

KANEKA

**FINANCIAL
SECTION
2025**

Year Ended March 31, 2025

FINANCIAL REVIEW

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

SALES

The Kaneka Group's business performance for the consolidated fiscal year from April 1, 2024, to March 31, 2025 (FY2024) was marked consolidated net sales of ¥807,200 million (up 5.9% year on year).

OPERATING EXPENSES AND OPERATING INCOME

During FY2024, the cost of sales increased by 4.2% to ¥581,555 million. The cost of sales ratio decreased from 73.2% to 72.0%. SG&A expenses increased by 8.1% to ¥185,594 million, and the ratio of SG&A expenses to sales increased from 22.5% to 23.0%. Operating income during FY2024 increased by 22.9% to ¥40,050 million.

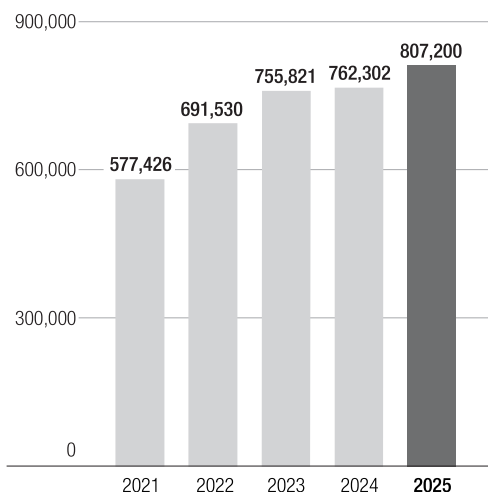
NET INCOME

For the year, the Group recorded net income attributable to owners of parent of ¥25,309 million, up 9.0% from the previous consolidated fiscal year.

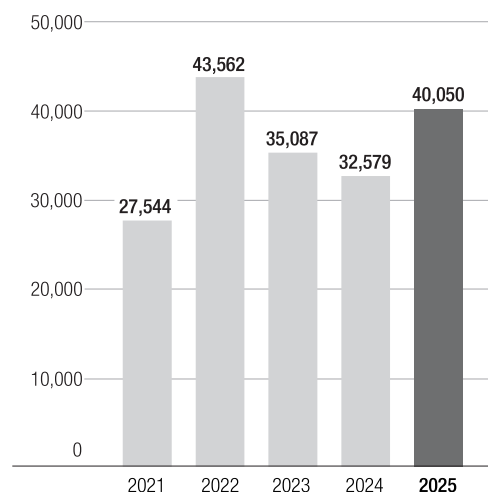
FINANCIAL CONDITION

As of March 31, 2025, total assets were ¥920,143 million, up ¥49,937 million from March 31, 2024, mainly due to an increase in inventories and an increase in property, plant and equipment resulting from expanded capital investment. The ratio of net income attributable to owners of parent to total assets (ROA) was 2.8%, unchanged from the previous consolidated fiscal year. Interest-bearing debt stood at ¥203,325 million, up ¥28,492 million from March 31, 2024. Net assets increased ¥18,035 million to ¥492,419 million, primarily reflecting an increase in retained earnings. As a result, the equity ratio came to 51.2%. The D/E ratio (ratio of interest-bearing debt to equity capital) was 0.43.

Net sales
(Millions of yen)



Operating income
(Millions of yen)



CASH FLOWS

Cash and cash equivalents on March 31, 2025 were ¥44,631 million, ¥1,353 million more than on March 31, 2024.

Net cash provided by operating activities was ¥41,252 million, ¥20,658 million less than in the previous consolidated fiscal year. The main contributors to operating cash flow were income before income taxes and depreciation and amortization.

Net cash used in investing activities amounted to ¥55,038 million, ¥3,733 million less than in the previous consolidated fiscal year. The principal use of cash was ¥51,183 million for the purchase of property, plant and equipment.

Net cash provided by financing activities was ¥14,453 million, ¥15,973 million more than in the previous consolidated fiscal year. This was mainly due to proceeds from loans payable, which were partially offset by redemption of bonds and the purchase of treasury stock.

Financial Index Trends

	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024	Year ended March 31, 2025
Shareholders' equity ratio	53.5%	53.3%	53.3%	52.1%	51.2%
Shareholders' equity ratio based on market value	44.5%	31.8%	28.6%	28.1%	26.0%
Interest-bearing debt coverage ratio	1.6	3.7	5.6	2.8	4.9
Interest coverage ratio	55.9	31.4	14.7	18.7	10.3

Shareholders' equity ratio: equity capital/total assets

Shareholders' equity ratio based on market value: total market value of stock/total assets

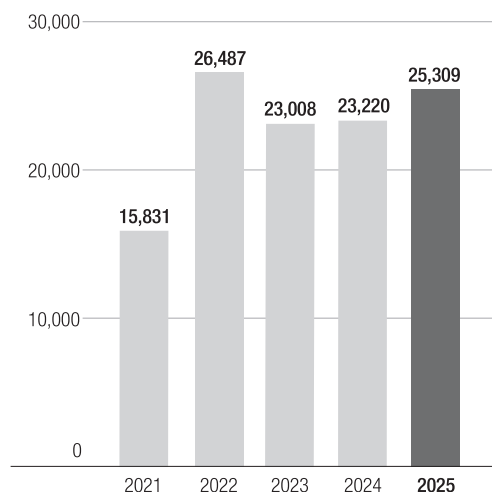
Interest-bearing debt coverage ratio: interest-bearing debt/operating cash flows

Interest coverage ratio: operating cash flows/interest expenses paid

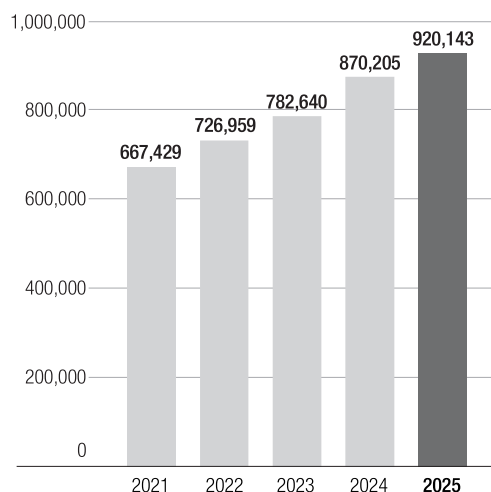
Notes:

1. All items were calculated according to financial figures on a consolidated basis.
2. The calculation of the total market value of stock was based on the total number of issued shares excluding treasury stock.
3. "Operating cash flows" refers to cash flows from operations.
4. The scope of interest-bearing debt is all liabilities in the Consolidated Balance Sheets for which interest is payable.
5. Interest expenses paid are based on the amount in the Consolidated Statements of Cash Flows.

Net income attributable to the owners of the parent
(Millions of yen)



Total assets
(Millions of yen)



BUSINESS RISKS AND UNCERTAINTIES

(1) Basic Risk Management Policy

The Group has formulated a basic risk management policy to respond to potential risks in business operations, aiming for the goal of “Wellness First” to make the world healthy.

Our basic risk management policy is that each division identifies operational risks and other types of risks that it may face, takes appropriate preventive measures and responds appropriately in cooperation with other relevant divisions if a risk manifests itself.

For preventive measures against potential risks, including those related to ethics and legal compliance, the Compliance Subcommittee of the ESG Committee oversees the development and implementation of the company-wide plans.

When a risk occurs or is likely to occur, the ESG Committee handles the risk in cooperation with the relevant divisions.

We regularly check whether the above-mentioned activities are implemented properly to prevent our risk management system from falling into mere formality and strive to maintain and improve its effectiveness.

(2) Business-Related Risks

The following are examples of items that could have a material impact on the Group's financial situation, business performance and status of cash flows among the items related to the status of operations and financial information listed in the annual securities report. The items described here are deemed by the Group to be risks as of the end of the consolidated fiscal year under review; however, they do not cover all of the risks related to the Group.

① Risks related to the Group's ability to maintain operational advantages and trends in the Japanese and overseas economic environment

The Group licenses or merges advanced technologies from outside with its internally developed technologies to develop and commercialize high-value-added products in a wide range of fields, continuously opening new markets to ensure the competitive advantage of its business while working to strengthen its management foundation by advancing business structure reforms. However, the occurrence of sudden changes in the economic environment, rapid advances in technological innovation or the occurrence of natural disasters or Large-scale infectious disease (pandemics) could have a negative impact on the Group's financial situation, business performance and status of cash flows.

② Risks associated with the globalization of our business (fluctuations in foreign exchange rates and overseas business development)

The Group has always maintained a global vision and promoted the development of its business ahead of other companies. Currently, it has adopted “glocal” (locally originated business development) as a central concept and is accelerating the development of technologies and materials tailored to local characteristics around the world. Business activities overseas are subject to risks such as unforeseeable changes in laws, regulations and taxation systems, the application of taxes under transfer pricing systems, sudden fluctuations in exchange rates and social and political unrest driven by terrorism, conflict and so forth. To prevent these risks from materializing, or to mitigate their impacts, we have strengthened the governance of Group companies, established a system of experts, strengthened exchange-rate resilience, purchased damage insurance and taken measures for employee safety. Despite these efforts, the materialization of these risks could have a negative impact on the Group’s financial situation, business performance, and status of cash flows.

③ Risks of price fluctuations of raw materials and fuel

The Group has built and implemented a system for procurement of raw materials and fuels at the most favorable terms by combining global purchasing with purchasing through medium- to long-term contracts and spot markets. Since most of these items are international market commodities, unanticipated market fluctuations could have a negative impact on the Group’s financial situation, business performance and status of cash flows.

④ Risks associated with product liability, industrial accidents and large-scale disasters

The Group has built and implemented strong quality and distribution systems for the products that it supplies to customers, and it has purchased liability insurance to cover the entire Group in the unlikely event of an accident. Moreover, the Group prioritizes safety in all areas and follows laws and regulations in its business activities. However, there is a risk that an unexpected accident or large-scale natural disaster, such as an earthquake, could damage our main production facilities and cause a business interruption due to system failure and opportunity loss. We have the necessary insurance to cover these risks, but there is a risk that loss could exceed the scope of property insurance coverage. The occurrence of such a situation could have a negative impact on the Group’s financial situation, business performance and status of cash flows.

⑤ Risks associated with the protection of intellectual property rights

The Group aims to promptly deliver solutions that contribute to resolving social issues by reliably obtaining intellectual property rights, such as patents and other relevant rights, for the results of our research and development.

We also respect other companies' intellectual property and work to avoid contention by conducting patent surveys at each stage of business development, such as with theme proposals, commercialization and specification changes, thereby ensuring that we have secured patent clearance. However, due to globalization, advances in information technology and other factors, there is a risk that the technological expertise developed by the Group could be subject to leaks, unauthorized use or legal contention regarding usage licenses and so forth. The occurrence of such a situation could have a negative impact on the Group's financial situation, business performance and status of cash flows.

⑥ Impact of environment related regulations

In accordance with the ESG Charter, the Group aims to realize the sustainable development of an abundant society by working to protect the earth's environment, preserving resources and reducing the environmental impact at each stage of the product life cycle. In addition, the Group has announced that it supports the recommendations of the Task Force on Climate-related Financial Disclosures (referred to below as TCFD) in March 2021 and is endeavoring to realize carbon neutrality. However, environmental regulations are becoming stricter each year, and in some cases, they could restrict activities in the business supply chain and so forth have a negative impact on the Group's financial situation, business performance and status of cash flows.

⑦ Risks associated with legal action

The Group emphasizes compliance in management and works to ensure compliance with laws, regulations and social norms. However, in the process of conducting business in Japan and overseas, there is a risk that the Group could be subject to unforeseeable lawsuits, administrative measures and so forth. The occurrence of a serious lawsuit or other such event could have a negative impact on the Group's financial situation, business performance and status of cash flows.

⑧ Risks associated with information security

For the Group, information systems play an important role in all aspects of our business activities. Unfortunately, there is an increasing risk of system failures, information leaks, loss, etc., due to cyber-attacks, unauthorized access, disasters, etc. As a countermeasure, we will build a risk management system based on the "Information Management Basic Policy," incorporate the knowledge of external experts, strengthen the security system, educate information security employees, etc., to try to avoid and manage risks. However, unanticipated situations could have a negative impact on the Group's financial situation, business performance and status of cash flows.

⑨ Other risks

The Group holds shares of its business partners and financial institutions with the goal of building, maintaining and strengthening medium- to long-term business relationships. A significant fall in the market value, etc., of these shares at the consolidated fiscal year end could cause the Group to recognize impairment loss pursuant to the adoption of the Accounting Standards for Financial Instruments.

With regard to noncurrent assets, a dramatic deterioration in the business environment or a decline in the fair value of idle land held by the Group and so forth could oblige the Group to recognize impairment loss pursuant to the adoption of the Accounting Standard for Impairment of Fixed Assets.

With regard to inventories, since the Group will carry out make-to-stock production based on future demand forecasts, the salability is uncertain and can be affected by future fluctuations in economic conditions.

With regard to retirement benefit obligations, a marked decrease in the underlying discount rate assumed for actuarial calculations or a sharp deterioration in the operation of pension assets could cause a significant shortfall in funds.

