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Annual Securities Report
（Financial Section）

The 161st Fiscal Term (April 1, 2024 to March 31, 2025)

Tokuyama Corporation

1. Consolidated financial statements etc.

(1) Consolidated financial statements

(i) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	48,684	75,544
Notes receivable - trade	*7 5,466	3,520
Electronically recorded monetary claims - operating	*7 4,383	3,433
Accounts receivable - trade	77,279	74,596
Lease receivables	11	10
Merchandise and finished goods	28,522	22,673
Work in process	18,428	21,028
Raw materials and supplies	24,938	25,951
Other	10,159	7,957
Allowance for doubtful accounts	(99)	(85)
Total current assets	217,776	234,630
Non-current assets		
Property, plant and equipment		
Buildings and structures	*3 119,122	*3 126,460
Accumulated depreciation	(80,870)	(83,476)
Buildings and structures, net	38,252	42,983
Machinery, equipment and vehicles	*2, *3 496,906	*2, *3 503,931
Accumulated depreciation	(434,655)	(443,906)
Machinery, equipment and vehicles, net	62,251	60,025
Tools, furniture and fixtures	*3 24,729	*3 25,265
Accumulated depreciation	(20,673)	(21,254)
Tools, furniture and fixtures, net	4,056	4,010
Land	33,117	*3 33,003
Leased assets	11,038	12,105
Accumulated depreciation	(4,463)	(4,918)
Leased assets, net	6,575	7,186
Construction in progress	24,503	25,081
Total property, plant and equipment	168,755	172,291
Intangible assets		
Goodwill	252	69
Leased assets	20	14
Other	3,190	4,126
Total intangible assets	3,463	4,210
Investments and other assets		
Investment securities	*1, *2 36,196	*1, *2 36,050
Long-term loans receivable	2,046	1,835
Deferred tax assets	14,834	11,383
Retirement benefit asset	9,816	9,252
Other	*1 4,522	*1 6,635
Allowance for investment loss	(7)	(7)
Allowance for doubtful accounts	(44)	(74)
Total investments and other assets	67,365	65,074
Total non-current assets	239,583	241,577
Total assets	457,360	476,207

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	48,093	45,742
Short-term borrowings	4,234	6,446
Commercial papers	15,000	–
Current portion of long-term borrowings	*2 2,225	*2 3,028
Lease obligations	1,247	1,377
Income taxes payable	3,195	2,982
Provision for bonuses	3,241	3,744
Provision for repairs	4,656	5,084
Provision for decommissioning and removal	186	455
Provision for product warranties	77	121
Provision for loss on compensation for damage	202	21
Provision for environmental measures	14	68
Provision for business restructuring	–	526
Provision for contract loss	499	654
Other	21,061	21,083
Total current liabilities	103,935	91,338
Non-current liabilities		
Bonds payable	15,000	35,000
Long-term borrowings	*2 63,262	*2 59,644
Lease obligations	4,814	5,194
Long-term income taxes payable	–	84
Deferred tax liabilities:	251	246
Provision for retirement benefits for directors (and other officers)	135	159
Provision for share awards	53	80
Provision for repairs	1,671	1,541
Provision for decommissioning and removal	224	16
Allowance for loss on compensation for building materials	13	–
Provision for environmental measures	67	–
Provision for contract loss	–	44
Retirement benefit liability	1,741	1,817
Asset retirement obligations	19	181
Other	6,220	7,001
Total non-current liabilities	93,475	111,011
Total liabilities	197,411	202,349
Net assets		
Shareholders' equity		
Share capital	10,000	10,000
Capital surplus	22,947	22,777
Retained earnings	197,418	213,953
Treasury shares	(422)	(428)
Total shareholders' equity	229,944	246,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9,221	7,187
Deferred gains or losses on hedges	(0)	–
Foreign currency translation adjustment	8,446	6,883
Remeasurements of defined benefit plans	1,645	1,188
Total accumulated other comprehensive income	19,312	15,259
Non-controlling interests	10,691	12,295
Total net assets	259,948	273,858
Total liabilities and net assets	457,360	476,207

(ii) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net sales	*1 341,990	*1 343,073
Cost of sales	*2, *5 242,470	*2, *5 234,929
Gross profit	99,519	108,143
Selling, general and administrative expenses		
Selling expenses	*3 43,286	*3 45,182
General and administrative expenses	*4, *5 30,595	*4, *5 32,993
Total selling, general and administrative expenses	73,882	78,175
Operating profit	25,637	29,968
Non-operating income		
Interest income	234	261
Dividend income	564	610
Share of profit of entities accounted for using equity method	905	442
Outsourcing service income	548	1,397
Trial products income	295	1,255
Rental income from non-current assets	616	615
Other	2,235	1,421
Total non-operating income	5,401	6,004
Non-operating expenses		
Interest expenses	1,333	912
Trial products expenses	347	1,181
Fiduciary obligation expenses	441	1,106
Cost of idle operations	270	784
Other	2,354	2,398
Total non-operating expenses	4,746	6,384
Ordinary profit	26,292	29,588
Extraordinary income		
Gain on sale of non-current assets	*6 69	*6 58
Gain on sale of investment securities	609	1,371
Gain on share exchange of subsidiaries and associates	–	*9 2,313
Subsidy income	106	251
Gain on insurance claims	108	44
Total extraordinary income	894	4,038
Extraordinary losses		
Loss on sale of non-current assets	*7 50	*7 2
Impairment losses	*8 83	*8 397
Loss on disaster	20	30
Loss on tax purpose reduction entry of non-current assets	41	137
Loss on disposal of non-current assets	762	704
Loss on sale of shares of subsidiaries and associates	25	–
Provision for loss on compensation for damage	197	–
Provision for business restructuring	–	*10 539
Business restructuring expenses	–	*11 499
Compensation for damage	148	–
Total extraordinary loss	1,330	2,311
Profit before income taxes	25,856	31,315
Income taxes - current	4,741	4,337
Income taxes - deferred	3,703	3,699
Total income taxes	8,445	8,037
Profit	17,411	23,278
Loss attributable to non-controlling interests	(340)	(109)
Profit attributable to owners of parent	17,751	23,388

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit	17,411	23,278
Other comprehensive income		
Valuation difference on available-for-sale securities	5,213	(2,031)
Deferred gains or losses on hedges	2	0
Foreign currency translation adjustment	3,170	(1,474)
Remeasurements of defined benefit plans, net of tax	(245)	(447)
Share of other comprehensive income of entities accounted for using equity method	201	(63)
Total other comprehensive income	*1 8,342	*1 (4,017)
Comprehensive income	25,753	19,261
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	25,553	19,912
Comprehensive income attributable to non-controlling interests	200	(651)

(iii) Consolidated statements of changes in equity

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2023	10,000	23,443	184,852	(414)	217,880
Changes during period					
Profit attributable to owners of parent			17,751		17,751
Dividends of surplus			(5,045)		(5,045)
Purchase of treasury shares				(14)	(14)
Disposal of treasury shares		(0)		6	6
Change in ownership interest of parent due to transactions with non-controlling interests		(495)			(495)
Increase (decrease) due to changes in the accounting period of consolidated subsidiaries			(38)		(38)
Change in scope of consolidation			(101)		(101)
Net changes in items other than shareholders' equity					
Total changes during period	–	(495)	12,566	(7)	12,063
Balance as of March 31, 2024	10,000	22,947	197,418	(422)	229,944

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2023	4,053	(3)	5,630	1,889	11,569	12,151	241,602
Changes during period							
Profit attributable to owners of parent							17,751
Dividends of surplus							(5,045)
Purchase of treasury shares							(14)
Disposal of treasury shares							6
Change in ownership interest of parent due to transactions with non-controlling interests							(495)
Increase (decrease) due to changes in the accounting period of consolidated subsidiaries							(38)
Change in scope of consolidation							(101)
Net changes in items other than shareholders' equity	5,168	2	2,816	(243)	7,743	(1,460)	6,282
Total changes during period	5,168	2	2,816	(243)	7,743	(1,460)	18,346
Balance as of March 31, 2024	9,221	(0)	8,446	1,645	19,312	10,691	259,948

Fiscal year ended March 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2024	10,000	22,947	197,418	(422)	229,944
Cumulative effects of changes in accounting policies			(7)		(7)
Restated balance	10,000	22,947	197,411	(422)	229,937
Changes during period					
Profit attributable to owners of parent			23,388		23,388
Dividends of surplus			(6,846)		(6,846)
Purchase of treasury shares				(6)	(6)
Disposal of treasury shares		(0)		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(169)			(169)
Net changes in items other than shareholders' equity					
Total changes during period	–	(169)	16,541	(6)	16,365
Balance as of March 31, 2025	10,000	22,777	213,953	(428)	246,302

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance as of April 1, 2024	9,221	(0)	8,446	1,645	19,312	10,691	259,948
Cumulative effects of changes in accounting policies	7				7		–
Restated balance	9,228	(0)	8,446	1,645	19,319	10,691	259,948
Changes during period							
Profit attributable to owners of parent							23,388
Dividends of surplus							(6,846)
Purchase of treasury shares							(6)
Disposal of treasury shares							0
Change in ownership interest of parent due to transactions with non-controlling interests							(169)
Net changes in items other than shareholders' equity	(2,041)	0	(1,562)	(457)	(4,060)	1,604	(2,456)
Total changes during period	(2,041)	0	(1,562)	(457)	(4,060)	1,604	13,909
Balance as of March 31, 2025	7,187	–	6,883	1,188	15,259	12,295	273,858

(iv) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from operating activities		
Profit before income taxes	25,856	31,315
Depreciation	17,690	19,688
Increase (decrease) in provision for business restructuring	–	539
Increase (decrease) in provisions	1,387	1,140
Increase (decrease) in retirement benefit liability	31	28
Decrease (increase) in retirement benefit asset	(190)	(7)
Interest and dividend income	(799)	(871)
Foreign exchange losses (gains)	(527)	139
Loss (gain) on sale of property, plant and equipment	(19)	(55)
Loss (gain) on sale of investment securities	(609)	(1,371)
Loss (gain) on sale of shares of subsidiaries and associates	25	–
Loss (gain) on share exchange of subsidiaries and associates	–	(2,313)
Share of loss (profit) of entities accounted for using equity method	(905)	(442)
Subsidy income	(106)	(251)
Interest expenses	1,333	912
Loss on tax purpose reduction entry of non-current assets	41	137
Impairment losses	83	397
Loss (gain) on disposal of non-current assets	762	704
Gain on insurance claims	(108)	(44)
Compensation for damage	148	–
Decrease (increase) in trade receivables	3,705	5,262
Decrease (increase) in inventories	8,834	2,434
Decrease (increase) in other current assets	1,220	2,049
Increase (decrease) in trade payables	(1,475)	(2,071)
Increase (decrease) in other current liabilities	1,307	(110)
Other, net	474	(220)
Subtotal	58,160	56,988
Interest and dividends received	1,301	1,189
Interest paid	(1,362)	(1,173)
Proceeds from insurance income	108	44
Compensation for damage paid	(124)	–
Income taxes refund (paid)	(2,254)	(4,680)
Net cash provided by (used in) operating activities	55,828	52,368

