

Integrated Report

2025

Financial Section

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Consolidated Balance Sheet

UBE 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)	¥ 115,442	¥ 35,859	\$ 769,613
Time deposits (Note 5)	527	500	3,513
Receivables (Notes 5 and 23):			
Notes - trade	6,271	4,686	41,807
Accounts - trade	96,469	97,354	643,127
Contract assets	3,877	5,738	25,847
Others	8,909	11,600	59,393
Allowance for doubtful accounts	(137)	(75)	(913)
Inventories (Note 7)	121,989	133,948	813,260
Other current assets	5,030	6,068	33,533
Total current assets	358,377	295,678	2,389,180
Property, plant and equipment (Notes 9 and 15):			
Land	37,431	37,243	249,540
Buildings and structures	157,753	154,309	1,051,687
Machinery and equipment	565,592	557,650	3,770,613
Construction in progress	46,820	27,211	312,133
Accumulated depreciation	(584,895)	(554,255)	(3,899,300)
Total property, plant and equipment, net	222,701	222,158	1,484,673
Investments and other assets:			
Investment securities (Notes 5 and 6)	225,502	223,923	1,503,347
Long-term loans receivable	120	122	800
Deferred tax assets (Note 16)	19,752	11,881	131,680
Net defined benefit asset (Note 20)	19,590	18,622	130,600
Other non-current assets	19,844	16,925	132,293
Allowance for doubtful accounts	(217)	(275)	(1,447)
Total investments and other assets	284,591	271,198	1,897,273
Total assets	¥ 865,669	¥ 789,034	\$ 5,771,126

See accompanying notes.

**Liabilities
and Net Assets**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Current liabilities:			
Short-term loans payable (Notes 5,8 and 9)	¥ 50,905	¥ 32,350	\$ 339,367
Commercial paper (Note 5)	8,996	—	59,973
Current portion of long-term debt (Notes 5,8 and 9)	29,933	41,020	199,554
Payables (Note 5):			
Notes and accounts - trade	48,258	62,068	321,720
Others	28,221	28,108	188,140
Provision for bonuses	4,600	5,141	30,667
Income taxes payable (Note 5)	4,427	4,154	29,513
Contract liabilities	13,008	15,040	86,720
Other current liabilities	9,371	10,340	62,473
Total current liabilities	197,719	198,221	1,318,127
Long-term liabilities:			
Long-term debt less current portion (Notes 5,8 and 9)	235,646	135,572	1,570,973
Net defined benefit liability (Note 20)	4,711	7,289	31,407
Deferred tax liabilities (Note 16)	857	1,430	5,713
Other long-term liabilities	14,723	17,167	98,153
Total long-term liabilities	255,937	161,458	1,706,246
Contingent liabilities (Note 10)			
Net assets (Note 11):			
Capital stock, without par value:			
Authorized — 330,000,000 shares			
Issued — 106,200,107 shares as of March 31, 2025 and 2024	58,435	58,435	389,567
Capital surplus	40,363	40,370	269,086
Retained earnings	260,914	276,409	1,739,427
Treasury shares			
9,079,297 shares as of March 31, 2025 and			
9,126,797 shares as of March 31, 2024	(21,486)	(21,598)	(143,240)
Valuation difference on available-for-sale securities	7,555	8,885	50,366
Deferred gains (losses) on hedges	12	64	80
Foreign currency translation adjustment	41,331	39,418	275,540
Remeasurements of defined benefit plans	7,954	6,706	53,027
Share acquisition rights (Note 21)	24	62	160
Non-controlling interests	16,911	20,604	112,740
Total net assets	412,013	429,355	2,746,753
Total liabilities and net assets	¥ 865,669	¥ 789,034	\$ 5,771,126

See accompanying notes.

Consolidated Statement of Income

UBE Corporation and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Net sales (Note 23)	¥ 486,802	¥468,237	\$ 3,245,347
Cost of sales	395,869	381,526	2,639,127
Gross profit	90,933	86,711	606,220
Selling, general and administrative expenses (Notes 12,13 and 22)	72,888	64,255	485,920
Operating profit	18,045	22,456	120,300
Other income (expenses):			
Interest and dividend income	1,277	3,983	8,513
Interest expenses	(1,730)	(1,042)	(11,533)
Share of profit of entities accounted for using equity method	7,641	12,343	50,940
Others, net (Note 14)	(36,123)	(2,672)	(240,820)
	(28,935)	12,612	(192,900)
Profit (loss) before income taxes	(10,890)	35,068	(72,600)
Income taxes (Note 16):			
Current	6,914	7,364	46,093
Deferred	(8,589)	(1,332)	(57,260)
	(1,675)	6,032	(11,167)
Profit (loss)	(9,215)	29,036	(61,433)
Profit (loss) attributable to non-controlling interests	(4,399)	55	(29,326)
Profit (loss) attributable to owners of parent	¥ (4,816)	¥ 28,981	\$ (32,107)

	Yen		U.S. dollars (Note 1)
	2025	2024	2025
Per share:			
Net income (loss):			
Basic	¥ (49.60)	¥ 298.59	\$ (0.331)
Diluted	—	298.45	—
Cash dividends applicable to the period	110.00	105.00	0.733

See accompanying notes.

Consolidated Statement of Comprehensive Income

UBE Corporation and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Profit (loss)	¥ (9,215)	¥ 29,036	\$ (61,433)
Valuation difference on available-for-sale securities	(1,725)	3,129	(11,500)
Deferred gains (losses) on hedges	(3)	44	(20)
Foreign currency translation adjustment	3,468	9,918	23,120
Remeasurements of defined benefit plans, net of tax	1,138	5,194	7,587
Share of other comprehensive income of entities accounted for using equity method	(9)	11,312	(60)
Total other comprehensive income	2,869	29,597	19,127
Comprehensive income	¥ (6,346)	¥ 58,633	\$ (42,306)
Attributable to:			
Owners of parent	¥ (3,037)	¥ 57,530	\$ (20,246)
Non-controlling interests	(3,309)	1,103	(22,060)

See accompanying notes.

Consolidated Statement of Changes in Net Assets

UBE Corporation and Consolidated Subsidiaries

Millions of yen

For the year ended March 31, 2025	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	Non-controlling interests
Opening balance	106,200	¥58,435	¥40,370	¥276,409	¥(21,598)	¥8,885	¥64	¥39,418	¥6,706	¥62	¥20,604
Cash dividends at ¥110.00 per share	—	—	—	(10,679)	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	(4,816)	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	(6)	—	—	—	—	—	—
Disposal of treasury shares	—	—	(7)	—	118	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(1,330)	(52)	1,913	1,248	(38)	(3,693)
Closing balance	106,200	¥58,435	¥40,363	¥260,914	¥(21,486)	¥7,555	¥12	¥41,331	¥7,954	¥24	¥16,911

Millions of yen

For the year ended March 31, 2024	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	Non-controlling interests
Opening balance	106,200	¥58,435	¥40,371	¥257,957	¥(21,676)	¥2,698	¥(143)	¥23,740	¥229	¥71	¥19,949
Cash dividends at ¥95.00 per share	—	—	—	(9,220)	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	28,981	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	(7)	—	—	—	—	—	—
Disposal of treasury shares	—	—	(1)	—	85	—	—	—	—	—	—
Effect of changes in retained earnings of equity-method affiliates	—	—	—	(1,309)	—	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	6,187	207	15,678	6,477	(9)	655
Closing balance	106,200	¥58,435	¥40,370	¥276,409	¥(21,598)	¥8,885	¥64	¥39,418	¥6,706	¥62	¥20,604

Thousands of U.S. dollars (Note 1)

For the year ended March 31, 2025	Number of shares issued (thousands)	Capital stock	Capital surplus	Retained earnings	Treasury shares	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Share acquisition rights	Non-controlling interests
Opening balance	106,200	\$389,567	\$269,133	\$1,842,727	\$(143,987)	\$59,233	\$427	\$262,787	\$44,707	\$413	\$137,360
Cash dividends at ¥110.00 per share	—	—	—	(71,193)	—	—	—	—	—	—	—
Profit (loss) attributable to owners of parent	—	—	—	(32,107)	—	—	—	—	—	—	—
Purchase of treasury shares	—	—	—	—	(40)	—	—	—	—	—	—
Disposal of treasury shares	—	—	(47)	—	787	—	—	—	—	—	—
Net changes of items other than shareholders' equity	—	—	—	—	—	(8,867)	(347)	12,753	8,320	(253)	(24,620)
Closing balance	106,200	\$389,567	\$269,086	\$1,739,427	\$(143,240)	\$50,366	\$ 80	\$275,540	\$53,027	\$160	\$112,740

See accompanying notes.

Consolidated Statement of Cash Flows

UBE Corporation and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2025	2024	2025
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (10,890)	¥35,068	\$ (72,600)
Depreciation and amortization	27,171	26,572	181,140
Loss on impairment of fixed assets	29,079	353	193,860
Interest and dividend income	(1,277)	(3,983)	(8,513)
Interest expense	1,730	1,042	11,533
Share of loss (profit) of entities accounted for using equity method	(7,641)	(12,343)	(50,940)
Loss (gain) on sales of property, plant and equipment	(301)	(44)	(2,007)
Loss (gain) on sales of investment securities	(72)	(293)	(480)
Decrease (increase) in notes and accounts receivable - trade	(414)	1,652	(2,760)
Decrease (increase) in inventories	10,418	(3,013)	69,453
Increase (decrease) in notes and accounts payable - trade	(10,740)	(7,813)	(71,600)
Increase (decrease) in defined benefit asset and liability	(3,372)	(7,607)	(22,480)
Others, net	(5,243)	22,303	(34,953)
Subtotal	28,448	51,894	189,653
Interest and dividend income received	14,163	5,843	94,420
Interest expenses paid	(1,676)	(1,035)	(11,173)
Income taxes paid	(5,098)	(3,742)	(33,987)
Net cash provided by (used in) operating activities	35,837	52,960	238,913
Cash flows from investing activities:			
Proceeds from sales of property, plant and equipment	540	283	3,600
Purchase of property, plant and equipment and intangible assets	(58,930)	(30,972)	(392,867)
Proceeds from sales of investment securities	3,647	406	24,313
Purchase of investment securities	(51)	(41)	(340)
Purchase of shares of subsidiaries and affiliates	(10,715)	(1,070)	(71,433)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,855)	—	(12,367)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	368	—
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(695)	—	(4,633)
Proceeds from withdrawal of investments in subsidiaries and associates	1,672	—	11,147
Proceeds from withdrawal of investments in silent partnerships	—	300	—
Net decrease (increase) in loans receivable	3,244	(2,660)	21,627
Others, net	(9)	70	(60)
Net cash provided by (used in) investing activities	(63,152)	(33,316)	(421,013)
Cash flows from financing activities:			
Proceeds from long-term borrowings	99,993	10,582	666,620
Proceeds from issuance of bonds	29,881	9,949	199,206
Repayments of long-term borrowings	(31,097)	(19,289)	(207,313)
Redemption of bonds	(10,000)	—	(66,667)
Net increase (decrease) in short-term borrowings	20,118	(3,653)	134,120
Net increase (decrease) in commercial paper	8,996	(3,000)	59,973
Cash dividends paid	(10,649)	(9,191)	(70,993)
Dividends paid to non-controlling interests	(726)	(448)	(4,840)
Others, net	(665)	(662)	(4,433)
Net cash provided by (used in) financing activities	105,851	(15,712)	705,673
Effect of exchange rate changes on cash and cash equivalents	1,047	1,224	6,980
Net increase (decrease) in cash and cash equivalents	79,583	5,156	530,553
Cash and cash equivalents at beginning of the year	35,859	30,703	239,060
Cash and cash equivalents at end of the year	¥115,442	¥35,859	\$769,613

See accompanying notes.

