

**Integrated Report 2024**  
**Financial Section**

**Nissan Chemical Corporation**

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Long Term Financial Performance Trend

(Billions of Yen)

|                           | 2010  | 2011  | 2012  | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   |
|---------------------------|-------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales                     | 154.2 | 148.6 | 153.8 | 163.7  | 171.2  | 176.9  | 180.3  | 193.4  | 204.9  | 206.8  | 209.1  | 208.0  | 228.1  | 226.7  |
| Operating Profit          | 19.8  | 15.5  | 19.5  | 22.2   | 25.3   | 28.6   | 31.4   | 35.0   | 37.1   | 38.6   | 42.5   | 51.0   | 52.3   | 48.2   |
| Ordinary Income           | 19.4  | 15.9  | 20.5  | 23.7   | 26.4   | 29.5   | 31.7   | 36.2   | 39.1   | 40.0   | 43.9   | 53.7   | 55.8   | 51.6   |
| Net Income                | 13.0  | 11.0  | 13.9  | 16.7   | 18.2   | 22.4   | 24.0   | 27.1   | 29.4   | 30.8   | 33.5   | 38.8   | 41.1   | 38.0   |
| EBITDA                    | 30.3  | 25.9  | 29.1  | 30.8   | 33.8   | 38.3   | 40.3   | 45.5   | 48.0   | 49.2   | 53.0   | 61.2   | 63.3   | 62.0   |
| OP Margin                 | 12.9% | 10.4% | 12.7% | 13.6%  | 14.8%  | 16.2%  | 17.4%  | 18.1%  | 18.1%  | 18.7%  | 20.3%  | 24.5%  | 22.9%  | 21.3%  |
| ROE                       | 11.9% | 9.5%  | 11.4% | 12.7%  | 12.7%  | 14.6%  | 15.1%  | 16.1%  | 16.6%  | 16.9%  | 17.5%  | 19.2%  | 19.4%  | 17.1%  |
| EPS(¥/share)              | 75.94 | 64.52 | 83.74 | 102.11 | 113.99 | 143.37 | 156.97 | 180.30 | 197.67 | 210.09 | 231.73 | 271.88 | 291.36 | 272.82 |
| Dividend(¥/share)         | 24    | 24    | 26    | 30     | 36     | 44     | 52     | 68     | 82     | 90     | 104    | 122    | 164    | 164    |
| Dividend Payout Ratio     | 31.6% | 37.2% | 31.0% | 29.4%  | 31.6%  | 30.7%  | 33.1%  | 37.7%  | 41.5%  | 42.8%  | 44.9%  | 44.9%  | 56.3%  | 60.1%  |
| Share Repurchase          | 2.8   | -     | 5.0   | 5.0    | 6.0    | 9.0    | 9.0    | 9.0    | 9.0    | 10.0   | 10.0   | 12.0   | 9.0    | 10.0   |
| Total Assets              | 183.4 | 190.1 | 199.2 | 208.0  | 223.9  | 228.2  | 231.7  | 246.0  | 247.0  | 249.5  | 265.5  | 279.7  | 298.7  | 323.5  |
| Net Assets                | 112.4 | 119.6 | 126.7 | 137.8  | 151.3  | 156.9  | 163.7  | 176.4  | 182.1  | 185.5  | 200.6  | 208.0  | 221.5  | 230.9  |
| Cash                      | 21.1  | 27.9  | 31.9  | 30.8   | 31.3   | 35.3   | 35.7   | 37.7   | 36.2   | 30.6   | 32.4   | 34.7   | 29.6   | 22.7   |
| Liabilities with Interest | 39.9  | 38.9  | 38.1  | 36.1   | 35.1   | 33.1   | 30.8   | 28.6   | 26.6   | 24.6   | 22.7   | 22.7   | 27.3   | 41.0   |
| Equity Ratio              | 60.7% | 62.4% | 63.0% | 65.7%  | 66.9%  | 68.1%  | 69.9%  | 71.0%  | 73.0%  | 73.7%  | 74.9%  | 73.6%  | 73.1%  | 70.3%  |
| Capex                     | 8.7   | 8.9   | 8.1   | 9.1    | 8.7    | 9.5    | 13.5   | 14.4   | 9.9    | 15.5   | 14.3   | 12.4   | 19.4   | 20.2   |
| Depreciation              | 10.4  | 10.5  | 9.5   | 8.5    | 8.5    | 9.7    | 8.9    | 10.5   | 10.9   | 10.5   | 10.4   | 10.2   | 11.0   | 13.8   |
| R&D Expenses              | 12.6  | 13.6  | 13.7  | 14.2   | 15.0   | 15.8   | 16.1   | 17.2   | 17.8   | 17.2   | 16.5   | 16.0   | 16.8   | 17.3   |
| R&D Expenses/Sales        | 8.2%  | 9.2%  | 8.9%  | 8.7%   | 8.7%   | 8.9%   | 8.9%   | 8.9%   | 8.7%   | 8.3%   | 7.9%   | 7.7%   | 7.4%   | 7.6%   |