With regard to deferred tax assets, recoverability is calculated based on forecasts for future taxable income and so forth against future temporary deductible differences. However, a difference between actual taxable income and the forecast could necessitate a reversal of deferred tax assets.

The occurrence of any of the above situations could have a negative impact on the Group's financial situation, business performance and status of cash flows.

CONSOLIDATED BALANCE SHEETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Assets			
Current assets:			
Cash and cash equivalents (Note 5)	¥ 44,631	¥ 43,278	\$ 298,501
Notes and accounts receivable – trade, and contract assets (Note 5)	176,793	186,371	1,182,403
Inventories (Note 8)	195,496	177,296	1,307,494
Short-term loans receivable from unconsolidated subsidiaries and affiliates	1,113	1,140	7,445
Other current assets	28,314	22,673	189,368
Allowance for doubtful accounts	(1,824)	(1,898)	(12,200)
Total current assets	444,524	428,861	2,973,013
Property, plant and equipment (Note 13):			
Land	34,591	34,475	231,352
Buildings and structures	268,932	253,716	1,798,639
Machinery, equipment and vehicles	738,577	698,025	4,939,654
Construction in progress	45,331	63,707	303,183
Leased assets	20,800	20,859	139,114
	1,108,233	1,070,784	7,411,943
Less accumulated depreciation	(767,798)	(739,464)	(5,135,090)
Property, plant and equipment, net	340,435	331,319	2,276,852
Intangible assets:	33,159	20,832	221,775
Investments and other assets:			
Investment securities (Notes 5 and 6):			
Unconsolidated subsidiaries and affiliates	4,303	4,140	28,783
Other	57,349	66,479	383,557
Long-term loans receivable	500	529	3,349
Net defined benefit asset (Note 14)	21,205	—	141,820
Deferred tax assets (Note 11)	3,532	2,766	23,626
Other	15,475	15,566	103,502
Allowance for doubtful accounts	(343)	(290)	(2,299)
Total investments and other assets	102,023	89,191	682,340
	¥ 920,143	¥ 870,205	\$ 6,153,982

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Liabilities and net assets			
Current liabilities:			
Short-term loans payable (Notes 5 and 13)	¥ 125,851	¥ 110,171	\$ 841,706
Current portion of long-term loans payable (Notes 5 and 13)	6,659	6,361	44,541
Current portion of bonds payable (Notes 5 and 13)	—	5,000	—
Lease liabilities	1,058	940	7,080
Notes and accounts payable: (Note 13)			
Trade	92,144	104,212	616,266
Construction	8,560	11,447	57,255
Other	22,808	23,865	152,544
Income taxes payable	7,013	4,963	46,904
Accrued expenses	16,270	16,011	108,818
Provision for product warranties	2,104	—	14,074
Other current liabilities	12,461	8,692	83,341
Total current liabilities	294,933	291,666	1,972,534
Non-current liabilities:			
Bonds payable (Notes 5 and 13)	15,000	15,000	100,321
Long-term loans payable (Notes 5 and 13)	57,972	40,391	387,726
Lease liabilities	16,517	17,232	110,469
Net defined benefit liability (Note 14)	22,032	12,585	147,354
Provision for directors' retirement benefits	331	346	2,215
Deferred tax liabilities (Note 11)	13,502	9,493	90,304
Provision for product warranties	573	1,808	3,838
Other non-current liabilities	6,860	7,296	45,881
Total non-current liabilities	132,790	104,156	888,113
Contingent liabilities (Note 15)			
Net assets (Note 16):			
Shareholders' equity:			
Common stock			
Authorized — 150,000,000 shares			
Issued — 66,000,000 shares	33,046	33,046	221,019
Capital surplus	29,871	29,173	199,781
Retained earnings	349,925	331,933	2,340,328
Less treasury stock, at cost — 3,066,508 shares in 2025			
1,851,007 shares in 2024	(11,725)	(6,797)	(78,419)
Total shareholders' equity	401,118	387,355	2,682,709
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	27,463	32,632	183,675
Deferred gains or losses on hedges	—	(0)	—
Foreign currency translation adjustments	24,847	22,037	166,180
Remeasurements of defined benefit plans	17,848	11,438	119,375
Total accumulated other comprehensive income	70,159	66,107	469,231
Subscription rights to shares (Note 17)	658	648	4,405
Non-controlling interests	20,482	20,271	136,987
Total net assets	492,419	474,383	3,293,334
	¥ 920,143	¥ 870,205	\$ 6,153,982

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Net sales (Note 12)	¥ 807,200	¥ 762,302	¥ 755,821	\$ 5,398,609
Cost of sales	581,555	558,087	556,895	3,889,481
Gross profit	225,644	204,214	198,926	1,509,128
Selling, general and administrative expenses	185,594	171,635	163,838	1,241,270
Operating income	40,050	32,579	35,087	267,857
Other income (expenses):				
Interest and dividend income	2,246	2,031	1,917	15,026
Interest expenses	(4,026)	(3,361)	(1,965)	(26,929)
Gain on sales of investment securities (Note 6)	6,984	7,060	1,410	46,711
Gain on sales of businesses	—	525	—	—
Depreciation of inactive non-current assets	(1,014)	(1,171)	(1,147)	(6,782)
Loss on disposal of property, plant and equipment	(3,117)	(1,722)	(1,839)	(20,852)
Loss on valuation of investment securities	—	—	(1,448)	—
Foreign exchange gains (losses), net	(715)	2,544	1,888	(4,783)
Equity in earnings of affiliates, net	156	177	137	1,044
Subsidy income	6,304	—	—	42,167
Product warranty expenses (Note 9)	(1,975)	—	—	(13,214)
Loss on disaster (Note 10)	(1,101)	—	—	(7,365)
Loss on tax purpose reduction entry of non-current assets	(1,257)	—	—	(8,411)
Provision for special suspense account for tax purpose reduction entry	(5,047)	—	—	(33,756)
Other, net	(715)	(1,855)	(1,666)	(4,786)
Income before income taxes and non-controlling interests	36,770	36,808	32,373	245,926
Income taxes (Note 11)				
Current	11,027	10,575	9,010	73,755
Deferred	(1,062)	1,458	(711)	(7,105)
Net income	26,805	24,775	24,074	179,277
Net income attributable to non-controlling interests	1,496	1,554	1,066	10,005
Net income attributable to owners of parent	¥ 25,309	¥ 23,220	¥ 23,008	\$ 169,271
			Yen	U.S. dollars (Note 1)
Net income per share—basic (Note 2)	¥ 400.91	¥ 357.90	¥ 349.59	\$ 2.68
Net income per share—diluted (Note 2)	399.67	356.87	348.66	2.67
Cash dividends applicable to the year (Note 16)	130.00	110.00	110.00	0.86

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Net income	¥ 26,805	¥ 24,775	¥ 24,074	\$ 179,277
Other comprehensive income:				
Valuation difference on available-for-sale securities	(5,241)	10,476	882	(35,053)
Deferred gains or losses on hedges	0	3	0	1
Foreign currency translation adjustments	2,864	11,133	7,594	19,160
Remeasurements of defined benefit plans	6,410	4,909	7,509	42,875
Share of other comprehensive income of associates accounted for using equity method	(0)	1	1	(2)
Total other comprehensive income (Note 3)	4,034	26,525	15,989	26,981
Comprehensive income	¥ 30,839	¥ 51,300	¥ 40,064	\$ 206,258
Comprehensive income attributable to:				
Comprehensive income attributable to owners of parent	¥ 29,361	¥ 49,054	¥ 38,549	\$ 196,371
Comprehensive income attributable to non-controlling interests	1,478	2,246	1,515	9,886

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Shareholders' equity				
Common stock				
Balance at beginning of year	¥ 33,046	¥ 33,046	¥ 33,046	\$ 221,019
Changes of items during the period				
Total changes of items during the period	—	—	—	—
Balance at the end of current period	33,046	33,046	33,046	221,019
Capital surplus				
Balance at beginning of year	29,173	32,245	31,392	195,113
Changes of items during the period				
Increase by share exchange	—	—	789	—
Change in treasury shares of parent arising from transactions with non-controlling interests	681	(269)	63	4,560
Changes in liabilities for written put options over non-controlling interests	16	(2,802)	—	107
Total changes of items during the period	697	(3,072)	853	4,667
Balance at the end of current period	29,871	29,173	32,245	199,781
Retained earnings				
Balance at beginning of year	331,933	323,213	309,507	2,219,993
Changes of items during the period				
Dividends from surplus (Note 16)	(7,304)	(7,139)	(7,599)	(48,851)
Change of scope of consolidation	—	(12)	—	—
Net income attributable to owners of parent	25,309	23,220	23,008	169,271
Disposal of treasury stock	(12)	(3)	(5)	(84)
Cancellation of treasury stock	—	(7,344)	—	—
Increase by share exchange	—	—	(1,696)	—
Total changes of items during the period	17,992	8,719	13,706	120,335
Balance at the end of current period	349,925	331,933	323,213	2,340,328
Treasury stock				
Balance at beginning of year	(6,797)	(11,407)	(11,528)	(45,463)
Changes of items during the period				
Purchase of treasury stock	(5,020)	(2,814)	(8,051)	(33,576)
Disposal of treasury stock	92	78	30	620
Cancellation of treasury stock	—	7,344	—	—
Increase by share exchange	—	—	8,142	—
Total changes of items during the period	(4,927)	4,609	121	(32,955)
Balance at the end of current period	(11,725)	(6,797)	(11,407)	(78,419)
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities				
Balance at beginning of year	32,632	22,204	21,331	218,245
Changes of items during the period				
Net changes of items other than shareholders' equity	(5,168)	10,427	873	(34,569)
Total changes of items during the period	(5,168)	10,427	873	(34,569)
Balance at the end of current period	27,463	32,632	22,204	183,675

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Deferred gains or losses on hedges				
Balance at beginning of year	¥ (0)	¥ (3)	¥ (4)	\$ (1)
Changes of items during the period				
Net changes of items other than shareholders' equity	0	3	0	1
Total changes of items during the period	0	3	0	1
Balance at the end of current period	—	(0)	(3)	—
Foreign currency translation adjustments				
Balance at beginning of year	22,037	11,543	4,381	147,387
Changes of items during the period				
Net changes of items other than shareholders' equity	2,809	10,493	7,162	18,793
Total changes of items during the period	2,809	10,493	7,162	18,793
Balance at the end of current period	24,847	22,037	11,543	166,180
Remeasurements of defined benefit plans				
Balance at beginning of year	11,438	6,529	(975)	76,500
Changes of items during the period				
Net changes of items other than shareholders' equity	6,410	4,908	7,504	42,875
Total changes of items during the period	6,410	4,908	7,504	42,875
Balance at the end of current period	17,848	11,438	6,529	119,375
Subscription rights to shares				
Balance at beginning of year	648	622	619	4,339
Changes of items during the period				
Net changes of items other than shareholders' equity	9	26	3	66
Total changes of items during the period	9	26	3	66
Balance at the end of current period	658	648	622	4,405
Non-controlling interests				
Balance at beginning of year	20,271	18,427	24,435	135,576
Changes of items during the period				
Net changes of items other than shareholders' equity	210	1,843	(6,007)	1,410
Total changes of items during the period	210	1,843	(6,007)	1,410
Balance at the end of current period	20,482	20,271	18,427	136,987
Total net assets				
Balance at beginning of year	474,383	436,422	412,204	3,172,709
Changes of items during the period				
Dividends from surplus — ¥130.00 per share	(7,304)	(7,139)	(7,599)	(48,851)
Change of scope of consolidation	—	(12)	—	—
Net income attributable to owners of parent	25,309	23,220	23,008	169,271
Purchase of treasury stock	(5,020)	(2,814)	(8,051)	(33,576)
Disposal of treasury stock	80	75	25	535
Increase by share exchange	—	—	7,235	—
Change in treasury shares of parent arising from transactions with non-controlling interests	681	(269)	63	4,560
Changes in liabilities for written put options over non-controlling interests	16	(2,802)	—	107
Net changes of items other than shareholders' equity	4,272	27,703	9,537	28,577
Total changes of items during the period	18,035	37,960	24,218	120,624
Balance at the end of current period	¥ 492,419	¥ 474,383	¥ 436,422	\$ 3,293,334

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES
Years Ended March 31, 2025, 2024 and 2023