Notes to Consolidated Financial Statements

UBE Corporation and Consolidated Subsidiaries
For the years ended March 31, 2025 and 2024

1**Basis of presenting consolidated financial statements**

(a) UBE Corporation (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required under the Financial Instruments and Exchange Act of Japan and, accordingly, have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain modifications have been made to the accompanying financial statements in order to present them in a form which is more familiar to readers outside Japan.

(b) The accompanying financial statements are expressed in Japanese yen and, solely for the convenience of the reader, have been translated into U.S. dollars at ¥150=US\$1, the approximate rate of exchange on March 31, 2025. The translation should not be construed as a representation that Japanese yen have been, could have been, or could in the future be converted into U.S. dollars at the above or any other rate.

2**Significant accounting policies****(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates**

The accompanying consolidated financial statements include the accounts of the Company and significant companies controlled directly or indirectly by the Company (34 and 36 consolidated companies for the years ended March 31, 2025 and 2024, respectively). Significant companies over which the Company exercises significant influence in terms of their operating and financial policies are included in the consolidated financial statements by the equity method (17 and 16 companies for the years ended March 31, 2025 and 2024, respectively). All significant intercompany balances and transactions are eliminated in consolidation.

Certain subsidiaries are consolidated using their financial statements as of their respective fiscal year end, which falls on December 31, and necessary adjustments are made to their financial statements to reflect any significant transactions occurring during the January 1 to March 31 period.

In the initial consolidation, assets and liabilities of subsidiaries including those attributable to non-controlling interests are recorded based on fair value in the consolidated financial statements.

The difference between acquisition cost and the underlying net assets at fair value at the date of acquisition is amortized over a period of 20 years on a straight-line basis. Goodwill in the amount of ¥2,418 million (US\$16,120 thousand) and ¥1,448 million is included in “Other non-current assets” on the consolidated balance sheet as of March 31, 2025 and 2024, respectively.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost.

(b) Accounting for income taxes

Deferred tax assets and liabilities are recognized in the consolidated financial statements with respect to the differences between the financial reporting and the tax bases of the assets and liabilities.

Deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Valuation allowance is provided for the deferred tax assets that are not realizable within a reasonable period.

(c) Securities

Securities other than equity securities issued by subsidiaries and affiliates are classified into three categories: “Trading,” “Held-to-maturity” and “Others.” The Company and its consolidated subsidiaries have no trading securities and held-to-maturity securities. Marketable securities classified as other securities are carried at fair value with changes in the valuation difference, net of the applicable income taxes, included directly in net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(d) Derivatives and hedge accounting

All derivatives are stated at fair value, with changes in fair value recorded as gain or loss for the period in which they arise.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Group defers the recognition of gains or losses resulting from changes in the fair value of the derivative financial instruments until the related losses or gains on the hedged items are recognized.

If interest rate swap contracts meet certain hedging criteria, the net amount to be paid or received under these swap contracts is added to or deducted from the interest on the assets or liabilities for which the swap contracts were executed (“Short-cut method”).

Summarized in the table below are hedging instruments and items hedged.

Hedging instruments	Items hedged
Interest rate swaps	Loans
Interest rate options	Loans
Forward foreign exchange contracts	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency options	Foreign currency receivables and payables Forecasted foreign currency transactions
Currency swaps	Foreign currency loans

The Company and its consolidated subsidiaries use hedging instruments for the purpose of reducing the fluctuation risk of interest rates, and foreign exchange in accordance with the Company's policies.

The effectiveness of hedging activities is assessed by confirming whether each hedging instrument corresponds to the item hedged.

Additional information on derivatives is presented in Note 17. Derivative financial instruments.

(e) Retirement and pension plan

The Company attributes projected benefits based on a flat benefit formula.

Actuarial gain or loss is amortized in the following year in which the gain or loss is incurred mainly by the declining-balance method over 5-13 years, which are shorter than the average remaining service years of employees.

Prior service cost is amortized as incurred mainly by the straight-line method over 12-13 years, which are shorter than the average remaining service years of the employees.

Many consolidated subsidiaries adopt a simplified method to calculate net defined benefit liability and retirement benefit expenses based on the assumption that the benefits payable, which are calculated as if all eligible employees voluntarily terminate their employment at fiscal year end, approximates the retirement benefit obligations at year end.

(f) Allowance for doubtful accounts

Allowance for doubtful accounts is provided at an amount estimated with reference to individual uncollectible accounts plus an amount calculated using a historical rate determined based on the actual uncollectible amounts incurred in prior years.

(g) Inventories

Inventories are stated at the lower of cost or market, cost being determined principally by the weighted-average method.

(h) Property, plant and equipment (except for leased assets) and depreciation

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed principally by the straight-line method for the Company and by the declining-balance method for some consolidated subsidiaries, except for certain buildings of domestic consolidated subsidiaries acquired on or after April 1, 1998, and except for certain building facilities and structures of domestic consolidated subsidiaries acquired on or after April 1, 2016, which are depreciated by the straight-line method, at rates based on the estimated useful lives of the respective assets.

The estimated useful lives of the assets are as follows:

Buildings and structures: 2 to 67 years

Machinery and equipment: 2 to 30 years

(i) Intangible assets (except for leased assets)

Patent rights, software and others are amortized by the straight-line method over their estimated useful lives.

(j) Leased assets

Leased property under finance leases which does not transfer ownership of the leased property to lessees is depreciated or amortized by the straight-line method over the lease terms assuming no residual value.

(k) Research and development costs

Research and development costs are charged to income when incurred.

(l) Net income per share

Basic net income per share is computed based on net income available for distribution to stockholders of common stock and the weighted average number of shares of common stock outstanding during each year (97,094 thousand shares and 97,060 thousand shares for the years ended March 31, 2025 and 2024, respectively). Diluted net income per share is computed based on net income available for distribution to the stockholders and the weighted average number of shares of common stock outstanding during the year assuming full exercise of share subscription rights (43 thousand shares for the year ended March 31, 2024, but for the year ended March 31, 2025, diluted net income per share is not presented because the Company recorded loss attributable to owners of parent for the year).

(m) Provision for bonuses

Provision for bonuses is provided for payments to employees at the estimated amount incurred attributable to the current fiscal year.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term investments. Short-term investments included here are readily convertible into cash, exposed to insignificant risk of changes in value and mature or become due within three months of the date of acquisition.

(o) Provision for loss on order received

Provision for loss on order received is provided to cover the losses that are highly likely to be incurred and the amounts of which can be reasonably estimated.

These provision for loss on order received in the amounts of ¥104 million (US\$693 thousand) and ¥258 million are included in "Other current liabilities" on the consolidated balance sheet as of March 31, 2025 and 2024, respectively.

(p) Provision for directors retirement benefits

Consolidated subsidiaries provide for retirement allowances for directors and audit & supervisory board members at the necessary amount at the year-end based on their internal policies.

Retirement allowances of ¥128 million (US\$853 thousand) and ¥190 million are included in "Other long-term liabilities" on the consolidated balance sheet as of March 31, 2025 and 2024, respectively.

(q) Provision for loss on business restructuring

Provision for loss on business restructuring is provided to cover the losses, which are highly likely to be incurred and the amounts of which can be reasonably estimated, related to certain businesses of the Company and its consolidated subsidiaries.

These provision for losses on business restructuring in the amounts of ¥86 million (US\$573 thousand) and ¥231 million are included in "Other long-term liabilities" on the consolidated balance sheet as of March 31, 2025 and 2024, respectively.

(r) Provision for special repairs

Provision for special repairs is provided for payments of routine maintenance mainly for ammonia plants at the estimated amount.

These provision for special repairs in the amounts of ¥2,191 million (US\$14,607 thousand) and ¥2,783 million are included in "Other long-term liabilities" on the consolidated balance sheet as of March 31, 2025 and 2024, respectively.

(s) Significant revenues and expenses

The Company and its consolidated subsidiaries conduct business activities in the following four business segments: "Specialty Products," "Polymers & Chemicals," "Machinery" and "Others", and provide a wide variety of products to customers in Japan and overseas.

Regarding the sales of products in these businesses, the Group recognizes revenue at the point in time when the product is delivered to the customer based on the provisions of the contract or when risks are transferred to the customer based on Incoterms because the customer has gained control over the product and the Group's performance obligations have been satisfied. Regarding domestic transactions we have determined that control of the sales of products are transferred to the customer at the time of product delivery, and sales revenue is recognized at the time of shipment because the period from shipment to delivery is the normal period. In addition, regarding contracts in the Machinery segment in which performance obligations are fulfilled over a certain period, unless the period is very short, the degree of progress in satisfying the performance obligations is estimated and revenue is recognized over a certain period of time based on the degree of progress. The method of estimating the degree of progress related to the satisfaction of the performance obligations is based on the input method using the ratio of costs incurred to the estimated total cost.

Revenue is calculated by deducting returns, discounts, and rebates from the consideration promised in the contract with the customer, and at an amount within a range where it is highly probable that a significant refund will not occur.

In addition, other parties are involved in some overseas sales transactions of products in the Polymers & Chemicals segment and Others segment. The Group is required to arrange for goods or services to be provided to the customer by these other parties, and therefore the Company is acting as an agent in such transactions. For transactions where the Group acts as an agent, the Company recognizes revenue by deducting the amount paid to the supplier from the amount received from the customer.

Furthermore, the consideration in contracts involving the sales of products is collected within approximately one year from the time the control over the product is transferred to the customer, and does not include the significant interest rate factor.

Significant accounting estimates**Loss on impairment of property, plant and equipment**

An impairment loss of ¥29,079 million (US\$193,860 thousand) was recognized for the year ended March 31, 2025. Total property, plant and equipment, net of ¥222,701 million (US\$1,484,673 thousand) has been recorded on the consolidated balance sheet as of March 31, 2025.

Business assets which profitability has declined were identified during the year ended March 31, 2025.

The Group regularly assesses any indication of impairment for each fixed asset grouping and estimates the recoverable amount in the event indications of impairment exist. When calculating the recoverable amount, the future cash flows expected to be generated by the asset group are used. In estimating the future cash flows, the Group evaluates business conditions, market trends of industries in which its customers operate their business and future growth rates. However, if the future cash flow projection changes and the carrying value of the asset group is unrecoverable, an impairment loss may be recorded.

Recoverability of deferred tax assets

Deferred tax assets of ¥19,752 million (US\$131,680 thousand) have been recorded on the consolidated balance sheet as of March 31, 2025.

Deferred tax assets recognized by the Group are related to future tax consequences of temporary differences and are estimated regularly to assess their recoverability. The recoverability of deferred tax assets is largely dependent on estimates of future taxable income. In estimating taxable income, the Group evaluates business conditions, market trends of industries in which its customers operate their businesses and future growth rates. However, if it is determined that some or all deferred tax assets are unrecoverable due to a change in estimates, the amount of deferred tax assets may be reduced.

Accounting changes**(Application of the “Accounting Standard for Current Income Taxes,” etc.)**

We have applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the “2022 revised Accounting Standard”), etc. from the beginning of the year ended March 31, 2025.

Revisions regarding the classification of income taxes, etc. (taxes imposed on other comprehensive income) are in accordance with the transitional treatment prescribed in the proviso of Paragraph 20-3 of the 2022 revised Accounting Standard and the proviso of paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the “2022 revised Guidance”). Note that this change in accounting policy has no impact on the consolidated financial statements.

In addition, with regard to revisions related to the treatment in consolidated financial statements when gains or losses on sales of subsidiaries' shares, etc. between consolidated companies are deferred for tax purposes, the 2022 revised Guidance has been applied from the beginning of the year ended March 31, 2025. This change in accounting policy has been applied retrospectively. The consolidated financial statements for the previous consolidated fiscal year presented herein are those after the retrospective application of the change. Note that this change in accounting policy has no impact on the consolidated financial statements for the previous consolidated fiscal year.