※ Capex is based on Cash Flow

## **FINANCIAL REVIEW**

### **Financial Review of the Year Ended March 31, 2024**

#### **Overview**

During the current fiscal year (April 1, 2023 to March 31, 2024), the domestic economy showed a recovery trend in consumer spending and automobile exports in the first half of the fiscal year, in addition to an increase in inbound demand driven by the weak yen. However, the recovery was limited due to sluggish personal consumption toward the end of the fiscal year, as well as automobile production cutbacks and other factors. Under these circumstances, in the Chemicals Segment, sales of both Basic Chemicals and Fine Chemicals decreased. In the Performance Materials Segment, sales of Semiconductor Materials declined but sales of Display Materials were fine. In the Agricultural Chemicals Segment, sales increased. In the Healthcare Segment, sales decreased.

As a result, both sales and each income were below the level of the same period of the previous fiscal year. Although ordinary income exceeded the forecast announced in November, sales, operating income and net income attributable to owners of parent fell short of the forecast.

#### **Operating Results**

As a result, the Company's results for the current fiscal year were net sales 226,705 million yen (a decrease of 1,360 million yen from the previous year), operating income 48,201 million yen (a decrease of 4,081 million yen) and ordinary income 51,629 million yen (a decrease of 4,164 million yen), and net income attributable to owners of parent 38,033 million yen (a decrease of 3,053 million yen).

ROE was 17.1% ,which is less than the Mid-Term Plan "Vista2027" Stage I target (maintain 18% or above) in the current fiscal year.

Dividend was 164 yen and dividend payout ratio became 60.1%. We have repurchased share of 10.0 billion yen and total payout ratio was 86.2%.

#### **Financial Position**

Total assets as of March 31, 2024 were 323,458 million yen (an increase of 24,742 million yen from the previous year). It is mainly due to the increase of merchandise and finished goods, buildings and structures and machinery, equipment and vehicles.

Total liabilities as of March 31, 2024 were 92,554 million yen (an increase of 15,365 million yen). It is mainly due to the increase of short-term loans payable.

Net assets as of March 31, 2024 were 230,903 million yen (an increase of 9,376 million yen).

As a result of these factors, equity ratio was 70.3% (a decrease of 2.8% from March 31, 2023).

#### **Position of Cash Flow**

Deducting income taxes paid from income before income taxes and non-controlling interests, depreciation and net increase or decrease in working capital, etc., net cash provided by operating activities for the consolidated fiscal year ended March 31, 2024 was 33,701 million yen (35,226 million yen for the previous year).

Mainly due to capital investment in factories etc., net cash used in investing activities for the consolidated fiscal year ended March 31, 2024 was 18,741 million yen (19,643 million yen for the previous year).

Due to payment for dividends, share repurchase and increase in long-term loans payable, net cash used

in financing activities for the consolidated fiscal year ended March 31, 2024 was 22,101 million yen (25,030 million yen for the previous year).

As a result of these factors, cash and cash equivalents for the consolidated fiscal year ended March 31, 2024 were 22,738 million yen (29,647 million yen for the previous year), reflecting of 231 million yen of increase as an effect of exchange rate change. It increased by 6,909 million yen compared to the previous year.

## Overview by segments

### The Chemicals Segment

In Basic Chemicals, sales of nitric acid products (metal dissolution, surface treatment, etc.) increased. Sales of melamine (adhesives agent) declined as a result of the termination of sales in the third quarter of the previous fiscal year under the structural reforms. In Fine Chemicals, sales of environmental related products (sterilizing and disinfecting agents for pools and septic tanks, etc.) and "TEPIC" (powder coating agent for paint, sealants, etc.) decreased due to the impact of falling market demand.

As a result, net sales of this segment were 35,562 million yen (a decrease of 3,471 million yen) and operating income was 48 million yen (a decrease of 1,330 million yen). Compared to the outlook, net sales were below 3.0 billion yen and operating income was below 0.8 billion yen.