(Millions of yen)

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash flows from investing activities		
Payments into time deposits	(480)	(402)
Proceeds from withdrawal of time deposits	250	543
Purchase of property, plant and equipment	(31,591)	(22,598)
Proceeds from sale of property, plant and equipment	962	75
Purchase of investment securities	(583)	(183)
Proceeds from sale of investment securities	1,368	2,580
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	1,604	–
Long-term loan advances	(128)	(2)
Collection of long-term loans receivable	563	220
Subsidies received	106	184
Other, net	(2,478)	(3,896)
Net cash provided by (used in) investing activities	(30,405)	(23,478)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	1,726	2,563
Increase (decrease) in commercial papers	15,000	(15,000)
Proceeds from long-term borrowings	6,582	162
Repayments of long-term borrowings	(61,396)	(2,234)
Proceeds from issuance of bonds	–	19,909
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(1,908)	(972)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	–	2,704
Dividends paid	(5,038)	(6,839)
Dividends paid to non-controlling interests	(145)	(53)
Decrease (increase) in treasury shares	(12)	(6)
Other, net	(1,313)	(1,339)
Net cash provided by (used in) financing activities	(46,508)	(1,106)
Effect of exchange rate change on cash and cash equivalents	1,461	(762)
Net increase (decrease) in cash and cash equivalents	(19,623)	27,020
Cash and cash equivalents at beginning of period	67,556	47,905
Increase (decrease) in cash and cash equivalents due to changes in the accounting period of consolidated subsidiaries	(27)	–
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	0	–
Cash and cash equivalents at end of period	*1 47,905	*1 74,926

Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements)

1. Scope of consolidation

(1) The number of consolidated subsidiaries: 50

Shin Dai-ichi Vinyl Corporation, which had been a consolidated subsidiary until the previous consolidated fiscal year, has been excluded from the scope of consolidation because it was absorbed in an absorption-type merger with the Company as the surviving company.

Following its establishment, TOKUYAMA VIETNAM CO., LTD. has been included in the scope of consolidation as a subsidiary effective from the consolidated fiscal year under review.

(2) Names, etc. of major non-consolidated subsidiaries

The non-consolidated subsidiary is A&T Suzhou Co., Ltd.

(Reason for exclusion from the scope of consolidation)

The non-consolidated subsidiary is small in scale, and its total assets, net sales, profit/loss (corresponding to equity interest) and retained earnings (corresponding to equity interest), etc., do not have a significant effect on consolidated financial statements.

2. Application of equity method

(1) The number of associates accounted for using the equity method: 12

Sun-Tox Co., Ltd., which had been an associate accounted for using the equity-method until the previous consolidated fiscal year, has been excluded from the scope of application of the equity method because it was absorbed through an absorption-type merger with Mitsui Chemicals Tocello, Inc. (the name was changed to RM TOHCELLO CO., LTD. on April 1, 2024) as the surviving company and the Company's equity interest ratio decreased.

(2) The non-consolidated subsidiary (A&T Medical Instruments (Suzhou) Co., Ltd.) and associates (Oita Mining Co., Ltd. and others) that are not accounted for using the equity method have been excluded from the scope of application of the equity method because they have little impact on the consolidated financial statements in terms of profit/loss (corresponding to equity interest), retained earnings (corresponding to equity interest), etc. when they are excluded from the scope of application of the equity method, nor have any material impact on an aggregate basis.

(3) Of equity method associates, with regard to the company of which the last date of its fiscal year is different from the consolidated fiscal year-end, the financial statements of its fiscal year are used in the preparation of consolidated financial statements.

3. Business year, etc. of consolidated subsidiaries

Of consolidated subsidiaries, the fiscal year-end of Taiwan Tokuyama Corporation was changed from March 31 to December 31.

Of consolidated subsidiaries, Taiwan Tokuyama Corporation, Tokuyama Chemicals (Zhejiang) Co., Ltd. and other five companies whose original fiscal year-end is December 31, are consolidated by performing provisional settlement of accounts on March 31, the consolidated fiscal year-end, in compliance with the regular settlement of accounts.

4. Significant accounting policies

(1) Valuation basis and valuation methods for significant assets

(i) Securities

i) Bonds held to maturity

Stated at cost by the amortized cost method (straight line method).

ii) Available-for-sale securities

Securities other than shares, etc. that do not have a market price

Stated at the fair value based on the quoted market price as of the fiscal year-end (Valuation differences are recognized in net assets; the cost of securities sold is calculated by the moving-average method).

Shares, etc. that do not have a market price

Stated at cost by the moving-average method.

(ii) Derivatives

Derivatives are stated at fair value.

(iii) Inventories

Inventories held for sale in the ordinary course of business

Stated at cost mainly by the moving-average method. (The balance sheet value of the inventories is calculated by write-down based on the decreased profitability.)

(2) Depreciation and amortization methods of significant depreciable and amortizable assets

(i) Property, plant and equipment (excluding leased assets)

Depreciated mainly by the straight-line method.

The estimated useful lives of major items are as follows:

Buildings and structures:	2 to 75 years
Machinery, equipment and vehicles:	2 to 25 years

(ii) Intangible assets (excluding leased assets)

Amortized mainly by the straight-line method.

Internal use software is amortized by the straight-line method over the internally expected useful life (5 years).

(iii) Leased assets

Leased assets in finance lease transactions that transfer ownership

The Company uses the same depreciation method that is applied to owned fixed assets.

Leased assets in finance lease transactions that do not transfer ownership

Depreciated by the straight-line method based on the assumption that the useful life is equal to the lease term and the residual value is equal to zero.

(3) Significant allowances and provisions

(i) Allowance for doubtful accounts

To cover possible bad debt expenses on trade receivables, loans receivable and others, the allowance for doubtful accounts is provided at the estimated uncollectable amounts based on the historical default rate for normal receivables, or taking into account collectability on a case-by-case basis for certain receivables such as doubtful receivables with higher possibility of default.

(ii) Allowance for investment loss

The allowance for investment loss is recorded after considering asset condition and other factors of investees.

(iii) Provision for bonuses

To prepare for the payment of next bonuses to executive officers and employees, provision for bonuses is recorded based on the portion of the estimated amount of bonus payments attributable to the consolidated fiscal year under review.

(iv) Provision for repairs

Repair expenses are calculated individually and recorded to prepare for periodic repairs of manufacturing facilities.

(v) Provision for decommissioning and removal

Decommissioning and removal expenses are calculated individually and recorded to prepare for decommissioning and removal of manufacturing facilities.

(vi) Provision for product warranties

For required expenses incurred during the warranty period with free servicing (warranty expenses for free servicing) for laboratory information systems and laboratory automation systems, the estimated amount of expenses is recorded based on the historical rate of incurrence (proportion of expenses paid to net sales).

(vii) Provision for loss on compensation for damage

The Company records provisions based on reasonably estimated monetary amounts at the end of the consolidated fiscal year under review for loss on compensation for damages caused by defective products of ion exchange membranes and quality defects of chemicals sold to customers.

(viii) Provision for environmental measures

The Company records provisions based on estimated amounts at the end of the consolidated fiscal year under review to prepare for payments for environmental measures.

(ix) Provision for business restructuring

The Company records provisions based on estimated amounts to be incurred to prepare for payments for business restructuring.

(x) Provision for contract loss

The Company records provisions based on estimated amounts of losses to prepare for possible losses that may be incurred in future contract performance.

(xi) Provision for retirement benefits for directors (and other officers)

At certain consolidated subsidiaries, the amount to be required at the end of the consolidated fiscal year under review in accordance with internal rules is recorded to prepare for payment of directors' retirement benefits.

(xii) Provision for share awards

The Company records estimated amounts for share benefit obligations at the end of the consolidated fiscal year under review in order to prepare for the Company share benefits provided to directors and other executives based on the Company's share issuance rules.

(4) Accounting method of retirement benefits

(i) Method of attributing estimated retirement benefits to accounting periods

When calculating retirement benefit obligations, the benefit formula basis is used to attribute estimated retirement benefits to the period through the end of the consolidated fiscal year under review.

(ii) Amortization of actuarial differences

Actuarial differences are amortized by using the straight-line method over a period of time within the average remaining service period of employees (principally 14 years) from the subsequent consolidated fiscal year when they are incurred.

(iii) Application of simplified accounting method used by small companies

In calculating retirement benefit liability and retirement benefit expenses, some of the consolidated subsidiaries apply a simplified accounting method in which an assumed amount of benefits to be paid for voluntary base retirement at the consolidated fiscal year-end is deemed as retirement benefit obligations.

(5) Revenue and expense recognition standards

The Group's major businesses are the manufacture and sale of products in the Chemicals business, the Cement business, the Electronic & Advanced Materials business, the Life Science business, and the Eco Business, and its performance obligation is primarily to supply products to customers.

For sale of products, considering that it is when the product is delivered to or accepted by a customer that the customer gains the control of the product and the performance obligation is fulfilled, the Group recognizes revenue when such performance obligation is fulfilled. However, for sale of products in Japan, the Group applies the alternative treatment regarding materiality, etc. and recognizes revenue when the product is shipped with regard to transactions in which the period from when the product is shipped to when the product is delivered to a customer is of normal length.

With respect to transactions in which the Group considers it serves as an agent, the Group recognizes revenue on a net basis (in the amount of the fees or commissions that the Group expects it will be entitled to receive for the transactions).

The Group receives consideration under sales contracts for the products generally within one year after revenue for the products is recognized, and it does not contain a significant financing component.

(6) Accounting method for deferred assets

All deferred assets are charged to expenses when incurred.

(7) Translation standards of significant assets or liabilities denominated in foreign currencies into Japanese yen

Monetary receivables and payables denominated in foreign currencies are translated into yen at the exchange rate in effect at the consolidated balance sheet date and the resulting exchange gains or losses are credited or charged to income as incurred. Assets and liabilities of overseas subsidiaries and the like are translated into yen at the exchange rate in effect at the consolidated balance sheet date, while their revenues and expenses are translated into yen at the average rates of exchange prevailing during the year. The resulting translation adjustments are included in "Foreign currency translation adjustment" and "Non-controlling interests" in net assets.

(8) Method of significant hedge accounting

(i) Method of hedge accounting

For the method of hedge accounting, in general, the deferral hedge accounting is applied. Among hedging instruments, forward exchange contracts that fulfill the requirement for allocation method are subjected to the allocation method. Interest rate swaps that fulfill the requirement for special treatment are subjected to the special treatment.

(ii) Hedging instruments and hedged items

Hedging instruments and hedged items to which hedge accounting has been applied in the fiscal year under review are as follows:

Hedging instruments: Forward exchange contracts, interest rate swaps

Hedged items: Forecast transactions in foreign currencies, accounts receivable and payable, and borrowings denominated in foreign currencies

(iii) Hedging policy

Foreign exchange risk and interest rate risk of hedged items are hedged within a certain range.

(iv) Method of assessing hedge effectiveness

Hedge effectiveness is assessed by comparing cumulative changes in cash flows or market fluctuations of hedged items and cumulative changes in cash flows or market fluctuations of hedging instruments on a quarterly basis and based on changes in both, etc. For interest rate swaps to which the special treatment is applied, assessment of hedge effectiveness is omitted.

