091)	4,827	(20,673)
Deferred (loss) gain on hedges:			
Amount arising during the year	(142)	(7)	(950)
Reclassification adjustments for gains and losses realized in the statement of income	(20)	189	(134)
Amount before tax effect	(163)	182	(1,090)
Tax effect	49	(55)	328
Deferred (loss) gain on hedges	(113)	126	(756)
Translation adjustments:			
Amount arising during the year	12,098	14,738	80,912
Reclassification adjustments for gains and losses realized in the statement of income	(274)	—	(1,833)
Amount before tax effect	11,824	14,738	79,080
Tax effect	—	—	—
Translation adjustments	11,824	14,738	79,080
Retirement benefit liability adjustments:			
Amount arising during the year	(357)	3,697	(2,388)
Reclassification adjustments for gains and losses realized in the statement of income	(3,536)	970	(23,649)
Amount before tax effect	(3,894)	4,668	(26,043)
Tax effect	1,194	(1,438)	7,986
Retirement benefit liability adjustments	(2,699)	3,229	(18,051)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	188	560	1,257
Reclassification adjustments for gains and losses realized in the statement of income	(79)	—	(528)
Amount before tax effect	109	560	729
Tax effect	—	—	—
Share of other comprehensive income of affiliates accounted for by the equity method	109	560	729
Total other comprehensive income	¥ 6,028	¥ 23,482	\$ 40,316

15. RETIREMENT BENEFIT PLANS

(a) Outline of retirement benefit plans for employees

The Company and its domestic consolidated subsidiaries have defined benefit plans, i.e., defined benefit pension plans and lump-sum payment plans. Certain overseas consolidated subsidiaries also have defined benefit plans. Also, the Company and certain consolidated subsidiaries have defined contribution pension plans. In addition to the retirement benefit plans described above, the Company and its consolidated subsidiaries pay additional retirement benefits under certain conditions.

(b) Defined benefit plans

The changes in the retirement benefit obligation for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at the beginning of the year	¥ 30,293	¥ 33,786	\$ 202,602
Service cost	1,249	1,294	8,353
Interest cost	426	226	2,849
Actuarial differences	15	(2,915)	100
Retirement benefits paid	(2,209)	(1,887)	(14,774)
Other	4	(209)	27
Balance at the end of the year	¥ 29,780	¥ 30,293	\$ 199,171

The changes in plan assets for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Balance at the beginning of the year	¥ 24,165	¥ 23,234	\$ 161,617
Expected return on plan assets	504	469	3,371
Actuarial differences	(314)	778	(2,100)
Contributions by the Company and its consolidated subsidiaries	417	612	2,789
Retirement benefits paid	(1,201)	(944)	(8,032)
Other	(8)	15	(54)
Balance at the end of the year	¥ 23,563	¥ 24,165	\$ 157,591

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2025 and 2024 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded retirement benefit obligation	¥ 17,834	¥ 18,324	\$ 119,275
Plan assets at fair value	(23,563)	(24,165)	(157,591)
	(5,728)	(5,841)	(38,309)
Unfunded retirement benefit obligation	11,945	11,969	79,889
Net retirement benefit liability in the balance sheet	6,216	6,127	41,573
Retirement benefit liability	12,289	12,345	82,190
Retirement benefit asset	(6,072)	(6,217)	(40,610)
Net retirement benefit liability in the balance sheet	¥ 6,216	¥ 6,127	\$ 41,573

The components of retirement benefit expenses for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥ 1,249	¥ 1,294	\$ 8,353
Interest cost	426	226	2,849
Expected return on plan assets	(504)	(469)	(3,371)
Amortization of actuarial differences	(3,536)	970	(23,649)
Retirement benefit expense	¥ (2,365)	¥ 2,021	\$ (15,817)

Actuarial differences included in other comprehensive income (loss) (before tax effect) for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial differences	¥ (3,894)	¥ 4,668	\$ (26,043)

Unrecognized actuarial differences included in accumulated other comprehensive income (before tax effect) as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized actuarial differences	¥ (257)	¥ 3,636	\$ (1,719)

The allocation of plan assets, by major category, as a percentage of total plan assets at fair value as of March 31, 2025 and 2024 is as follows:

	2025	2024
Bonds	61%	61%
Equity securities	19	20
Alternative investments (*)	17	16
Other	3	3
Total	100%	100%

(*) "Alternative investments" consist of insurance-linked securities and private REITs.

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and expected long-term rate of return from multiple plan assets at present and in the future.

The assumptions used in accounting for the above plans were as follows:

	2025	2024
Discount rate	1.6%	1.6%
Expected long-term rate of return on plan assets	2.0%	2.0%

(c) Defined contribution plans

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Contributions to defined contribution plans by the Company and its consolidated subsidiaries	¥ 851	¥ 779	\$ 5,692

16. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes, which, in the aggregate, resulted in statutory tax rates of approximately 30.6% for the years ended March 31, 2025 and 2024.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2024 differs from the statutory tax rate for the following reasons.

The breakdown for the year ended March 31, 2025 is not presented as the difference between the statutory rate and the Company's effective tax rate was less than 5%.

	2025	2024
Statutory tax rates	—%	30.6%
Adjustments for:		
Expenses not deductible for income tax purposes	—	1.0
Dividends and other income deductible for income tax purposes	—	(6.8)
Net adjustment resulting from elimination of dividend income upon consolidation	—	7.4
Different tax rates applied at overseas subsidiaries	—	(4.7)
Tax credit	—	(1.9)
Amortization of goodwill	—	2.5
Equity in losses (gains) of affiliates	—	(0.5)
Valuation allowance	—	4.8
Decrease in deferred tax assets resulting from change in statutory tax rate	—	(1.5)
Other, net	—	(0.8)
Effective tax rates	—%	30.0%

The significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities at March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Accrued bonuses for employees	¥ 2,143	¥ 1,854	\$ 14,333
Allowance for doubtful accounts	389	249	2,602
Unrealized gain on inventories	714	703	4,775
Accrued enterprise taxes	241	291	1,612
Tax loss carryforwards	1,919	2,340	12,834
Retirement benefit liability	1,988	1,792	13,296
Investments in securities	2,210	2,209	14,781
Loss on impairment of fixed assets	1,124	1,309	7,517
Lease liability	2,523	2,669	16,874
Other	7,488	5,756	50,080
Gross deferred tax assets	20,743	19,178	138,731
Valuation allowance	(7,981)	(6,695)	(53,377)
Total deferred tax assets	¥ 12,761	¥ 12,482	\$ 85,346
Deferred tax liabilities:			
Technology-based assets	¥ (392)	¥ (841)	\$ (2,622)
Deferred capital gain on property	(1,218)	(929)	(8,146)
Undistributed earnings of subsidiaries and affiliates	(733)	(490)	(4,902)
Revaluation of land	(279)	(294)	(1,866)
Net unrealized holding gain on securities	(13,267)	(14,121)	(88,731)
Other	(4,445)	(4,776)	(29,728)
Total deferred tax liabilities	(20,336)	(21,453)	(136,009)
Net deferred tax liabilities	¥ (7,574)	¥ (8,971)	\$ (50,655)

For the year ended March 31, 2025, the "Act for Partial Amendment of the Income Tax Act, etc." (Act No.13 of 2025) was enacted on March 31, 2025, and, as a result, the Company and its domestic consolidated subsidiaries will be subject to the "special defense corporation tax" effective from fiscal years beginning on or after April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities related to temporary differences expected to be reversed in or after the fiscal year beginning April 1, 2026 have been calculated using a revised statutory effective tax rate of 31.52%, instead of the previous rate of 30.62%.

The impact of this change on the consolidated financial statements is immaterial.

17. REVENUE RECOGNITION

(a) Information on disaggregation of revenue from contracts with customers

Information on disaggregation of revenue from contracts with customers is presented in the Segment Information. (Refer to Note 28.)

(b) Information that forms the basis for understanding revenues from contracts with customers

The information that forms the basis for understanding revenues is presented in the Summary of significant accounting policies. (Refer to Note 2(p).)

(c) Information about the relationship between the fulfillment of performance obligations based on the contract with the customer and the cash flow generated from the contract, and the amount and recognition timing of revenue from the contract with the customer existing at the end of the current fiscal year expected to be recognized in the following fiscal year

(i) Contract balances

The following is a breakdown of contract balances of the Company and its consolidated subsidiaries for the current fiscal year. In the consolidated balance sheets, receivables and contract assets based on contracts with customers are included in "Notes and accounts receivable and contract assets" and contract liabilities are included in "Other current liabilities." At the end of the previous fiscal year and the end of the current fiscal year, the beginning balance of contract liabilities was transferred to revenue by the end of the fiscal year, and the amount carried forward from the next fiscal year onward is not significant.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Receivables from contracts with customers	¥ 309,712	¥ 320,347	\$ 2,071,375
Contract assets	1,539	778	10,293
Contract liabilities	5,804	4,581	38,818

As of March 31, 2025, accounts receivable and notes receivable from contracts with customers included in the table above are ¥268,116 million (\$1,793,178 thousand) and ¥41,595 million (\$278,190 thousand), respectively.

(ii) Transaction price allocated to remaining performance obligations

Since there are no transactions with individual expected contract terms exceeding one year, the practical expedient method is applied and information on remaining performance obligations is omitted. There is no material consideration with respect to contracts with customers that is not included in the transaction price.

18. SHAREHOLDERS' EQUITY

The Corporation Law of Japan (the "Law") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's capital reserve included in capital surplus

at March 31, 2025 amounted to ¥9,634 million (\$64,433 thousand). In addition, the Company's legal reserve included in retained earnings at March 31, 2025 amounted to ¥2,424 million (\$16,212 thousand).

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding 50% of the proceeds of the sale of new shares as additional paid-in capital.

Movements in common stock during the years ended March 31, 2025 and 2024 are summarized as follows:

	Number of shares			
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Common stock	117,908,285	—	3,000,000	114,908,285
	2024			
	April 1, 2023	Increase	Decrease	March 31, 2024
Common stock	117,908,285	—	—	117,908,285

The decrease in common stock consists of 3,000,000 shares resulting from cancellation of treasury stock by resolution of the Board of Directors for the year ended March 31, 2025.

19. TREASURY STOCK

Movements in treasury stock during the years ended March 31, 2025 and 2024 are summarized as follows:

	Number of shares			
	2025			
	April 1, 2024	Increase	Decrease	March 31, 2025
Treasury stock	4,143,115	5,306,207	3,006,100	6,443,222
	2024			
	April 1, 2023	Increase	Decrease	March 31, 2024
Treasury stock	786,718	3,360,097	3,700	4,143,115

(*) Treasury stock at the end of the current fiscal year does include 282,400 shares of the Company's shares held by the Stock-Granting Trust for Directors.

The increase in treasury stock includes 5,306,000 shares resulting from the purchases of treasury stock by resolution of the Board of Directors and 207 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2025. The decrease in treasury stock includes 3,000,000 shares resulting from the cancellation of treasury stock by resolution of the Board of Directors and 6,100 shares resulting from the grant of treasury stock by the Stock-Granting Trust for Directors for the year ended March 31, 2025.

The increase in treasury stock includes 3,359,600 shares resulting from the purchases of treasury stock by resolution of the Board of Directors and 497 shares resulting from the purchase of shares less than one voting unit for the year ended March 31, 2024. The decrease in treasury stock includes 3,700 shares resulting from the grant of treasury stock by the Stock-Granting Trust for Directors for the year ended March 31, 2024.

20. FINANCIAL INSTRUMENTS

(a) Policy for financial instruments

With regard to the Group's financing policy, short-term working funds are raised by bank borrowings or issuance of commercial papers and long-term funds are raised by bank borrowings and the issuance of bonds. The policy for derivative transactions is that those are utilized to mitigate the fluctuation risk related to foreign currency exchange rates arising from the receivables and payables denominated in foreign currencies, and fluctuation risk related to interest rates with respect to loans payable, and derivative transactions are not carried out for speculative purposes.

(b) Types of financial instruments, related risk and risk management for financial instruments

Receivables such as trade notes and accounts receivable are exposed to customers' credit risks. With regard to this risk, the Group manages the settlement date by each customer, and establishes credit limits by each customer based on the Group's internal credit rating policy and monitors outstanding balances. The Group establishes system under which the credit status by each customer is reviewed at least once a year and the sales limit amount updated as necessary.