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Cash Flows from Operating Activities				
Income before income taxes and non-controlling interests	¥ 36,770	¥ 36,808	¥ 32,373	\$ 245,926
Depreciation and amortization	43,937	40,779	39,456	293,854
Product warranty expense	1,975	—	—	13,214
Loss on tax purpose reduction entry of non-current assets	1,257	—	—	8,411
Provision for special suspense account for tax purpose reduction entry	5,047	—	—	33,756
Loss on disaster	1,101	—	—	7,365
Subsidy income	(6,304)	—	—	(42,167)
Decrease (increase) in net defined benefit asset	(21,205)	—	—	(141,820)
Increase (decrease) in net defined benefit liability	19,317	(1,527)	(139)	129,197
Increase (decrease) in allowance for doubtful accounts	(14)	315	(110)	(95)
Interest and dividend income	(2,246)	(2,031)	(1,917)	(15,026)
Interest expenses	4,026	3,361	1,965	26,929
Equity in earnings of affiliates, net	(156)	(177)	(137)	(1,044)
Loss (gain) on disposal of property, plant and equipment	978	531	630	6,541
Loss (gain) on sale of investment securities	(6,984)	(7,060)	(1,410)	(46,711)
Loss (gain) on valuation of investment securities	—	—	1,448	—
Decrease (increase) in notes and accounts receivable-trade	9,767	(12,450)	(3,474)	65,324
Decrease (increase) in inventories	(17,978)	(4,070)	(24,875)	(120,244)
Increase (decrease) in notes and accounts payable-trade	(12,086)	13,112	(4,785)	(80,836)
Others	(4,539)	6,344	(4,620)	(30,363)
Subtotal	52,662	73,935	34,402	352,209
Interest and dividend income received	2,267	2,057	1,942	15,165
Interest expenses paid	(4,003)	(3,308)	(1,955)	(26,774)
Proceeds from insurance income	—	—	1,177	—
Income taxes paid	(9,673)	(10,771)	(6,856)	(64,697)
Net cash provided by (used in) operating activities	41,252	61,911	28,710	275,902
Cash Flows from Investing Activities				
Purchase of property, plant and equipment	(51,183)	(61,315)	(39,628)	(342,319)
Proceeds from sales of property, plant and equipment	—	—	87	—
Purchase of intangible assets	(4,798)	(3,951)	(2,363)	(32,092)
Purchase of investment securities	(540)	(120)	(909)	(3,614)
Proceeds from sales and distributions of investment securities	7,761	9,856	2,509	51,908
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,246)	(1,132)	—	(61,841)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	159	—	—	1,067
Payments of loans receivable	(1,381)	(1,061)	(99)	(9,240)
Collection of loans receivable	230	282	336	1,541
Subsidies received	5,136	—	—	34,355
Others	(1,175)	(1,328)	(1,902)	(7,862)
Net cash provided by (used in) investing activities	(55,038)	(58,771)	(41,970)	(368,098)
Cash Flows from Financing Activities				
Net increase (decrease) in short-term loans payable	15,791	(2,378)	21,814	105,613
Proceeds from long-term loans payable	24,575	11,299	13,541	164,365
Repayments of long-term loans payable	(6,908)	(8,565)	(6,198)	(46,207)
Proceeds from issuance of bonds	—	10,000	—	—
Redemption of bonds	(5,000)	—	—	(33,440)
Repayments of lease obligations	(1,055)	(1,270)	(863)	(7,057)
Purchase of treasury stock	(5,020)	(2,814)	(8,051)	(33,576)
Proceeds from sales of treasury stock	0	0	0	1
Cash dividends paid	(7,304)	(7,139)	(7,599)	(48,851)
Proceeds from share issuance to non-controlling shareholders	—	—	0	—
Cash dividends paid to non-controlling interests	(323)	(279)	(284)	(2,162)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(301)	(372)	(6)	(2,017)
Net cash provided by (used in) financing activities	14,453	(1,519)	12,352	96,668
Effect of exchange rate change on cash and cash equivalents	684	926	894	4,578
Net increase (decrease) in cash and cash equivalents	1,353	2,547	(13)	9,051
Cash and cash equivalents at beginning of period	43,278	40,699	40,712	289,450
Increase in cash and cash equivalents resulting from change of scope of consolidation	—	32	—	—
Cash and cash equivalents at end of period	¥ 44,631	¥ 43,278	¥ 40,699	\$ 298,501

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

KANEKA CORPORATION AND CONSOLIDATED SUBSIDIARIES

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

Kaneka Corporation (the “Company”) and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen and in accordance with the provisions set forth in the Financial Instruments and Exchange Law in Japan and its related accounting regulations and accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law in Japan. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The accounts of consolidated overseas subsidiaries were prepared for consolidation purposes in accordance with either International Financial Reporting Standards or U.S. Generally Accepted Accounting Principles, with adjustments for the specified items as applicable in compliance with ASBJ Practical Solution No. 18, “Tentative Treatment of Accounting for Foreign Subsidiaries in Preparing Consolidated Financial Statements.”

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate on March 31, 2025 which was ¥149.52 to U.S.\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The disclosed amounts have been rounded down under one million yen. Therefore, total or subtotal amounts do not necessarily correspond with the aggregate of the account balances.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant companies over which the Company has power of control through majority voting rights or existence of certain other conditions evidencing control (together, the “Companies”). Investments in nonconsolidated subsidiaries and affiliates over which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method, except for insignificant investments which are recorded at cost.

The Company has 91 consolidated subsidiaries (91 in FY2024 and 89 in FY2023) and 2 affiliates accounted for by the equity method (3 in FY2024 and FY2023). For the year ended March 31, 2025, the accounts of 14 consolidated subsidiaries were included based on a fiscal year that ended on December 31. When significant transactions occur at those subsidiaries between the end of their fiscal year and that of the Company, the transactions are included in consolidation. Intercompany transactions and accounts have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to non-controlling shareholders, are evaluated based on the fair value at the time the Company acquired control of the respective subsidiary.

Cash and cash equivalents

Cash on hand, readily available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal trade accounts receivable, it is based on the actual rate of historical bad debts, and for certain doubtful receivables, the uncollectible amount is individually estimated.

Securities

The Companies hold equity securities issued by subsidiaries and affiliated companies and available-for-sale securities. Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving average cost. Investments in securities other than equity securities without market prices are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Investments in equity securities without market prices are stated at moving average cost.

Derivatives and hedge accounting

Derivative financial instruments are stated at fair value, and changes in the fair value are recognized as gain or loss unless the derivative financial instruments are used for hedging purposes. If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gain or loss resulting from a change in the fair value of the derivative financial instrument until the related loss or gain on the hedged item is recognized. Also, if interest rate swap contracts are used as hedges and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Inventories

Inventories are valued at cost as determined principally by the average cost method. The balance sheet amount is calculated at the lower of either the acquisition cost or the net selling price at the end of the fiscal year.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated loss from impairment. Cumulative amounts of recognized impairment loss are deducted from acquisition costs. Depreciation is computed over the estimated useful life of the asset mainly by the straight-line method. Repairs, maintenance and minor renewals are charged to expenses as incurred. Property, plant and equipment capitalized under finance lease arrangements are depreciated over the estimated useful life as measured by the lease term of the respective asset by the straight-line method. The residual value is zero or the guaranteed residual value.

Intangible assets

Intangible assets are stated at cost, net of accumulated loss from impairment. Cumulative amounts of recognized impairment loss are deducted from acquisition costs. Depreciation is computed over the estimated useful life of the asset mainly by the straight-line method.

Goodwill

Goodwill, except for minor goodwill, is amortized by the straight-line method within 20 years. Minor goodwill is expensed as incurred.

Liability (asset) for retirement benefits

The Company has an unfunded lump-sum benefit plan generally covering all employees. Under the terms of the plan, eligible employees are entitled upon mandatory retirement at age 60 or earlier voluntary termination to a lump-sum severance payment based on compensation at the time of severance and years of service.

In addition to the unfunded lump-sum plan, the Company participates in a noncontributory funded pension plan, which covers substantially all employees. Consolidated domestic subsidiaries have similar lump-sum benefit plans and pension plans. Certain overseas consolidated subsidiaries have defined contribution plans.

The Companies provide employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation, actuarially calculated using certain assumptions, and the fair value of the plan assets. The estimated benefit is attributed to each period based on the plan's benefit formula. Prior service costs are recognized as expense using the straight-line method over mainly 5 years, a term within the average of the estimated remaining service years of the current employees. Actuarial gains and losses are recognized using the straight-line method over mainly 10 years, a term also within the average of the estimated remaining service years of employees, commencing with the following period.

Provision for directors' retirement benefits

Directors and statutory auditors terminating their service with certain consolidated domestic subsidiaries are entitled to receive retirement benefits based on compensation and years of service, subject to the approval of shareholders. Certain consolidated domestic subsidiaries accrue the liability for their plans in amounts sufficient to provide for benefits arising from services performed through the balance sheet date.

Provision for product warranties

Provision for product warranties is estimated and recorded for the cost of replacement and repair that may be incurred after the sale of products.

Research and development expenses

Expenses related to research and development activities are charged to income as incurred. Research and development expenses for the years ended March 31, 2025, 2024 and 2023 were ¥39,342 million (\$263,125 thousand), ¥35,397 million and ¥32,669 million, respectively.

Income taxes

The tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized as deferred income taxes. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Revenue recognition

The business operations in the Group are mainly selling merchandise and finished goods to customers under the four domains known as "Solutions Units" (Hereinafter "SU"), which are "Material SU", "Quality of Life SU", "Health Care SU" and "Nutrition SU".

In principle, the Group recognizes revenue when control of merchandise and finished goods is transferred to the customer as the performance obligations are satisfied. However, the Company and its domestic subsidiaries recognize domestic sales at the point of shipment in cases in which control of such goods or services is transferred to the customer within a reasonable period.

In addition, transaction price is measured at the amount of consideration received less any volume discounts, etc., as variable consideration according to the contracts with some customers.

Net income per share

The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Application of group tax sharing system

The Company and certain domestic consolidated subsidiaries apply a group tax sharing system.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2025 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

(Significant accounting estimates)

1. Valuation of fixed assets

(1) Carrying amounts of fixed assets in the consolidated financial statement in the current consolidated fiscal year

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Property, plant and equipment	¥ 340,435	¥ 331,319	\$ 2,276,852
Intangible assets	33,159	20,832	221,775

(2) Significant accounting estimates for the identified items
For fixed assets, an impairment indicator is determined for assets or asset groups that make business management and investment decisions based on a Solution Vehicle. If any indicator of impairment is identified for such assets or asset groups, the Group assesses whether an impairment loss should be recognized by using the future cash flow method based on the medium-term management plan, which was formulated by comprehensively considering economic trends, changes in the business environment and other factors.

The business activities of the Group have been operated in four business segments known as "Solutions Units", which consist of "Material Solutions Unit", "Quality of Life Solutions Unit", "Health Care Solutions Unit" and "Nutrition Solutions Unit". Each unit's business is centered on solving issues by means of creating new value through the break-through technology, and the Group is developing a wide variety of businesses globally while networking the supply chain around the world.

The supply chain may be affected by unexpected events such as pandemics, natural disasters, wars and terrorism, economic crises, shortages of raw materials and sudden price fluctuations. This may affect the assumptions of the medium-term management plan regarding the estimates of future cash flows.

2. Valuation of goodwill and other intangible assets recognized through the business combination with EndoStream Medical Ltd.

(1) Carrying amounts of goodwill and other intangible assets in the consolidated financial statement in the current consolidated fiscal year

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Goodwill	¥ 1,552	¥ —	\$ 10,381
Intangible assets	11,112	—	74,318

(2) Significant accounting estimates for the identified items
On December 23, 2024, the Company acquired 96.8% of the shares of EndoStream Medical Ltd. (hereinafter referred to as "ESM"), an Israeli medical device company, and made it a consolidated subsidiary. The Company determined the value of the shares based on an evaluation of ESM's corporate value, taking into account the excess earnings potential expected from its innovative technological capabilities. The company used external experts to measure the In-process research and development for the Purchase Price Allocation. The difference between the acquisition cost and the values determined in the Purchase Price Allocation was recognized as goodwill.

The medical device currently under development by ESM has already obtained regulatory approval in Europe, and its efficacy has been demonstrated. The Company plans to seek approval and launch the product in the United States and Japan in the future. In addition, Israel has a well-developed support system for research and development-oriented startups, backed by government programs and strong collaboration among industry, academia, and government.

While development is progressing with risk management in place, there remains a possibility that unexpected events such as political instability, armed conflicts, pandemics, and natural disasters may disrupt the supply chain. This may affect the assumptions of the business plan over the medium-term management plan, particularly those related to the future number of cases and market share projections.

(Changes in accounting policies)

Accounting Standard for Current Income Taxes (ASBJ Statement No.27, October 28, 2022) (hereinafter referred to as "Revised Accounting Standard 2022"), etc. has been adopted from the beginning of the current consolidated fiscal year.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the proviso (2) of paragraph 65-2 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (hereinafter referred to as "Revised Implementation Guidance 2022"). These changes in accounting policies have no impact on the consolidated financial statements.

When gains or losses on sale of shares in subsidiaries resulting from transactions between the consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the current consolidated fiscal year. The changes in accounting policies were applied retrospectively, and the consolidated financial statements for the previous consolidated fiscal years were adjusted retrospectively. This change in accounting policies has no impact on the consolidated financial statements for the previous consolidated fiscal year.

(Accounting standards and guidance not yet adopted)

The following accounting standards and guidance are issued but not yet adopted.

- Accounting Standard for Leases (ASBJ Statement No.34, September 13, 2024, ASBJ)
- Implementation Guidance on Accounting Standard for Leases (ASBJ Guidance No.33, September 9, 2024, ASBJ)

In addition, amendments to the relevant accounting standards, implementation guidance, practical solution reports, and transition guidance.

(1) Overview

Consistent with international accounting standards, the standards and guidance require lessees to recognize assets and liabilities for all leases.