(9) Amortization method and amortization period of goodwill

Goodwill is equally amortized over five years.

(10) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, at-call deposits with banks and short-term investments that have maturities within three months from acquisition, are readily convertible to cash and are subject to an insignificant risk of changes in value.

(Significant Accounting Estimates)

1. Recoverability of deferred tax assets

(1) Deferred tax assets recorded in the consolidated financial statements for the consolidated fiscal year under review

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets	14,834	11,383

(2) Information on significant accounting estimates for identified items

The recoverability of deferred tax assets is determined by assessing if deductible temporary differences and tax loss carryforwards have an effect of reducing the amounts of future tax payments. In the assessment, the Company considers if sufficient taxable profit before adjustments of temporary differences will be available based on the Company’s profitability, if sufficient taxable profit before adjustments of temporary differences will be available based on the Company’s tax planning or if sufficient taxable temporary differences will be available in the future.

In assessing the availability of sufficient taxable profit before adjustments of temporary differences based on the Company’s profitability, the Company estimates taxable profit for the fiscal year in which temporary differences are expected to reverse, as well as for carryback and carryforward periods. Taxable profit before adjustments of temporary differences is estimated based on the Company’s future business plan, which includes material assumptions such as: revenue projections based on estimated demand for the Company’s products; and market forecasts for coal, the Company’s major raw material and fuel.

If it becomes necessary to revise these estimates and assumptions due to changes in the actual timings of events and realized values from estimates as a result of changes in the status of the Company’s business and unforeseeable economic conditions, such as issuance of government policy measures for decarbonization, fluctuations in the price of coal, the Company’s major raw material and fuel, etc., it can have a material effect on the amounts of deferred tax assets and deferred income taxes recognized in the Company’s consolidated financial statements for subsequent fiscal years. In addition, if the effective tax rate is changed due to tax reforms, it can have a material effect on the amounts of deferred tax assets and deferred income taxes recognized in the Company’s consolidated financial statements for subsequent fiscal years.

(Changes in Accounting Policies)

(Application of Accounting Standard for Current Income Taxes)

Effective from the beginning of the consolidated fiscal year under review, the Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “2022 Revised Accounting Standard”), etc. Previously, the Company recorded the amount of corporation tax, inhabitants tax, enterprise tax, etc. (hereinafter referred to as “Corporation Tax, etc.”) on income, etc., in profit or loss, as calculated in accordance with laws and regulations. However, the Company has changed the method of recording Corporation Tax, etc. on income, by classifying it into profit or loss, shareholders’ equity, and other comprehensive income, depending on the transactions, etc., from which the Corporation Tax, etc. is generated. With regard to Corporation Tax, etc. recorded in accumulated other comprehensive income, the Company has changed the method so that the corresponding tax amount is recorded in profit or loss when the transactions, etc. that caused the Corporation Tax, etc. to be imposed are recorded in profit or loss. If the transaction, etc. subject to taxation is related to shareholders’ equity or other comprehensive income in addition to profit or loss, and it is difficult to calculate the amount of Corporation Tax, etc. imposed on shareholders’ equity or other comprehensive income, the amount of tax is recorded in profit or loss.

The revision of the classification of Corporation Tax, etc. (taxation on other comprehensive income) is in accordance with the transitional treatment provided for in the proviso to Paragraph 20-3 of the 2022 Revised Accounting Standard and the transitional treatment provided for in the proviso to Paragraph 65-2 (2) of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “2022 Revised Implementation Guidance”). The amount of cumulative effect of the case where the new accounting policies would have been applied retrospectively for the periods prior to the beginning of the consolidated fiscal year under review was added to or deducted from retained earnings at the beginning of the consolidated fiscal year under review, and the corresponding amount was added to or deducted from accumulated other comprehensive income, thus the new accounting policies have been applied from the beginning balance of the consolidated fiscal year under review. As a result, retained earnings at the beginning of the consolidated fiscal year under review decreased by ¥7 million, and valuation difference on available-for-sale securities increased by ¥7 million. The effect of this change on the consolidated financial statements for the consolidated fiscal year under review is immaterial.

In addition, with regard to the revision related to the review of the treatment in the consolidated financial statements in the case where gain or loss on sale arising from the sale of shares of subsidiaries, etc. between the consolidated companies is deferred for tax purposes, the Company has applied the 2022 Revised Implementation Guidance from the beginning of the consolidated fiscal year under review. This change in accounting policies has been applied retrospectively, and the consolidated financial statements for the previous consolidated fiscal year have been adjusted accordingly. This change in accounting policies has no effect on the consolidated financial statements for the previous consolidated fiscal year.

(New Accounting Standards Not Yet Applied)

・“Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)

・“Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

Other revisions to the related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance

(1) Summary

Similar to international accounting standards, these accounting standards and guidance stipulate the accounting treatment of recognizing assets and liabilities for all leases by the lessee, etc.

(2) Scheduled date of application

These accounting standards and guidance are scheduled to be applied from the beginning of the fiscal year ending March 31, 2028.

(3) Impact of application of such accounting standards, etc.

The impact of the application of the “Accounting Standard for Leases,” etc. on the consolidated financial statements is under evaluation at this time.

(Changes in Presentation)

(Consolidated Balance Sheets)

“Electronically recorded monetary claims - operating,” which were included in “Notes receivable - trade” under “Current assets” for the previous consolidated fiscal year, have been separately presented from the consolidated fiscal year under review due to their increased financial materiality. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, “Notes receivable - trade” of ¥9,850 million, which was presented under “Current assets” in the consolidated balance sheets for the previous consolidated fiscal year, has been reclassified as “Notes receivable - trade” of ¥5,466 million and “Electronically recorded monetary claims - operating” of ¥4,383 million.

(Consolidated Statements of Income)

“Foreign exchange gains,” which was separately presented under “Non-operating income” for the previous consolidated fiscal year, have been included in “Other” of “Non-operating income” from the consolidated fiscal year under review as the amount of the item has decreased to 10% or less of the total amount of non-operating income. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

“Trial products income,” which was included in “Other” of “Non-operating income” for the previous consolidated fiscal year, has been separately presented from the consolidated fiscal year under review as the amount of the item has exceeded 10% of the total amount of non-operating income. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, “Foreign exchange gains” of ¥679 million and “Other” of ¥1,852 million, which were presented under “Non-operating income" in the consolidated statements of income for the previous consolidated fiscal year, have been reclassified as "Trial products income" of ¥295 million and "Other" of ¥2,235 million.

"Trial products expenses," which were included in "Other" of "Non-operating expenses" for the previous consolidated fiscal year, have been separately presented from the consolidated fiscal year under review as the amount of the item has exceeded 10% of the total amount of non-operating expenses. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

"Fiduciary obligation expenses," which were included in "Other" of "Non-operating expenses" for the previous consolidated fiscal year, have been separately presented from the consolidated fiscal year under review as the amount of the item has exceeded 10% of the total amount of non-operating expenses. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

"Cost of idle operations," which was included in "Other" of "Non-operating expenses" for the previous consolidated fiscal year, has been separately presented from the consolidated fiscal year under review as the amount of the item has exceeded 10% of the total amount of non-operating expenses. The consolidated financial statements for the previous consolidated fiscal year have been reclassified to reflect this change in presentation.

As a result, "Other" of ¥3,413 million, which was presented under "Non-operating expenses" in the consolidated statements of income for the previous consolidated fiscal year, has been reclassified as "Trial products expenses" of ¥347 million, "Fiduciary obligation expenses" of ¥441 million, "Cost of idle operations" of ¥270 million, and "Other" of ¥2,354 million.

(Changes in Accounting Estimates)

Not applicable.

(Additional Information)

(Performance-based stock remuneration program)

On September 3, 2018, the Company introduced a performance-based stock remuneration program geared for its directors (excluding directors who are Audit and Supervisory Committee members, non-executive directors, external directors and persons not resident in Japan) and executive officers (excluding persons not resident in Japan).

1. Transaction summary

   For this program, the Company adopted a Director Remuneration BIP (Board Incentive Plan) Trust (hereinafter referred to as "the BIP Trust"). As with performance-linked stock (performance share) remuneration and transfer-limited stock (restricted stock) remuneration in the United States and Europe, the BIP Trust is a program that grants the Company's shares and benefits as well as the cash equivalent to the conversion value of the Company's shares in accordance with business performance and the director's position.

2. The Company's own shares that remains in trust

   The Company's shares that remain in trust is recorded as treasury shares in the net assets section based on the carrying amount (excluding the amount of incidental expenses) of the shares in the trust. The book value and number of shares of the treasury shares are ¥359 million and 119 thousand shares for the previous consolidated fiscal year and ¥359 million and 119 thousand shares for the consolidated fiscal year under review.

(Consolidated Balance Sheets)

*1 Items corresponding to unconsolidated subsidiaries and associates are as follows:

	As of March 31, 2024	As of March 31, 2025
Investment securities	14,984 million yen	12,504 million yen
Investments and other assets - other	579	1,080

*2 Assets pledged as collateral and liabilities for which collateral is pledged

Assets pledged as collateral are as follows:

	As of March 31, 2024	As of March 31, 2025
Machinery, equipment and vehicles	651 million yen	477 million yen
Investment securities	1,170	1,170
Total	1,821	1,647

Liabilities for which collateral is pledged are as follows:

	As of March 31, 2024	As of March 31, 2025
Current portion of long-term borrowings	169 million yen	154 million yen
Long-term borrowings	489	334
Total	658	489

*3 Reduction entry

In the consolidated fiscal year under review, reduction entries of ¥10 million for buildings and structures, ¥48 million for machinery, equipment and vehicles, and ¥79 million for land were made due to receipt of subsidies, etc.

In addition, as a result of the retirement of machinery, equipment and vehicles that were subject to reduction entry, cumulative reduction entries decreased by ¥13 million, and as a result of the retirement of tools, furniture and fixtures that were subject to reduction entry, cumulative reduction entries decreased by ¥0 million.

The cumulative reduction entries due to the receipt of subsidies, etc. in association with fixed assets are as follows:

	As of March 31, 2024	As of March 31, 2025
Buildings and structures	1,505 million yen	1,515 million yen
Machinery, equipment and vehicles	2,506	2,540
Tools, furniture and fixtures	49	48
Land	–	79
Total	4,060	4,184

4 Guarantee obligation

The Company provides guarantee of obligations concerning loans from financial institutions by the employees and the companies other than the consolidated ones.

Loan guarantees

As of March 31, 2024		As of March 31, 2025	
Employees	50 million yen	Employees	45 million yen
Chuyo Ready-mixed Concrete Cooperative Association	31	Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	6
Kasuga Kawauchi Kyodo Ready Mixed Concrete Co., Ltd.	10	Chuyo Ready-mixed Concrete Cooperative Association	6
Total	92		59

5 Repurchase obligation due to liquidation of notes receivable

	As of March 31, 2024	As of March 31, 2025
Repurchase obligation due to liquidation of notes receivable	1,215 million yen	1,040 million yen

6 Notes receivable endorsed

	As of March 31, 2024	As of March 31, 2025
Notes receivable endorsed	705 million yen	275 million yen

*7 Notes matured at consolidated fiscal year-end

Notes, etc. matured at consolidated fiscal year-end are settled on the date of clearing.