In the cases of notes and accounts receivable or payable denominated in foreign currencies, foreign currency forward exchange contracts are used to hedge the risk of fluctuation. However, for foreign currency transactions denominated in the same currency involving either payables or receivables,

foreign currency forward exchange contracts are used solely for the netted position.

Investments in securities are subject to market price fluctuation risk. However, these are mainly equity securities of other companies with which the Group has business relationships. The Group regularly monitors both their fair value and the financial condition of the issuer. The Group also reviews as needed the condition of its holdings with concern to the status of business and financial transactions.

Short-term loans are raised primarily in connection with business activities. Long-term loans and bonds are taken out principally for the purpose of making capital spending, investments and financing. Loans with variable interest rates are subject to the risk of fluctuating interest rates. However, to reduce such risk, the Group utilizes derivatives (interest-rate swap transactions) as a hedging instrument.

Derivatives include foreign currency forward exchange contracts to manage fluctuation risk in foreign currency exchange rates and interest-rate swaps to manage fluctuation risk of interest rates related to the interest payments for bank loans.

In addition, notes and accounts payable and bank loans are exposed to liquidity risk. However, the Group manages such risk by monitoring the balance of inflow and outflow of cash and establishing liquidity on hand in excess of half of the amount of monthly net sales.

(c) Fair value of financial instruments

The carrying value of financial instruments on the consolidated balance sheets, fair value and the differences as of March 31, 2025 and 2024, are shown in the following table. Financial instruments for which fair value is deemed extremely difficult to determine are not included.

	Millions of yen		
	2025		
	Carrying value	Fair value	Difference
Assets			
Investments in securities (*2)			
Other securities	¥ 55,554	¥ 55,554	¥ —
Total assets	¥ 55,554	¥ 55,554	¥ —
Liabilities			
Bonds	¥ 40,000	¥ 38,099	¥ (1,901)
Long-term loans	53,454	52,499	(954)
Total liabilities	¥ 93,454	¥ 90,598	¥ (2,855)
Derivatives (*3)			
Not subject to hedge accounting	¥ 558	¥ 558	¥ —
Subject to hedge accounting	6	6	—
Total derivative transactions	¥ 564	¥ 564	¥ —

	Millions of yen		
	2024		
	Carrying value	Fair value	Difference
Assets			
Investments in securities (*2)			
Other securities	¥ 61,116	¥ 61,116	¥ —
Total assets	¥ 61,116	¥ 61,116	¥ —
Liabilities			
Bonds	¥ 20,000	¥ 19,292	¥ (708)
Long-term loans	27,533	27,173	(359)
Total liabilities	¥ 47,533	¥ 46,465	¥ (1,067)
Derivatives (*3)			
Not subject to hedge accounting	¥ (327)	¥ (327)	¥ —
Subject to hedge accounting	169	169	—
Total derivative transactions	¥ (158)	¥ (158)	¥ —

Thousands of U.S. dollars			
2025			
	Carrying value	Fair value	Difference
Assets			
Investments in securities (*2)			
Other securities	\$ 371,549	\$ 371,549	\$ —
Total assets	\$ 371,549	\$ 371,549	\$ —
Liabilities			
Bonds	\$ 267,523	\$ 254,809	\$ (12,714)
Long-term loans	357,504	351,117	(6,380)
Total liabilities	\$ 625,027	\$ 605,926	\$ (19,094)
Derivatives (*3)			
Not subject to hedge accounting	\$ 3,732	\$ 3,732	\$ —
Subject to hedge accounting	40	40	—
Total derivative transactions	\$ 3,772	\$ 3,772	\$ —

(*1) Cash is omitted from the notes. Time deposits, notes and accounts receivable, notes and accounts payable, short-term loans, current portion of long-term loans, commercial papers, and current portion of bonds are omitted from the notes because their fair values approximate their carrying amounts due to their short maturities.

(*2) Stocks and other securities without market quotations are not included in "Investment securities (*2)". The carrying amount of such financial instruments on the consolidated balance sheet is as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unlisted equity securities	¥ 5,312	¥ 4,823	\$ 35,527
Investments in unconsolidated subsidiaries and affiliates	11,161	10,286	74,646
Total	¥ 16,474	¥ 15,109	\$ 110,179

(*3) Receivables and payables arising from derivative transactions are presented as a net value with the amount in parentheses representing a net liability position.

The redemption schedule for time deposits and notes and accounts receivable with maturity dates at March 31, 2025 is summarized as follows:

	Millions of yen	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	¥ 66,160	¥ —
Notes and accounts receivable	309,712	—
Total	¥ 375,872	¥ —

	Thousands of U.S. dollars	
	Within 1 year	Over 1 year and less than 5 years
Time deposits	\$ 442,483	\$ —
Notes and accounts receivable	2,071,375	—
Total	\$ 2,513,858	\$ —

With respect to the redemption schedule of bonds, long-term loans and finance lease obligations, please refer to Note 13.

The fair value of financial instruments is classified into the following three levels based on the observability and materiality of the inputs used to determine fair value.

Level 1 fair value:

In the inputs related to the calculation of observable fair value, fair value is calculated based on quoted market prices for assets or liabilities whose fair value are formed in an active market.

Level 2 fair value:

In the inputs related to the calculation of observable fair value, fair value is calculated by using inputs related to the calculation of fair value other than Level 1 input.

Level 3 fair value:

Fair value is calculated using inputs related to the calculation of unobservable fair value.

When multiple inputs that have a significant effect on fair value are used, fair value is classified into the level with the lowest priority in the fair value calculation among the levels to which those inputs belong.

Financial instruments recorded on the consolidated balance sheet at fair value.