Financial instruments

(a) Policy for financial instruments

The Group manages funds by utilizing short-term deposits, etc., subject to an insignificant risk of change in value. The Group raises money by borrowing from financial institutions and by issuing commercial paper, straight bonds and bonds with warrants. The Group uses derivatives for the purpose of reducing risk and does not hold or issue derivative financial instruments for speculative purposes.

(b) Types of financial instruments and related risk

Trade receivables— Notes and accounts receivables - trade —are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange risk arising from receivables and payables denominated in foreign currencies. The foreign currency exchange risks deriving from those receivables and payables are hedged by forward foreign exchange contracts, currency options and currency swaps.

Investment securities are exposed to market risk and credit risk in relation to issuers. Those securities are composed of the shares of common stock of other companies.

Trade payables— Notes and accounts payables - trade —have payment due dates within one year.

Short-term loans payable is raised, and commercial paper is issued mainly in connection with business activities, and long-term debt is taken out principally for the purpose of making capital investments. Short-term loans payable and long-term debt with variable interest rates are exposed to interest rate fluctuation risk. However, to reduce such risk and fix interest expense for those bearing interest at variable rates, the Group utilizes interest rate swap or option transactions as a hedging instrument.

Regarding derivatives, the Group enters derivative transactions in order to manage certain risks arising from adverse fluctuations in foreign currency exchange rates, and interest rates.

(c) Risk management for financial instruments

1. Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies of the Group for managing credit risk arising from receivables, each related division monitors the credit worthiness of their main customers periodically, and monitors due dates and outstanding balances by individual customer. In addition, the Group is making efforts to identify and mitigate risks of bad debts from customers who are having financial difficulties.

The Group also believes that the credit risk of derivatives is insignificant as it enters derivative transactions only with financial institutions which have a sound credit profile.

2. Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For trade receivables and payables denominated in foreign currencies, the Group identifies the foreign currency exchange risk for each currency and enters forward foreign exchange contracts, currency options and currency swaps to hedge such risk. To mitigate the interest rate risk for loans payable bearing interest at variable rates, the Group may also enter into interest rate swap transactions and interest rate option transactions.

For investment securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

In conducting derivative transactions, the division in charge of derivative transactions follows the internal policies, which set forth delegation of authority and maximum upper limit on positions.

3. Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on scheduled due dates)

Based on a report from each division, the Group prepares and updates its cash flow plans on a timely basis to manage liquidity risk.

(d) Supplementary explanation of the estimated fair value of financial instruments

Since fluctuation factors are included into the calculation of the market value of financial instruments, the price may be fluctuated by adopting different preconditions. The notional amounts of derivatives in Note 17. Derivative financial instruments are not necessarily indicative of the actual market risk involved in derivative transactions.

Summarized in the table below are the carrying amounts and the estimated fair values of financial instruments outstanding as of March 31, 2025 and 2024. The amount recorded on the consolidated balance sheet, the market value, and the difference between them are as follows.

	Millions of yen			Thousands of U.S. dollars		
	2025			2025		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Assets						
Notes receivable - trade	¥ 6,271	¥ 6,271	¥ —	\$ 41,807	\$ 41,807	\$ —
Accounts receivable - trade	96,469	96,469	—	643,127	643,127	—
Investment securities	10,605	10,605	—	70,700	70,700	—
Total assets	¥113,345	¥113,345	¥ —	\$ 755,634	\$ 755,634	\$ —
Liabilities						
Notes and accounts payable - trade	¥ 48,258	¥ 48,258	¥ —	\$ 321,720	\$ 321,720	\$ —
Short-term loans payable	50,905	50,905	—	339,367	339,367	—
Commercial paper	8,996	8,996	—	59,973	59,973	—
Other payables	28,221	28,221	—	188,140	188,140	—
Income taxes payable	4,427	4,427	—	29,513	29,513	—
Long-term debt*	265,579	262,548	(3,031)	1,770,527	1,750,320	(20,207)
Total liabilities	¥406,386	¥403,355	¥ (3,031)	\$2,709,240	\$2,689,033	\$ (20,207)
Derivative financial transactions**	¥ 17	¥ 17	¥ —	\$ 113	\$ 113	\$ —

* The current portion of long-term borrowings of ¥19,933 million (US\$132,887 thousand) and the bonds payable of ¥10,000 million (US\$66,667 thousand) are included in long-term debt.

** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

*** Regarding investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount, the description of matters related to the market value of financial instruments is omitted. The amount recorded on the consolidated balance sheet of the investment is ¥455 million (US\$3,033 thousand).

**** "Cash and deposits" are omitted because they are cash, and the market value is close to the book value because the deposits are settled in a short period of time.

	Millions of yen		
	2024		
	Carrying amount	Fair value	Difference
Assets			
Notes receivable - trade	¥ 4,686	¥ 4,686	¥ —
Accounts receivable - trade	97,354	97,354	—
Investment securities	13,619	13,619	—
Total assets	¥ 115,659	¥ 115,659	¥ —
Liabilities			
Notes and accounts payable - trade	¥ 62,068	¥ 62,068	¥ —
Short-term loans payable	32,350	32,350	—
Other payables	28,108	28,108	—
Income taxes payable	4,154	4,154	—
Long-term debt*	176,592	175,601	(991)
Total liabilities	¥ 303,272	¥ 302,281	¥ (991)
Derivative financial transactions**	¥ (30)	¥ (30)	¥ —

* The current portion of long-term borrowings of ¥31,020 million and the bonds payable of ¥10,000 million are included in long-term debt.

** The value of assets and liabilities arising from derivatives is shown at net value with amounts in parentheses representing net liability position.

*** Regarding investment in partnerships and other similar business entities that record the amount equivalent to their equity in the consolidated balance sheet in net amount, the description of matters related to the market value of financial instruments is omitted. The amount recorded on the consolidated balance sheet of the investment is ¥551 million.

**** "Cash and deposits" are omitted because they are cash, and the market value is close to the book value because the deposits are settled in a short period of time.

Stocks without market prices are not included in investment securities. The amount recorded on the consolidated balance sheet of the relevant financial instrument as of March 31, 2025 is as follows:

	Millions of yen 2025	Thousands of U.S. dollars 2025
Unconsolidated subsidiaries and affiliates securities	¥212,425	\$1,416,167
Non-listed equity securities	2,015	13,433
Others	457	3,047

Financial instruments for which it is extremely difficult to determine the fair value as of March 31, 2024 is as follows:

	Millions of yen 2024
Unconsolidated subsidiaries and affiliates securities	¥207,706
Non-listed equity securities	2,045
Others	553

Redemption schedules for financial assets and investment securities with contractual maturities subsequent to March 31, 2025 and 2024 are as follows:

	Millions of yen 2025			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 115,434	¥ —	¥ —	¥ —
Time deposits	527	—	—	—
Notes receivable - trade	6,271	—	—	—
Accounts receivable - trade	96,469	—	—	—
	¥ 218,701	¥ —	¥ —	¥ —

	Thousands of U.S. dollars 2025			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	\$ 769,560	\$ —	\$ —	\$ —
Time deposits	3,513	—	—	—
Notes receivable - trade	41,807	—	—	—
Accounts receivable - trade	643,127	—	—	—
	\$1,458,007	\$ —	\$ —	\$ —

	Millions of yen 2024			
	Within one year	After one year through five years	After five years through ten years	After ten years
Cash and cash equivalents	¥ 35,853	¥ —	¥ —	¥ —
Time deposits	500	—	—	—
Notes receivable - trade	4,686	—	—	—
Accounts receivable - trade	97,354	—	—	—
	¥ 138,393	¥ —	¥ —	¥ —

Redemption schedules for long-term debt and other interest-bearing debt subsequent to March 31, 2025 and 2024 are as follows:

	Millions of yen 2025					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥ 50,905	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	29,933	31,160	55,118	32,632	48,003	68,733
	¥ 80,838	¥ 31,160	¥ 55,118	¥ 32,632	¥ 48,003	¥ 68,733

	Thousands of U.S. dollars 2025					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	\$339,367	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	199,554	207,733	367,453	217,547	320,020	458,220
	\$538,921	\$ 207,733	\$ 367,453	\$ 217,547	\$ 320,020	\$ 458,220

	Millions of yen					
	2024					
	Within one year	After one year through two years	After two years through three years	After three years through four years	After four years through five years	After five years
Short-term loans payable	¥32,350	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	41,020	29,199	30,439	32,742	14,377	28,815
	¥73,370	¥ 29,199	¥ 30,439	¥32,742	¥14,377	¥28,815

The fair value of financial instruments is classified into the following three levels according to the observability and significance of the inputs related to the calculation of the fair value.

Level 1: Of the inputs related to the calculation of the observable fair value, the corresponding market price is used of the assets or liabilities based on their fair value in active markets.

Level 2: Of the inputs related to the calculation of the observable fair value, inputs other than the level 1 input in calculating fair value are used.

Level 3: The fair value was calculated using unobservable inputs.

When using multiple inputs that have significant impact on fair value calculations, the fair value is classified into the lowest priority level.

Financial instruments recorded on the consolidated balance sheet at market value as of March 31, 2025 and 2024 are as follows:

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Available-for-sale securities:				
Shares	¥ 10,605	¥ —	¥ —	¥ 10,605
Derivative financial transactions:				
Currency related	—	19	—	19
Total assets	¥ 10,605	¥ 19	¥ —	¥ 10,624
Liabilities				
Derivative financial transactions:				
Currency related	—	2	—	2
Total liabilities	¥ —	¥ 2	¥ —	¥ 2

	Thousands of U.S. dollars			
	2025			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Available-for-sale securities:				
Shares	\$ 70,700	\$ —	\$ —	\$ 70,700
Derivative financial transactions:				
Currency related	—	127	—	127
Total assets	\$ 70,700	\$ 127	\$ —	\$ 70,827
Liabilities				
Derivative financial transactions:				
Currency related	—	13	—	13
Total liabilities	\$ —	\$ 13	\$ —	\$ 13

	Millions of yen			
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities:				
Available-for-sale securities:				
Shares	¥ 13,619	¥ —	¥ —	¥ 13,619
Derivative financial transactions:				
Currency related	—	11	—	11
Total assets	¥ 13,619	¥ 11	¥ —	¥ 13,630
Liabilities				
Derivative financial transactions:				
Currency related	—	41	—	41
Total liabilities	¥ —	¥ 41	¥ —	¥ 41

Financial instruments other than the financial instruments recorded on the consolidated balance sheet at market value as of March 31, 2025 and 2024 are as follows:

	Millions of yen			
	2025			
	Level 1	Level 2	Level 3	Total
Assets				
Notes receivable - trade	¥ —	¥ 6,271	¥ —	¥ 6,271
Accounts receivable - trade	—	96,469	—	96,469
Total assets	¥ —	¥ 102,740	¥ —	¥ 102,740
Liabilities				
Notes and accounts payable - trade	—	48,258	—	48,258
Short-term loans payable	—	50,905	—	50,905
Commercial paper	—	8,996	—	8,996
Other payables	—	28,221	—	28,221
Income taxes payable	—	4,427	—	4,427
Long-term debt	—	262,548	—	262,548
Total liabilities	¥ —	¥ 403,355	¥ —	¥ 403,355
Thousands of U.S. dollars				
2025				
	Level 1	Level 2	Level 3	Total
Assets				
Notes receivable - trade	\$ —	\$ 41,807	\$ —	\$ 41,807
Accounts receivable - trade	—	643,127	—	643,127
Total assets	\$ —	\$ 684,934	\$ —	\$ 684,934
Liabilities				
Notes and accounts payable - trade	—	321,720	—	321,720
Short-term loans payable	—	339,367	—	339,367
Commercial paper	—	59,973	—	59,973
Other payables	—	188,140	—	188,140
Income taxes payable	—	29,513	—	29,513
Long-term debt	—	1,750,320	—	1,750,320
Total liabilities	\$ —	\$ 2,689,033	\$ —	\$ 2,689,033
Millions of yen				
2024				
	Level 1	Level 2	Level 3	Total
Assets				
Notes receivable - trade	¥ —	¥ 4,686	¥ —	¥ 4,686
Accounts receivable - trade	—	97,354	—	97,354
Total assets	¥ —	¥ 102,040	¥ —	¥ 102,040
Liabilities				
Notes and accounts payable - trade	—	62,068	—	62,068
Short-term loans payable	—	32,350	—	32,350
Other payables	—	28,108	—	28,108
Income taxes payable	—	4,154	—	4,154
Long-term debt	—	175,601	—	175,601
Total liabilities	¥ —	¥ 302,281	¥ —	¥ 302,281

Note: Explanation of the valuation technique used to calculate the fair value and the inputs related to the calculation of the fair value.