(2) Effective date

The standards and guidance will be effective from the beginning of the fiscal year ending March 31, 2028.

(3) Effects of application of the standards and guidance

The effects of application of Accounting Standard for Leases, etc. on the consolidated financial statements are currently under evaluation.

3. COMPREHENSIVE INCOME

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Valuation difference on available-for-sale securities				
Increase (decrease) during the year	¥ (41)	¥ 22,091	¥ 2,258	\$ (279)
Reclassification adjustments	(6,962)	(7,054)	(1,099)	(46,567)
Subtotal, before income taxes and tax effects	(7,004)	15,037	1,158	(46,846)
Income taxes and tax effects	1,763	(4,560)	(275)	11,793
Subtotal, net of income taxes and tax effects	(5,241)	10,476	882	(35,053)
Deferred gains or losses on hedges				
Increase (decrease) during the year	—	(0)	(4)	—
Reclassification adjustments	0	4	6	2
Subtotal, before income taxes and tax effects	0	4	1	2
Income taxes and tax effects	(0)	(1)	(0)	(0)
Subtotal, net of income taxes and tax effects	0	3	0	1
Foreign currency translation adjustment				
Increase (decrease) during the year	2,864	11,133	7,594	19,160
Reclassification adjustments	—	—	—	—
Subtotal, before income taxes and tax effects	2,864	11,133	7,594	19,160
Income taxes and tax effects	—	—	—	—
Subtotal, net of income taxes and tax effects	2,864	11,133	7,594	19,160
Remeasurements of defined benefit plans				
Increase (decrease) during the year	10,478	7,621	10,244	70,079
Reclassification adjustments	(862)	(552)	569	(5,771)
Subtotal, before income taxes and tax effects	9,615	7,069	10,813	64,307
Income taxes and tax effects	(3,204)	(2,160)	(3,304)	(21,432)
Subtotal, net of income taxes and tax effects	6,410	4,909	7,509	42,875
Share of other comprehensive income of associates accounted for using equity method				
Increase (decrease) during the year	(0)	1	1	(2)
Reclassification adjustments	—	—	—	—
Subtotal, net of income taxes and tax effects	(0)	1	1	(2)
Total other comprehensive income	¥ 4,034	¥ 26,525	¥ 15,989	\$ 26,981

4. CASH FLOWS

1. Significant non-cash transactions

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Increase in capital surplus due to share exchange	¥ —	¥ —	¥ 789	\$ —
Decrease in retained earnings due to share exchange	—	—	1,696	—
Decrease in treasury stock due to share exchange	—	—	8,142	—
Cancellation of treasury stock	—	7,344	—	—

2. Major components of assets and liabilities of newly consolidated subsidiaries through share acquisition

The components of assets and liabilities at the beginning of consolidation of EndoStream Medical Ltd., which was newly

consolidated as a result of the acquisition of its shares, and reconciliation between the acquisition cost and net payment for the acquisition are as follows.

	Millions of yen	Thousands of U.S. dollars (Note 1)
Current assets	¥ 910	\$ 6,086
Non-current assets	11,119	74,364
Goodwill	1,552	10,381
Current liabilities	(589)	(3,940)
Non-current liabilities	(2,555)	(17,088)
Non-controlling interests	(284)	(1,899)
Acquisition cost of shares	10,152	67,902
Cash and cash equivalent	(901)	(6,025)
Net payments for purchase	9,251	61,871

5. FINANCIAL INSTRUMENTS

1. Matters regarding financial instruments

(1) Policy for handling financial instruments

The Companies procure funds necessary for the manufacturing and sales business primarily through borrowings from financial institutions or by issuing corporate bonds based upon the plan and budget for capital investments. In principle, temporary surplus funds are centralized by the Cash Management System (CMS) and invested in highly safe financial assets. Derivative transactions are used to hedge against risks described below, but never for speculative purposes.

(2) Description of financial instruments and inherent risks

Notes and accounts receivable - trade, which are operating receivables, are exposed to customer credit risk. Operating receivables denominated in foreign currencies generated from global business operations are exposed to foreign exchange fluctuation risk. Marketable securities and investment securities, primarily shares of companies with which the Companies maintain business relations, are exposed to the risk of market price fluctuations.

Notes and accounts payable, which are operating payables, are basically settled in the short-term with a deadline set within a year. Operating payables include payables denominated in foreign currencies for importing materials and are exposed to foreign exchange fluctuation risk. However, they remain within the range of the balance of operating receivables denominated in the same

foreign currencies. Short-term borrowings are primarily for procuring operating capital and long-term debt, and bonds are issued to obtain necessary funds mainly for capital expenditures. A portion of the short-term debt and the long-term debt is exposed to interest rate fluctuation risk, but the effect is limited.

Derivative transactions such as foreign exchange forward contracts, currency swaps and interest rate swaps are used to hedge against the foreign currency fluctuation risk and interest rate fluctuation risk associated with operating receivables and payables denominated in foreign currencies, investment assets, loans receivable, etc. Since all derivative transactions correspond to assets and liabilities on the balance sheets, foreign exchange fluctuation risk is hedged and the fluctuation risk of market interest rates is rendered insignificant.

(3) Risk management system related to financial instruments

(a) Credit risk management (risk pertaining to breach of contract on the part of business partners)

The Company aims to mitigate credit risk by quickly identifying any concerns about the collection of operating receivables resulting from the deterioration of a business partner's financial position or other factors. Also, each business division periodically reviews the status of our main business partners and regularly monitors deadlines, balances and credit status for each partner. The consolidated subsidiaries also manage operating receivables in accordance with the practices of the Company.

As for debt securities, the credit risk is insignificant since the Company only handles those with high ratings or issued by companies with existing business relations with the Company and whose creditability is verifiable. Furthermore, the Company periodically verifies the financial position of issuers to mitigate risk. Since the counterparties to the derivative transactions are highly creditworthy financial institutions, the Company considers the risk of their breach of contract as almost nil.

The maximum credit risk exposure of financial assets is represented by their carrying amounts on the balance sheet as of March 31, 2025.

(b) Market risk management (foreign exchange and interest rate fluctuation risk)

The Company and some consolidated subsidiaries identify foreign exchange fluctuation risk associated with operating receivables or payables denominated in foreign currencies by currency and by month. Such risk is hedged by using foreign exchange forward contracts, in accordance with a management policy that, in principle, limits the hedge amount to the scheduled settlement amounts of operating receivables or payables denominated in foreign currencies. Also, the Companies utilize interest rate swaps mainly to hedge against the fluctuation risk of market interest rates.

For marketable securities and investment securities, the Company periodically identifies fair values and the financial positions of the issuers (business partner companies). For securities other than held-to-maturity bonds, the Company continuously revises the holding status taking into consideration the business relationship with the business partner companies.

The Financial Department of the Company executes derivative transactions based upon its Transaction Regulations for Derivative Financial Products, which defines the basic policy, the scope of operations, the personnel responsible for execution, the basis for decision making and the management system. Consolidated subsidiaries enter into derivative transactions based upon resolutions passed by their respective bodies upon the Company's approval. The Company ensures an effective internal checking system by segregating the execution function from the monitoring and managing function. Also, the Director of the Company's Financial Department performs evaluations for hedge effectiveness of all derivative transactions entered into by the Companies and reports the results together with a description of the underlying assets and liabilities to the President and the CFO on a monthly basis.

(c) Liquidity risk management relating to fund procurement (risk of non-execution of payments by deadlines)

The Company manages liquidity risk by timely preparing and updating cash flow plans by the Financial Department and by maintaining a liquidity facility, which is the sum of liquidity on hand and commitment lines, in the approximate amount of one month's consolidated net sales. In addition, the Companies mitigate liquidity risk in principle by centralizing the Companies' funds using CMS. Accordingly, the Companies consider that no significant liquidity risk exists.

(4) Supplementary explanation for matters regarding fair value of financial instruments

The fair value of financial instruments is based on market price. If a market price is not available, another valuation method is used. Such methods include variable factors and assumptions, and the results of a valuation may differ depending on which factors and assumptions are used.

The contract amounts related to the derivative transactions shown in "Derivative Transactions" do not indicate the market risks associated with the derivative transactions themselves.

2. Matters regarding the fair value of financial instruments

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2025 (the consolidated accounts settlement date of the year ended March 31, 2025), their fair values and any differences between the balance sheet amounts and the fair values.

	Consolidated balance sheet amount	Fair value	Difference
Marketable and investment securities			
Available-for-sale securities	¥ 53,953	¥ 53,953	¥ —
Total assets	53,953	53,953	—
Bonds payable	15,000	14,884	(115)
Long-term loans payable ^(*)	64,632	63,531	(1,101)
Total liabilities	79,632	78,415	(1,216)
Derivative transactions ^(*)			
— Hedge accounting not applied	59	59	—
— Hedge accounting applied	—	—	—

^(*) "Cash and cash equivalents," "Notes and accounts receivable – trade," "Notes and accounts payable – trade," "Short-term loans payable" and "Accounts payable – other" are omitted as the fair values approximate their book values because they are cash or settled in a short period of time.

^(*) Equity securities without market prices are not included in "Marketable and investment securities." The carrying amount of those financial instruments are as follows:

Type	Consolidated balance sheet amount
Unlisted equity securities	¥ 7,230

^(*) Long-term loans payable include the current portion of long-term loans payable.

^(*) Assets and liabilities arising from derivative transactions are stated as a net amount. The figures in parenthesis indicate net liabilities.

The table below shows the amounts of financial instruments recorded in the consolidated balance sheets as of March 31, 2024 (the consolidated accounts settlement date for the year ended March 31, 2024), their fair values and any differences between the balance sheet amounts and the fair values.

	Consolidated balance sheet amount	Fair value	Difference
Marketable and investment securities			
Available-for-sale securities	¥ 63,375	¥ 63,375	¥ —
Total assets	63,375	63,375	—
Bonds payable ^(*)	20,000	20,357	357
Long-term loans payable ^(*)	46,753	46,505	(247)
Total liabilities	66,753	66,862	109
Derivative transactions ^(*)			
— Hedge accounting not applied	(48)	(48)	—
— Hedge accounting applied	(195)	(195)	—

^(*) "Cash and cash equivalents," "Notes and accounts receivable – trade," "Notes and accounts payable – trade," "Short-term loans payable" and "Accounts payable – other" are omitted as the fair values approximate their book values because they are cash or settled in a short period of time.

(*)2) Equity securities without market prices are not included in "Marketable and investment securities." The carrying amount of those financial instruments are as follows:

Millions of yen	
Type	Consolidated balance sheet amount
Unlisted equity securities	¥ 6,774

(*)3) Bonds payable and long-term loans payable include the current portion of bonds payable and the current portion of long-term loans payable.

(*)4) Assets and liabilities arising from derivative transactions are stated as a net amount. The figures in parenthesis indicate net liabilities.

The table below shows the amounts as of March 31, 2025 calculated into U.S. dollars.

Thousands of U.S. dollars (Note 1)			
	Consolidated balance sheet amount	Fair value	Difference
Marketable and investment securities			
Available-for-sale securities	\$ 360,845	\$ 360,845	\$ —
Total assets	360,845	360,845	—
Bonds payable	100,321	99,545	(775)
Long-term loans payable (*)3)	432,267	424,903	(7,363)
Total liabilities	532,588	524,449	(8,139)
Derivative transactions (*)4)			
— Hedge accounting not applied	399	399	—
— Hedge accounting applied	—	—	—

(*)1) "Cash and cash equivalents," "Notes and accounts receivable – trade," "Notes and accounts payable – trade," "Short-term loans payable" and "Accounts payable – other" are omitted as the fair values approximate their book values because they are cash or settled in a short period of time.

(*)2) Equity securities without market prices are not included in "Marketable and investment securities." The carrying amount of those financial instruments are as follows:

Thousands of U.S. dollars (Note 1)	
Type	Consolidated balance sheet amount
Unlisted equity securities	\$ 48,359

(*)3) Long-term loans payable include the current portion of long-term loans payable.

(*)4) Assets and liabilities arising from derivative transactions are stated as a net amount. The figures in parenthesis indicate net liabilities.

Note 1.

Redemption schedules after the consolidated balance sheet date for monetary receivables

Millions of yen				
2025				
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 44,631	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	176,392	—	—	—
Total	¥221,024	¥ —	¥ —	¥ —

Millions of yen				
2024				
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	¥ 43,278	¥ —	¥ —	¥ —
Notes and accounts receivable – trade	185,527	—	—	—
Total	¥228,806	¥ —	¥ —	¥ —

Thousands of U.S. dollars (Note 1)

2025				
	Within one year	Over one year to five years	Over five years to ten years	Over ten years
Cash and cash equivalents	\$ 298,501	\$ —	\$ —	\$ —
Notes and accounts receivable – trade	1,179,722	—	—	—
Total	\$1,478,224	\$ —	\$ —	\$ —

Note 2.

Maturity schedules after the consolidated balance sheet date for bonds and long-term debt refer to Note13, "Short-term loans payable and long-term debt."

3. Fair value information of financial instruments by level of inputs

Based on the observability and the significance of the inputs used to determine fair values, fair value information of financial instruments is presented by categorizing measurements into the following three levels:

Level 1 fair value: fair values measured by quoted prices of identical assets or liabilities in active markets.