Millions of yen				
2025				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	¥ 55,554	¥ —	¥ —	¥ 55,554
Derivatives				
Currency related	—	564	—	564
Total assets	¥ 55,554	¥ 564	¥ —	¥ 56,119

Millions of yen				
2024				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	¥ 61,116	¥ —	¥ —	¥ 61,116
Derivatives				
Forward exchange contracts	—	(158)	—	(158)
Total assets	¥ 61,116	¥ (158)	¥ —	¥ 60,958

Thousands of U.S. dollars				
2025				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other securities				
Shares	\$ 371,549	\$ —	\$ —	\$ 371,549
Derivatives				
Currency related	—	3,772	—	3,772
Total assets	\$ 371,549	\$ 3,772	\$ —	\$ 375,328

Financial instruments other than those recorded on the consolidated balance sheets at fair value

Millions of yen					
2025					
	Level 1	Level 2	Level 3	Total	
Bonds	¥ —	¥ 38,099	¥ —	¥	38,099
Long-term loans	—	52,499	—		52,499
Total liabilities	¥ —	¥ 90,598	¥ —	¥	90,598

Millions of yen					
2024					
	Level 1	Level 2	Level 3	Total	
Bonds	¥ —	¥ 19,292	¥ —	¥	19,292
Long-term loans	—	27,173	—		27,173
Total liabilities	¥ —	¥ 46,465	¥ —	¥	46,465

Thousands of U.S. dollars					
2025					
	Level 1	Level 2	Level 3	Total	
Bonds	\$ —	\$ 254,809	\$ —	\$	254,809
Long-term loans	—	351,117	—		351,117
Total liabilities	\$ —	\$ 605,926	\$ —	\$	605,926

Explanation of valuation techniques used, and inputs related to the calculation of fair value.

(i) Investment securities

Listed stocks are valued by using quoted market prices. Since listed stocks are traded in active markets, their fair value is classified as Level 1.

(ii) Derivative

Fair value is calculated based on prices, etc., provided by counterparty financial institutions and is classified as Level 2.

The fair value of foreign currency forward exchange contracts and other derivatives that applied the allocation method is included in the fair value of the underlying accounts receivable and payable.

The fair value of interest rate swaps that applied the exceptional accounting treatment is included in the long-term loans because it is accounted for as if the interest rates applied to the swaps had originally applied to the underlying long-term loans.

(iii) Bonds

The fair value of bonds issued by the Company is calculated based on quoted market prices and classified as Level 2.

(iv) Long-term loans

The fair value of long-term loans payable is calculated based on the present value of the total of principal and interest discounted by the incremental borrowing rate and is classified as Level 2.

21. DERIVATIVES AND HEDGING ACTIVITIES

The currency-related derivatives positions outstanding for which hedge accounting has not been applied at March 31, 2025 and 2024 are as follows:

		Millions of yen			
		2025			
Classification	Transaction	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
Over-the- counter transactions	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	¥ 5,123	¥ —	¥ 32	¥ 32
	Yen	52	—	(0)	(0)
	Euro	11,964	—	514	514
	RMB	495	—	5	5
	IDR	2,870	—	3	3
	Others	175	—	(1)	(1)
	Buying:				
	U.S. dollars	3,165	—	(12)	(12)
	Yen	2,446	—	9	9
	Euro	593	—	8	8
	Others	230	—	(4)	(4)
	Currency swap:				
	Pay U.S. dollars and receive RMB	6,170	—	3	3
Total		¥ 33,287	¥ —	¥ 558	¥ 558

		Millions of yen			
		2024			
Classification	Transaction	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
Over-the- counter transactions	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	¥ 4,954	¥ —	¥ (115)	¥ (115)
	Yen	146	—	1	1
	Euro	13,865	—	(253)	(253)
	RMB	457	—	(6)	(6)
	IDR	2,271	—	16	16
	Others	571	—	(9)	(9)
	Buying:				
	U.S. dollars	3,969	—	68	68
	Yen	3,307	—	(35)	(35)
	Euro	200	—	6	6
	Others	237	—	(0)	(0)
Total		¥ 29,981	¥ —	¥ (327)	¥ (327)

		Thousands of U.S. dollars			
		2025			
Classification	Transaction	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value	Valuation gain (loss)
Over-the- counter transactions	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	\$ 34,263	\$ —	\$ 214	\$ 214
	Yen	348	—	(1)	(1)
	Euro	80,016	—	3,438	3,438
	RMB	3,311	—	33	33
	IDR	19,195	—	20	20
	Others	1,170	—	(7)	(7)
	Buying:				
	U.S. dollars	21,168	—	(80)	(80)
	Yen	16,359	—	60	60
	Euro	3,966	—	54	54
	Others	1,538	—	(27)	(27)
	Currency swap:				
	Pay U.S. dollars and receive RMB	41,265	—	20	20
Total		\$ 222,626	\$ —	\$ 3,732	\$ 3,732

The currency-related derivatives positions outstanding for which hedge accounting has been applied at March 31, 2025 and 2024 are as follows:

		Millions of yen			
		2025			
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	¥ 366	¥ —	¥ (6)
	RMB		18	—	0
	Others		25	—	0
	Buying:				
	U.S. dollars	Accounts payable and Acquisition of subsidiary shares	14,729	—	(1)
	Euro	Accounts payable	969	—	13
Allocation method for foreign currency forward exchange contracts (Note 2(q))	Others		2	—	0
	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	0	—	(*)
	Buying:				
	U.S. dollars	Accounts payable	81	—	(*)
Total			¥ 16,192	¥ —	¥ 6

			Millions of yen					
			2024					
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)		Contract value (notional principal amount over one year)		Fair value	
Deferral hedge accounting	Foreign currency forward exchange contracts:							
	Selling:							
	Euro	Accounts receivable	¥	407	¥	—	¥	(8)
	RMB		115	—	(1)			
	Others		104	—	(1)			
	Buying:							
	U.S. dollars			3,522		—	163	
	Euro	Accounts payable		489		—	17	
	RMB		22	—	0			
	Others		18	—	(0)			
Allocation method for foreign currency forward exchange contracts (Note 2(q))	Foreign currency forward exchange contracts:							
	Buying:							
	U.S. dollars	Accounts payable		9		—	(*)	
Total			¥	4,689	¥	—	¥	169

			Thousands of U.S. dollars		
			2025		
Method for hedge accounting	Transaction	Major hedged item	Contract value (notional principal amount)	Contract value (notional principal amount over one year)	Fair value
Deferral hedge accounting	Foreign currency forward exchange contracts:				
	Selling:				
	Euro	Accounts receivable	\$ 2,448	\$ —	\$ (40)
	RMB		120	—	0
	Others		167	—	0
	Buying:				
	U.S. dollars	Accounts payable and Acquisition of subsidiary shares	98,509	—	(7)
	Euro	Accounts payable	6,481	—	87
	Others		13	—	0
Allocation method for foreign currency forward exchange contracts (Note 2(q))	Foreign currency forward exchange contracts:				
	Selling:				
	U.S. dollars	Accounts receivable	0	—	(*)
	Buying:				
	U.S. dollars	Accounts payable	542	—	(*)
Total			\$ 108,293	\$ —	\$ 40

(*): The fair value of foreign currency forward exchange contracts that qualify for the allocation method is included in the fair value of the underlying accounts receivable and payable.