### The Performance Materials Segment

In Display Materials, sales of "SUNEVER" (LCD alignment coating) increased. In Semiconductor Materials, sales of anti-reflective coating for semiconductors (ARC®\*) and multi-layer process materials (OptiStack®\*) decreased due to a decline in customer utilization. In Inorganic Materials, sales of "SNOWTEX" for polishing electronic materials and hard coating, and Oilfield materials (solvents to improve the efficiency of shale oil and gas extraction) decreased.

As a result, net sales of this segment were 84,567 million yen (an increase of 1,961 million yen) and operating income was 22,530 million yen (a decrease of 2,919 million yen). Compared to the outlook, net sales were above 0.1 billion yen and operating income was below 0.8 billion yen.

\* ARC® and OptiStack® are registered trademarks of Brewer Science, Inc.

### The Agricultural Chemicals Segment

Sales of Fluralaner (active ingredients for veterinary pharmaceuticals) increased. In Japanese domestic market, sales of "GRACIA" (insecticide) were firm, but sales of "ROUNDUP" (non-selective foliar application herbicide) decreased. In the overseas market, although sales of "GRACIA" grew, sales of "LEIMAY" (fungicide) decreased.

As a result, net sales of this segment were 82,113 million yen (an increase of 529 million yen) and operating income was 23,398 million yen (an increase of 267 million yen). Compared to the outlook, net sales were below 1.9 billion yen and operating income was above 0.1 billion yen.

### The Healthcare Segment

Sales of "LIVALO" (anti-cholesterol drug) declined, mainly to overseas markets. In "Custom Chemicals" (custom manufacturing and solution proposal business for pharmaceutical

companies), sales of generic active pharmaceutical ingredients decreased.

As a result, net sales of this segment were 6,300 million yen (a decrease of 373 million yen) and operating income was 2,814 million yen (a decrease of 175 million yen). Compared to the outlook, net sales were above 0.4 billion yen and operating income was above 0.2 billion yen.

### **The Trading Segment**

Net sales of this segment were 103,794 million yen (an increase of 4,728 million yen) and operating income was 3,701 million yen (a decrease of 0 million yen). Compared to the outlook, net sales were above 2.9 billion yen and operating income was above 0.4 billion yen.

### **Others**

Net sales of this segment were 30,167 million yen (an increase of 3,782 million yen) and operating income was 572 million yen (a decrease of 307 million yen).

## Consolidated Balance Sheets

(Thousands of  
U.S. dollars)

|  | (Millions of Yen) |                |                  |
|--|-------------------|----------------|------------------|
|  | FY2023            | FY2022         | FY2023           |
| <b>Assets</b>  |                   |                |                  |
| <b>Current assets</b>                                      |                   |                |                  |
| Cash and deposits  | 22,738            | 29,647         | 150,185          |
| Notes and accounts receivable - trade, and contract assets | 88,800            | 82,670         | 586,526          |
| Merchandise and finished goods                             | 56,804            | 46,950         | 375,192          |
| Work in process  | 5                 | 18             | 33               |
| Raw materials and supplies                                 | 21,370            | 17,703         | 141,149          |
| Accounts receivable - other                                | 2,956             | 2,113          | 19,524           |
| Short-term loans receivable                                | 2,152             | 3,088          | 14,214           |
| Other  | 7,189             | 7,305          | 47,483           |
| Allowance for doubtful accounts                            | (48)              | (44)           | (317)            |
| <b>Total current assets</b>                                | <u>201,968</u>    | <u>189,454</u> | <u>1,334,003</u> |
| <b>Non-current assets</b>                                  |                   |                |                  |
| <b>Property, plant and equipment</b>                       |                   |                |                  |
| Buildings and structures                                   | 85,860            | 72,520         | 567,107          |
| Accumulated depreciation and impairment loss               | (50,898)          | (46,567)       | (336,182)        |
| Buildings and structures, net                              | <u>34,962</u>     | <u>25,952</u>  | <u>230,925</u>   |
| Machinery, equipment and vehicles                          | 170,309           | 151,653        | 1,124,894        |
| Accumulated depreciation and impairment loss               | (145,729)         | (136,861)      | (962,543)        |
| Machinery, equipment and vehicles, net                     | <u>24,579</u>     | <u>14,792</u>  | <u>162,345</u>   |
| Tools, furniture and fixtures                              | 44,084            | 42,153         | 291,176          |
| Accumulated depreciation and impairment loss               | (39,457)          | (38,379)       | (260,614)        |
| Tools, furniture and fixtures, net                         | <u>4,626</u>      | <u>3,774</u>   | <u>30,555</u>    |
| Land   | 9,064             | 8,817          | 59,868           |
| Leased assets  | 160               | 149            | 1,057            |
| Accumulated depreciation and impairment loss               | (24)              | (10)           | (159)            |
| Leased assets, net   | <u>135</u>        | <u>139</u>     | <u>892</u>       |
| Construction in progress                                   | 4,004             | 11,176         | 26,446           |
| <b>Total property, plant and equipment</b>                 | <u>77,372</u>     | <u>64,653</u>  | <u>511,044</u>   |
| <b>Intangible assets</b>                                   |                   |                |                  |
| Software   | 2,444             | 1,722          | 16,143           |
| Other  | 8,302             | 9,813          | 54,835           |
| <b>Total intangible assets</b>                             | <u>10,747</u>     | <u>11,535</u>  | <u>70,984</u>    |
| <b>Investments and other assets</b>                        |                   |                |                  |
| Investment securities                                      | 26,119            | 27,322         | 172,517          |
| Long-term loans receivable                                 | 50                | 0              | 330              |
| Deferred tax assets  | 519               | 531            | 3,428            |
| Net defined benefit asset                                  | 3,737             | 2,140          | 24,683           |
| Other  | 3,054             | 3,186          | 20,172           |
| Allowance for doubtful accounts                            | (111)             | (110)          | (733)            |
| <b>Total investments and other assets</b>                  | <u>33,370</u>     | <u>33,071</u>  | <u>220,410</u>   |
| <b>Total non-current assets</b>                            | <u>121,489</u>    | <u>109,260</u> | <u>802,437</u>   |
| <b>Total assets</b>  | <u>323,458</u>    | <u>298,715</u> | <u>2,136,446</u> |