Level 2 fair value: fair value: fair values measured by using observable inputs other than Level 1.

Level 3 fair value: fair values measured by using unobservable inputs.

When multiple inputs of different categories are used in measuring fair value, the Company and its subsidiaries classified fair values into a category to which the lowest priority is assigned.

(1) Financial instruments measured at fair values in the consolidated balance sheets

Millions of yen				
Type	Fair value			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 53,953	¥ —	¥ —	¥ 53,953
Derivative transactions				
Currency related contracts	—	59	—	59

Millions of yen				
Type	Fair value			
	2024			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	¥ 63,375	¥ —	¥ —	¥ 63,375
Derivative transactions				
Currency related contracts	—	(243)	—	(243)

Thousands of U.S. dollars (Note 1)

Type	Fair value			
	2025			
	Level 1	Level 2	Level 3	Total
Investment securities				
Available-for-sale securities				
Equity securities	\$360,845	\$ —	\$ —	\$360,845
Derivative transactions				
Currency related contracts	—	399	—	399

(2) Financial instruments other than those measured at fair values in the consolidated balance sheets

Type	Millions of yen			
	Fair value			
	2025			
	Level 1	Level 2	Level 3	Total
Bonds payable	¥ —	¥ 14,884	¥ —	¥ 14,884
Long-term loans payable	—	63,531	—	63,531

Type	Millions of yen			
	Fair value			
	2024			
	Level 1	Level 2	Level 3	Total
Bonds payable	¥ —	¥ 20,357	¥ —	¥ 20,357
Long-term loans payable	—	46,505	—	46,505

Type	Thousands of U.S. dollars (Note 1)			
	Fair value			
	2025			
	Level 1	Level 2	Level 3	Total
Bonds payable	\$ —	\$ 99,545	\$ —	\$ 99,545
Long-term loans payable	—	424,903	—	424,903

Note. Valuation techniques and inputs used in measuring fair values
Assets

Investment securities

Listed equity securities are measured by using quoted prices. Fair values of listed equity securities are classified as Level 1, because they are exchanged in active markets.

Liabilities

Bonds payable

Fair values of bonds payable issued by the Company are measured based on the market price. Bonds payable are classified as Level 2, because their fair values are the market price, but they are not traded in active markets.

Long-term loans payable

Long-term loans payable is classified as Level 2, because their fair values of long-term loans payable are measured at the present value calculated by discounting the total amount of principal and interest at an interest rate for similar new borrowings.

Derivative transactions

Currency related contracts are classified as Level 2, because their fair values are measured by using the discounted cash flow method with observable inputs, such as interests and foreign exchange rates.

6. SECURITIES

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2025:

Securities with book value exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2025			2025		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 11,545	¥ 52,153	¥ 40,607	\$ 77,216	\$ 348,804	\$ 271,588
Bonds	—	—	—	—	—	—
	¥ 11,545	¥ 52,153	¥ 40,607	\$ 77,216	\$ 348,804	\$ 271,588

Securities with book value not exceeding acquisition cost:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2025			2025		
	Acquisition cost	Book value	Difference	Acquisition cost	Book value	Difference
Equity securities	¥ 2,629	¥ 1,800	¥ (829)	\$ 17,589	\$ 12,041	\$ (5,548)
Bonds	—	—	—	—	—	—
	¥ 2,629	¥ 1,800	¥ (829)	\$ 17,589	\$ 12,041	\$ (5,548)

The following table summarizes sales of available-for-sale securities as of March 31, 2025:

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	2025			2025		
	Sales	Gain on sales	Loss on sales	Sales	Gain on sales	Loss on sales
Equity securities	¥ 9,593	¥ 7,013	¥ —	\$ 64,161	\$ 46,906	\$ —
Bonds	—	—	—	—	—	—
	¥ 9,593	¥ 7,013	¥ —	\$ 64,161	\$ 46,906	\$ —

The following tables summarize acquisition costs and book values (fair values) of available-for-sale securities with available fair values as of March 31, 2024:

Securities with book value exceeding acquisition cost:

	Millions of yen		
	2024		
	Acquisition cost	Book value	Difference
Equity securities	¥ 14,074	¥ 61,577	¥ 47,503
Bonds	—	—	—
	¥ 14,074	¥ 61,577	¥ 47,503

Securities with book value not exceeding acquisition cost:

	Millions of yen		
	2024		
	Acquisition cost	Book value	Difference
Equity securities	¥ 2,449	¥ 1,798	¥ (651)
Bonds	—	—	—
	¥ 2,449	¥ 1,798	¥ (651)

The following table summarizes sales of available-for-sale securities as of March 31, 2024

	Millions of yen		
	2024		
	Sales	Gain on sales	Loss on sales
Equity securities	¥ 9,604	¥ 7,060	¥ —
Bonds	—	—	—
	¥ 9,604	¥ 7,060	¥ —

7. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING TRANSACTIONS

Derivative transactions to which hedge accounting was not applied as of March 31, 2025 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)	
	Contract amount	Fair value	Contract amount	Fair value
Foreign exchange forward contracts				
Sell contracts				
U.S. dollar	¥ 5,698	¥ 40	\$ 38,112	\$ 267
Euro	377	2	2,522	14
British pound	58	(0)	388	(0)
Buy contracts				
U.S. dollar	1,806	(4)	12,080	(28)
Japanese Yen	466	21	3,120	145

There were no derivative transactions to which hedge accounting was applied as of March 31, 2025.

Derivative transactions to which hedge accounting was not applied as of March 31, 2024 were as follows:

	Millions of yen	
	Contract amount	Fair value
Foreign exchange forward contracts		
Sell contracts		
U.S. dollar	¥ 5,062	¥ (46)
Euro	148	(1)
British pound	104	(0)
Buy contract		
U.S. dollar	1,677	13
Japanese Yen	306	(12)

Derivative transactions to which hedge accounting was applied as of March 31, 2024 were as follows:

	Millions of yen	
	Contract amount	Fair value
Interest rate and currency swaps transactions		
Pay Japanese Yen and receive Malaysia Ringgit	¥ 925	¥ (195)

8. INVENTORIES

Inventories at March 31, 2025 and 2024 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Merchandise and finished goods	¥ 104,201	¥ 94,734	\$ 696,904
Work-in-process	16,814	11,678	112,455
Raw materials and supplies	74,481	70,883	498,134
	¥ 195,496	¥ 177,296	\$ 1,307,494

9. PRODUCT WARRANTY EXPENSES

The Companies recognized product warranty expenses in other expenses for the year ended March 31, 2025, for the cost of inspection and replacement of cables for the solar power system in 6,803 buildings, for which the Companies decided to carry out voluntarily from the perspective of ensuring safety.

10. LOSS ON DISASTER

The Companies recognized loss on disaster due to hailstorms, typhoons, and other weather-related disasters in other expenses for the year ended March 31, 2025.

11. INCOME TAXES

The Company and its consolidated domestic subsidiaries are subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 30.58% for the years ended March 31, 2025, 2024 and 2023.

1. The significant differences between the statutory and effective tax rate for the years ended March 31, 2025, 2024 and 2023 were as follows:

	2025	2024	2023
Statutory tax rate	30.58%	30.58%	30.58%
Permanently non-deductible expense	3.75%	1.55%	0.54%
Permanently non-taxable income	(8.55)%	(8.07)%	(9.45)%
Elimination of dividends on consolidation	8.30%	7.72%	9.21%
Tax credits primarily for research and development expenses	(4.08)%	(8.52)%	(16.24)%
Change in valuation allowance	(2.13)%	10.70%	10.57%
Tax rate differences of foreign subsidiaries	(0.64)%	(0.81)%	(0.41)%
Amortization of goodwill	0.50%	0.46%	0.51%
Adjustment of deferred tax assets at fiscal year-end due to changes in tax rates	(0.63)%	—	—
Other	0.02%	(0.92)%	0.30%
Effective tax rate	27.10%	32.69%	25.63%

2. Significant components of deferred tax assets and liabilities as of March 31, 2025 and 2024 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Deferred tax assets:			
Net defined benefit liability	¥ 132	¥ 3,558	\$ 884
Tax loss carryforwards	4,394	4,225	29,394
Loss on valuation of investment securities	12	8	83
Excess bonuses accrued	2,139	2,129	14,309
Impairment loss on non-current assets	2,504	2,555	16,753
Unrealized gain	2,213	2,281	14,802
Depreciation	1,633	1,545	10,925
Tax credit carryforwards	8,557	9,935	57,229
Other	7,476	6,542	50,002
Subtotal	29,064	32,782	194,384
Valuation allowance	(16,131)	(16,880)	(107,886)
Total deferred tax assets	12,933	15,901	86,498
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(12,064)	(13,790)	(80,691)
Depreciation of foreign subsidiaries	(4,033)	(4,188)	(26,979)
Valuation difference of consolidated subsidiaries	(4,442)	(1,891)	(29,712)
Other	(2,361)	(2,757)	(15,792)
Total deferred tax liabilities	(22,902)	(22,628)	(153,176)
Net deferred tax assets (liabilities)	¥ (9,969)	¥ (6,726)	\$ (66,678)

3. Accounting for corporation tax and local corporation tax and tax effect accounting

The Company and certain domestic consolidated subsidiaries have adopted the group tax sharing system from the fiscal year ended March 31, 2023. In addition, corporation tax and local corporation tax, as well as their tax effects, are accounted for and disclosed under Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System (PITF No.42, August 12, 2021).

4. Revision of deferred tax assets and liabilities due to changes in corporate tax rates

The “Act for Partial Revision of the Income Tax Act, etc.” (Act

No. 13 of 2025) was enacted by the National Diet on March 31, 2025. As a result, the “Special Defense Corporate Tax” will be imposed starting from the consolidated fiscal year beginning on or after April 1, 2026.

Accordingly, the statutory tax rate has been revised from 30.58% to 31.47% for temporary differences and other items expected to be reversed in or after the consolidated fiscal year beginning on or after April 1, 2026.

Due to this change, deferred tax assets (net of deferred tax liabilities) for the current consolidated fiscal year decreased by ¥331 million. In addition, deferred income taxes decreased by

¥233 million, the valuation difference on available-for-sale securities decreased by ¥333 million, and remeasurements of defined benefit plans decreased by ¥231 million.

12. REVENUE RECOGNITION

1. Information regarding disaggregated revenue from contracts with customers

Information regarding disaggregated revenue from contracts with customers is explained in Note 19, “Segment information.”

Revenues from other sources are not material.

2. Information that is the basis for understanding revenue from contracts with customers

Information that is the basis for understanding revenue from contracts with customers is explained in “Revenue recognition” in Note 2.

3. Information based on the relationship between the satisfaction of performance obligations under contracts with customers and cash flow arising from the contracts, as well as the amount and timing of revenue expected to be recognized after the next consolidated fiscal year from the contracts with customers that existed at the end of this consolidated fiscal year.

(1) Balance of contract assets and contract liabilities

Information regarding the balance of contract assets and contract liabilities of the Group in the current consolidated fiscal year is omitted because there was no significant balance and fluctuation. In addition, in this consolidated fiscal year, the amount of recognized revenue from the satisfaction of performance obligations in the prior year was not significant.

(2) Transaction price allocated to the remaining performance obligations

Information regarding transaction price allocated to remaining performance obligations of the Group is omitted because the Group have no significant contracts in which the expected initial term was more than one year.

In addition, there was no significant variable consideration which was not included in the transaction price among the consideration arising from contracts with customers.