"Investment securities"

Listed stocks are valued using market prices. Since listed stocks are traded in active markets, we classify their fair value as Level 1.

"Derivative financial transactions"

The method of calculating the fair value of foreign exchange contracts and currency options are calculated based on the prices offered by the financial institutions of our business partners, and is classified as Level 2.

The fair value of currency swaps accounted for by the short-cut method is included in the fair value of long-term debt, which is designated as the hedged item.

"Notes and accounts receivable - trade"

These market values are calculated by the discounted present value method based on the interest rate that considers the amount of receivables, the period until maturity, and credit risk for each fixed period and for each classified receivables, and is classified as Level 2.

"Notes and accounts payable - trade," "Short-term loans payable," "Commercial paper," "Other payables" and "Income taxes payable"

These fair values are calculated by the discounted present value method based on the future cash flows, the period until the repayment date, and the interest rate that considers credit risk for each fixed period and for each classified payables, and is classified as Level 2.

"Long-term debt"

The fair value of corporate bonds issued by the Company is based on the market price and is divided into Level 2.

The fair value of long-term loans payable is calculated by the discounted present value method based on the total amount of principal and interest, the remaining period of the debt and the interest rate that considers credit risk, and is classified as Level 2.

Securities

Investment securities as of March 31, 2025 and 2024 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Investment securities:			
Unconsolidated subsidiaries and affiliated companies	¥212,425	¥207,706	\$1,416,167
Others	13,077	16,217	87,180
	¥225,502	¥223,923	\$1,503,347

Marketable securities classified as other securities as of March 31, 2025 and 2024 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2025			2024			2025		
	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)	Carrying value	Acquisition costs	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:									
Stock	¥10,053	¥2,573	¥7,480	¥12,841	¥3,143	¥9,698	\$67,020	\$17,153	\$49,867
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	10,053	2,573	7,480	12,841	3,143	9,698	67,020	17,153	49,867
Securities whose acquisition cost exceeds their carrying value:									
Stock	552	823	(271)	778	868	(90)	3,680	5,487	(1,807)
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
Subtotal	552	823	(271)	778	868	(90)	3,680	5,487	(1,807)
Total	¥10,605	¥3,396	¥7,209	¥13,619	¥4,011	¥9,608	\$70,700	\$22,640	\$48,060

Sales of securities classified as other securities and the aggregate gain for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen						Thousands of U.S. dollars		
	2025			2024			2025		
	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss	Sales proceeds	Aggregate gain	Aggregate loss
Stock	¥3,591	¥2,975	¥—	¥377	¥234	¥—	\$23,940	\$19,833	\$—
Debt securities	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—
	¥3,591	¥2,975	¥—	¥377	¥234	¥—	\$23,940	\$19,833	\$—

Acquisition costs in the tables above represent the amounts after deduction of impairment losses.

Impairment losses in the amount of ¥15 million (US\$100 thousand) were recognized for the year ended March 31, 2025.

Impairment losses are recognized for securities which fair values at the end of fiscal year are less than 50% of acquisition cost or are more than 50% but less than 70% and deemed to be unrecoverable.

Inventories

Inventories as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Finished goods	¥57,697	¥58,017	\$384,647
Work in process	26,136	29,503	174,240
Raw materials and supplies	38,156	46,428	254,373
	¥121,989	¥133,948	\$813,260

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Short-term loans payable and long-term debt

Short-term loans payable represent bank loans, with average interest rates of 1.11% and 0.45% per annum as of March 31, 2025 and 2024, respectively.

Long-term debt as of March 31, 2025 and 2024 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
0.15% unsecured bonds due FY 2024	¥ —	¥ 10,000	\$ —
0.31% unsecured bonds due FY 2025	10,000	10,000	66,667
0.43% unsecured bonds due FY 2026	10,000	10,000	66,667
0.38% unsecured bonds due FY 2027	10,000	10,000	66,667
0.53% unsecured bonds due FY 2027	5,000	5,000	33,333
1.09% unsecured bonds due FY 2027	20,000	—	133,333
0.83% unsecured bonds due FY 2028	6,600	6,600	44,000
1.28% unsecured bonds due FY 2029	10,000	—	66,667
0.58% unsecured bonds due FY 2030	10,000	10,000	66,667
0.97% unsecured bonds due FY 2032	5,000	5,000	33,333
1.61% unsecured bonds due FY 2033	3,400	3,400	22,667
Loans principally from banks and insurance companies:			
Unsecured, with average interest rates of 0.95%, maturing through FY 2035	175,579	106,592	1,170,526
	265,579	176,592	1,770,527
Less current portion	29,933	41,020	199,554
	¥235,646	¥ 135,572	\$1,570,973

The Company and certain consolidated subsidiaries have established commitment lines with some of their banks to procure working capital efficiently. The amount was ¥21,620 million (US\$144,133 thousand) as of March 31, 2025.

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Pledged assets

The assets pledged as collateral for short-term and long-term borrowings, guarantees and borrowings of affiliated companies as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Assets pledged as collateral:			
Property, plant and equipment, at net book value	¥ 2,816	¥ 2,838	\$ 18,773

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Contingent liabilities

As of March 31, 2025 and 2024, the Company and its consolidated subsidiaries are contingently liable as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
As endorser of trade notes discounted or endorsed	¥ —	¥ 1,305	\$ —
As guarantor of employees' housing loans	0	1	0
As guarantor of indebtedness principally of unconsolidated subsidiaries and affiliated companies	2	5,790	13

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Net assets

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) shall be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distributions.

At the general shareholders' meeting of the Company held on June 26, 2025, the distribution of retained earnings for the year ended March 31, 2025 was approved as follows:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥55.00 per share)	¥ 5,342	\$ 35,613

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Selling, general and administrative expenses

Major components of selling, general and administrative expenses for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Freight and storage	¥ 12,511	¥ 11,759	\$ 83,407
Salaries and benefits	16,103	16,143	107,353
Research and development costs	9,480	10,017	63,200

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Research and development costs

Research and development costs, all of which are included in "Selling, general and administrative expenses" and "Manufacturing cost" for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Research and development costs	¥ 9,917	¥ 10,296	\$ 66,113

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Other income (expenses)

"Other income (expenses) – Others, net" for the years ended March 31, 2025 and 2024 consists of the following:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Gain (loss) on sales of investment securities, net	¥ 72	¥ 293	\$ 480
Gain on sales of property, plant and equipment, net	301	44	2,007
Loss on disposal of property, plant and equipment	(1,541)	(2,592)	(10,273)
Loss on impairment of fixed assets (Note 15)	(29,079)	(353)	(193,860)
Loss on valuation of investment securities	(34)	(1)	(227)
Gain (loss) on foreign currency exchange, net	(178)	1,526	(1,187)
Loss on related business	(3,851)	—	(25,673)
Gain on change in equity	—	712	—
Others, net	(1,813)	(2,301)	(12,087)
	¥ (36,123)	¥ (2,672)	\$ (240,820)

Loss on impairment of fixed assets

Fixed assets of the Company and consolidated subsidiaries are grouped at the business unit or department level for impairment testing.

Loss on impairment of fixed assets for the year ended March 31, 2025 consists of the following:

	Millions of yen	Thousands of U.S. dollars
	2025	2025
Idle assets:		
Land (UBE Corporation)	¥ (6)	\$ (40)
Business assets :		
Ammonia and Caprolactam Related Manufacturing Equipment (UBE Corporation)	(8,845)	(58,967)
Phenolic Resin Powder Products Manufacturing Equipment (UBE Corporation)	(21)	(140)
Laminates Manufacturing Equipment (UBE EXSYMO CO., LTD.)	(67)	(447)
RASEN COMPOSE and Cartridge Filters Related Manufacturing Equipment (UBE EXSYMO CO., LTD.)	(55)	(366)
Caprolactam and Nylon Related Manufacturing Equipment (UBE Chemicals (Asia) Public Company Limited)	(18,725)	(124,833)
Cyclohexanone and 1,6-Hexanediol Related Manufacturing Equipment (UBE CORPORATION EUROPE S.A.U.)	(1,360)	(9,067)
	¥(29,079)	\$(193,860)

(a) Idle assets

The book values of idle assets that have declined in the market was reduced to the recoverable value, and the amount of the reduction was recognized as an impairment loss of ¥(6) million (US\$(40) thousand) under other expenses. The breakdown is ¥(6) million (US\$(40) thousand) for land.

(b) Business assets

Regarding the ammonia and caprolactam-related manufacturing equipment of UBE Corporation, we decided to cease operations after a certain period. Consequently, we reduced the book value of the manufacturing equipment to its recoverable amount and recorded the decrease as an impairment loss of ¥(8,845) million (US\$(58,967) thousand) under other expenses. The breakdown is ¥(6,665) million (US\$(44,433) thousand) for machinery, ¥(1,056) million (US\$(7,040) thousand) for structures, and ¥(1,124) million (US\$(7,494) thousand) for others. The recoverable amount is measured based on the value in use, but since future cash flows are negative, the value in use is considered zero. Additionally, since the undiscounted future cash flows are negative, the discount rate is omitted.

For the phenolic resin powder product manufacturing equipment of UBE Corporation, we decided to withdraw from the business. Consequently, we reduced the book value of the manufacturing equipment to a residual value and recorded the decrease as an impairment loss of ¥(21) million (US\$(140) thousand) under other expenses. The breakdown is ¥(12) million (US\$(80) thousand) for buildings, ¥(6) million (US\$(40) thousand) for machinery, and ¥(3) million (US\$(20) thousand) for others.

Regarding the laminates manufacturing equipment of UBE EXSYMO CO., LTD., due to deteriorating profitability, we reduced the book value of the manufacturing equipment to its recoverable amount and recorded the decrease as an impairment loss of ¥(67) million (US\$(447) thousand) under other expenses. The breakdown is ¥(24) million (US\$(160) thousand) for machinery, ¥(17) million (US\$(113) thousand) for buildings, and ¥(26) million (US\$(174) thousand) for others. The recoverable amount is measured based on the value in use, but since future cash flows are negative, the value in use is considered zero. Additionally, since the undiscounted future cash flows are negative, the discount rate is omitted.

For the RASEN COMPOSE and cartridge filters related manufacturing equipment of UBE EXSYMO CO., LTD., we decided to withdraw from the business and ceased operations. Consequently, we reduced the book value of the manufacturing equipment to a residual value and recorded the decrease as an impairment loss of ¥(55) million (US\$(366) thousand) under other expenses. The breakdown is ¥(27) million (US\$(180) thousand) for buildings, ¥(25) million (US\$(166) thousand) for machinery, and ¥(3) million (US\$(20) thousand) for others.