Since the last day of the previous consolidated fiscal year fell on a bank holiday, the following notes, etc. matured at the consolidated fiscal year-end are included in the balance as at the previous consolidated fiscal year-end.

	As of March 31, 2024	As of March 31, 2025
Notes receivable - trade	474 million yen	– million yen
Electronically recorded monetary claims - operating	596 million yen	– million yen

8 Long-term power purchase contracts

As of March 31, 2024

The Company has entered into a long-term purchase contract with a power generation company for the receipt of electricity. Such contract is noncancelable before maturity, and losses may be incurred depending on future market conditions and other factors.

As of March 31, 2025

The Company has entered into a long-term purchase contract with a power generation company for the receipt of electricity. Such contract is noncancelable before maturity, and losses may be incurred depending on future market conditions and other factors.

(Consolidated Statements of Income)

*1 Revenue from contracts with customers

Net sales do not present revenue from contracts with customers and other revenue separately. The amount of revenue from contracts with customers are presented in "Notes (Revenue Recognition) 1. Disaggregation of revenue from contracts with customers."

*2 Inventories at the consolidated fiscal year-end represent the amount after the book value was reduced in connection with a decline in the profitability, and the following losses on valuation of inventories (the amount in parentheses represents gains on reversal) are included in cost of sales.

Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
3,062 million yen	(44) million yen

*3 Major items and amounts of selling expenses are as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Freight-out expenses	24,074 million yen	24,907 million yen
Shipping charges	6,210	6,432
Payroll and allowances	5,217	5,565
Provision for bonuses	607	712
Retirement benefit expenses	130	124
Provision of allowance for doubtful accounts	23	18
Provision for repairs	71	(6)

*4 Major items and amounts of general and administrative expenses are as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Technical research expenses	13,121 million yen	14,631 million yen
Payroll and allowances	5,175	5,255
Provision for bonuses	642	776
Retirement benefit expenses	107	151
Provision for retirement benefits for directors (and other officers)	37	27
Provision for share awards	23	26

(Note) Technical research expenses for the previous consolidated fiscal year include provision for bonuses of ¥439 million, retirement benefit expenses of ¥43 million and provision for repairs of ¥(8) million.

Technical research expenses for the consolidated fiscal year under review include provision for bonuses of ¥521 million, retirement benefit expenses of ¥76 million and provision for repairs of ¥10 million.

*5 Total amount of research and development expenses included in general and administrative expenses and production cost

Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
14,454 million yen	16,066 million yen

*6 The breakdown of gain on sale of non-current assets is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	0 million yen	– million yen
Machinery, equipment and vehicles	68	52
Tools, furniture and fixtures	1	5
Total	69	58

*7 The breakdown of loss on sale of non-current assets is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Buildings and structures	44 million yen	1 million yen
Machinery, equipment and vehicles	4	0
Tools, furniture and fixtures	0	0
Land	1	–
Construction in progress	–	0
Total	50	2

*8 Impairment losses

Fiscal year ended March 31, 2024

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. Based on this grouping, impairment losses were recorded for the consolidated fiscal year ended March 31, 2024. The description of content has been omitted due to the low level of importance.

Fiscal year ended March 31, 2025

The Group groups its assets mainly according to the smallest units independently generating cash flows based on business categories. Based on this grouping, impairment losses were recorded for the consolidated fiscal year ended March 31, 2025. The description of content has been omitted due to the low level of importance.

*9 Details of gain on share exchange of subsidiaries and associates are as follows:

Fiscal year ended March 31, 2025

Sun-Tox Co., Ltd. (hereinafter, "Sun-Tox"), which had been the Company's associate accounted for using the equity-method, conducted an absorption-type merger with an effective date of April 1, 2024, with Mitsui Chemicals Tocello, Inc. (hereinafter, "Mitsui Chemicals Tocello"; the current name is "RM TOHCELLO CO., LTD.") as the surviving company and Sun-Tox as the absorbed company. As a result, the difference between the book value of the Sun-Tox shares on the consolidation basis and the amount of the Mitsui Chemicals Tocello shares, which was the consideration received, was recorded as gain on share exchange of subsidiaries and associates in extraordinary income.

*10 Details of provision for business restructuring are as follows:

Fiscal year ended March 31, 2025

Provision for business restructuring was recorded in extraordinary losses at the amount expected to be incurred, to prepare for expenses in connection with the discontinuation of operations of Shanghai Tokuyama Plastics Co., Ltd., one of the Company's consolidated subsidiaries.

*11 Details of business restructuring expenses are as follows:

Fiscal year ended March 31, 2025

Expenses incurred in connection with the discontinuation of operations of Shanghai Tokuyama Plastics Co., Ltd., one of the Company’s consolidated subsidiaries, were recorded as business restructuring expenses in extraordinary losses. These expenses include impairment losses on non-current assets of ¥16 million.

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments, income taxes and tax effects relating to other comprehensive income

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Valuation difference on available-for-sale securities:		
Gains arising during the year	6,630 million yen	(622) million yen
Reclassification adjustment to profit or loss	(610)	(1,364)
Amount before income taxes and income tax effect	6,020	(1,987)
Income taxes and income tax effect	(807)	(44)
Total valuation difference on available-for-sale securities	5,213	(2,031)
Deferred gains or losses on hedges:		
Gains arising during the year	(0)	(0)
Reclassification adjustment to profit or loss	4	0
Amount before income taxes and income tax effect	3	0
Income taxes and income tax effect	(1)	(0)
Total deferred gains or losses on hedges	2	0
Foreign currency translation adjustment:		
Gains arising during the year	3,345	(1,650)
Reclassification adjustment to profit or loss	–	–
Amount before income taxes and income tax effect	3,345	(1,650)
Income taxes and income tax effect	(175)	175
Total foreign currency translation adjustment	3,170	(1,474)
Remeasurements of defined benefit plans, net of tax:		
Gains arising during the year	329	(46)
Reclassification adjustment to profit or loss	(682)	(574)
Amount before income taxes and income tax effect	(352)	(621)
Income taxes and income tax effect	106	173
Total remeasurements of defined benefit plans	(245)	(447)
Share of other comprehensive income of entities accounted for using equity method:		
Gains arising during the year	201	(63)
Reclassification adjustment to profit or loss	0	–
Total share of other comprehensive income of entities accounted for using equity method	201	(63)
Total other comprehensive income	8,342	(4,017)

(Consolidated Statements of Changes in Equity)

Fiscal year ended March 31, 2024

1. Class and total number of shares issued and class and number of treasury shares

	Beginning of year (Thousands of shares)	Increase during the fiscal year (Thousands of shares)	Decrease during the fiscal year (Thousands of shares)	End of year (Thousands of shares)
Issued shares				
Common shares	72,088	–	–	72,088
Total	72,088	–	–	72,088
Treasury shares				
Common shares (Notes 1, 2, 3)	137	6	2	141
Total	137	6	2	141

(Note 1) The increase in the number of treasury shares of common shares is due to purchase of 6 thousand shares constituting less than a share-trading unit.

(Note 2) The decrease in the number of treasury shares of common shares is a decrease due to the request for additional purchase of 0 thousand shares constituting less than one share unit and the sale of a portion of the Company’s shares totaling 2 thousand shares held by Director Remuneration BIP Trust.

(Note 3) Included in the number of treasury shares as of the beginning and as of the end of the fiscal year under review are 121 thousand shares and 119 thousand shares, respectively, held by The Master Trust Bank of Japan, Ltd. (executive compensation BIP trust account; 76,292 accounts).

2. Dividends

(1) Dividend amount paid

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 23, 2023)	Common shares	2,522	35.00	March 31, 2023	June 26, 2023	Retained earnings
Board of Directors Meeting (October 27, 2023)	Common shares	2,522	35.00	September 30, 2023	December 1, 2023	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 23, 2023 is ¥4 million worth of dividends related to 121 thousand Company shares (treasury shares) held in the executive compensation BIP trust account. Included in the total amount of dividends decided by the Board of Directors Meeting on October 27, 2023 is ¥4 million worth of dividends related to 119 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(2) Dividends whose record date is within the consolidated fiscal year and whose effective date is in the following consolidated fiscal year

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 25, 2024)	Common shares	3,242	45.00	March 31, 2024	June 26, 2024	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 25, 2024 is ¥5 million worth of dividends related to 119 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

Fiscal year ended March 31, 2025

1. Class and total number of shares issued and class and number of treasury shares

	Beginning of year (Thousands of shares)	Increase during the fiscal year (Thousands of shares)	Decrease during the fiscal year (Thousands of shares)	End of year (Thousands of shares)
Issued shares				
Common shares	72,088	–	–	72,088
Total	72,088	–	–	72,088
Treasury shares				
Common shares (Notes 1, 2, 3)	141	2	0	144
Total	141	2	0	144

(Note 1) The increase in the number of treasury shares of common shares is due to purchase of 2 thousand shares constituting less than a share-trading unit.

(Note 2) The decrease in the number of treasury shares of common shares is a decrease due to the request for additional purchase of 0 thousand shares constituting less than a share-trading unit.

(Note 3) Included in the number of treasury shares as of the beginning and as of the end of the fiscal year under review are 119 thousand shares, respectively, held by The Master Trust Bank of Japan, Ltd. (executive compensation BIP trust account; 76,292 accounts).

2. Dividends

(1) Dividend amount paid

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 25, 2024)	Common shares	3,242	45.00	March 31, 2024	June 26, 2024	Retained earnings
Board of Directors Meeting (October 29, 2024)	Common shares	3,603	50.00	September 30, 2024	December 2, 2024	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 25, 2024 is ¥5 million worth of dividends related to 119 thousand Company shares (treasury shares) held in the executive compensation BIP trust account. Included in the total amount of dividends decided by the Board of Directors Meeting on October 29, 2024 is ¥5 million worth of dividends related to 119 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(2) Dividends whose record date is within the consolidated fiscal year and whose effective date is in the following consolidated fiscal year

Resolution	Class of shares	Dividend (Millions of yen)	Dividend per share (yen)	Reference date	Effective date	Source of dividends
Ordinary General Meeting of Shareholders (June 24, 2025)	Common shares	3,603	50.00	March 31, 2025	June 25, 2025	Retained earnings

(Note) Included in the total amount of dividends decided by the Ordinary General Meeting of Shareholders on June 24, 2025 is ¥5 million worth of dividends related to 119 thousand Company shares (treasury shares) held in the executive compensation BIP trust account.