22. RESEARCH AND DEVELOPMENT COSTS

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2025 and 2024 totaled ¥5,723 million (\$38,276 thousand) and ¥5,987 million, respectively.

23. OPERATING LEASES

Future minimum lease payments subsequent to March 31, 2025 under noncancelable operating leases are as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2026	¥ 418	\$ 2,796
2027 and thereafter	675	4,514
Total	¥ 1,094	\$ 7,317

24. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had contingent liabilities as guarantors of loans and other obligations of subsidiaries and affiliates, with total maximum guarantee amounts of ¥948 million (\$6,340 thousand) and ¥980 million at March 31, 2025 and 2024, respectively.

In addition, the Company and its consolidated subsidiaries had contingent liabilities arising from notes discounted with banks in the amounts of ¥154 million (\$1,030 thousand) and ¥252 million at March 31, 2025, and 2024, respectively.

25. PLEDGED ASSETS

Pledged assets at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Machinery, equipment and vehicles	¥ 40	¥ —	\$ 268

Secured liabilities at March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Current portion of long-term loans	¥ 9	¥ —	\$ 60
Long-term loans	¥ 27	¥ —	\$ 181
Total	¥ 36	¥ —	\$ 241

26. AMOUNTS PER SHARE

Amounts per share at March 31, 2025 and 2024 and for the years then ended are as follows:

	Yen		U.S. dollars
	2025	2024	2025
Profit attributable to owners of parent:			
Basic	¥ 230.39	¥ 194.96	\$ 1.54
Diluted	—	—	—
Net assets	3,679.09	3,463.84	24.61
Cash dividends applicable to the year	90.00	80.00	0.60

Basic profit attributable to owners of parent per share has been computed based on the profit attributable to owners of parent available for distribution to the shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit attributable to owners of parent per share for the years ended March 31, 2025 and 2024 has not been presented because no potentially dilutive shares of common stock were outstanding.

Net assets per share have been computed based on the number of shares of common stock outstanding at the year end.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

The Company's shares held by the Stock-Granting Trust for Directors are included in treasury stock in shareholders' equity. These are excluded from the total number of issued shares at the end of the period when calculating net assets per share. Also, these are excluded from the calculation of average number of shares during the period when calculating profit attributable to owners of parent per share.

The number of such shares at the end of the period excluded from the calculation of net assets per share was 282,400 shares, while the average number of shares during the period excluded from the calculation of profit attributable to owners of parent per share was 284,746 shares.

The financial data used in the computation of basic profit attributable to owners of parent per share for the years ended March 31, 2025 and 2024 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Profit attributable to owners of parent	¥ 25,521	¥ 22,402	\$ 170,686
Profit available for distribution to shareholders of common stock	25,521	22,402	170,686
Weighted-average number of shares	110,774,626	114,911,971	

27. CASH AND TIME DEPOSITS

A reconciliation of cash and time deposits in the accompanying consolidated balance sheets at March 31, 2025 and 2024 and cash and cash equivalents in the accompanying consolidated statements of cash flows for the years then ended is as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Cash and time deposits	¥ 66,310	¥ 59,410	\$ 443,486
Time deposits with maturities of more than three months	(406)	(225)	(2,715)
Cash and cash equivalents	¥ 65,903	¥ 59,185	\$ 440,764

28. SEGMENT INFORMATION

(a) Overview of reportable segments

The Company's reportable segments are those units comprising the NAGASE Group for which separate financial information is available and for which the board of directors makes regular decisions regarding resource allocation and regularly reviews operating performance.

The Company classifies reportable segments according to the location of the business in the value chain and the market(s) targeted. Accordingly, the Company has defined five segment categories: Functional Materials (located at the top of the value chain), Advanced Materials & Processing (located in the next stage of the value chain), Electronics & Energy, Mobility, and Life & Healthcare (functioning in the value chain of their respective industries).

The following describes the major products and services handled by each reportable segment.

The Functional Materials segment is engaged in the sales of paints/inks, dyestuffs, pigments, additives, processed pigments, dispersing elements, functional pigments, thermal paper materials, toner and inkjet materials, materials for adhesives, urethane materials and auxiliary materials, plastic materials, plastic additives, industrial oil solutions, water processing raw materials, surfactant raw materials, fluorochemicals, encapsulant materials, 5G materials, silicone materials, environmental solutions and environment-related commercial products, sintered metal filters, conductive coatings, and more for the paints/inks, dye/additive, resins, urethane foam, organic synthesis, surfactants, electronics chemicals, digital print processing materials, communications equipment, water processing, metal processing, plastic and film processing, stationery, functional film and sheet, hygiene materials, and other industries.

The Advanced Materials & Processing segment is engaged in the sales of thermoplastic resins, thermosetting resins, plastics products, resin molding tools/dies, and more for the office equipment, home appliance, electrical equipment, mobile communications, games, packaging, cosmetics, construction materials, and other industries.

The Electronics & Energy segment is engaged in the sales of formulated epoxy resins, fluorine products, precision abrasives, semiconductor assembly materials and devices, adhesives and encapsulant materials, display panel components and devices, chemical management equipment for display

manufacturing processes, low-temperature/vacuum equipment, liquid state analysis equipment, LEDs, 3D printing products, solar panels, and other products for the semiconductor, electronic component, AR/VR, environmental energy, 3D printing, heavy electrical and light electrical, HDD, automotive and aircraft, display, touch panel, housing, lighting, renewable energy, large-scale commercial facility, and other industries.

The Mobility segment is engaged in the sales of plastic products in general, materials for secondary batteries, interior and exterior materials, materials for functional components, products for electrification, sensor components, in-vehicle electronics products, in-vehicle display-related components, self-driving-related products, and other products for the overall mobility industry and related industries.

The Life & Healthcare segment is engaged in the sale of pharmaceutical materials, research products, diagnostics reagents, food ingredients, food additives, processing aids for enzymes, etc., sports nutrition products, nutrient premixes, cosmetic materials, additives for cosmetics, surfactants, and agricultural, fisheries, and livestock-related materials to the pharmaceutical, food and beverage, cosmetics, agricultural, toiletries, and health care, and other industries. The segment offers endotoxin removal and radiation measurement as its main services. In addition, this segment sells cosmetics, health foods, and beauty foods directly to consumers.