13. SHORT-TERM LOANS PAYABLE AND LONG-TERM DEBT

Short-term loans payable are generally unsecured notes for three months with average interest rates of 2.25% and 2.40% at March 31, 2025 and 2024, respectively. Such borrowings are generally renewable at maturity.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Unsecured:			
Loans from banks and insurance companies at interest rates from 0.00% to 10.72% in 2025 and 2024, maturing serially through 2039	¥ 64,632	¥ 46,753	\$ 432,267
Bonds at interest rate of 0.11%, due September 12, 2024	—	5,000	—
Bonds at interest rate of 0.24%, due September 12, 2029	5,000	5,000	33,440
Bonds at interest rate of 0.724%, due December 7, 2028	10,000	10,000	66,880
	79,632	66,753	532,588
Less amounts due within one year	(6,659)	(11,361)	(44,541)
	¥ 72,972	¥ 55,391	\$ 488,047

At March 31, 2025 and 2024, assets pledged as collateral for secured notes and accounts payable – trade totaling ¥39 million (\$262 thousand) and ¥185 million were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Property, plant and equipment, net	¥ 2,869	¥ 4,708	\$ 19,193
	¥ 2,869	¥ 4,708	\$ 19,193

The aggregate annual maturities of long-term loans payable and bonds payable were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
Years ending March 31,	2025		2025
2026	¥ 6,659		\$ 44,541
2027	5,602		37,470
2028	8,678		58,043
2029	14,672		98,131
2030	26,707		178,623
2031 and thereafter	17,311		115,778
	¥ 79,632		\$ 532,588

	Millions of yen	
Years ending March 31,	2024	
2025	¥ 11,361	
2026	7,915	
2027	4,671	
2028	8,674	
2029	14,665	
2030 and thereafter	19,464	
	¥ 66,753	

14. PROVISION FOR RETIREMENT BENEFITS

Defined benefit plans

(1) Movement in retirement benefit obligations, except plan applying simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Balance at beginning of year	¥ 109,131	¥ 110,154	\$ 729,880
Service cost	3,391	3,627	22,685
Interest cost	1,570	1,578	10,503
Actuarial loss (gain)	(14,488)	(1,383)	(96,902)
Benefits paid	(4,890)	(5,144)	(32,709)
Other	(135)	300	(905)
Balance at the end of year	¥ 94,579	¥ 109,131	\$ 632,552

(2) Movements in plan assets, except plan applying simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Balance at beginning of year	¥ 100,849	¥ 93,400	\$ 674,491
Expected return on plan asset	2,391	2,229	15,992
Actuarial gain (loss)	(4,010)	6,238	(26,822)
Contributions paid by the employer	1,808	1,783	12,094
Benefits paid	(2,871)	(2,801)	(19,206)
Balance at the end of year	¥ 98,167	¥ 100,849	\$ 656,547

(3) Movement in liability for retirement benefits of defined benefit plan applying the simplified method

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Balance at beginning of year	¥ 4,304	¥ 4,075	\$ 28,786
Retirement benefit cost	569	555	3,808
Benefits paid	(455)	(331)	(3,047)
Other	(2)	3	(17)
Balance at the end of year	¥ 4,415	¥ 4,304	\$ 29,529

(4) Reconciliation from retirement benefit obligations and plan assets to liability and asset for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Funded retirement benefit obligation	¥ 90,358	¥ 104,994	\$ 604,322
Plan asset	(98,167)	(100,849)	(656,547)
	(7,808)	4,144	(52,225)
Unfunded retirement benefit obligations	8,636	8,441	57,758
Total net liability (asset) for retirement benefits	827	12,585	5,533
Net defined benefit liability	22,032	12,585	147,354
Net defined benefit asset	(21,205)	—	(141,820)
Total net liability (asset) for retirement benefits	¥ 827	¥ 12,585	\$ 5,533

(5) Retirement benefit costs

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Service cost	¥ 3,391	¥ 3,627	¥ 4,183	\$ 22,685
Interest cost	1,570	1,578	927	10,503
Expected return on plan assets	(2,391)	(2,229)	(2,272)	(15,992)
Net actuarial loss amortization	(862)	(552)	569	(5,771)
Retirement benefit expenses calculated by simplified method	569	555	492	3,808
	¥ 2,277	¥ 2,979	¥ 3,899	\$ 15,233

(6) Remeasurements for retirement benefits

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Actuarial gains and losses	¥ 9,615	¥ 7,069	¥ 10,813	\$ 64,307

(7) Accumulated remeasurements for retirement benefits

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Actuarial gains and losses that are yet to be recognized	¥ (26,005)	¥ (16,390)	\$ (173,926)

(8) Plan assets

1. Plan assets comprise:

	2025	2024
Bonds	49%	49%
Equity securities	28%	29%
General account	12%	12%
Other	10%	10%
	100%	100%

2. Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(9) Actuarial assumptions

The principal actuarial assumptions

	2025	2024	2023
Discount rate	Mainly 2.49%	Mainly 1.42%	Mainly 1.42%
Long-term expected rate of return	Mainly 2.50%	Mainly 2.50%	Mainly 2.50%

Defined contribution plans

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
The amount of contributions to the defined contribution plan	¥ 770	¥ 769	¥ 621	\$ 5,153

15. CONTINGENT LIABILITIES

At March 31, 2025 and 2024, contingent liabilities were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Notes discounted	¥ 4	¥ 10	\$ 31
Notes endorsed	—	20	—
Guarantees	118	129	789
	¥ 122	¥ 159	\$ 820

16. NET ASSETS

Under the Japanese Corporate Law ("the Law"), the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases in which a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of legal earnings reserve and additional paid-in capital must be set aside as legal earnings reserve or additional paid-in capital. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Legal earnings reserve and additional paid-in capital may not be distributed as dividends. By resolution of the shareholders' meeting, legal earnings reserve and additional paid-in capital may be transferred to other retained earnings and capital surplus, respectively, which are potentially available for dividends.

On May 14, 2025, the Board of Directors authorized cash dividends to shareholders of record at March 31, 2025 on the shares of stock then outstanding at the rate of ¥70.0 (\$0.46) per share or a total of ¥4,405 million (\$29,463 thousand).

The appropriations had not been accrued in the consolidated financial statements as of March 31, 2025.

Such appropriations are recognized in the period in which they are approved by the Board of Directors.

Cash dividends per share applicable to the fiscal year ended March 31, 2025, comprise interim dividends of ¥60.0 (\$0.40) and year-end dividends of ¥70.0 (\$0.46).

Changes in liabilities for written put options over non-controlling interests

The Group has granted written put options over shares of consolidated subsidiaries that apply the International Financial Reporting Standards (IFRS) to non-controlling interests of these consolidated subsidiaries. The amount of expected future payment is recorded in other liabilities, and the same amount is deducted from capital surplus. Any fluctuations that occur after the initial recognition is recognized through an increase or decrease in capital surplus.

17. STOCK OPTIONS

(1) The Company

The Company has implemented a stock option plan by which subscription rights to shares were granted to directors of the Company.

The Company conducted a consolidation of shares of common stock at the ratio of five shares to one share on October 1, 2018. The figures after conducting the consolidation of shares are shown as following in the table below.

The following table summarizes the Company's stock option plan.

	Stock options granted on August 9, 2024	Stock options granted on August 10, 2023	Stock options granted on August 12, 2022	Stock options granted on August 12, 2021
Category and number of people granted stock options	Company directors, 8 Executive officers, 29	Company directors, 8 Executive officers, 29	Company directors, 8 Executive officers, 27	Company directors, 8 Executive officers, 26
Number of stock options granted by category of stock	30,400 shares of common stock	31,000 shares of common stock	30,000 shares of common stock	29,200 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision
Exercise period	From August 10, 2024 through August 9, 2049 (*)	From August 11, 2023 through August 10, 2048 (*)	From August 13, 2022 through August 12, 2047 (*)	From August 13, 2021 through August 12, 2046 (*)

	Stock options granted on August 13, 2020	Stock options granted on August 9, 2019	Stock options granted on August 9, 2018	Stock options granted on August 9, 2017
Category and number of people granted stock options	Company directors, 8 Executive officers, 25	Company directors, 10 Executive officers, 22	Company directors, 9 Executive officers, 20	Company directors, 9 Executive officers, 16
Number of stock options granted by category of stock	29,000 shares of common stock	26,200 shares of common stock	24,400 shares of common stock	22,600 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision
Exercise period	From August 14, 2020 through August 13, 2045 (*)	From August 10, 2019 through August 9, 2044 (*)	From August 10, 2018 through August 9, 2043 (*)	From August 10, 2017 through August 9, 2042 (*)

	Stock options granted on August 9, 2016	Stock options granted on August 11, 2015	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013
Category and number of people granted stock options	Company directors, 10	Company directors, 10	Company directors, 10	Company directors, 10
Number of stock options granted by category of stock	14,800 shares of common stock	14,800 shares of common stock	15,000 shares of common stock	13,000 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision
Exercise period	From August 10, 2016 through August 9, 2041 (*)	From August 12, 2015 through August 11, 2040 (*)	From August 12, 2014 through August 11, 2039 (*)	From August 10, 2013 through August 9, 2038 (*)

	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010	Stock options granted on August 11, 2009
Category and number of people granted stock options	Company directors, 12	Company directors, 12	Company directors, 13	Company directors, 12
Number of stock options granted by category of stock	15,000 shares of common stock	15,000 shares of common stock	15,000 shares of common stock	15,000 shares of common stock
Vesting conditions	No provision	No provision	No provision	No provision
Exercise period	From August 10, 2012 through August 9, 2037 (*)	From August 11, 2011 through August 10, 2036 (*)	From August 11, 2010 through August 10, 2035 (*)	From August 12, 2009 through August 11, 2034 (*)

	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Category and number of people granted stock options	Company directors, 13	Company directors, 13
Number of stock options granted by category of stock	15,000 shares of common stock	11,400 shares of common stock
Vesting conditions	No provision	No provision
Exercise period	From August 12, 2008 through August 11, 2033 (*)	From September 11, 2007 through September 10, 2032 (*)

(*) If a holder of subscription rights to shares loses his/her position as a Company director during the above stated exercise period, the holder may exercise those rights only within the 10-day period beginning the day after losing such position.

The following table summarizes the movements and prices of subscription rights to shares.

	Stock options granted on August 9, 2024	Stock options granted on August 10, 2023	Stock options granted on August 12, 2022	Stock options granted on August 12, 2021	Stock options granted on August 13, 2020
Unvested stock options					
Beginning of term	—	—	—	—	—
Granted	30,400	—	—	—	—
Expired or forfeited	—	—	—	—	—
Vested	30,400	—	—	—	—
Unvested balance	—	—	—	—	—
Vested stock options					
Beginning of term	—	31,000	26,200	24,000	23,200
Vested	30,400	—	—	—	—
Exercised	—	2,600	2,600	2,600	2,600
Expired or forfeited	—	—	—	—	—
Unexercised balance	30,400	28,400	23,600	21,400	20,600
Exercise price (yen)	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	—	4,253	4,253	4,253	4,253
Fair value per stock at the date granted (yen)	2,954	3,270	3,060	3,997	2,138
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	—	28.44	28.44	28.44	28.44
Fair value per stock at the date granted (USD)	19.76	21.87	20.47	26.73	14.30

	Stock options granted on August 9, 2019	Stock options granted on August 9, 2018	Stock options granted on August 9, 2017	Stock options granted on August 9, 2016	Stock options granted on August 11, 2015
Unvested stock options					
Beginning of term	—	—	—	—	—
Granted	—	—	—	—	—
Expired or forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Unvested balance	—	—	—	—	—
Vested stock options					
Beginning of term	18,400	16,000	15,000	8,600	7,200
Vested	—	—	—	—	—
Exercised	1,800	2,000	2,000	1,800	1,400
Expired or forfeited	—	—	—	—	—
Unexercised balance	16,600	14,000	13,000	6,800	5,800
Exercise price (yen)	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	4,253	4,253	4,253	4,253	4,253
Fair value per stock at the date granted (yen)	2,957	4,900	3,880	3,605	4,735
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	28.44	28.44	28.44	28.44	28.44
Fair value per stock at the date granted (USD)	19.78	32.77	25.95	24.11	31.67

	Stock options granted on August 11, 2014	Stock options granted on August 9, 2013	Stock options granted on August 9, 2012	Stock options granted on August 10, 2011	Stock options granted on August 10, 2010
Unvested stock options					
Beginning of term	—	—	—	—	—
Granted	—	—	—	—	—
Expired or forfeited	—	—	—	—	—
Vested	—	—	—	—	—
Unvested balance	—	—	—	—	—
Vested stock options					
Beginning of term	7,400	4,200	3,600	3,000	2,600
Vested	—	—	—	—	—
Exercised	1,400	1,200	600	800	800
Expired or forfeited	—	—	—	—	—
Unexercised balance	6,000	3,000	3,000	2,200	1,800
Exercise price (yen)	1	1	1	1	1
Weighted average market value per stock at the dates exercised (yen)	4,253	4,253	4,253	4,253	4,253
Fair value per stock at the date granted (yen)	2,510	2,790	1,815	2,060	2,280
Exercise price (USD)	0.01	0.01	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	28.44	28.44	28.44	28.44	28.44
Fair value per stock at the date granted (USD)	16.79	18.66	12.14	13.78	15.25

	Stock options granted on August 11, 2009	Stock options granted on August 11, 2008	Stock options granted on September 10, 2007
Unvested stock options			
Beginning of term	—	—	—
Granted	—	—	—
Expired or forfeited	—	—	—
Vested	—	—	—
Unvested balance	—	—	—
Vested stock options			
Beginning of term	2,200	2,400	600
Vested	—	—	—
Exercised	—	—	—
Expired or forfeited	—	—	—
Unexercised balance	2,200	2,400	600
Exercise price (yen)	1	1	1
Weighted average market value per stock at the dates exercised (yen)	—	—	—
Fair value per stock at the date granted (yen)	3,110	3,000	4,415
Exercise price (USD)	0.01	0.01	0.01
Weighted average market value per stock at the dates exercised (USD)	—	—	—
Fair value per stock at the date granted (USD)	20.80	20.06	29.53

Expenses related to stock options were included in selling, general and administrative expenses and amounted to ¥89 million (\$600 thousand), ¥101 million and ¥91 million for the years ended March 31, 2025, 2024 and 2023, respectively.

The fair value of options granted was estimated based on the Black-Scholes model with the following assumptions.

	Stock options granted on August 9, 2024	Stock options granted on August 10, 2023
Expected volatility	26.91%	27.50%
Expected holding period	7 years	7 years
Expected dividend	110 yen	110 yen
Risk free interest rate	0.531%	0.346%

18. BUSINESS COMBINATION DUE TO ACQUISITION

Acquisition of shares

1. Summary of the business combination

(1) Name and business lines of the combined company

Name of the combined company

EndoStream Medical Ltd.