(Consolidated Statements of Cash Flows)

*1 Reconciliation between the balance of cash and cash equivalents at end of period and relevant amount on the consolidated balance sheets

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Cash and deposits	48,684 million yen	75,544 million yen
Time deposit whose deposit period exceeds 3 months	(778)	(618)
Cash and cash equivalents	47,905	74,926

(Lease Transactions)

(Lessee)

(1) Operating lease transactions

Future lease payments related to noncancelable operating lease transactions

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Due within one year	587	485
Due beyond one year	2,501	2,328
Total	3,088	2,813

(Lessor)

(1) Operating lease transactions

Future lease income related to noncancelable operating lease transactions

(Millions of yen)

	As of March 31, 2024	As of March 31, 2025
Due within one year	124	124
Due beyond one year	737	640
Total	862	765

(Financial Instruments)

1. Matters regarding financial instruments

(1) Management policy on financial instruments

The Group raises funds as required (mainly through bank loans and the issuance of corporate bonds) in line with its business investment program aimed at implementing a customer-oriented approach toward “strengthening the profitability of its businesses.” The Group invests temporary surplus funds in highly secure financial assets and raises short-term operating capital with bank loans and CP (commercial paper). We use derivatives only to hedge risks described below and have a policy of not implementing derivative transactions for speculative purposes.

(2) Type and risk of financial instruments

Notes receivable - trade, electronically recorded monetary claims - operating, and accounts receivable - trade, which are operating receivables, are exposed to credit risks of customers. In addition, although foreign currency-denominated receivables are exposed to foreign exchange fluctuation risk, the Company takes measures to reduce that risk by managing its foreign currency exposure by letting them be equal to foreign currency-denominated debts and implementing forward exchange contracts on an as needed basis.

Investment securities are mainly shares related to business or capital tie-ups with counterparties, etc., and available for-sale securities are exposed to the risk of market price fluctuations. In addition, the Group provides long-term loans to counterparties and others.

Notes and accounts payable - trade, which are operating payables, become due within one year. In addition, although foreign currency-denominated debts are exposed to foreign exchange fluctuation risk, the Company takes measures to reduce that risk by managing its foreign currency exposure by letting them be equal to foreign currency-denominated receivables and implementing forward exchange contracts on an as needed basis.

Borrowings and bonds payable are principally for raising funds necessary for capital investments, and the repayment date comes up to 7 years after the balance sheet date. Floating rate borrowings are exposed to interest rate risk.

Derivative transactions include forward exchange contracts for the purpose of curbing the foreign exchange fluctuation risks associated with foreign currency-denominated receivables and payables and forecast transactions. With regard to hedging instruments and hedged items related to hedge accounting, hedge policies and hedge effectiveness evaluation methods, please refer to “(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements) 4. Significant accounting policies (8) Method of significant hedge accounting.”

(3) Risk management system for financial instruments

(i) Management of credit risk (risk related to default of counterparties, etc.)

With regard to operating receivables and loans receivable, the Company has a division in charge in each business department monitoring the status of major counterparties regularly and managing maturities and balances for each counterparty in accordance with the credit management rules and others, while making efforts to identify early and mitigate any concerns about collection arising from deterioration in the economic environment, its financial position, etc. Consolidated subsidiaries also conduct similar management as necessary in conformity with the Company’s credit management rules and others.

In the use of derivative transactions, the Company conducts transactions only with financial institutions with high credit ratings to mitigate counterparty risk.

(ii) Management of market risk (fluctuation risk of foreign exchange, interest rate, etc.)

On an as needed basis, the Company and some of its consolidated subsidiaries use forward exchange contracts with respect to the identified currency fluctuation risks of foreign currency-denominated receivables and debts.

In addition, on an as needed basis, the Company uses interest rate swaps to reduce the risk of fluctuations in interest payments on borrowings.

The Company periodically assesses the fair value of securities and investment securities as well as financial conditions of issuers (counterparty companies), etc., and continuously reviews the holding status in view of relationships with counterparty companies.

With regard to derivative transactions, the Finance & Investment Management Dept. conducts transactions based on the interest rate risk management policy and foreign exchange risk management policy approved by the Board of Directors, makes entries and collates the balances with contract partners, etc. For consolidated subsidiaries, the Finance & Investment Management Dept. also manages derivative transactions by having them report the content of derivative transactions when they conduct such transactions or by other means.

(iii) Management of liquidity risk associated with financing (risk of inability to make a payment on due date)

The Company manages liquidity risk through timely preparation and updating of the cash flow management plan by the Finance & Investment Management Dept. based on reports from each division and the consolidated subsidiaries and by maintaining liquidity on hand at a certain level and by other means.

(4) Supplemental remarks on fair values of financial instruments

Since variable factors are incorporated in calculation of the fair value, the value may vary depending on different preconditions adopted. In addition, the contract amounts of derivative transactions described in “2. Fair values of financial instruments” should not be, in themselves, considered indicative of the market risk associated with derivative transactions.

2. Fair values of financial instruments

The book value of financial instruments, their fair value, and the differences between the two were as follows.

As of March 31, 2024

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Securities and investment securities			
(i) Held-to-maturity debt securities	1,150	1,114	(35)
(ii) Available-for-sale securities	18,830	18,830	–
(2) Long-term loans receivable (Note 1)	2,267	2,267	–
Total assets	22,248	22,213	(35)
(1) Bonds payable	15,000	14,737	(262)
(2) Long-term borrowings (Note 2)	65,488	64,043	(1,444)
Total liabilities	80,488	78,780	(1,707)
Derivative financial instruments (Note 3)	(351)	(351)	–

(Note 1) The book value and fair value of long-term loans receivable include the current portion of long-term loans receivable.

(Note 2) The book value and fair value of long-term borrowings include the current portion of long-term borrowings.

(Note 3) Receivables and payables arising from derivative transactions are presented on a net basis, and a value of a net payable after totaling receivables and payables is shown in parentheses.

(Note 4) The descriptions of “Cash and deposits,” “Notes receivable - trade,” “Electronically recorded monetary claims - operating,” “Accounts receivable - trade,” “Notes and accounts payable - trade,” “Short-term borrowings,” and “Commercial papers” are omitted because with regard to these accounts the fair value approximates to the book value as they are settled in cash and in a short period of time.

(Note 5) Shares, etc. that have no market price are not included in “(1) Securities and investment securities.” The book values of these financial instruments are as follows:

Class	As of March 31, 2024 (Millions of yen)
Unlisted shares	2,291
Shares of associates	13,834
Total	16,125

(Note 6) Investments in partnerships and other equivalent entities for which equity interests are recorded on a net basis in the consolidated balance sheets are not included in “(1) Securities and investment securities.” The book value of the investments is ¥89 million.

As of March 31, 2025

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
(1) Securities and investment securities			
(i) Held-to-maturity debt securities	1,150	1,088	(61)
(ii) Available-for-sale securities	15,684	15,684	–
(2) Long-term loans receivable (Note 1)	2,055	2,055	–
Total assets	18,889	18,827	(61)
(1) Bonds payable	35,000	34,051	(949)
(2) Long-term borrowings (Note 2)	62,673	59,666	(3,006)
Total liabilities	97,673	93,717	(3,955)
Derivative financial instruments (Note 3)	(173)	(173)	–

(Note 1) The book value and fair value of long-term loans receivable include the current portion of long-term loans receivable.

(Note 2) The book value and fair value of long-term borrowings include the current portion of long-term borrowings.

(Note 3) Receivables and payables arising from derivative transactions are presented on a net basis, and a value of a net payable after totaling receivables and payables is shown in parentheses.

(Note 4) The descriptions of "Cash and deposits," "Notes receivable - trade," "Electronically recorded monetary claims - operating," "Accounts receivable - trade," "Notes and accounts payable - trade," and "Short-term borrowings" are omitted because with regard to these accounts the fair value approximates to the book value as they are settled in cash and in a short period of time.

(Note 5) Shares, etc. that have no market price are not included in "(1) Securities and investment securities." The book values of these financial instruments are as follows:

Class	As of March 31, 2025 (Millions of yen)
Unlisted shares	7,644
Shares of associates	11,354
Total	18,999

(Note 6) Investments in partnerships and other equivalent entities for which equity interests are recorded on a net basis in the consolidated balance sheets are not included in "(1) Securities and investment securities." The book value of the investments is ¥217 million.

Note 1: Redemption schedule for monetary receivables and securities with maturities after the consolidated balance sheet date

As of March 31, 2024

(Millions of yen)

	Within 1 year	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
Cash and deposits	48,684	–	–	–
Notes receivable - trade	5,466	–	–	–
Electronically recorded monetary claims - operating	4,383	–	–	–
Accounts receivable - trade	77,279	–	–	–
Securities and investment securities				
Held-to-maturity debt securities	–	–	1,150	–
Long-term loans receivable	221	879	1,010	157
Total	136,035	879	2,160	157

As of March 31, 2025

(Millions of yen)

	Within 1 year	More than 1 year, within 5 years	More than 5 years, within 10 years	More than 10 years
Cash and deposits	75,544	–	–	–
Notes receivable - trade	3,520	–	–	–
Electronically recorded monetary claims - operating	3,433	–	–	–
Accounts receivable - trade	74,596	–	–	–
Securities and investment securities				
Held-to-maturity debt securities	–	–	1,150	–
Long-term loans receivable	219	879	802	152
Total	157,314	879	1,952	152

Note 2: Repayment schedule by term for bonds payable, long-term borrowings and other interest-bearing debt after the consolidated balance sheet date

As of March 31, 2024

(Millions of yen)

	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
Short-term borrowings	4,234	–	–	–	–	–
Bonds payable	–	–	10,000	–	–	5,000
Long-term borrowings	2,225	3,035	3,510	4,917	4,892	46,905
Total	6,459	3,035	13,510	4,917	4,892	51,905

As of March 31, 2025

(Millions of yen)

	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years
Short-term borrowings	6,446	–	–	–	–	–
Bonds payable	–	10,000	–	–	20,000	5,000
Long-term borrowings	3,028	3,438	4,835	4,763	16,404	30,203
Total	9,475	13,438	4,835	4,763	36,404	35,203

3. Fair value information on financial instruments by level within the fair value hierarchy

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

Level 1 fair value: Fair value measured using (unadjusted) quoted prices in active markets for the same assets or liabilities

Level 2 fair value: Fair value measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair value measured using unobservable material inputs

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial instruments recorded at fair value in the consolidated balance sheets

As of March 31, 2024

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	18,830	–	–	18,830
Total assets	18,830	–	–	18,830
Derivative financial instruments				
Forward exchange contracts	–	350	–	350
Interest	–	0	–	0
Total liabilities	–	351	–	351

As of March 31, 2025

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	15,684	–	–	15,684
Total assets	15,684	–	–	15,684
Derivative financial instruments				
Forward exchange contracts	–	173	–	173
Total liabilities	–	173	–	173

(2) Financial instruments other than the financial instruments recorded at fair value in the consolidated balance sheets

As of March 31, 2024

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Bonds of associates	–	1,114	–	1,114
Long-term loans receivable	–	2,267	–	2,267
Total assets	–	3,382	–	3,382
Bonds payable	–	14,737	–	14,737
Long-term borrowings	–	64,043	–	64,043
Total liabilities	–	78,780	–	78,780

As of March 31, 2025

Class	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity debt securities				
Bonds of associates	–	1,088	–	1,088
Long-term loans receivable	–	2,055	–	2,055
Total assets	–	3,143	–	3,143
Bonds payable	–	34,051	–	34,051
Long-term borrowings	–	59,666	–	59,666
Total liabilities	–	93,717	–	93,717

(Note) Description of the valuation techniques and inputs used in the fair value measurement

Securities and investment securities

Listed shares are valued using quoted prices. As listed shares are traded in active markets, their fair value is classified as Level 1 fair value. On the other hand, the fair value of the bonds payable held by the Company is classified as Level 2 fair value as the bonds are private placement bonds and do not have a market, and the total amount of their principal and interest is, therefore, calculated by the discounted present value method using an interest rate that is determined by replacing the level of interest rates at the time of issuance of the bonds with the level of interest rates at a fiscal year end.