Regarding the caprolactam and nylon-related manufacturing equipment of UBE Chemicals (Asia) Public Company Limited, the decision was made to cease operations after a certain period. Consequently, the book value of the manufacturing equipment was reduced to its recoverable amount, and the decrease was recorded as an impairment loss of ¥(18,725) million (US\$(124,833) thousand) under other expenses. The breakdown is ¥(16,431) million (US\$(109,540) thousand) for machinery, ¥(374) million (US\$(2,493) thousand) for buildings, and ¥(1,920) million (US\$(12,800) thousand) for others. The recoverable amount is measured based on fair value less costs of disposal, with fair value evaluated based on the market value, such as the selling price.

For the cyclohexanone and 1,6-hexanediol-related manufacturing equipment of UBE CORPORATION EUROPE S.A.U., the decision was made to withdraw from the business and cease operations. Consequently, the book value of the manufacturing equipment was reduced to a residual value, and the decrease was recorded as an impairment loss of ¥(1,360) million (US\$(9,067) thousand) under other expenses. The breakdown is ¥(1,216) million (US\$(8,107) thousand) for machinery and ¥(144) million (US\$(960) thousand) for others.

Loss on impairment of fixed assets for the year ended March 31, 2024 consist of the following:

	Millions of yen
	2024
Assets to be disposed:	
Buildings, Machinery, and equipment	¥ (37)
Business assets:	
Methyl 3-methoxyacrylate manufacturing plant (UBE Corporation)	(78)
Textile product manufacturing plant (UBE EXSYMO CO., LTD.)	(110)
Optical communication products manufacturing plant (UBE EXSYMO CO., LTD.)	(15)
Separator manufacturing plant (UBE MAXELL CO., LTD.)	(55)
Duplex bag manufacturing plant (UBE FILM, LTD.)	(43)
Contract manufacturing plant (API Corporation)	(15)
	¥ (353)

(a) Assets to be disposed

For one asset to be disposed of, the book value of the asset was reduced to its recoverable value, and the reduction was recorded as an impairment loss ¥(37) million under other expenses. and the breakdown is tools, furniture, fixtures, etc., ¥(37) million. The recoverable value was measured based on the net selling price, which is based on the purchase and sale agreement amount.

(b) Business assets

As a result of our decision to withdraw from the MAME (methyl 3-methoxyacrylate) manufacturing facility, UBE Corporation reduced the book value of the facility to its memorandum value and recorded the reduction amount as an impairment loss ¥(78) million under other expenses. The breakdown of this amount is machinery and equipment, etc., ¥(78) million.

As for UBE EXSYMO CO., LTD.'s textile manufacturing equipment, the book value of the equipment was reduced to the recoverable value due to a deterioration in profitability, and the reduction was recorded as an impairment loss ¥(110) million under other expenses. The breakdown is construction in progress account, etc., ¥(110) million. Note that the recoverable value is measured based on the value in use, but the discount rate is omitted because the undiscounted cash flow is negative.

Regarding UBE EXSYMO CO., LTD.'s optical communication related product manufacturing equipment, the book value of the equipment was reduced to the recoverable value due to a deterioration in profitability, and the reduction was recorded as an impairment loss ¥(15) million under other expenses. The breakdown is machinery and equipment, etc., ¥(15) million. Note that the recoverable value was measured based on the value in use, but the discount rate is omitted because the undiscounted cash flow is negative.

As for UBE MAXELL CO., LTD., following the decision to close the Ube facility, the book value of the separator manufacturing equipment was reduced to its memorandum value, and the reduction was recorded as an impairment loss ¥(55) million under other expenses. The breakdown of this loss is machinery and equipment, etc., ¥(55) million

As for UBE FILM, LTD.'s heavy-duty packaging bag manufacturing equipment, the book value of the asset was reduced to its recoverable value due to the decision to transfer the business, and the reduction was recorded as an impairment loss ¥(43) million under other expenses. The breakdown is machinery and equipment, etc., ¥(43) million. The recoverable value was measured based on the net selling price, which is based on the contract purchase price.

As for API Corporation, due to the termination of some of its manufacturing contracts, the book value of the contracted manufacturing equipment was reduced to its memorandum value, and the reduction was recorded as an impairment loss ¥(15) millions. The breakdown of this amount is ¥(15) million for machinery and equipment.

Income taxes

Due to the enactment of the “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 13 of 2025) by the National Diet on March 31, 2025, the “Defense Special Corporate Tax” will be imposed starting from the fiscal year beginning on or after April 1, 2026. Consequently, the effective tax rate applied to deferred tax assets and deferred tax liabilities related to temporary differences expected to be resolved in the fiscal year beginning on or after April 1, 2026, has been changed from 30.5% to 31.4%.

As a result of this change, the amount of deferred tax assets (net of deferred tax liabilities) for the current consolidated fiscal year has increased by ¥315 million (US\$2,100 thousand), while the income tax deferred has decreased by ¥376 million (US\$2,507 thousand), and the valuation difference on available-for-sale securities has decreased by ¥61 million (US\$407 thousand) as of and for the year ended March 31, 2025.

The effective tax rates reflected in the consolidated statement of income for the years ended March 31, 2025 and 2024 differ from the statutory tax rates for the following reasons.

	Percentage	
	2025	2024
Statutory tax rate	—	30.5%
Effect of:		
Permanently non-deductible expenses	—	0.4
Permanently non-taxable items including dividend income	—	(12.8)
Tax loss carried forward not subject to deferred tax asset recognition	—	0.5
Deducted tax loss	—	0.0
Effect of elimination of dividend income through consolidation procedures	—	13.7
Share of profit of entities accounted for using equity method	—	(10.7)
Tax rate difference of overseas consolidated subsidiaries	—	(1.2)
Retained earnings of foreign subsidiary companies	—	0.8
Deductible research and development expenses	—	(2.3)
Consolidated adjustment for allowance for doubtful accounts	—	(1.3)
Others	—	(0.4)
Effective tax rate	—	17.2%

* Information for the year ended March 31, 2025 is omitted because a loss before income taxes is recorded.

The significant components of deferred tax assets and liabilities as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Deferred tax assets:			
Provision for bonuses	¥ 1,415	¥ 1,604	\$ 9,433
Net defined benefit liability	1,375	2,122	9,167
Tax loss carried forward	9,765	6,462	65,100
Unrealized intercompany profit	9,201	9,708	61,340
Depreciation and amortization	571	858	3,807
Loss on valuation of investment securities	7,401	2,667	49,340
Disposal of fixed assets without dismantlement	1,158	1,283	7,720
Impairment loss on fixed assets	7,134	1,653	47,560
Loss on valuation of inventories	1,314	383	8,760
Revenue recognition differences between accounting and tax purposes	1,782	2,366	11,880
Foreign corporation tax credit carried forward	1,992	1,359	13,280
Others	4,358	4,687	29,053
Gross deferred tax assets	47,466	35,152	316,440
Valuation allowance:			
Tax loss carried forward**	(3,494)	(2,053)	(23,293)
Total future tax consequences of temporary differences	(8,981)	(5,682)	(59,874)
Gross valuation allowance	(12,475)	(7,735)	(83,167)
Total deferred tax assets	34,991	27,417	233,273
Deferred tax liabilities:			
Reserve for advanced depreciation of non-current assets	(660)	(660)	(4,400)
Valuation difference on available-for-sale securities	(2,157)	(2,825)	(14,380)
Net defined benefit asset	(5,669)	(5,343)	(37,793)
Revaluation surplus on assets	(33)	(959)	(220)
Retained earnings of foreign subsidiary companies	(2,741)	(2,552)	(18,273)
Others	(4,836)	(4,627)	(32,240)
Total deferred tax liabilities	(16,096)	(16,966)	(107,306)
Net deferred tax assets*	¥ 18,895	¥ 10,451	\$ 125,967

* Net deferred tax assets in the preceding table are classified as follows in the accompanying consolidated balance sheet.

Due to changes in the importance of the amount of each account item, ¥5,070 million recorded in “Others” under Deferred tax assets in the year ended March 31, 2024 has been reclassified as ¥383 million in “Loss on valuation of inventories” and ¥4,687 million in “Others.”

Note: Gross valuation allowance has been increased by ¥4,740 million (US\$31,600 thousand) due to mainly increased “Impairment loss on fixed assets.”

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Investments and other assets – Deferred tax assets	¥ 19,752	¥ 11,881	\$ 131,680
Long-term liabilities – Deferred tax liabilities	(857)	(1,430)	(5,713)

** Tax loss carried forward and deferred tax assets by carry-forward period are as follows:

Years ending March 31	Millions of yen			Thousands of U.S. dollars		
	2025			2025		
	Tax loss carried forward	Valuation allowance	Deferred tax assets	Tax loss carried forward	Valuation allowance	Deferred tax assets
2026	¥ –	¥ –	¥ –	\$ –	\$ –	\$ –
2027	–	–	–	–	–	–
2028	1,089	(880)	209	7,260	(5,867)	1,393
2029	723	(559)	164	4,820	(3,726)	1,094
2030	145	–	145	967	–	967
2031 and thereafter	7,808	(2,055)	5,753	52,053	(13,700)	38,353
	¥ 9,765	¥ (3,494)	¥ 6,271*	\$ 65,100	\$ (23,293)	\$ 41,807

Years ending March 31	Millions of yen		
	2024		
	Tax loss carried forward	Valuation allowance	Deferred tax assets
2025	¥ –	¥ –	¥ –
2026	–	–	–
2027	–	–	–
2028	1,031	–	1,031
2029	683	–	683
2030 and thereafter	4,748	(2,053)	2,695
	¥ 6,462	¥ (2,053)	¥ 4,409*

* For the tax loss carried forward of ¥9,765 million (US\$65,100 thousand) and ¥6,462 million for the years ended March 31, 2025 and 2024, respectively, the deferred tax assets of ¥6,271 million (US\$41,807 thousand) and ¥4,409 million for the years ended March 31, 2025 and 2024, respectively have been recorded. The tax loss carried forward was determined to be recoverable as future taxable income is anticipated, and therefore a valuation allowance has not been recognized.

Note: Tax loss carried forward is measured using the statutory effective tax rate.

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Derivative financial instruments

Summarized below are the notional amounts and the estimated fair values of the derivative transactions outstanding on March 31, 2025 and 2024.

(a) Derivative financial instruments for which deferred hedge accounting has not been applied

Currency-related transactions:

	Millions of yen						Thousands of U.S. dollars		
	2025			2024			2025		
	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward exchange contracts:									
Sell:									
USD	¥ 862	¥ 0	¥ 0	¥ 4,746	¥ (41)	¥ (41)	\$ 5,747	\$ 0	\$ 0
JPY	199	(2)	(2)	239	(0)	(0)	1,327	(13)	(13)
EUR	597	(0)	(0)	642	(1)	(1)	3,980	(0)	(0)
Buy:									
USD	2,564	12	12	397	7	7	17,093	80	80
JPY	–	–	–	1	0	0	–	–	–
EUR	164	2	2	–	–	–	1,093	13	13
Total	¥ 4,386	¥ 12	¥ 12	¥ 6,025	¥ (35)	¥ (35)	\$ 29,240	\$ 80	\$ 80

* Currency options contracts is zero cost option, and call options and put options are listed together because they are integrated contracts.

(b) Derivative financial instruments for which deferred hedged accounting has been applied

Currency-related transactions

Main items hedged by forward foreign exchange contracts are trade accounts receivable and payable.