|   | (Millions of Yen) |                | (Thousands of<br>U.S. dollars) |
|---|-------------------|----------------|--------------------------------|
|   | FY2023            | FY2022         | FY2023                         |
| <b>Liabilities</b>  |                   |                |                                |
| Current liabilities   |                   |                |                                |
| Notes and accounts payable - trade                            | 20,427            | 19,942         | 134,921                        |
| Short-term loans payable                                      | 39,062            | 25,327         | 258,005                        |
| Current portion of long-term loans payable                    | 634               | 624            | 4,188                          |
| Income taxes payable  | 4,940             | 7,879          | 32,629                         |
| Provision for bonuses   | 2,548             | 2,413          | 16,830                         |
| Provision for loss on business of subsidiaries and affiliates | 310               | -              | 2,048                          |
| Provision for business structure improvement                  | 2                 | 418            | 13                             |
| Other   | 18,638            | 15,556         | 123,104                        |
| Total current liabilities                                     | <u>86,563</u>     | <u>72,161</u>  | <u>571,750</u>                 |
| Non-current liabilities                                       |                   |                |                                |
| Long-term loans payable                                       | 1,284             | 1,338          | 8,481                          |
| Deferred tax liabilities                                      | 1,431             | 98             | 9,452                          |
| Provision for loss on business of subsidiaries and affiliates | 143               | 626            | 945                            |
| Provision for share awards for directors (and other officers) | 272               | 256            | 1,797                          |
| Net defined benefit liability                                 | 467               | 377            | 3,085                          |
| Other   | 2,392             | 2,331          | 15,799                         |
| Total non-current liabilities                                 | <u>5,991</u>      | <u>5,027</u>   | <u>39,571</u>                  |
| Total liabilities   | <u>92,554</u>     | <u>77,188</u>  | <u>611,321</u>                 |
| <b>Net assets</b>   |                   |                |                                |
| Shareholders' equity  |                   |                |                                |
| Capital stock   | 18,942            | 18,942         | 125,112                        |
| Capital surplus   | 13,613            | 13,613         | 89,914                         |
| Retained earnings   | 182,327           | 182,400        | 1,204,273                      |
| Treasury shares   | (943)             | (6,111)        | (6,229)                        |
| Total shareholders' equity                                    | <u>213,939</u>    | <u>208,844</u> | <u>1,413,071</u>               |
| Accumulated other comprehensive income                        |                   |                |                                |
| Valuation difference on available-for-sale securities         | 8,238             | 7,678          | 54,412                         |
| Foreign currency translation adjustment                       | 4,226             | 1,735          | 27,913                         |
| Remeasurements of defined benefit plans                       | 1,066             | 159            | 7,041                          |
| Total accumulated other comprehensive income                  | <u>13,531</u>     | <u>9,574</u>   | <u>89,373</u>                  |
| Non-controlling interests                                     | <u>3,432</u>      | <u>3,107</u>   | <u>22,668</u>                  |
| Total net assets  | <u>230,903</u>    | <u>221,526</u> | <u>1,525,119</u>               |
| <b>Total liabilities and net assets</b>                       | <u>323,458</u>    | <u>298,715</u> | <u>2,136,446</u>               |