Derivative financial instruments

The fair value of the forward exchange is measured using prices offered by counterparty financial institutions, etc., and is classified as Level 2 fair value.

Long-term loans receivable

Because long-term loans receivable with floating interest rates reflects market interest rates in a short period, and credit standing of borrowers has not changed significantly since the loans were executed, its fair value is deemed to approximate the book value. Accordingly, the fair value of such long-term loans receivable is measured based on the book value and is classified as Level 2 fair value.

Bonds payable

The fair value of bonds issued by the Company is measured using quoted prices, but as the bonds are not traded frequently in markets and the quoted prices, therefore, cannot be considered quoted prices in active markets, the fair value of the bonds is classified as Level 2 fair value.

Long-term borrowings

Of the long-term borrowings, those with floating interest rates reflect market interest rates in a short period, and there has been no significant change in the Company's credit standing since the execution of the borrowing. Therefore, it is considered that the fair value of those long-term borrowings approximates the book value. Accordingly, the fair value of those long-term borrowings is measured using book value and is classified as Level 2 fair value. The fair value of the long-term borrowings with fixed interest rates is classified as Level 2 fair value as the total amount of their principal and interest is calculated by the discounted present value method using an interest rate that is expected to be applied when similar borrowing is newly executed.

(Securities)

1. Trading securities

Not applicable.

2. Held-to-maturity debt securities

As of March 31, 2024

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Held-to maturity debt securities with fair values not exceeding book values			
Corporate bonds	1,150	1,114	(35)

As of March 31, 2025

	Book value (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Held-to maturity debt securities with fair values not exceeding book values			
Corporate bonds	1,150	1,088	(61)

3. Available-for-sale securities

As of March 31, 2024

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Securities with book values exceeding acquisition costs			
Equity securities	18,830	7,223	11,607
Debt securities	–	–	–
Other	–	–	–
Subtotal	18,830	7,223	11,607
Securities with book values not exceeding acquisition costs			
Equity securities	–	–	–
Debt securities	–	–	–
Other	–	–	–
Subtotal	–	–	–
Total	18,830	7,223	11,607

As of March 31, 2025

	Book value (Millions of yen)	Acquisition cost (Millions of yen)	Unrealized gain (Millions of yen)
Securities with book values exceeding acquisition costs			
Equity securities	15,681	6,095	9,586
Debt securities	–	–	–
Other	–	–	–
Subtotal	15,681	6,095	9,586
Securities with book values not exceeding acquisition costs			
Equity securities	2	2	(0)
Debt securities	–	–	–
Other	–	–	–
Subtotal	2	2	(0)
Total	15,684	6,097	9,586

4. Available-for-sale securities sold

Fiscal year ended March 31, 2024

	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
(1) Equity securities	1,368	609	–
(2) Debt securities			
(i) Government and municipal bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	1,368	609	–

Fiscal year ended March 31, 2025

	Sales amount (Millions of yen)	Total gain on sale (Millions of yen)	Total loss on sale (Millions of yen)
(1) Equity securities	2,584	1,371	0
(2) Debt securities			
(i) Government and municipal bonds	–	–	–
(ii) Corporate bonds	–	–	–
(iii) Other	–	–	–
(3) Other	–	–	–
Total	2,584	1,371	0

5. Impairment of marketable securities

In the previous consolidated fiscal year, an impairment was made for securities, for which, however, note is omitted due to the low level of importance.

In the consolidated fiscal year under review, an impairment was made for securities, for which, however, note is omitted due to the low level of importance.

In making impairments of stocks that decline 30% to 50%, the Company makes a comprehensive assessment for each individual issue by considering the stock price movements over the past two years and quantitatively evaluating credit risk by examining various figures based on the published financial statements.

(Derivatives)

1. Derivative transactions to which hedge accounting is not applied

(1) Currency-related derivatives

As of March 31, 2024

Not applied hedge accounting method	Transaction type	Main hedged items	Notional value (Millions of yen)	Maturing after one year (Millions of yen)	Fair value (Millions of yen)
Principle-based accounting	Forward exchange contracts Short position, TWD	Long-term loans receivable	1,772	1,048	(350)
Total			1,772	1,048	(350)

As of March 31, 2025

Not applied hedge accounting method	Transaction type	Main hedged items	Notional value (Millions of yen)	Maturing after one year (Millions of yen)	Fair value (Millions of yen)
Principle-based accounting	Forward exchange contracts Short position, TWD	Long-term loans receivable	1,048	339	(173)
Total			1,048	339	(173)

(2) Interest

Not applicable.

2. Derivative transactions to which hedge accounting is applied

(1) Currency-related derivatives

As of March 31, 2024

Not applicable.

As of March 31, 2025

Not applicable.

(2) Interest

As of March 31, 2024

Hedge accounting method	Transaction type	Main hedged items	Notional value (Millions of yen)	Maturing after one year (Millions of yen)	Fair value (Millions of yen)
Principle-based accounting	Interest rate swaps Pay fixed rate, receive floating rate	Long-term borrowings	200	–	(0)
	Subtotal		200	–	(0)
Total			200	–	(0)

As of March 31, 2025

Not applicable.

(Retirement Benefits)

1. Outline of adopted retirement benefit plans

The Company and its consolidated domestic subsidiaries have lump-sum severance benefits plans and defined benefit pension plans as a vested benefits system (DB scheme). They also have defined contribution pension plans as DC scheme. The Company and its consolidated domestic subsidiaries may pay, under certain circumstances, extra retirement allowances when their employees leave the companies. The Company has a retirement benefit trust.

2. Defined benefit plans

(1) Reconciliation of beginning and ending balances of retirement benefit obligations

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance of defined benefit obligations at beginning of year	17,193 million yen	16,916 million yen
Service cost	908	955
Interest cost	124	134
Occurrence of actuarial gain and loss	199	(563)
Payments of retirement benefits	(1,153)	(1,313)
Other	(356)	–
Balance of defined benefit obligations at end of year	16,916	16,129

(Note) The consolidated domestic subsidiaries, except for two companies, have adopted the simplified accounting method in calculating retirement benefit obligations.

(2) Reconciliation of beginning and ending balances of pension assets

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Balance of pension assets at beginning of year	25,102 million yen	24,990 million yen
Expected return on pension assets	272	271
Occurrence of actuarial gain and loss	529	(610)
Payments of retirement benefits	(913)	(1,087)
Balance of pension assets at end of year	24,990	23,564

(3) Reconciliation of ending balances of retirement benefit obligations and pension assets to retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheets

	As of March 31, 2024	As of March 31, 2025
Funded defined benefit obligations	15,174 million yen	14,312 million yen
Pension assets	(24,990)	(23,564)
	(9,816)	(9,252)
Unfunded defined benefit obligations	1,741	1,817
Net amount shown on consolidated balance sheets	(8,074)	(7,434)
Retirement benefit liability	1,741	1,817
Retirement benefit asset	(9,816)	(9,252)
Net amount shown on consolidated balance sheets	(8,074)	(7,434)

(4) Retirement benefit expenses and a breakdown of the retirement benefit expenses

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Service cost (Note)	908 million yen	955 million yen
Interest cost	124	134
Expected return on pension assets	(272)	(271)
Expensed actuarial gain and loss	(682)	(574)
Retirement benefit expenses regarding vested benefits system	79	244

(Note) Retirement benefit expenses of the consolidated domestic subsidiaries that have adopted the simplified accounting method are included in "Service cost."

(5) Remeasurements of defined benefit plans

A breakdown of items recorded in remeasurements of retirement benefit plans (before deduction of income taxes and income tax effect) is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Actuarial gain and loss	(352) million yen	(621) million yen
Total	(352)	(621)

(6) Accumulated adjustment of retirement benefit plans

A breakdown of items recorded in accumulated adjustment of retirement benefit plans (before deduction of income taxes and income tax effect) is as follows:

	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Unrecognized actuarial gain and loss	2,352 million yen	1,730 million yen
Total	2,352	1,730

(7) Matters relating to pension assets

(i) Principal items of pension assets

The proportion of each principal category to the total of pension assets is as follows:

	As of March 31, 2024	As of March 31, 2025
Domestic stocks	6 %	6 %
Foreign stocks	5	5
Domestic bonds	44	44
Foreign bonds	13	14
Insurance product (General account)	24	26
Deposits	7	5
Other	0	0
Total	100	100

(Note) Total of pension assets as of March 31, 2024 and March 31, 2025 included a retirement benefit trust, established for the Company's pension plans, that represented 7% and 5% of the total of pension assets, respectively.

(ii) Method for setting the expected long-term rate of return

The expected long-term rate of return on pension assets has been set based on the allocation of the pension assets as well as the current and expected rate of return from each category of the pension assets.

(8) Matters relating to the basis for calculation used in the actuarial calculation

Main basis for calculation used in the actuarial calculation (principally represented by the rate used)

	As of March 31, 2024	As of March 31, 2025
Discount rate	0.8 %	0.8 %
Expected long-term rate of return on pension assets	1.2	1.2

3. Defined contribution plans

The amount which the Company and its consolidated subsidiaries were required to contribute to the defined contribution plans was ¥569 million for the previous consolidated fiscal year and ¥578 million for the consolidated fiscal year under review.

(Stock Options)

Although some consolidated subsidiaries have stock option plans, the description is omitted due to the low level of importance.

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and liabilities by their main occurrence causes

	As of March 31, 2024	As of March 31, 2025
Deferred tax assets:	(Millions of yen)	(Millions of yen)
Deficits (Note)	39,681	36,681
Provision for repairs	1,947	2,064
Excess depreciation and amortization	1,469	1,448
Investment securities	1,381	1,371
Inventories	874	1,149
Provision for bonuses	996	1,110
Retirement benefit liability	608	640
Other	4,062	3,735
Subtotal of deferred tax assets	51,021	48,202
Valuation allowance (Deficits) (Note)	(24,900)	(24,935)
Valuation allowance (Temporary difference)	(2,959)	(2,800)
Less valuation allowance	(27,859)	(27,736)
Total deferred tax assets	23,162	20,466
Deferred tax liabilities:		
Prepaid pension costs	(2,811)	(2,704)
Valuation difference on available-for-sale securities	(2,219)	(2,253)
Retained earnings of subsidiaries and associates	(1,888)	(1,164)
Reserve for tax purpose reduction entry	(941)	(943)
Other	(717)	(2,263)
Total deferred tax liabilities	(8,579)	(9,329)
Net deferred tax assets	14,583	11,137

(Note) Amounts of deficits and related deferred tax assets by tax loss carry-forwards were as follows.