		Millions of yen				Thousands of U.S. dollars	
		2025		2024		2025	
		Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
Principle method	Forward exchange contracts:						
	Buy:						
	USD	¥ 13	¥ (0)	¥ 25	¥ 3	\$ 87	\$ (0)
	EUR	333	5	260	5	2,220	33
Short-cut method	Forward exchange contracts:						
	Sell:						
	USD	—	—	417	(14)	—	—
	Total	¥ 346	¥ 5	¥ 702	¥ (6)	\$ 2,307	\$ 33

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Segment information

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

The Company Group consolidated the segments of which products and services have similar economic characteristic and markets, and classified them into the reportable segments consisting of "Specialty Products," "Polymers & Chemicals," "Machinery" and "Others" segments.

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

Reportable segment	Main products and services
Specialty Products	Polyimide, Separation membrane, Ceramics, Separators, etc.
Polymers & Chemicals	Composite, Nylon polymer, Caprolactam, Ammonium sulfate, Industrial chemicals, C1 Chemicals (DMC, EMC, etc.), High-Performance Coating, Elastomer (Synthetic rubber), etc.
Machinery	Molding Machinery(Die Casting Machines, Extrusion Presses, and Injection Molding Machines), Industrial Machinery(Kiln, Chemical Equipment, Vertical mill, Bulk handling machine, Water screening equipment, Crushers), Bridges and Steel Structures, etc.
Others	Pharmaceuticals (APIs and intermediates), electric power supply business, leasing and control of real estate, etc.

From the year ended March 31, 2025, UBE America Inc. and UBE CORPORATION AMERICA INC., which are consolidated subsidiaries, have been reclassified from "Others" to "Polymers & Chemicals" in terms of business management categories. Additionally, the segment information for the year ended March 31, 2024 has been disclosed based on the revised classification method.

The operations of the Company and its consolidated subsidiaries for the years ended March 31, 2025 and 2024 are summarized by reportable segment as follows:

Year ended March 31, 2025	Millions of yen					Consolidated
	Specialty Products	Polymers & Chemicals	Machinery	Others	Elimination & Corporate	
Sales:						
Outside customers	¥ 50,250	¥ 270,315	¥ 86,362	¥ 79,875	¥ —	¥ 486,802
Intersegment sales and transfers	15,907	16,915	514	(12,095)	(21,241)	—
Total	66,157	287,230	86,876	67,780	(21,241)	486,802
Segment operating profit (loss)	¥ 11,668	¥ 1,919	¥ 7,883	¥ 3,208	¥ (6,633)	¥ 18,045
Segment assets	¥ 94,028	¥ 370,888	¥ 78,991	¥ 82,253	¥ 239,509	¥ 865,669
Depreciation and amortization	4,095	14,319	2,023	3,914	2,820	27,171
Equity method investments	5,133	24,685	—	4,872	176,939	211,629
Capital expenditures	14,236	34,101	2,932	4,006	5,383	60,658

Year ended March 31, 2025	Thousands of U.S. dollars					Consolidated
	Specialty Products	Polymers & Chemicals	Machinery	Others	Elimination & Corporate	
Sales:						
Outside customers	\$ 335,000	\$ 1,802,100	\$ 575,747	\$ 532,500	\$ —	\$ 3,245,347
Intersegment sales and transfers	106,047	112,767	3,426	(80,633)	(141,607)	—
Total	441,047	1,914,867	579,173	451,867	(141,607)	3,245,347
Segment operating profit (loss)	\$ 77,787	\$ 12,793	\$ 52,553	\$ 21,387	\$ (44,220)	\$ 120,300
Segment assets	\$ 626,853	\$ 2,472,587	\$ 526,607	\$ 548,353	\$ 1,596,726	\$ 5,771,126
Depreciation and amortization	27,300	95,460	13,487	26,093	18,800	181,140
Equity method investments	34,220	164,567	—	32,480	1,179,593	1,410,860
Capital expenditures	94,907	227,340	19,547	26,707	35,886	404,387

Year ended March 31, 2024	Millions of yen					Consolidated
	Specialty Products	Polymers & Chemicals	Machinery	Others	Elimination & Corporate	
Sales:						
Outside customers	¥ 46,142	¥ 244,620	¥ 96,476	¥ 80,999	¥ —	¥ 468,237
Intersegment sales and transfers	17,608	13,939	410	(6,520)	(25,437)	—
Total	63,750	258,559	96,886	74,479	(25,437)	468,237
Segment operating profit (loss)	¥ 12,110	¥ 2,541	¥ 7,168	¥ 4,464	¥ (3,827)	¥ 22,456
Segment assets	¥ 80,089	¥ 293,438	¥ 93,047	¥ 81,444	¥ 241,016	¥ 789,034
Depreciation and amortization	3,817	14,409	2,389	3,916	2,041	26,572
Equity method investments	4,843	24,700	—	3,679	173,710	206,932
Capital expenditures	7,932	14,768	2,558	4,795	6,009	36,062

Sales and amounts of property, plant and equipment of the Company and its consolidated subsidiaries as of and for the years ended March 31, 2025 and 2024 by geographic area are as follows:

Year ended March 31, 2025	Millions of yen					Consolidated
	Japan	Asia	Europe	Others		
Sales	¥ 226,017	¥ 138,394	¥ 65,011	¥ 57,380	¥ 486,802	

Year ended March 31, 2025	Thousands of U.S. dollars					Consolidated
	Japan	Asia	Europe	Others		
Sales	\$ 1,506,780	\$ 922,627	\$ 433,407	\$ 382,533	\$ 3,245,347	

As of March 31, 2025	Millions of yen					Consolidated
	Japan	Thailand	Spain	United States	Others	
Property, plant and equipment	¥ 150,932	¥ 21,967	¥ 23,906	¥ 25,676	¥ 220	¥ 222,701

As of March 31, 2025	Thousands of U.S. dollars					Consolidated
	Japan	Thailand	Spain	United States	Others	
Property, plant and equipment	\$ 1,006,213	\$ 146,447	\$ 159,373	\$ 171,173	\$ 1,467	\$ 1,484,673

Year ended March 31, 2024	Millions of yen					Consolidated
	Japan	Asia	Europe	Others		
Sales	¥ 232,213	¥ 126,342	¥ 62,308	¥ 47,374	¥ 468,237	

As of March 31, 2024	Millions of yen					Consolidated
	Japan	Thailand	Spain	United States	Others	
Property, plant and equipment	¥ 149,909	¥ 40,378	¥ 24,740	¥ 6,921	¥ 210	¥ 222,158

(Change in presentation)

From the year ended March 31, 2025, tangible assets of the United States, which were included in the "Others" section for the year ended March 31, 2024 are presented separately because their significance has increased. To reflect this change in the presentation method, certain reclassifications have been made in presentation.

As a result, 7,131 million yen of "Others" for the year ended March 31, 2024 has been reclassified as 6,921 million yen for the "United States" and 210 million yen for "Others."

Leases

Operating leases

Future minimum lease payments subsequent to March 31, 2025 and 2024 for non-cancelable operating leases are summarized as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2025	2025
2026	¥ 683	\$ 4,553
2027 and thereafter	1,083	7,220
	¥ 1,766	\$ 11,773

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2024	
2025		¥ 783
2026 and thereafter		1,721
		¥ 2,504

Retirement benefits

The Company and certain domestic consolidated subsidiaries have funded and unfunded defined benefit company pension plans. Certain domestic consolidated subsidiaries have defined contribution pension plans.

Under the defined benefit pension plans, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay and years of service. The retirement benefit trusts have been established for some defined benefit pension plans.

Under the lump-sum retirement benefit of defined pension plans, benefits are determined based on the rate of pay and years of service.

Defined contribution plans are mainly defined contribution pension plans.

(a) Defined benefit plans

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Opening balance of retirement benefit obligation	¥ 37,022	¥ 38,449	\$ 246,813
Service cost	2,084	2,340	13,893
Interest cost	266	235	1,773
Actuarial loss (gain)	(1,888)	(1,966)	(12,586)
Benefit paid	(3,574)	(2,036)	(23,826)
Closing balance of retirement benefit obligation	¥ 33,910	¥ 37,022	\$ 226,067

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Opening balance of plan assets	¥ 50,113	¥ 43,916	\$ 334,087
Expected return on pension assets	1,090	981	7,267
Actuarial gain (loss)	832	5,371	5,546
Contributions by the employer	1,678	1,685	11,187
Benefit paid	(3,454)	(1,840)	(23,027)
Closing balance of plan assets	¥ 50,259	¥ 50,113	\$ 335,060

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefits recognized in the consolidated balance sheet as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded retirement benefit obligation	¥ 32,698	¥ 33,652	\$ 217,987
Plan assets	(50,259)	(50,113)	(335,060)
	(17,561)	(16,461)	(117,073)
Unfunded retirement benefit obligation	1,212	3,370	8,080
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (16,349)	¥ (13,091)	\$ (108,993)
Net defined benefit liability	¥ 3,241	¥ 5,531	\$ 21,607
Net defined benefit asset	(19,590)	(18,622)	(130,600)
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ (16,349)	¥ (13,091)	\$ (108,993)

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

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Service cost	¥ 2,084	¥ 2,340	\$ 13,893
Interest cost	266	235	1,773
Expected return on plan assets	(1,090)	(981)	(7,267)
Amortization of actuarial loss	(1,127)	120	(7,513)
Amortization of prior service cost	25	4	167
Retirement benefit expenses	¥ 158	¥ 1,718	\$ 1,053

The components of remeasurements of defined benefit plans in other comprehensive income (before tax effect) for the years ended March 31,2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Actuarial loss (gain)	¥ (1,593)	¥ (7,457)	\$ (10,620)
Prior service cost	(25)	(4)	(167)
Total	¥ (1,618)	¥ (7,461)	\$ (10,787)

The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before tax effect) as of March 31,2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Unrecognized actuarial loss (gain)	¥ (8,514)	¥ (6,921)	\$ (56,760)
Unrecognized prior service cost	225	250	1,500
Total	¥ (8,289)	¥ (6,671)	\$ (55,260)

The breakdown of pension assets by major category as a percentage of total plan assets as of March 31,2025 and 2024 are as follows:

	Ratio	
	2025	2024
Bonds	23%	24%
Equities	45	46
Insurance assets (General account)	15	15
Others	17	15
Total	100%	100%

The above total includes 18% and 16% of the retirement benefit trusts of company pension plans on March 31,2025 and 2024, respectively.

The expected return rate on plan assets is estimated based on the current and anticipated allocations to each asset class and current and anticipated long-term returns on assets held in each category.

The items of actuarial assumptions for the years ended March 31,2025 and 2024 are as follows:

	Ratio	
	2025	2024
Discount rate	0.6~1.8%	0.5~1.2%
Expected long-term return on plan assets:		
Pension assets	2.0~2.5	2.0~2.5
Retirement benefit trusts	0.0	0.0

The schedule of the defined benefit obligation and pension assets accounted for by the simplified method for the years ended March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Opening balance of net defined benefit liability and asset	¥ 1,758	¥ 1,677	\$ 11,720
Benefit expenses	157	209	1,047
Benefit paid	(151)	(93)	(1,007)
Contributions to the plans	(24)	(35)	(160)
Decrease due to corporate separation	(270)	—	(1,800)
Closing balance of net defined benefit liability and asset	¥ 1,470	¥ 1,758	\$ 9,800

The reconciliation of the retirement benefit obligations and plan assets to the liabilities and assets for retirement benefits by the simplified method recognized in the consolidated balance sheet as of March 31, 2025 and 2024 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Funded retirement benefit obligation	¥ 149	¥ 786	\$ 993
Plan assets	(152)	(534)	(1,013)
	(3)	252	(20)
Unfunded retirement benefit obligation	1,473	1,506	9,820
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	1,470	1,758	9,800
Net defined benefit liability	1,470	1,758	9,800
Net defined benefit asset	—	—	—
Net amount of liabilities and assets for retirement benefits in the consolidated balance sheet	¥ 1,470	¥ 1,758	\$ 9,800

The retirement benefit expenses under the simplified method were ¥157 million (US\$1,047 thousand) and ¥209 million for the years ended March 31, 2025 and 2024, respectively.