Business

Development and manufacturing of medical devices for the treatment of cerebrovascular diseases

(2) Reasons for executing business combination

To expand the business of the Health Care Solution Unit, including the Medical business, the Company will pursue joint development of new medical devices by combining its manufacturing expertise with the technologies of EndoStream Medical Ltd., primarily in the growing field of cerebrovascular diseases, in order to enhance our product portfolio.

(3) Date of the business combination

December 23, 2024

(4) Legal form of the business combination

Share acquisition in exchange for cash

(5) Name after the business combination

No change

(6) Share of voting rights acquired

96.8%

(7) Rationale behind determining the company to be acquired

The company acquired the shares by offering cash as consideration.

2. Period of results of the acquired company included in the consolidated financial statements

The acquisition date is deemed to be December 31, 2024. Accordingly, only the balance sheet of the acquired company as of its fiscal year ended December 31, 2024 has been consolidated. The operating results of the acquired company are not included in the consolidated statement of income for the current fiscal year.

3. Acquisition cost of the acquired company and breakdown by type of consideration:

	Millions of yen	Thousand of U.S. dollars (Note 1)
Consideration for the acquisition (Cash)	¥ 10,152	\$ 67,902
Acquisition cost	10,152	67,902

4. Main acquisition-related costs

Advisory fees: ¥214 million (\$1,437 thousand)

5. Amount of goodwill recognized, reason for recognition, amortization method and its period

(1) Amount of goodwill recognized

¥1,552 million (\$10,381 thousand)

(2) Reason for recognition

The acquisition cost exceeds the net asset value due to the expected excess earnings arising from future business development.

(3) Amortization method and its period

Straight-line amortization over 15 years

6. Value of assets acquired and liabilities assumed as of business combination

	Millions of yen	Thousand of U.S. dollars (Note 1)
Current assets	¥ 910	\$ 6,086
Non-current assets	11,119	74,370
Total assets	12,029	80,456
Current liabilities	589	3,940
Non-current liabilities	2,555	17,093
Total liabilities	3,145	21,034

7. Details of the contingent consideration specified in the business combination agreement and the accounting policy in and after the current consolidated fiscal year

(1) Details of the contingent consideration

Contingent consideration is payable based on the level of future performance achieved by the acquired company.

(2) The accounting policy in and after the current consolidated fiscal year

If additional consideration is recognized, the acquisition cost will be adjusted as if it had been paid at the acquisition date, and the amount of goodwill and its amortization will be revised accordingly.

8. Amounts allocated to intangible assets other than goodwill, along with the breakdown by type of major asset and the amortization period for each asset

	Amortization period	Millions of yen	Thousand of U.S. dollars (Note 1)
In-process research and development	—	¥ 11,112	\$ 74,318

The amortization period for in-process research and development is not disclosed, as the development has not yet been completed during the current consolidated fiscal year. Its amortization will commence upon completion of development based on the estimated useful life.

9. Estimated effect on consolidated statement of income assuming the business combination was concluded at the beginning of the fiscal year ended March 31, 2025 and its calculation method

	Millions of yen	Thousand of U.S. dollars (Note 1)
Operating income	¥ (622)	\$ (4,162)
Income before income taxes and non-controlling interests	(614)	(4,107)
Net income attributable to owners of parent	¥ (597)	\$ (3,992)

	Yen	U.S. dollars (Note 1)
Net income per share	¥ (9.46)	\$ (0.06)

(Calculation method for the estimated amounts)

The difference between net sales and the profit or loss accounts, calculated assuming the business combination was concluded at the beginning of the fiscal year ended March 31, 2025, and the corresponding figures in the accompanying consolidated statement of income has been used as the estimated effect.

The amounts shown above have not been audited.

19. SEGMENT INFORMATION

(Segment Information)

1. Overview of Reporting Segments

Kaneka's reporting segments aim to gather financial information from the Company's separate business units to facilitate decisions by the Board of Directors on the allocation of management resources and allow for the Board's regular review of business performance.

The Company has established the "Solutions Vehicle" as organizations for executing its growth strategies from a solutions perspective. There are ten Solutions Vehicles grouped into four solution domains called "Solutions Unit." Each Solutions Unit has established a global Group strategy for its products and services, bringing together subsidiaries in Japan and overseas to develop its business activities.

The Company, therefore, has four reporting segments categorized by Solution Unit: the "Material Solutions Unit," "Quality of Life Solutions Unit," "Health Care Solutions Unit" and "Nutrition Solutions Unit."

The Material Solutions Unit contributes to environmental protection and comfortable living by providing solutions in the form of high-performance materials to support the development of social infrastructure and mobility (i.e. weight reduction and improved fuel economy), and cutting-edge materials such as biopolymers that assist directly with the realization of environmental societies. The Quality of Life Solutions Unit contributes to energy conservation and the creation of high quality lifestyles by providing solutions in the form of high performance materials and unique services that meet the needs for energy conservation and adoption of smart technologies in housing and daily infrastructure. The unit is also responding to innovation in information driven societies, such as the advance of the IoT and AI. The Health Care Solutions Unit contributes to a society with greater longevity and more sophisticated medical care by providing valuable solutions that combine devices and pharmaceuticals in fields such as medicine, health and nursing care. The unit is also developing a unique healthcare business based on advanced medical technologies such as biopharmaceuticals and regenerative and cellular medicine. The Nutrition Solutions Unit contributes to health and high-quality food by providing a wide range of solutions in the form of distinctive materials and supplements that meet the needs in food diversification and health promotion. The unit also provides solutions that contribute to food production support in the fields of agriculture, livestock and fishery.

The Solutions Vehicles and main products that belong to each reporting segment are as follows:

Solutions Unit (Reporting Segments)	Solutions Vehicle	Main products
Material Solutions Unit	Vinyls and Chlor-Alkali	General PVC resins, Caustic soda, Specialty PVC resins
	Performance Polymers (MOD)	Modifiers, Epoxy masterbatch, Biodegradable polymers
	Performance Polymers (MS)	Modified silicone polymers
Quality of Life Solutions Unit	Foam & Residential Techs	Expandable polystyrene resins and products, Extruded polystyrene foam boards, Bead-method polyolefin foam, Solar circuit construction method (external insulation and double ventilation construction) products
	E & I Technology	Polyimide films, Optical materials, Graphite sheets
	PV & Energy management	Photovoltaic modules, Energy storage batteries for residences
	Performance Fibers	Acrylic synthetic fibers
Health Care Solutions Unit	Medical	Medical devices
	Pharma & Supplemental Nutrition (Pharma)	Low-molecular pharmaceutical materials, API, Biopharmaceuticals
Nutrition Solutions Unit	Pharma & Supplemental Nutrition (Supplemental Nutrition)	Functional foodstuffs
	Foods & Agris	Margarine, Shortening, Bakery yeast, Spices, Antifreeze materials, Dairy products, Functional fertilizers and feeds

2. Basis of Calculation of Monetary Amounts for Net Sales, Profit or Loss, Assets, Liabilities, and Other Items by Reporting Segment

Accounting treatment and procedures for reporting segments are the same as those shown in the "Notes to Consolidated Financial Statements." Intersegment transactions are based on prevailing market prices.

3. Segment Information by Business Category and Information of disaggregated revenue

Millions of yen										
2025	Reporting Segment					Others (Note 1)	Total	Adjustments	Consolidated (Note 2)	
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total					
Sales										
Customers	¥ 342,906	¥ 190,984	¥ 77,284	¥ 194,972	¥ 806,148	¥ 1,052	¥ 807,200	¥ —	¥ 807,200	
Intersegment	218	72	66	50	408	1,275	1,684	(1,684)	—	
Total	343,125	191,057	77,351	195,023	806,556	2,327	808,884	(1,684)	807,200	
Segment profit (loss)	30,961	20,027	13,399	13,072	77,460	517	77,978	(37,928)	40,050	
Segment assets	335,055	221,495	110,925	127,487	794,964	604	795,568	124,574	920,143	
Other Items										
Depreciation	14,905	12,265	5,455	5,675	38,301	15	38,317	5,326	43,644	
Amortization of goodwill	—	—	431	160	592	—	592	131	723	
Investment in equity method affiliates	—	2,876	—	—	2,876	—	2,876	—	2,876	
Increase in assets	23,628	11,563	5,120	5,176	45,487	26	45,514	20,250	65,764	

(Notes 1): "Others" is a business segment that is not included in the reporting segments and includes property and life insurance agency business.

(Notes 2): Segment profit (loss) is reconciled with operating income in the consolidated financial statements.

Millions of yen										
2024	Reporting Segment					Others (Note 1)	Total	Adjustments	Consolidated (Note 2)	
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total					
Sales										
Customers	¥ 322,902	¥ 176,182	¥ 74,856	¥ 187,182	¥ 761,123	¥ 1,178	¥ 762,302	¥ —	¥ 762,302	
Intersegment	225	47	—	47	320	1,147	1,467	(1,467)	—	
Total	323,127	176,230	74,856	187,229	761,444	2,325	763,769	(1,467)	762,302	
Segment profit (loss)	27,495	15,361	12,941	12,076	67,875	667	68,542	(35,963)	32,579	
Segment assets	318,282	222,946	108,205	127,832	777,267	521	777,789	92,416	870,205	
Other Items										
Depreciation	14,388	11,562	4,397	5,300	35,648	16	35,664	4,841	40,505	
Amortization of goodwill	—	—	402	153	556	—	556	119	675	
Investment in equity method affiliates	72	2,742	—	—	2,814	—	2,814	—	2,814	
Increase in assets	20,513	12,282	11,073	5,451	49,320	18	49,339	24,062	73,401	

(Notes 1): "Others" is a business segment that is not included in the reporting segments and includes property and life insurance agency business.

(Notes 2): Segment profit (loss) is reconciled with operating income in the consolidated financial statements.

Millions of yen										
2023	Reporting Segment					Others (Note 1)	Total	Adjustments	Consolidated (Note 2)	
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total					
Sales										
Customers	¥ 333,854	¥ 172,766	¥ 70,786	¥ 177,339	¥ 754,747	¥ 1,074	¥ 755,821	¥ —	¥ 755,821	
Intersegment	384	33	—	51	469	1,135	1,605	(1,605)	—	
Total	334,238	172,800	70,786	177,391	755,216	2,210	757,426	(1,605)	755,821	
Segment profit (loss)	27,449	16,131	15,682	7,585	66,849	554	67,404	(32,316)	35,087	
Segment assets	293,447	212,030	86,846	119,893	712,218	462	712,681	69,958	782,640	
Other Items										
Depreciation	13,818	11,661	3,963	5,093	34,536	19	34,556	4,624	39,180	
Amortization of goodwill	—	—	367	172	540	—	540	110	650	
Investment in equity method affiliates	69	2,584	—	—	2,654	—	2,654	—	2,654	
Increase in assets	10,642	9,885	5,229	3,718	29,476	101	29,577	14,770	44,348	

(Notes 1): "Others" is a business segment that is not included in the reporting segments and includes property and life insurance agency business.

(Notes 2): Segment profit (loss) is reconciled with operating income in the consolidated financial statements.

Thousands of U.S. dollars (Note 1)

2025	Reporting Segment					Others (Note 1)	Total	Adjustments	Consolidated (Note 2)
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit	Total				
Sales									
Customers	\$ 2,293,380	\$ 1,277,316	\$ 516,883	\$ 1,303,992	\$ 5,391,573	\$ 7,036	\$ 5,398,609	\$ —	\$ 5,398,609
Intersegment	1,464	485	444	338	2,733	8,531	11,264	(11,264)	—
Total	2,294,844	1,277,802	517,328	1,304,331	5,394,306	15,567	5,409,874	(11,264)	5,398,609
Segment profit (loss)	207,070	133,946	89,618	87,428	518,063	3,463	521,527	(253,669)	267,857
Segment assets	2,240,872	1,481,380	741,875	852,648	5,316,776	4,043	5,320,819	833,162	6,153,982
Other Items									
Depreciation	99,688	82,030	36,483	37,960	256,163	105	256,268	35,627	291,895
Amortization of goodwill	—	—	2,885	1,074	3,960	—	3,960	879	4,839
Investment in equity method affiliates	—	19,239	—	—	19,239	—	19,239	—	19,239
Increase in assets	158,027	77,335	34,244	34,618	304,224	179	304,404	135,434	439,838

(Notes 1): "Others" is a business segment that is not included in the reporting segments and includes property and life insurance agency business.

(Notes 2): Segment profit (loss) is reconciled with operating income in the consolidated financial statements.

4. Reconciliation Between Segment Total and Consolidated Statements of Income (Adjustments)

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Income				
Segment total	¥ 77,460	¥ 67,875	¥ 66,849	\$ 518,063
Income classified under "others"	517	667	554	3,463
Elimination of intersegment transactions	0	1	1	3
Companywide expenses (Note)	(37,977)	(36,053)	(32,422)	(253,998)
Other adjustments	48	88	103	324
Operating income in the consolidated statements of income	¥ 40,050	¥ 32,579	¥ 35,087	\$ 267,857

Note: Companywide expenses are primarily expenses for basic R&D that are not allocable to any reporting segments.