As of March 31, 2024

(Millions of yen)

	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years	Total
Deficits (Note 1)	77	6,726	31,906	0	161	808	39,681
Valuation allowance	(64)	(638)	(23,678)	–	(103)	(414)	(24,900)
Deferred tax assets	12	6,088	8,227	0	58	394	(Note 2) 14,781

(Note 1) Deficits are the amount after multiplying the statutory tax rate.

(Note 2) Regarding deficits of ¥39,681 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥14,781 million. Regarding the deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

As of March 31, 2025

(Millions of yen)

	Within 1 year	More than 1 year, within 2 years	More than 2 years, within 3 years	More than 3 years, within 4 years	More than 4 years, within 5 years	More than 5 years	Total
Deficits (Note 3)	2,269	32,694	–	147	124	1,444	36,681
Valuation allowance	(487)	(23,878)	–	(46)	(90)	(433)	(24,935)
Deferred tax assets	1,781	8,816	–	101	34	1,011	(Note 4) 11,745

(Note 3) Deficits are the amount after multiplying the statutory tax rate.

(Note 4) Regarding deficits of ¥36,681 million (amount after multiplying the statutory tax rate), the Company recorded deferred tax assets of ¥11,745 million. Regarding the deficits, valuation allowance related to the portion deemed to be recoverable based on future taxable income forecasts is not recognized.

2. Reconciliation of significant difference between the statutory tax rate and the effective income tax rate after applying tax effect accounting

	As of March 31, 2024	As of March 31, 2025
Statutory tax rate	30.5 %	30.5 %
Increase (decrease) in income taxes resulting from:		
Effect of tax credits	(3.8)	(6.0)
Dividend and other items excluded permanently from taxable income	(7.0)	(3.9)
Inter-company eliminations of dividends income	5.9	3.4
Change in valuation allowance allocated to income tax expenses	3.5	(2.7)
Effect of exclusion from application of equity method	–	2.6
Tax rate difference at subsidiaries	1.9	2.5
Other	1.7	(0.7)
Effective income tax rate	32.7	25.7

3. Revision to the amount of deferred tax assets and deferred tax liabilities in line with the change in the income tax rate, etc.

As a result of the legislation on March 31, 2025 in the National Diet of the "Act on Partial Revision of the Income Tax Act, etc." (Act No. 13 as of 2025), the "special defense corporation tax" will be imposed from the consolidated fiscal year beginning on or after April 1, 2026. In line with this, the statutory tax rate, which is used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to be eliminated in the consolidated fiscal year beginning on or after April 1, 2026, has been changed from 30.46% to 31.36%. As a result of this change, for the consolidated fiscal year under review, the amount of deferred tax assets (after deducting the amount of deferred tax liabilities) increased by ¥33 million and income taxes - deferred (credit) increased by ¥103 million, while valuation difference on available-for-sale securities decreased by ¥54 million and remeasurements of defined benefit plans decreased by ¥15 million.

4. Accounting treatment of corporation tax, local corporate tax, or tax effect accounting related to these taxes

The Company and some of its domestic consolidated subsidiaries have applied the group tax sharing system. In addition, the Company and those domestic consolidated subsidiaries have adopted the accounting treatment and disclosure of corporation tax, local corporate tax, or tax effect accounting related to these taxes in accordance with the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, issued on August 12, 2021).

(Business Combination)

Description of content has been omitted due to a lack of importance.

(Asset Retirement Obligations)

1. Asset retirement obligations included in the consolidated balance sheets

The Group has obligations to restore a site to its original state at the time of leaving or termination of the business and after termination of mining for branches, etc., that use an office under a real estate lease agreement or certain business offices that use a plant or site for sales facilities, as well as mines. Of these obligations, for certain obligations to restore a site to its original state at the time of leaving under a real estate lease agreement for which the timing of performance and amount can be reasonably estimated at the present moment, asset retirement obligations have been recorded. The note on the content of asset retirement obligations is omitted due to a lack of importance.

2. Asset retirement obligations not included in the consolidated balance sheets

Because past records other than those stated in 1. above are poor, the period of use of the leased asset related to the obligations is uncertain, and there is no plan for relocation, etc., or mine closure at the present moment, it is difficult to reasonably estimate the timing, scope and probability of execution for the obligations. Therefore, asset retirement obligations corresponding to the obligations have not been recorded.

(Investment and Rental Properties)

Information is omitted because of immateriality of the total amount of investment and rental properties.

(Revenue Recognition)

1. Disaggregation of revenue from contracts with customers

For the disaggregation of revenue from contracts with customers, please refer to “Note (Segment Information).”

2. Useful information in understanding revenue from contracts with customers

For useful information in understanding revenue, please refer to “Note (Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements) 4. Significant accounting policies (5) Revenue and expense recognition standards.”

3. Relations between the fulfillment of performance obligations under contracts with customers and cash flows generated from those contracts, and information on the amount of revenue from those contracts existing as of the end of the consolidated fiscal year under review that is expected to be recognized in and after the next consolidated fiscal year and on the timing of recognition

(1) Balances of contract assets and contract liabilities, etc.

The descriptions of the Group’s contract assets and contract liabilities are omitted as the balances of these accounts are of minor importance and there has been no major change in the balances. The amount of revenue recognized in the consolidated fiscal year under review from the performance obligations that were fulfilled (or partially fulfilled) in previous periods is immaterial.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied a practical expedient and omits the description of the remaining performance obligations as the Group has no important transaction for which the contract term is expected to exceed one year. In addition, of the consideration generated from contracts with customers, there is no significant amount of consideration that is not included in the transaction price.

(Segment Information)

Business segment information

1. Summary of reportable segments

The reportable segments in the Company are defined as individual units, where separate financial information is available and which are subject to regular review to evaluate their results and decide the allocation of management resources by the board of directors.

The Company has business divisions by product group, and conducts business operations through each business division devising its comprehensive product strategy for domestic and overseas markets.

The Company is, therefore, composed of reportable segments by product group based on business divisions and has five reportable segments, “Chemicals,” “Cement,” “Electronic & Advanced Materials,” “Life Science,” and “Eco Business.”

Main products and services of each reportable segment are as follows:

Reportable segment	Major products and services
Chemicals	Caustic soda, soda ash, calcium chloride, sodium bicarbonate, sodium silicate, hydrogen, vinyl chloride monomer, polyvinyl chloride resin, propylene oxide and chlorinated solvents
Cement	Cement, ready-mixed concrete, cement-type stabilizer and resource recycling business
Electronic & Advanced Materials	Polycrystalline silicon, fumed silica, tetrachlorosilane, aluminum nitride, high-purity isopropyl alcohol for electronics manufacturing, photoresist developer and isopropyl alcohol for manufacturing
Life Science	Medical diagnosis systems, dental materials and equipment, pharmaceutical ingredients and intermediates, plastic lens-related materials for glasses and microporous film
Eco Business	Ion exchange membranes and waste gypsum board recycling

(Changes in reportable segments)

From the consolidated fiscal year under review, in line with a change in the business management classification, some of the subsidiaries, which were previously classified into “Life Science,” have been reclassified to “Others.”

From the consolidated fiscal year under review, in line with the change in the business management classification, some of the companies accounted for using the equity method, which were previously classified into “Eco Business,” have been reclassified to “Others.”

The segment information for the previous consolidated fiscal year has been prepared and disclosed based on the classification of reportable segments after the change.

2. Calculation of net sales, profit (loss), assets and other items by reportable segment

The accounting methods applied to reportable segments are identical to those stated in “(Significant Matters that Serve as the Basis for Preparing Consolidated Financial Statements).”

Inter-segment sales or transfer are based on market prices.

Reportable segment’s profit (loss) is based on operating profit.

3. Information on net sales, profit (loss), assets and other items by reportable segment and on the disaggregation of revenue

Fiscal year ended March 31, 2024

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consoli-dated (Note 3)
	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business				
Net sales									
Sales to customers	115,401	66,308	77,316	41,348	7,024	34,590	341,990	–	341,990
Inter-segment sales/transfer	193	878	652	20	368	9,131	11,244	(11,244)	–
Total sales	115,594	67,187	77,969	41,368	7,392	43,722	353,234	(11,244)	341,990
Segment profit (loss)	11,530	6,710	3,341	8,595	(102)	1,356	31,432	(5,795)	25,637
Segment assets	71,590	71,993	123,902	46,920	8,335	60,601	383,343	74,017	457,360
Other items									
Depreciation and amortization (Note 4)	2,350	3,319	4,862	1,171	576	3,071	15,350	2,339	17,690
Increase in property, plant and equipment and intangible assets (Note 5)	2,986	4,524	9,500	3,826	547	2,928	24,312	6,481	30,794

(Note 1) The "Others" segment comprises businesses other than those of the reportable segments and includes overseas sales business, a distribution business, a real estate business, etc.

(Note 2) Adjustments are as follows:

(i) The segment profit (loss) adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

(ii) The segment assets adjustment amount includes ¥118,345 million of corporate assets that are not allocated to a specific reportable segment.

(Note 3) Segment profit (loss) is adjusted for operating profit in the consolidated financial statements.

(Note 4) Depreciation and amortization includes amortization of long-term prepaid expenses.

(Note 5) Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

(Note 6) Regarding net sales, revenue from contracts with customers and other revenue are not presented separately as the amount of other revenue is immaterial.

Fiscal year ended March 31, 2025

(Millions of yen)

	Reportable segment					Others (Note 1)	Total	Adjustment (Note 2)	Consoli-dated (Note 3)
	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business				
Net sales									
Sales to customers	114,925	64,312	86,218	41,933	4,935	30,748	343,073	–	343,073
Inter-segment sales/transfer	76	392	835	22	280	10,021	11,629	(11,629)	–
Total sales	115,002	64,705	87,054	41,955	5,216	40,769	354,702	(11,629)	343,073
Segment profit	10,832	7,453	9,583	7,816	52	2,163	37,902	(7,933)	29,968
Segment assets	64,335	66,705	118,175	47,244	7,645	65,925	370,032	106,174	476,207
Other items									
Depreciation and amortization (Note 4)	2,624	3,745	5,438	1,395	573	3,235	17,012	2,675	19,688
Increase in property, plant and equipment and intangible assets (Note 5)	3,802	2,875	8,011	2,829	193	4,937	22,651	5,132	27,784

(Note 1) The “Others” segment comprises businesses other than those of the reportable segments and includes overseas sales business, a distribution business, a real estate business, etc.

(Note 2) Adjustments are as follows:

(i) The segment profit adjustment amount consists mainly of basic R&D expenses that are not allocable to a specific reportable segment and the amount of inter-segment eliminations.

(ii) The segment assets adjustment amount includes ¥147,149 million of corporate assets that are not allocated to a specific reportable segment.

(Note 3) Segment profit is adjusted for operating profit in the consolidated financial statements.

(Note 4) Depreciation and amortization includes amortization of long-term prepaid expenses.

(Note 5) Increase in property, plant and equipment and intangible assets includes the amount of increase in long-term prepaid expenses.

(Note 6) Regarding net sales, revenue from contracts with customers and other revenue are not presented separately as the amount of other revenue is immaterial.