(b) Calculation methods of net sales, income or loss, assets, and other items by reportable segments

The accounting policies of reportable segments are generally identical to those described in Note 2. Reportable segment income corresponds to operating income in the consolidated statements of income.

Intersegment internal income and transfers are determined based on the values of transactions at actual market prices.

At the beginning of the current fiscal year, the Company changed the method of allocating corporate expenses to reflect the performance of reportable segments more appropriately. Segment information in the table below for the previous fiscal year is based on the allocation method after the change.

Non-current assets are not allocated to reportable segments. The allocation of related expenses to the relevant segments follows reasonable criteria.

(c) Information on net sales, income or loss, assets and other items for each reportable segment

Information by reportable segments for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen										
	2025										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥153,746	¥210,627	¥161,315	¥132,091	¥287,079	¥944,860	¥ 101	¥944,961	¥ —	¥ —	¥944,961
Intersegment sales and transfers	1,215	783	2,221	2,028	491	6,740	7,046	13,787	—	(13,787)	—
Net sales	154,962	211,411	163,536	134,120	287,570	951,601	7,147	958,749	—	(13,787)	944,961
Segment income	9,213	6,684	12,302	4,238	3,423	35,862	239	36,102	2,443	533	39,078
Segment assets	123,699	110,117	84,961	68,727	262,916	650,422	3,824	654,246	211,926	(58,029)	808,143
Other items											
Depreciation and amortization other than amortization of goodwill	762	778	1,997	228	7,713	11,479	68	11,548	3,781	—	15,329
Amortization of goodwill	151	—	57	—	2,513	2,722	—	2,722	—	—	2,722
Unamortized balance of goodwill	1,819	—	382	—	23,198	25,400	—	25,400	—	—	25,400
Investments in affiliates accounted for by the equity method	2,685	1,011	2,765	1,425	3,533	11,422	122	11,544	—	(3)	11,541
Increase in property, plant and equipment, net and intangible assets	1,269	1,291	2,811	677	3,987	10,037	439	10,476	5,733	—	16,209

	Millions of yen										
	2024										
	Reportable Segments										
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Total	Corporate	Adjustments	Consolidated
Sales to customers	¥146,804	¥198,543	¥144,758	¥132,117	¥277,779	¥900,003	¥ 146	¥900,149	¥ —	¥ —	¥900,149
Intersegment sales and transfers	1,709	792	3,068	2,798	471	8,839	7,251	16,090	—	(16,090)	—
Net sales	148,513	199,335	147,826	134,915	278,251	908,842	7,398	916,240	—	(16,090)	900,149
Segment income	8,629	6,804	11,327	4,933	10,321	42,016	79	42,095	(12,007)	529	30,618
Segment assets	131,559	104,394	84,087	74,881	245,132	640,056	3,142	643,198	203,748	(54,610)	792,336
Other items											
Depreciation and amortization other than amortization of goodwill	916	725	1,803	388	7,291	11,126	18	11,145	2,853	—	13,998
Amortization of goodwill	143	—	54	—	2,429	2,627	—	2,627	—	—	2,627
Unamortized balance of goodwill	1,992	—	444	—	25,447	27,884	—	27,884	—	—	27,884
Investments in affiliates accounted for by the equity method	2,649	1,128	2,994	1,332	3,351	11,456	111	11,567	—	(4)	11,563
Increase in property, plant and equipment, net and intangible assets	1,262	1,159	3,189	325	4,367	10,304	60	10,364	9,648	—	20,012

Thousands of U.S. dollars

2025

	Reportable Segments						Others	Total	Corporate	Adjustments	Consolidated
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total					
Sales to customers	\$1,028,264	\$1,408,688	\$1,078,886	\$ 883,434	\$1,920,004	\$6,319,288	\$ 675	\$6,319,964	\$ —	\$ —	\$6,319,964
Intersegment sales and transfers	8,126	5,237	14,854	13,563	3,284	45,078	47,124	92,208	—	(92,208)	—
Net sales	1,036,396	1,413,931	1,093,740	897,004	1,923,288	6,364,373	47,800	6,412,179	—	(92,208)	6,319,964
Segment income	61,617	44,703	82,277	28,344	22,893	239,848	1,598	241,453	16,339	3,565	261,356
Segment assets	827,307	736,470	568,225	459,651	1,758,400	4,350,067	25,575	4,375,642	1,417,376	(388,102)	5,404,916
Other items											
Depreciation and amortization other than amortization of goodwill	5,096	5,203	13,356	1,525	51,585	76,772	455	77,234	25,288	—	102,521
Amortization of goodwill	1,010	—	381	—	16,807	18,205	—	18,205	—	—	18,205
Unamortized balance of goodwill	12,166	—	2,555	—	155,150	169,877	—	169,877	—	—	169,877
Investments in affiliates accounted for by the equity method	17,957	6,762	18,493	9,530	23,629	76,391	816	77,207	—	(20)	77,187
Increase in property, plant and equipment, net and intangible assets	8,487	8,634	18,800	4,528	26,665	67,128	2,936	70,064	38,343	—	108,407

(d) Geographical information

Net sales by country or region for the years ended March 31, 2025 and 2024 are summarized as follows:

Millions of yen								
2025								
	Reportable Segments						Total	Composition (%)
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note) 3		
Japan	¥ 71,237	¥ 35,795	¥ 56,726	¥ 41,574	¥ 72,169	¥ 101	¥277,605	29.4
Greater China	19,665	94,774	69,579	28,937	4,561	—	217,517	23.0
ASEAN	31,598	72,465	10,428	38,842	7,257	—	160,593	17.0
Americas	22,767	4,427	10,190	20,910	128,606	—	186,902	19.8
Europe	7,427	1,281	5,351	1,540	74,077	—	89,678	9.5
Other	1,048	1,883	9,038	286	408	—	12,664	1.3
Revenues from contracts with customers	153,746	210,627	161,315	132,091	287,079	101	944,961	100.0
Net sales to customers	153,746	210,627	161,315	132,091	287,079	101	944,961	100.0

1. Net sales are categorized by country or region, according to the location of the Company and the consolidated subsidiaries.