Consolidated Statements of Income

(Thousands of  
U.S. dollars)

|  | (Millions of Yen) |         |           |
|--|-------------------|---------|-----------|
|  | FY2023            | FY2022  | FY2023    |
| Net sales  | 226,705           | 228,065 | 1,497,391 |
| Cost of sales  | 121,930           | 121,262 | 805,350   |
| Gross profit   | 104,774           | 106,803 | 692,034   |
| Selling, general and administrative expenses             | 56,572            | 54,519  | 373,659   |
| Operating income   | 48,201            | 52,283  | 318,369   |
| Non-operating income                                     |                   |         |           |
| Interest income  | 161               | 203     | 1,063     |
| Dividend income  | 1,560             | 1,323   | 10,304    |
| Equity in earnings of affiliates                         | 536               | 1,485   | 3,540     |
| Foreign exchange gains                                   | 2,210             | 1,296   | 14,597    |
| Other  | 810               | 694     | 5,350     |
| Total non-operating income                               | 5,280             | 5,004   | 34,875    |
| Non-operating expenses                                   |                   |         |           |
| Interest expenses  | 526               | 252     | 3,474     |
| Loss on disposal of non-current assets                   | 935               | 817     | 6,176     |
| Loss on sales of non-current assets                      | 10                | 5       | 66        |
| Plant stop losses  | 169               | 198     | 1,116     |
| Other  | 211               | 220     | 1,394     |
| Total non-operating expenses                             | 1,853             | 1,493   | 12,239    |
| Ordinary income  | 51,629            | 55,793  | 341,011   |
| Extraordinary income                                     |                   |         |           |
| Gain on sales of investment securities                   | 1,332             | 1,461   | 8,798     |
| Total extraordinary income                               | 1,332             | 1,461   | 8,798     |
| Extraordinary losses                                     |                   |         |           |
| Impairment losses  | 823               | -       | 5,436     |
| Loss on valuation of investment securities               | 353               | 650     | 2,332     |
| Total extraordinary losses                               | 1,176             | 650     | 7,768     |
| Income before income taxes and non-controlling interests | 51,785            | 56,605  | 342,041   |
| Income taxes - current                                   | 12,847            | 14,554  | 84,855    |
| Income taxes - deferred                                  | 730               | 633     | 4,822     |
| Total income taxes                                       | 13,578            | 15,187  | 89,683    |
| Net income   | 38,206            | 41,417  | 252,351   |
| Net income attributable to non-controlling interests     | 172               | 329     | 1,136     |
| Net income attributable to owners of parent              | 38,033            | 41,087  | 251,209   |

Consolidated Statements of Comprehensive Income

|  | (Millions of Yen) |        | (Thousands of<br>U.S. dollars) |
|--|-------------------|--------|--------------------------------|
|  | FY2023            | FY2022 | FY2023                         |
| Net income   | 38,206            | 41,417 | 252,351                        |
| Other comprehensive income   |                   |        |                                |
| Valuation difference on available-for-sale securities                                | 559               | (625)  | 3,692                          |
| Foreign currency translation adjustment  | 2,788             | 760    | 18,415                         |
| Remeasurements of defined benefit plans, net of tax                                  | 907               | 138    | 5,991                          |
| Share of other comprehensive income of entities accounted for<br>using equity method | 0                 | 0      | 0                              |
| Total other comprehensive income   | 4,254             | 273    | 28,098                         |
| Comprehensive income   | 42,461            | 41,690 | 280,456                        |
| (Comprehensive income attributable to)   |                   |        |                                |
| Owners of parent   | 41,990            | 41,270 | 277,345                        |
| Non-controlling interests  | 470               | 420    | 3,104                          |