(b) Defined contribution plans

The contributions by consolidated subsidiaries paid to defined contribution pension plans were ¥33 million (US\$220 thousand) and ¥32 million for the years ended March 31, 2025 and 2024, respectively.

Stock options

The Company determined to introduce a restricted stock remuneration plan (hereinafter, the "Plan"). The Plan has been approved at the 116th Ordinary General Meeting of Shareholders which was held on June 29, 2022 for Directors of the Company (excluding those who are Audit and Supervisory Committee members and Outside Directors).

The Company abolishes the remuneration for stock acquisition rights as stock compensation-type stock options and discontinues the issuance of stock acquisition rights as stock compensation-type stock options thereafter. Stock acquisition rights as stock options granted to the Eligible Directors, etc. that have not yet been exercised will be waived by the Eligible Directors, etc., provided that the Plan will be introduced.

FY2012 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 19
	<i>Type and number of shares</i>	Common stock of the Company: 37,700 shares
	<i>Date of grant</i>	July 13, 2012
	<i>Settlement of rights</i>	After providing service for the period
	<i>Period of providing service for stock option</i>	Directors of the Company: For 1 year (From July 1, 2012 to June 30, 2013) Executive officers of the Company: For 1 year (From April 1, 2012 to March 31, 2013)
	<i>Exercise period of rights</i>	For 25 years from grant date (From July 13, 2012 to July 12, 2037)
	<i>Condition of exercise of rights</i>	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.
FY2013 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 20
	<i>Type and number of shares</i>	Common stock of the Company: 48,100 shares
	<i>Date of grant</i>	July 12, 2013
	<i>Settlement of rights</i>	After providing service for the period
	<i>Period of providing service for stock option</i>	Directors of the Company: For 1 year (From July 1, 2013 to June 30, 2014) Executive officers of the Company: For 1 year (From April 1, 2013 to March 31, 2014)
	<i>Exercise period of rights</i>	For 25 years from grant date (From July 12, 2013 to July 11, 2038)
	<i>Condition of exercise of rights</i>	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.

FY2014 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 19	
	<i>Type and number of shares</i>	Common stock of the Company: 43,000 shares	
	<i>Date of grant</i>	July 14, 2014	
	<i>Settlement of rights</i>	After providing service for the period	
	<i>Period of providing service for stock option</i>	Directors of the Company: For 1 year (From July 1, 2014 to June 30, 2015) Executive officers of the Company: For 1 year (From April 1, 2014 to March 31, 2015)	
	<i>Exercise period of rights</i>	For 25 years from grant date (From July 14, 2014 to July 13, 2039)	
	<i>Condition of exercise of rights</i>	A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	
	FY2015 stock options	<i>Position and number of grantees</i>	Directors of the Company: 4 Executive officers of the Company: 19
<i>Type and number of shares</i>		Common stock of the Company: 50,000 shares	
<i>Date of grant</i>		July 13, 2015	
<i>Settlement of rights</i>		After providing service for the period	
<i>Period of providing service for stock option</i>		Directors of the Company: For 1 year (From July 1, 2015 to June 30, 2016) Executive officers of the Company: For 1 year (From April 1, 2015 to March 31, 2016)	
<i>Exercise period of rights</i>		For 25 years from grant date (From July 13, 2015 to July 12, 2040)	
<i>Condition of exercise of rights</i>		A holder of share acquisition rights may only exercise rights within a maximum of 8 years, within the exercise period of rights described above, from the next day when such holder no longer holds a position as a director and/or an executive officer.	
		Exercise price	Average stock price at exercise
FY2012 stock options	¥1	¥2,267	¥1,360
FY2013 stock options	¥1	¥2,321	¥1,560
FY2014 stock options	¥1	¥2,294	¥1,350
FY2015 stock options	¥1	¥2,291	¥1,810

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Related parties

(a) Related party transactions

The Company purchased coal, etc. from Mitsubishi UBE Cement Corporation in the amount of ¥27,555 million (US\$183,700 thousand) during the year ended March 31, 2025. The total of capital stock and capital surplus of Mitsubishi UBE Cement Corporation is ¥186,601 million (US\$1,244,007 thousand) as of March 31, 2025, and it is accounted for by the equity method.

The purchase of coal, etc. from Mitsubishi UBE Cement Corporation is determined in the same way as general transaction conditions.

In accordance with the restricted stock remuneration plan, the Company paid ¥10 million (US\$67 thousand) to Masato Izumihara, who was a President & Representative Director of the Company as of March 31, 2025.

(b) Summarized financial information of significant affiliate.

The Company recognizes Mitsubishi UBE Cement Corporation as a significant affiliate. The following is a summarized financial information based on original consolidated financial statement of Mitsubishi UBE Cement Corporation and adjusted to account for customer - related assets which was recognized at the business combination.

	Millions of yen	Thousands of U.S. dollars
	2025	2025
Total current assets	¥288,233	\$ 1,921,553
Total non-current assets	510,596	3,403,973
Total current liabilities	190,368	1,269,120
Total non-current liabilities	192,023	1,280,153
Total net assets	416,438	2,776,253
Net sales	561,037	3,740,247
Profit before income taxes	51,400	342,667
Profit attributable to owners of parent	31,631	210,873

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Revenue recognition

Revenue from Contracts with Customers

The Group recognizes revenue at the amount that it expects to receive in exchange for promised goods or services at the time control of the goods or services are transferred to a customer. Related information with revenue from contracts with customers is as follows.

(a) A disaggregation of revenue from contracts with customers for the fiscal years ended March 31, 2025 and 2024 are as follows.

Millions of yen					
2025					
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total
Japan	¥ 36,589	¥ 99,728	¥ 52,698	¥ 36,750	¥ 225,765
Asia	12,840	85,122	14,990	25,442	138,394
Europe	54	50,227	343	14,387	65,011
Others	767	35,238	18,331	3,044	57,380
Revenue from contracts with customers	50,250	270,315	86,362	79,623	486,550
Other revenue	—	—	—	252	252
Sales to outside customers	¥ 50,250	¥ 270,315	¥ 86,362	¥ 79,875	¥ 486,802

Thousands of U.S. dollars					
2025					
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total
Japan	\$243,927	\$ 664,853	\$ 351,320	\$ 245,000	\$ 1,505,100
Asia	85,600	567,480	99,933	169,614	922,627
Europe	360	334,847	2,287	95,913	433,407
Others	5,113	234,920	122,207	20,293	382,533
Revenue from contracts with customers	335,000	1,802,100	575,747	530,820	3,243,667
Other revenue	—	—	—	1,680	1,680
Sales to outside customers	\$335,000	\$ 1,802,100	\$ 575,747	\$ 532,500	\$ 3,245,347

Millions of yen					
2024					
	Specialty Products	Polymers & Chemicals	Machinery	Others	Total
Japan	¥ 34,980	¥ 98,456	¥ 59,405	¥ 39,095	¥ 231,936
Asia	10,533	68,579	22,596	24,634	126,342
Europe	28	48,361	60	13,859	62,308
Others	601	29,224	14,415	3,134	47,374
Revenue from contracts with customers	46,142	244,620	96,476	80,722	467,960
Other revenue	—	—	—	277	277
Sales to outside customers	¥ 46,142	¥ 244,620	¥ 96,476	¥ 80,999	¥ 468,237

From the year ended March 31, 2025, UBE America Inc. and UBE CORPORATION AMERICA INC., which are consolidated subsidiaries, have been reclassified from “Others” to “Polymers & Chemicals” in terms of business management categories. Additionally, the segment information for the year ended March 31, 2024 has been disclosed based on the revised classification method.

(b) Information on contract assets and contract liabilities from contracts with customers on March 31, 2025 and 2024 are as follows.

	Millions of yen		Thousands of U.S. dollars
	2025	2024	2025
Contract assets (Beginning balance)	¥ 102,040	¥ 101,565	\$680,267
Contract assets (Ending balance)	102,740	102,040	684,933

(c) Allocation of transaction price to separate performance obligations in contracts by timing is as follows.

Years ending March 31	Millions of yen	Thousands of U.S. dollars
	2025	2025
2026	¥ 8,949	\$ 59,660
2027	12,929	86,193
2028	5,534	36,893
2029 and thereafter	2,590	17,267
	¥ 30,002	\$200,013

Years ending March 31	Millions of yen
	2024
2025	¥ 19,651
2026	10,830
2027	4,897
2028 and thereafter	809
	¥ 36,187

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Business combinations

(a) Business combination through acquisitions

1. Outline of business combination

(1) Name of acquired company

MANUFACTURAS PAULOWSKY, S.L.U.

(2) Business description

Plastic Recycling

(3) Main reason for business combination

UBE Corporation Europe S.A.U. (hereinafter, "UCE"), UBE's consolidated subsidiary, has acquired 60% shares of a Spanish Recycled Plastics Manufacturer MANUFACTURAS PAULOWSKY, S.L.U. (hereinafter, "Paulowsky") located in Valencia (Spain) with a date of December 17, 2024.

Based in Valencia, Spain, Paulowsky uses the latest technology to manufacture high quality recycled plastics such as polypropylene (PP) and polyethylene (PE) with cumulated experiences and know-how; moreover, the plastics are certified by third-party organizations such as RecyClass. Paulowsky's recycled plastics are among the highest quality post-consumer recycled (PCR) products in Europe, and it is widely used in industry and consumers.

In Europe, due to the new recycling-related regulations such as the European Directive 2019/904, the Packaging and Packaging Waste Regulation (PPWR), and the European Directive 2000/53/EC on end-of-life vehicles (ELVs), the demand for recycled plastic materials is increasing in various fields.

UCE produces plastic used in a variety of field such as packaging materials, mobility, fishing, and agriculture, and receives high commendation from users for its quality, processability, and excellent properties. In response to market demand and future environmental regulations, UCE aims to promote circular economy initiatives and create new growth opportunities.

(4) Date of business combination

December 17, 2024 (Share acquisition date)

(5) Legal form of business combination

Acquisition of shares in exchange for cash

(6) Company name after business combination

Unchanged

(7) Percentage of voting rights acquired

Percentage of voting rights before business combination: —%

Percentage of voting rights after business combination: 60%

(8) Basis for determining acquiring company

Because UCE acquired shares of Paulowsky in exchange for cash

2. Period for which acquired company's operating results are included in consolidated statement of income

The acquired company's operating results are included in the consolidated statement of income from December 1, 2024 to December 31, 2024.

3. Acquisition cost

	Millions of yen	Thousands of U.S. dollars
Cash	¥ 2,099	\$ 13,993
Total acquisition cost	¥ 2,099	\$ 13,993

4. Acquisition-related cost

	Millions of yen	Thousands of U.S. dollars
Advisory fees	¥ 48	\$ 320

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

(1) Amount of goodwill

¥1,585 million (US\$10,567 thousand)

* This amount of goodwill is a tentative calculation as of March 31, 2025, as the acquisition cost allocation has not yet been completed.

(2) Reason for recognition

Expected future excess profitability arising from anticipated business development.

(3) Amortization method and amortization period

Straight-line amortization over 10 years

6. Details on assets acquired and liabilities assumed

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 598	\$ 3,987
Non-current assets	901	6,006
Total assets	¥ 1,499	\$ 9,993

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥ 271	\$ 1,807
Non-current liabilities	372	2,480
Total liabilities	¥ 643	\$ 4,287

*As of March 31, 2025, the acquisition cost allocation has not yet been completed, therefore provisional accounting treatment is being applied based on reasonable available information.