Related information

Fiscal year ended March 31, 2024

1. Information by product and service

Information is omitted as identical information is disclosed in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
254,578	65,978	21,434	341,990

(Note) Net sales are categorized into countries or regions based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
131,313	35,843	1,598	168,755

3. Information by major customer

Information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statements of income.

Fiscal year ended March 31, 2025

1. Information by product and service

Information is omitted as identical information is disclosed in segment information.

2. Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	Others	Total
250,861	72,962	19,248	343,073

(Note) Net sales are categorized into countries or regions based on the location of customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Asia	Others	Total
135,403	34,955	1,932	172,291

3. Information by major customer

Information is omitted because no external customer accounts for 10% or more of net sales in the consolidated statements of income.

Information on impairment losses on non-current assets by reportable segment

Fiscal year ended March 31, 2024

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Impairment losses	–	–	–	83	–	–	–	83

Fiscal year ended March 31, 2025

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Impairment losses	–	182	96	3	–	115	–	397

(Note) The amount of “Others” is related to other related businesses.

Information on amortization of goodwill and unamortized balance by reportable segment

Fiscal year ended March 31, 2024

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Amortization of goodwill	–	18	–	–	–	63	–	81
Unamortized balance	–	30	–	–	–	221	–	252

Fiscal year ended March 31, 2025

(Millions of yen)

	Chemicals	Cement	Electronic & Advanced Materials	Life Science	Eco Business	Others	Adjustment	Total
Amortization of goodwill	–	18	–	–	–	49	–	67
Unamortized balance	–	12	–	–	–	57	–	69

(Note) The amount of “Others” is related to other related businesses.

Information on gain on bargain purchase by reportable segment

Fiscal year ended March 31, 2024

Not applicable.

Fiscal year ended March 31, 2025

Not applicable.

Information on related parties

Fiscal year ended March 31, 2024

Not applicable.

Fiscal year ended March 31, 2025

Not applicable.

(Per Share Information)

Item	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Net assets per share (yen)	3,464.47	3,635.62
Earnings per share (yen)	246.72	325.08
Diluted earnings per share (yen)	Not applicable because there are no dilutive shares.	Not applicable because there are no dilutive shares.

(Note 1) The basis for calculation

1. Net assets per share

Item	As of March 31, 2024	As of March 31, 2025
Total net assets on consolidated balance sheets (Millions of yen)	259,948	273,858
Net assets related to common shares (Millions of yen)	249,256	261,562
Major breakdown of difference (Millions of yen) Non-controlling interests	10,691	12,295
Number of shares outstanding of common shares (Thousands of shares)	72,088	72,088
Number of treasury shares of common shares (Thousands of shares)	141	144
Number of common shares used to calculate net assets per share (Thousands of shares)	71,946	71,944

2. Earnings per share

Item	Fiscal year ended March 31, 2024	Fiscal year ended March 31, 2025
Profit attributable to owners of parent (Millions of yen)	17,751	23,388
Amount not attributable to common shareholders (Millions of yen)	–	–
Profit related to common shares attributable to owners of parent (Millions of yen)	17,751	23,388
Average number of common shares during the period (Thousands of shares)	71,950	71,945

(Note 2) The Company shares held in the executive compensation BIP (Board Incentive Plan) trust are included in treasury shares deducted from the total number of shares issued at the end of the consolidated fiscal year in calculating “net assets per share.” The number of the Company shares held in the executive compensation BIP trust at the end of the consolidated fiscal year under review was 119 thousand shares (the number of the Company shares at the end of the previous fiscal year was 119 thousand shares.).

The Company shares held in the executive compensation BIP trust are included in treasury shares deducted when calculating the average number of common shares for the consolidated fiscal year, in calculating “earnings per share.” Of note, the average number of the Company shares for the consolidated fiscal year under review held in the executive compensation BIP trust was 119 thousand shares (the average number of the Company shares for the previous consolidated fiscal year was 119 thousand shares.).

(Significant Subsequent Events)

(Business Combination through Acquisition)

At the Board of Directors meeting held on April 22, 2025, the Company resolved that it would acquire all the shares of the new company to be established by JSR Corporation (hereinafter, "JSR") and make the new company its subsidiary, and entered into a share transfer agreement on the same date.

1. Overview of business combination

(1) Name and business of the acquired company

Name of the acquired company (tentative): JSR-01 Corporation

Description of business: In vitro diagnostic pharmaceuticals business, in vitro diagnostic pharmaceutical materials business, and stock management business

(2) Main reasons for the business combination

In our diagnostics business, A&T Corporation, a wholly-owned subsidiary of the Company, is engaged in the in vitro diagnostics business, while promoting research and development toward the creation of new in vitro diagnostic pharmaceuticals. In order to further accelerate growth in the health field in the future, the Company recognizes that the current challenge is to generate high earnings on a sustainable basis by entering new fields of businesses.

Accordingly, the Company has decided to acquire JSR's in vitro diagnostic pharmaceuticals business and in vitro diagnostic pharmaceutical materials business (hereinafter, the "Relevant Businesses").

Under its Medium-Term Management Plan 2025, the Company has identified the "Electronics," "Healthcare," and "Environment" fields as growth businesses. As a part of efforts to transform our business portfolio, our plan is to increase the proportion of consolidated sales generated from growth businesses to more than 60% by FY2030. Taking the aforementioned into consideration, our intention is to position the Relevant Businesses at the heart of our "Healthcare" domain.

In bringing the Relevant Businesses into the Group and complementing our ability to commercialize immunoassay reagents that utilize particles and antibodies, we expect to significantly shorten the time required to develop new products and to generate synergies with our fundamental technologies. In this manner, we anticipate building early a highly profitable reagent business within the Group. In addition, the Company believes that cross-selling will occur by selling products from the Relevant Businesses to hospitals of existing customers of the Company and A&T Corporation in Japan and South Korea, and by providing electrolyte analyzer electrodes, reagents, and other products of the Company and A&T Corporation to Chinese customers of the Relevant Businesses.

The Company plans to take the following steps to acquire the Relevant Businesses.

(i) JSR newly establishes JSR-01 Corporation (hereinafter, the "Newly Established Company").

(ii) JSR shall cause MBL, its wholly-owned subsidiary, to succeed a part of the in vitro diagnostic pharmaceuticals business through an absorption-type split, and the Newly Established Company shall succeed the remaining portion of the business and all issued and outstanding shares of MBL through an absorption-type split.

(iii) JSR shall cause JSR Life Sciences Co., Ltd., its wholly-owned subsidiary, to succeed a part of the in vitro diagnostic pharmaceutical materials business through an absorption-type split, and the Newly Established Company shall succeed the remaining portion of the business and all issued and outstanding shares of JSR Life Sciences Co., Ltd. through an absorption-type split.

(iv) The Company shall acquire all issued and outstanding shares of the Newly Established Company and make it a wholly-owned subsidiary of the Company.

(3) Date of business combination

October 1, 2025 (planned)

(4) Legal form of business combination

Share acquisition

(5) Name of the company after the business combination

JSR-01 Corporation (tentative)

(6) Ratio of voting rights to be acquired

100%

(7) Main basis for decision to acquire the company

The Company will acquire the shares in exchange for cash.

2. Acquisition cost and breakdown of consideration by type for the acquired company

Consideration for acquisition	Cash	¥82,000 million
Acquisition cost		¥82,000 million

(Note) The acquisition cost stated above has been verified and reasonably calculated based on the results of valuation, legal affairs, finance, tax affairs, and separation due diligence. However, the final transfer price is expected to be the amount adjusted based on the price adjustment clause provided in the share transfer agreement.

3. Method of raising funds for payment

Funds will be raised from cash on hand and interest-bearing debt (planned).

(v) Annexed consolidated detailed schedules

Schedule of bonds payable

Company	Issue	Date of issuance	Balance as of April 1, 2024 (Millions of yen)	Balance as of March 31, 2025 (Millions of yen)	Interest rate (%)	Collateral	Term of redemption
Tokuyama	25th unsecured straight bonds	March 1, 2022	10,000 (–)	10,000 (–)	0.370	No	March 1, 2027
Tokuyama	26th unsecured straight bonds	March 1, 2022	5,000 (–)	5,000 (–)	0.600	No	March 1, 2032
Tokuyama	27th unsecured straight bonds	June 11, 2024	– (–)	20,000 (–)	0.868	No	June 11, 2029
Total		–	15,000 (–)	35,000 (–)	–	–	–

(Note 1) Amounts in parentheses represent amounts due within one year.

(Note 2) Amounts of redemption within five years after the consolidated balance sheet date are as follows:

Within 1 year (Millions of yen)	More than 1 year, within 2 years (Millions of yen)	More than 2 years, within 3 years (Millions of yen)	More than 3 years, within 4 years (Millions of yen)	More than 4 years, within 5 years (Millions of yen)
–	10,000	–	–	20,000

Schedule of borrowings

	Balance as of April 1, 2024 (Millions of yen)	Balance as of March 31, 2025 (Millions of yen)	Average interest rate (%)	Repayment date
Short-term borrowings	4,234	6,446	2.16	–
Current portion of long-term borrowings	2,225	3,028	1.19	–
Current portion of lease obligations	1,247	1,377	–	–
Long-term borrowings (excluding current portion of long-term borrowings)	63,262	59,644	1.17	2026 - 2032
Lease obligations (excluding current portion of lease obligations)	4,814	5,194	–	2026 - 2062
Other interest-bearing debt Commercial papers (current portion of commercial papers)	15,000	–	–	–
Total	90,784	75,691	–	–

(Note 1) "Average interest rate" shows the weighted average interest rate on the ending balance of borrowings, etc.

(Note 2) The average interest rate on lease obligations is not presented because lease obligations are recorded at the amount before deduction of the amount equivalent to interest included in total lease payments, in the consolidated balance sheets.

(Note 3) The amounts of long-term borrowings, and lease obligations (excluding current portion of them) to be repaid within five years after the consolidated balance sheet date are as follows:

	More than 1 year, within 2 years (Millions of yen)	More than 2 years, within 3 years (Millions of yen)	More than 3 years, within 4 years (Millions of yen)	More than 4 years, within 5 years (Millions of yen)
Long-term borrowings	3,438	4,835	4,763	16,404
Lease obligations	1,164	912	763	570

Schedule of asset retirement obligations

Information is omitted since the amounts of asset retirement obligations at the beginning and end of the consolidated fiscal year under review are 1% or less of the total of liabilities and net assets at the beginning and end of the consolidated fiscal year under review.

(2) Others

Semi-annual information for the consolidated fiscal year ended March 31, 2025

Accumulated period	Semi-annual consolidated accounting period	Current consolidated fiscal year
Net sales (Millions of yen)	165,538	343,073
Profit before income taxes (Millions of yen)	16,802	31,315
Profit attributable to owners of parent (Millions of yen)	11,641	23,388
Earnings per share (yen)	161.81	325.08

(Note) The Company records shares held in the executive compensation BIP (Board Incentive Plan) trust as treasury shares. In addition, said shares are included in treasury shares deducted when calculating the average number of shares for the semi-annual period (and the fiscal year), for calculations of earnings per share.