2. Major countries and regions in each category other than Japan

(1) Greater China..... China, Hong Kong, Taiwan

(2) ASEAN Thailand, Vietnam, Indonesia

(3) Americas..... U.S., Mexico

(4) Europe..... U.K., Germany

(5) Other..... Korea

3. "Others" is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services, and professional service.

Millions of yen								
2024								
	Reportable Segments						Total	Composition (%)
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note) 3		
Japan	¥ 64,933	¥ 34,694	¥ 56,442	¥ 42,163	¥ 70,490	¥ 146	¥268,872	29.9
Greater China	17,881	96,356	59,803	31,724	3,866	—	209,632	23.3
ASEAN	34,198	60,586	7,403	37,665	6,200	—	146,053	16.2
Americas	22,847	4,509	8,880	18,716	123,756	—	178,710	19.9
Europe	5,899	1,133	4,021	1,562	73,068	—	85,685	9.5
Other	1,044	1,263	8,206	285	396	—	11,196	1.2
Revenues from contracts with customers	146,804	198,543	144,758	132,117	277,779	146	900,149	100.0
Net sales to customers	146,804	198,543	144,758	132,117	277,779	146	900,149	100.0

1. Net sales are categorized by country or region, according to the location of the Company and the consolidated subsidiaries.

2. Major countries and regions in each category other than Japan

(1) Greater China..... China, Hong Kong, Taiwan

(2) ASEAN Thailand, Vietnam, Indonesia

(3) Americas..... U.S., Mexico

(4) Europe..... U.K., Germany

(5) Other..... Korea

3. "Others" is a business segment consisting of businesses not included in Reportable Segments, and includes information processing services, and professional service.

Thousands of U.S. dollars

2025

	Reportable Segments						Total	Composition (%)
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Others (Note) 3		
Japan	\$ 476,438	\$ 239,399	\$ 379,387	\$ 278,050	\$ 482,671	\$ 675	\$1,856,641	29.4
Greater China	131,521	633,855	465,349	193,533	30,504	—	1,454,769	23.0
ASEAN	211,330	484,651	69,743	259,778	48,535	—	1,074,057	17.0
Americas	152,267	29,608	68,151	139,848	860,126	—	1,250,013	19.8
Europe	49,672	8,567	35,788	10,300	495,432	—	599,773	9.5
Other	7,009	12,594	60,447	1,913	2,729	—	84,698	1.3
Revenues from contracts with customers	1,028,264	1,408,688	1,078,886	883,434	1,920,004	675	6,319,964	100.0
Net sales to customers	1,028,264	1,408,688	1,078,886	883,434	1,920,004	675	6,319,964	100.0

Information of major customers not presented here, since no single customer accounts for 10% or more of consolidated net sales.

Property, plant and equipment by country or region as of March 31, 2025 and 2024 are summarized as follows:

Millions of yen

2025

Japan	Americas	Other	Total
¥ 62,858	¥ 21,072	¥ 7,740	¥ 91,671

Millions of yen

2024

Japan	Americas	Other	Total
¥ 58,943	¥ 21,458	¥ 6,990	¥ 87,392

Thousands of U.S. dollars

2025

Japan	Americas	Other	Total
\$ 420,399	\$ 140,931	\$ 51,766	\$ 613,102

(e) Information on loss on impairment of fixed assets per reportable segments

Loss on impairment of fixed assets for the years ended March 31, 2025 and 2024 is as follows:

Millions of yen

2025

	Reportable Segments						Others	Eliminations or corporate	Total
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total			
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ 1,173	¥ 1,173	¥ —	¥ —	¥ 1,173

The Life & Healthcare segment recorded impairment losses of ¥1,173 million for goodwill and other assets related to the pharmaceuticals and cosmetic ingredients sales business in the U.S., as the originally expected profits are no longer expected. The Company wrote down the book value of these assets to their recoverable amounts.

	Millions of yen								
	2024								
	Reportable Segments								
	Functional Materials	Advanced Materials & Processing	Electronics & Energy	Mobility	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	¥ 2,276	¥ —	¥ —	¥ —	¥ —	¥ 2,276	¥ —	¥ —	¥ 2,276

The Functional Materials segment recorded impairment losses of ¥2,276 million for business-use assets etc. related to color former manufacturing business due to declining profitability. The Company wrote down the book value of these assets to their recoverable amounts.

Thousands of U.S. dollars									
2025									
Reportable Segments									
	Functional Materials	Advanced Materials & Processing	Electronics	Mobility & Energy	Life & Healthcare	Total	Others	Eliminations or corporate	Total
Loss on impairment of fixed assets	\$ —	\$ —	\$ —	\$ —	\$ 7,845	\$ 7,845	\$ —	\$ —	\$ 7,845

29. RELATED PARTY TRANSACTION

The Company and its consolidated subsidiaries recorded the following related-party transactions for the years ended March 31, 2025 and 2024:

Name of related party	Relationship with the related party	Description of the transaction	Account	Millions of yen		Thousands of U.S. dollars
				2025	2024	2025
315 Fullerton LLC (*1)	A director of a consolidated subsidiary of the Company owns a majority of the voting rights of the entity.	Rental of real estate (*2)	Rent payment for real estate	¥ 53	¥ 49	\$ 354
LivPure LLC (*3)	A close family member of a director of a consolidated subsidiary of the Company owns a majority of the voting rights of the entity.	Sale of products (*4)	Sale of sports nutrition products	—	21 (*3)	—
Hiroshi Nagase	Director of Nagase & Co., Ltd.	Purchase of shares of affiliated companies(*5)	Investments in securities	¥ 45	—	\$ 301
Total				¥ 98	¥ 70	\$ 655

(*1): Mr. Donald K. Thorp, a director of Prinova Group, LLC, which is a consolidated subsidiary of the Company, owns 77% of the voting rights. Mr. Donald K. Thorp resigned from the board of directors of Prinova Group LLC effective March 31, 2025.

(*2): Rent is determined taking the transactions in the neighboring area into consideration.

(*3): A close family member of Mr. Donald K. Thorp, a director of Prinova Group, LLC, which is a consolidated subsidiary of the Company, owned 67% of the voting rights. However, due to the sale of the shares as of January 2024, the entity is no longer classified as one in which a close family member of a director of a consolidated subsidiary of the Company owns a majority of the voting rights. The transaction amounts represent the amounts during the period when the entity was classified as a related party.