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2025	2024	2023	2025
Assets				
Segment total	¥ 794,964	¥ 777,267	¥ 712,218	\$ 5,316,776
Assets classified under "others"	604	521	462	4,043
Elimination of intersegment transactions	(13,389)	(12,929)	(11,171)	(89,549)
Companywide assets (Note)	138,540	106,416	81,162	926,565
Other adjustments	(576)	(1,069)	(32)	(3,854)
Total assets in the consolidated statements of income	¥ 920,143	¥ 870,205	¥ 782,640	\$ 6,153,982

Note: Companywide assets are working capital, investment securities and land that are not allocable to any reporting segments.

	Millions of yen										
	Segment total			Others			Adjustments (Note)			Consolidated	
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024
Other Items											
Depreciation	¥ 38,301	¥ 35,648	¥ 34,536	¥ 15	¥ 16	¥ 19	¥ 5,326	¥ 4,841	¥ 4,624	¥ 43,644	¥ 40,505
Increase in assets	45,487	49,320	29,476	26	18	101	20,250	24,062	14,770	65,764	73,401

Note: "Adjustments" is primarily expenses for basic R&D that are not allocable to any reporting segments.

	Thousands of U.S. dollars (Note 1)			
	Segment total	Others	Adjustments (Note)	Consolidated
	2025	2025	2025	2025
Other Items				
Depreciation	\$ 256,163	\$ 105	\$ 35,627	\$ 291,895
Increase in assets	304,224	179	135,434	439,838

Note: "Adjustments" is primarily expenses for basic R&D that are not allocable to any reporting segments.

(Related Information)

Related information at March 31, 2025, 2024 and 2023 consisted of the following.

1. Information by Product and Service

No information is reported because product and service classifications are the same as the reporting segment classifications.

2. Geographic Area

(1) Sales

2025	Millions of yen					
	Japan	Asia	North America	Europe	Other areas	Total
	¥ 440,431	¥ 170,313	¥ 77,101	¥ 83,303	¥ 36,051	¥ 807,200

2024	Millions of yen					
	Japan	Asia	North America	Europe	Other areas	Total
	¥ 427,433	¥ 149,390	¥ 69,318	¥ 81,811	¥ 34,348	¥ 762,302

2023	Millions of yen					
	Japan	Asia	North America	Europe	Other areas	Total
	¥ 414,250	¥ 152,059	¥ 74,625	¥ 77,903	¥ 36,983	¥ 755,821

2025	Thousands of U.S. dollars (Note 1)					
	Japan	Asia	North America	Europe	Other areas	Total
	\$ 2,945,633	\$ 1,139,068	\$ 515,656	\$ 557,139	\$ 241,111	\$ 5,398,609

Note: Sales are classified into countries or regions based on the geographic location of customers.

(2) Property, plant and equipment

2025	Millions of yen								
	Japan		Asia		North America		Europe and others		Total
	¥	243,360	¥	37,077	¥	19,847	¥	40,149	¥ 340,435

2024	Millions of yen										
	Japan			Asia		North America		Europe and others		Total	
	¥	234,562	¥	38,423	¥	19,852	¥	38,480	¥	331,319	

2025	Thousands of U.S. dollars (Note 1)				
	Japan	Asia	North America	Europe and others	Total
	\$ 1,627,612	\$ 247,980	\$ 132,739	\$ 268,520	\$ 2,276,852

3. Information on Major Customers

No information is reported because no sales to any external customer represented more than 10% of net sales on the consolidated statements of income.

(Information on Impairment Loss on Fixed Assets by Reporting Segment)

Information on impairment loss on fixed assets by reporting segment at March 31, 2025, 2024 and 2023 consisted of the following.

The figures in FY2025, FY2024 and FY2023 are omitted because they are not significant in terms of monetary amount.

(Information on Amortization of Goodwill and Unamortized Balances by Reporting Segment)

Information on amortization of goodwill and unamortized balances by reporting segment at March 31, 2025 and 2024 consisted of the following.

Millions of yen										
2025	Segment Information					Total	Others	Adjustments (Note)	Consolidated	
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit						
(Goodwill)										
Amortization	¥ —	¥ —	¥ 431	¥ 160	¥ 592	¥ —	¥ 131	¥ 723		
Balance	—	—	105	605	710	—	1,960	2,671		

Millions of yen										
2024	Segment Information					Total	Others	Adjustments (Note)	Consolidated	
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit						
(Goodwill)										
Amortization	¥ —	¥ —	¥ 402	¥ 153	¥ 556	¥ —	¥ 119	¥ 675		
Balance	—	—	532	784	1,317	—	542	1,859		

Thousands of U.S. dollars (Note 1)										
2025	Segment Information					Total	Others	Adjustments (Note)	Consolidated	
	Material Solutions Unit	Quality of Life Solutions Unit	Health Care Solutions Unit	Nutrition Solutions Unit						
(Goodwill)										
Amortization	\$ —	\$ —	\$ 2,885	\$ 1,074	\$ 3,960	\$ —	\$ 879	\$ 4,839		
Balance	—	—	706	4,047	4,754	—	13,111	17,865		

Note: "Adjustments" includes amortization expense mainly related to basic research and development activities that is not attributed to any specific reporting segment.

20. SUBSEQUENT EVENTS

(Purchase and cancellation of treasury stock)

The Board of Directors of the Company, at its meeting held on May 14, 2025, resolved that the Company will purchase its treasury stock pursuant to the provisions of the Articles of Incorporation of the Company stipulated in Article 459, Paragraph 1 of the Companies Act, and cancel its treasury stock pursuant to Article 178 of the Companies Act.

1. Reasons for purchase and cancellation of treasury stock

To enhance shareholder value and execute a flexible capital strategy in response to changes in the business environment.

2. Details of the purchase

(1) Class of shares to be purchased

Shares of common stock

(2) Total number of shares to be purchased

Up to 3,000,000 shares (equivalent to 4.77 % of total number of issued shares, excluding treasury stock)

(3) Total amount of shares to be purchased

Up to 12 billion yen

(4) Period for purchase

From May 15, 2025, to March 24, 2026

(5) Method of purchase

Market purchases on the Tokyo Stock Exchange
(including off-auction repurchase transactions of treasury shares through the Tokyo Stock Exchange TradingNetwork System (ToSTNeT-3))

3. Details of the cancellation

(1) Class of shares to be cancelled

Shares of common stock

(2) The number of shares to be cancelled

3,000,000 shares

(3) Scheduled cancellation date

March 31, 2026



Independent auditor's report

To the Board of Directors of Kaneka Corporation:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Kaneka Corporation (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), which comprise the consolidated balance sheets as at March 31, 2025 and 2024, the consolidated statements of income and comprehensive income, changes in net assets and cash flows for each of the years in the three-year period ended March 31, 2025 and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the years in the three-year period ended March 31, 2025 in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the Company's judgment on impairment of fixed assets

The key audit matter	How the matter was addressed in our audit
In the consolidated balance sheets of the Group, property, plant and equipment of ¥340,435 million and intangible assets of ¥33,159 million were	In order to assess the appropriateness of the Company's judgment on impairment of fixed assets, we involved the component auditors of

<p>recognized as of March 31, 2025, which represented 40% of total assets on a consolidated basis.</p> <p>The Company operates various businesses globally and generally assesses whether an impairment indicator exists for assets or asset groups based on Solutions Vehicle, as described in Note 2,</p> <p>“Significant accounting policies, Significant accounting estimates, 1.Impairment of fixed assets” to the consolidated financial statements. If any impairment indicator is identified for such assets or asset groups, the Company assesses whether an impairment loss should be recognized by using the future cash flows based on the medium-term management plan. If the Company determines that an impairment loss is required to be recognized, the carrying amount is reduced to the recoverable amount, and the resulting decrease in the carrying amount is recognized as an impairment loss.</p> <p>The assessment of whether an impairment indicator exists involves management judgement since it is identified based on certain cases where operating losses or net cash outflows arising from operating activities continue, or where a change in the scope or method of use of the assets or asset groups significantly lowers their recoverable amounts. The estimates of future cash flows used in the impairment testing are subject to uncertainty since they are based on the medium-term management plan approved by management, which contains key assumptions of future economic trends, changes in business environment and other factors.</p> <p>We, therefore, determined that our assessment of the appropriateness of the Company’s judgment on impairment of fixed assets was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.</p>	<p>some of the consolidated subsidiaries and performed the audit procedures set out below, including the direction and supervision of the component auditor and the review of its work, among others.</p> <p>(1) Internal control testing</p> <p>We tested the design and operating effectiveness of certain of the Company’s internal controls relevant to the application of impairment accounting to fixed assets.</p> <p>(2) Assessment of the appropriateness of the application of impairment accounting to fixed assets</p> <p>In order to assess the appropriateness of the application of impairment accounting to fixed assets, we:</p> <ul style="list-style-type: none"> ● inspected the Company’s internal rules related to the impairment of fixed assets and materials of application of impairment accounting to assess the asset grouping, as well as inquired of the appropriate manager and inspected relevant materials to consider the necessity of revising asset grouping; ● assessed the reliability of the profit and loss performance of the asset grouping unit, which was the basis for determining whether operating activities generate losses continuously, by comparing it with relevant data; ● assessed the consistency of the estimates of future cash flows related to assets or asset groups with impairment indicator with the medium-term management plan; and ● assessed the reasonableness of the feasibility of the medium-term management plan by inquiring of the appropriate manager and comparing the actual performance with the past management plans.
Reasonableness of the acquisition cost of EndoStream Medical Ltd. and the appropriateness of purchase price allocation	
The key audit matter	How the matter was addressed in our audit
<p>As described in Notes 2, “Significant accounting policies, Significant accounting estimates, 2.Impairment of goodwill and other intangible assets recognized through the business combination with EndoStream Medical Ltd.” and 18,“Business</p>	<p>The primary procedures we performed to assess the reasonableness of the acquisition cost of ESM shares and the appropriateness of its allocation included the following:</p>

Combination due to Acquisition” to the consolidated financial statements, in December 2024, the Company acquired 96.8% of the shares of EndoStream Medical Ltd. (hereinafter “ESM”), which develops the aneurysm device Nautilus™, and consequently made ESM a consolidated subsidiary. The acquisition cost of the shares amounted to ¥10,152 million. As of the end of the current fiscal year, In-process research and development and Goodwill were stated at ¥11,112 million and ¥1,552 million, respectively.

The Company determined the acquisition cost of ESM shares based on the corporate value derived from the medium-term management plan prepared by management. Additionally, for the allocation of the acquisition cost, the Company engaged external experts to determine the fair value of identifiable assets and liabilities and recognized the residual value from the allocation as goodwill.

The medium-term management plan, which served as the basis for evaluating corporate value and the purchase price allocation, included key assumptions related to the estimate of sales volume based on the future number of cases and market share projections, and these future forecasts involved uncertainty.

In addition, selecting appropriate input data for estimating the discount rate used to evaluate corporate value and allocate the acquisition cost required management’s judgment.

We, therefore, determined that the assessment of the reasonableness of the acquisition cost of ESM shares and the appropriateness of the purchase price allocation was one of the most significant matters in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

(1) Internal control testing

We tested the design and operating effectiveness of certain internal controls of the Company that are relevant to the determination of the purchase price of shares and the purchase price allocation. In this assessment, we focused our testing on the following controls:

- approval by the Company’s board of directors for the acquisition of ESM shares; and
- the Company’s evaluation of the work performed by external experts in relation to the allocation of the acquisition cost.

(2) Assessment of the reasonableness of the acquisition cost and the appropriateness of its allocation

With respect to key assumptions embedded in the medium-term management plan, which formed the basis for evaluating corporate value, and the allocation of the acquisition cost, we:

- inquired of ESM’s management and the personnel responsible for the business regarding the business overview and inspected relevant documents, such as the share purchase agreement;
- discussed the future number of cases included in the medium-term management plan with the personnel responsible for the business and compared such number with external data we independently obtained; we also discussed market share projections with the personnel and compared them with past actual results of other core products in the same business;
- assessed the consistency of the business plan used to calculate in-process research and development for the allocation of the acquisition cost with the business plan that formed the basis for evaluating corporate value; and
- assessed the appropriateness of the valuation method for in-process research and development and the discount rate at the time of the business combination by involving valuation specialists within our domestic

	network firms.
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Other Information

The other information comprises the information included in the Financial Section of Integrated Report, but does not include the consolidated financial statements and our auditor's reports thereon.

Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise

professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose of the group audit. We remain solely responsible for our audit opinion.

We communicate with corporate auditors and the board of corporate auditors regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with corporate auditors and the board of corporate auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Fee-related Information

Fees paid or payable to our firm and to other firms within the same network as our firm for audit and non-audit services provided to the Company and its subsidiaries for the current year are 396 million yen

and 161 million yen, respectively.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2025 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Koji Narumoto

Designated Engagement Partner

Certified Public Accountant

Masato Tateishi

Designated Engagement Partner

Certified Public Accountant

Junichi Morimoto

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Osaka Office, Japan

July 31, 2025

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.



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