(b)Business divestiture

1. Outline of the business divestiture

(1) Name of successor company

UBS Holdings Ltd.,

(2) Content of the divested business

Name of divested company: UBE Steel Co., Ltd.

Content of business: Steelmaking and casting

(3) Main reason for business divestiture

UBE Steel Co., Ltd. (hereinafter, "UBE Steel") is engaged in steelmaking and casting as a manufacturer of carbon steel electric arc furnaces. While demand for iron and steel is expected to decrease in Japan, electric arc furnaces are recognized as a steel manufacturing process that contributes to carbon neutrality. Going forward, the business structure of the steel industry is expected to undergo drastic changes. As a result of considering a wide range of management strategies, including capital alliances, in light of this business environment, UBE has decided to transfer its management rights in UBE Steel.

(4) Date of business divestiture

November 1, 2024

(5) Outline of business divestiture including its legal form

UBE transferred the shares in exchange for cash.

2. Outline of the accounting treatment implemented

(1) Amount of gain or loss on the transfer

Loss on sale of investment securities ¥2,903 million (US\$19,353 thousand)

(2) Book value and major breakdown of the assets of the business transferred

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 6,852	\$ 45,680
Non-current assets	4,010	26,733
Total assets	¥ 10,862	\$ 72,413

	Millions of yen	Thousands of U.S. dollars
Current liabilities	¥ 6,705	\$ 44,700
Non-current liabilities	287	1,913
Total liabilities	¥ 6,992	\$ 46,613

(3) Accounting treatments

The difference between the consolidated book value and the transfer price of the transferred shares is recorded as “loss on sale of investment securities.”

3. Name of reporting segment in which the divested business was included

Machinery segment

4. Approximate amount of profit or loss of the divested business included in consolidated statement of income for the current fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 13,462	\$ 89,747
Operating loss	(58)	(387)

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Material Subsequent events

(a) Business combination through acquisition

On October 3, 2024, UBE entered into a share transfer agreement with LANXESS Deutschland GmbH (“LANXESS”) for the acquisition of all shares of LANXESS’s subsidiaries that engage in the urethane systems business (the “Target Business”), and it completed the acquisition procedures on April 1, 2025.

(1) Outline of the business combination

(i) Name of the acquired company and its business activities

Name of the acquired company

LANXESS Solutions Australia Pty. Ltd.
SISTEMAS DE URETANOS DO BRASIL LTDA.
Urethane Systems Canada Ltd.
Chemtura China Holding Co., Ltd.
LANXESS Advanced Materials (Nantong) Co., Ltd.
Elfte LXS GmbH
LANXESS SOLUTIONS INDIA PRIVATE LIMITED
Lanxess Solutions Italy S.r.l.
LANXESS Sales Netherlands B.V.
LANXESS Urethanes UK LTD
URETHANE SYSTEMS USA LLC

Business description

Manufacture and sale of polyurethane products (i.e., prepolymers for thermosetting urethan elastomers)

(ii) Main reason for business combination

UBE aims to achieve growth driven by specialty chemicals and contribution to the global environment. We are proceeding with a transformation of our group’s business structure by expanding our specialty businesses through aggressive investment while downsizing and restructuring our basic businesses, such as the ammonia and caprolactam chains.

For the C1 chemical chain (one of the specialty businesses), the market in the United States is our top priority, and currently, we are in the process of constructing a new plant for DMC (dimethyl carbonate) and EMC (ethyl methyl carbonate) in Louisiana, North America. Additionally, we are actively expanding our downstream capabilities of PCD (polycarbonate diol) and PUD (polyurethane dispersion). This acquisition is for the high-performance polyurethane resin operations, which are in the downstream and peripheral domains of PCD and PUD.

The Target Business is one of the leading manufacturers of high-performance polyurethane resins for thermosetting urethane elastomers. With over 70 years of experience, it has developed a high level of expertise and know-how in application development and has built a robust customer base. Leveraging its global manufacturing and development centers, primarily in North America, the largest base, it provides customized solutions that meet the needs of customers. Notably, it excels in high-end applications demanding superior performance, particularly within the semiconductor industry, etc.

By acquiring the Target Business’s robust business foundation, marked by technical capabilities and know-how in polyurethane resins, global human resources, manufacturing bases and strong partnerships and distribution networks with customers, we aim to amplify our PCD and PUD businesses and solidify our presence in the high-performance polyurethane resin market.

(iii) Date of business combination

April 1, 2025 (Share acquisition date)

(iv) Legal form of business combination

Acquisition of shares in exchange for cash

(v) Company name after business combination

Unchanged

(vi) Percentage of voting rights acquired
100%

(vii) Main reason for deciding on the acquired company

UBE and its consolidated subsidiaries, UBE CORPORATION AMERICA INC., UBE CORPORATION EUROPE S.A.U., and UBE Fine Chemicals (Asia) Co., Ltd., acquired the shares in exchange for cash.

(2) Acquisition cost

	Millions of yen	Thousands of U.S. dollars
Cash	¥ 80,748	\$ 538,320
Total acquisition cost	¥ 80,748	\$ 538,320

(Note) The consideration for the acquisition may fluctuate depending on adjustments of the amounts of assets acquired and liabilities assumed.

(3) Acquisition-related cost

Not confirmed yet at this point.

(4) Amount of goodwill, reason for recognition, the amortization method and amortization period

Not confirmed yet at this point.

(5) Details on assets acquired and liabilities assumed

Not confirmed yet at this point.

(b) Change in reportable segments

The Company changed the management structure of its segments on April 1, 2025.

As a result, the reportable segments of the Company were changed to the following six segments: "Specialty Products," "High Performance Urethans," "Pharmaceutical," "Polymers & Chemicals," "Machinery" and "Others."

The operations of the Company and its consolidated subsidiaries for the fiscal year ended March 31, 2025 under the new segment classification are summarized as follows:

Year ended March 31, 2025	Millions of yen							Elimination & Corporate	Consolidated
	Specialty Products	High Performance Urethans	Pharmaceutical	Polymers & Chemicals	Machinery	Others			
Sales:									
Outside customers	¥ 50,250	¥ 15,067	¥ 29,780	¥ 255,248	¥ 86,362	¥ 50,095	¥ —	¥ 486,802	
Intersegment sales and transfers	15,907	549	1,710	18,310	514	(10,891)	(26,099)	—	
Total	66,157	15,616	31,490	273,558	86,876	39,204	(26,099)	486,802	
Segment operating profit (loss)	¥ 11,668	¥ (200)	¥ 1,151	¥ (710)	¥ 7,883	¥ 2,057	¥ (3,804)	¥ 18,045	

Year ended March 31, 2025	Thousands of U.S. dollars							Elimination & Corporate	Consolidated
	Specialty Products	High Performance Urethans	Pharmaceutical	Polymers & Chemicals	Machinery	Others			
Sales:									
Outside customers	\$ 335,000	\$ 100,447	\$ 198,533	\$ 1,701,653	\$ 575,747	\$ 333,967	\$ —	\$ 3,245,347	
Intersegment sales and transfers	106,047	3,660	11,400	122,067	3,426	(72,607)	(173,993)	—	
Total	441,047	104,107	209,933	1,823,720	579,173	261,360	(173,993)	3,245,347	
Segment operating profit (loss)	\$ 77,787	\$ (1,333)	\$ 7,673	\$ (4,733)	\$ 52,553	\$ 13,713	\$ (25,360)	\$ 120,300	

Independent Auditor's Report

The Board of Directors
UBE Corporation

Opinion

We have audited the accompanying consolidated financial statements of UBE Corporation (the Company) and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2025, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

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

Basis for Opinion

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

Key Audit Matters

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



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Recognition and measurement of impairment losses on property, plant and equipment associated with structural reforms of the basic businesses	
Description of Key Audit Matter	Auditor's Response
<p>As described in *15 Loss on impairment of fixed assets in the Notes to consolidated financial statements, the Group recorded an impairment loss of ¥29,079 million in the consolidated financial statements for the fiscal year ended March 31, 2025 (the “current fiscal year”). Specifically, an impairment loss related to ammonia and caprolactam manufacturing equipment at the Ube Chemical Factory amounted to ¥8,845 million, while the impairment loss associated with caprolactam and nylon-related manufacturing equipment at UBE Chemicals (Asia) Public Company Limited (UCHA) was ¥18,725 million.</p> <p>The Group has been exploring structural reforms for its basic businesses, which includes ceasing ammonia production around 2030; however, due to oversupply from Chinese companies, current business conditions — particularly in Asian markets — have deteriorated, making recovery unlikely. Consequently, the Group has decided to cease operations at certain manufacturing facilities, including outside Japan, in the current fiscal year. As a result, the Group made the decision to cease operations of the ammonia and caprolactam manufacturing equipment at the Ube Chemical Factory, along with caprolactam and nylon-related manufacturing equipment at UCHA, following a specified period of continued operations.</p>	<p>The audit procedures we performed to assess the Group’s recognition and measurement of impairment losses on property, plant and equipment include the following, among others:</p> <ul style="list-style-type: none"> • In addition to making inquiries of management and business managers, we reviewed minutes of board meetings to gain an understanding of the recent operating environment of the basic businesses and the details of decisions regarding structural reforms. We also reviewed impairment assessment-related materials prepared by the Group in order to determine whether the indications of impairment were assessed in a timely manner. • To assess the estimation period for future cash flows, we made inquiries to management concerning the timing of the cessation of operations for manufacturing equipment. We also assessed the consistency between the estimation period for future cash flows and the Medium-Term Business Plan approved by the Board of Directors. • Regarding the Ube Chemical Factory, we compared management’s determination that the undiscounted future cash flows were negative with both internal and external information. We also agreed the recorded impairment loss amount to the fixed asset ledger.



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The Group has concluded that the decision to cease manufacturing lines at these facilities, along with the decline in product profitability that contributed to this decision, constitutes an indication of impairment, which occurs when substantial changes significantly lower the recoverable amount related to the scope or method of use. For this reason, the Group determined that the manufacturing equipment, which it decided to discontinue after a specific period of continued operations at the Ube Chemical Factory, would be treated as a single grouping unit for assessing whether to recognize an impairment loss. Therefore, since the total undiscounted future cash flows based on the business plan were negative, the Group determined that the recoverable amount was zero and recorded the entire book value of property, plant, and equipment included in the asset group where an indication of impairment was identified as an impairment loss. In addition, at UCHA, the recoverable amount was determined based on the higher of the value in use — calculated as the discounted present value of future cash flows under the business plan of the asset group of manufacturing facilities that decided to cease operations after a certain period — and the fair value less costs of disposal. As a result, the book value was reduced to its recoverable amount measured at fair value and an impairment loss was recorded.

In terms of the recognition and measurement of impairment losses, estimates of future cash flows based on the business plan involve uncertainty and require management to exercise subjective judgment, while estimates of the discount rate used in measuring value in use require a high degree of specialized knowledge. Given that the identified impairment loss on property, plant, and equipment is material, we have determined this to be a key audit matter.

- In order to consider review the impairment test performed by UCHA, we involved engaged component auditors and compared the significant assumptions used for future cash flows adopted by management with internal and external information, as well as compared previous cash flow estimates to actual results.
- We compared discount rates with estimates that were prepared by valuation specialists of our network firms. We also evaluated the adequacy of the valuation methods used by the Group in measuring fair value less costs of disposal.



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Other Information

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

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

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Committee is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

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

Convenience Translation

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



Shape the future
with confidence

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Tokyo, Japan

July 1, 2025

Shigeyuki Kano
Designated Engagement Partner
Certified Public Accountant

Ritsuko Narazaki
Designated Engagement Partner
Certified Public Accountant

Minori Tamegai
Designated Engagement Partner
Certified Public Accountant