(*4): Transaction terms relating to sale of products, and policies on determination of transaction terms are determined in the same manner as general transactions.

(*5): The acquisition price of shares of affiliated companies is determined upon consultation, taking into consideration the net asset value and other factors, while referring to the opinion of a third-party institution.

30. SUBSEQUENT EVENTS

(a) Cash Dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2025, was approved at a meeting of the shareholders held on June 18, 2025:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥45.0 = U.S.\$0.30 per share)	¥ 4,893	\$ 32,725

(*): Total amount of dividends for common stock of ¥4,893 million includes dividends of ¥12 million in relation to the Company's shares held by the Stock-Granting Trust for Directors.

(b) Acquisition of treasury stock

The Company resolved matters relating to the acquisition of treasury stock at the meeting of its Board of Directors held on May 8, 2025 as follows, pursuant to the provision of Article 156, as applied pursuant to Article 165, paragraph (3) of the Companies Act.

(1) Reason for the acquisition of treasury stock

The Company resolved at the Board of Directors meeting held on May 8, 2024 to change its shareholder returns policy under the Medium-term Management Plan **ACE 2.0**, to implement total return ratio of 100% as a tentative measure for two years.

The Company will acquire treasury stock in accordance with this policy.

(2) Details of matters relating to the acquisition

(i) Type of shares to be acquired	Common shares of the Company
(ii) Total number of shares that can be acquired	7,500,000 shares (maximum) (6.90% of total number of issued shares (excluding treasury stock))
(iii) Total value of shares that can be acquired	¥12,000 million (maximum)
(iv) Acquisition period	From May 9, 2025 to October 31, 2025
(v) Acquisition method	To be purchased on the market

(c) Cancellation of treasury stock

The Company resolved on matters relating to the cancellation of treasury stock at the meeting of its Board of Directors held on May 8, 2025 as follows, pursuant to the provision of Article 178 of the Companies Act.

(i) Type of shares to be cancelled	Common shares of the Company
(ii) Number of shares to be cancelled	5,000,000 shares (4.35% of total number of issued shares (including treasury stock))
(iii) Date of cancellation	May 30, 2025

* Reference: Treasury stock held as of April 30, 2025

Total number of issued shares (excluding treasury stock)	108,747,429 shares
Number of treasury stock	6,160,856 shares

(*) Treasury stock in the above table does not include 282,400 shares of the Company's shares held by the Stock-Granting Trust for Directors.

Independent Auditor's Report



Independent Auditor's Report

The Board of Directors
NAGASE & CO., LTD.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of NAGASE & CO., LTD. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and 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 financial position 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 the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of Goodwill and Intangible Assets Related to Life & Healthcare Segment of Nagase America LLC

Description of Key Audit Matter	Auditor's Response
<p>As described in Note 11, "Loss on Impairment of Fixed Assets" and Note 28, "Segment Information, (e) "Information on loss on impairment of fixed assets per reportable segments" in the notes to the consolidated financial statements for the fiscal year ended March 31, 2025, NAGASE & CO., LTD. (the Company) recognized a ¥1,173 million loss on impairment of goodwill and intangible assets related to the Life & Healthcare segment of Nagase America LLC ("NAM").</p> <p>As described in Note 4, "Significant Accounting Estimates, (b) Information about significant accounting estimates pertaining to identified items" in the notes to consolidated financial statements, when any indications of impairment exist, the Company assesses whether an impairment loss should be recognized, and if so, the carrying amount of the asset or asset group is reduced to its recoverable amount and a corresponding impairment loss is recorded. The recoverable amount is the higher of net selling value or value in use.</p> <p>NAM's Life & Healthcare business is currently facing a challenging business environment due to a decrease in demand for premium cosmetics in China, leading to a decline in sales volumes of cosmetic ingredients to North American cosmetic manufacturers. As a result, a review of the business plan was conducted during the fiscal year ended March 2025. As a result of this review, it was determined that the total estimated future cash flows were less than the carrying amount of the goodwill and intangible assets related to the target business, thus resulting in the recognition of an</p>	<p>We performed the following audit procedures with respect to the impairment loss recognized on the goodwill and intangible fixed assets related to NAM's Life & Healthcare segment.</p> <p>(1) Assessment of internal control</p> <ul style="list-style-type: none"> Assessed the effectiveness of design of internal control established by the Company with respect to the assessment of indications of impairment and for evaluating and measuring impairment loss on goodwill and intangible assets; <p>(2) Evaluation and verification of management's estimates</p> <ul style="list-style-type: none"> Examined the consistency of the future cash flows underlying the value-in-use estimates with the budget approved by the parent company's Board of Directors; Compared the business plan with the actual results of previous years and analyzed factors that may cause deviations from the plan in order to assess the effectiveness of the estimation process for the business plan development; Compared the estimated period for future cash flows with the economic remaining useful lives of the key assets; Inquired of the Company's management about the future sales growth rate, which is a key assumption, confirmed the trend analysis and consistency with past performance, and compared that key assumption with market growth rate in available reports by external valuation firm; Inquired of the Company's management about the sales volumes of key products, which is a key assumption, confirmed the trend analysis and consistency with past performance; and

impairment loss for the fiscal year ended March 2025.

The estimates of future cash flows used for evaluating and measuring impairment losses are based on budgets approved by management, with key assumptions in the business plan based on this budget being the sales volumes of major products and revenue growth rates.

Because changes in these key assumptions could result in changes in the amount of impairment loss recorded and because the calculation of the recoverable amount is subject to uncertainty, is highly complex and requires management judgment, we determined that the impairment loss on the goodwill and intangible assets related to NAM's Life & Healthcare business was a key audit matter.

- Performed a sensitivity analysis of key assumptions to assess their impact on recoverable amount.

Other Information

Other information comprises the information included in disclosure documents that contain audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that other information does not exist. Accordingly, we have not performed any work related to other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors 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. 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing 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 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 in accordance with accounting principles generally accepted in Japan.
- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors 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 the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, 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 to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, 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 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 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.

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.

Ernst & Young ShinNihon LLC
Tokyo, Japan

June 24, 2025

関 口 依 里

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Designated Engagement Partner
Certified Public Accountant

鈴 木 拓 也

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