Consolidated Statements of Cash Flows

|   | (Millions of Yen) |                 | (Thousands of<br>U.S. dollars) |
|---|-------------------|-----------------|--------------------------------|
|   | FY2023            | FY2022          | FY2023                         |
| <b>Cash flows from operating activities</b>   |                   |                 |                                |
| Income before income taxes and non-controlling interests  | 51,785            | 56,605          | 342,041                        |
| Depreciation and amortization   | 13,700            | 10,878          | 90,489                         |
| Impairment losses   | 823               | -               | 5,436                          |
| Loss on valuation of investment securities  | 353               | 650             | 2,332                          |
| Amortization of goodwill  | 101               | 101             | 667                            |
| Interest and dividend income  | (1,722)           | (1,527)         | (11,374)                       |
| Loss (gain) on sales of investment securities   | (1,332)           | (1,461)         | (8,798)                        |
| Interest expenses   | 526               | 252             | 3,474                          |
| Loss (gain) on disposal of non-current assets   | 935               | 817             | 6,176                          |
| Decrease (increase) in notes and accounts receivable - trade                                    | (4,911)           | (2,360)         | (32,437)                       |
| Decrease (increase) in inventories  | (12,424)          | (12,382)        | (82,061)                       |
| Increase (decrease) in notes and accounts payable - trade                                       | (437)             | 217             | (2,886)                        |
| Other   | 477               | (3,057)         | 3,151                          |
| Subtotal  | <u>47,875</u>     | <u>48,734</u>   | <u>316,215</u>                 |
| Interest and dividend income received   | 2,242             | 2,153           | 14,808                         |
| Interest expenses paid  | (525)             | (251)           | (3,468)                        |
| Income taxes paid   | (15,891)          | (15,408)        | (104,960)                      |
| Net cash provided by (used in) operating activities   | <u>33,701</u>     | <u>35,226</u>   | <u>222,596</u>                 |
| <b>Cash flows from investing activities</b>   |                   |                 |                                |
| Purchase of investment securities   | (125)             | (506)           | (826)                          |
| Proceeds from sales of investment securities  | 1,742             | 2,499           | 11,506                         |
| Purchase of shares of subsidiaries  | (10)              | (25)            | (66)                           |
| Purchase of property, plant and equipment   | (18,591)          | (18,236)        | (122,794)                      |
| Payments for retirement of property, plant and equipment  | (820)             | (716)           | (5,416)                        |
| Purchase of intangible assets   | (1,587)           | (1,221)         | (10,482)                       |
| Payments of long-term loans receivable  | (0)               | -               | (0)                            |
| Net decrease (increase) in short-term loans receivable  | 1,070             | (1,505)         | 7,067                          |
| Purchase of long-term prepaid expenses  | (225)             | (282)           | (1,486)                        |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation                | 93                | -               | 614                            |
| Other   | (288)             | 352             | (1,902)                        |
| Net cash provided by (used in) investing activities   | <u>(18,741)</u>   | <u>(19,643)</u> | <u>(123,785)</u>               |
| <b>Cash flows from financing activities</b>   |                   |                 |                                |
| Net increase (decrease) in short-term loans payable   | 10,924            | 3,940           | 72,153                         |
| Proceeds from long-term loans payable   | 580               | 780             | 3,831                          |
| Repayments of long-term loans payable   | (624)             | (552)           | (4,122)                        |
| Cash dividends paid   | (22,973)          | (20,084)        | (151,737)                      |
| Dividends paid to non-controlling interests   | -                 | (105)           | -                              |
| Share repurchase  | (10,006)          | (9,002)         | (66,090)                       |
| Other   | (2)               | (6)             | (13)                           |
| Net cash provided by (used in) financing activities   | <u>(22,101)</u>   | <u>(25,030)</u> | <u>(145,978)</u>               |
| Effect of exchange rate change on cash and cash equivalents                                     | 231               | 1,320           | 1,526                          |
| Net increase (decrease) in cash and cash equivalents  | <u>(6,909)</u>    | <u>(8,126)</u>  | <u>(45,634)</u>                |
| Cash and cash equivalents at beginning of period  | 29,647            | 34,658          | 195,819                        |
| Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation | -                 | 3,116           | -                              |
| Cash and cash equivalents at end of period  | <u>22,738</u>     | <u>29,647</u>   | <u>150,185</u>                 |

(Note 1) This is an English translation of the consolidated financial statements of the Japanese annual securities report.

(Note 2) The consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2024 after being converted from the currency of the country in which the Company operates. The translation of Japanese yen amounts to United States dollar amounts is included solely for the convenience of the readers outside Japan, and has been made at the rate of ¥ 151.40 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 31, 2024. This translation should not be construed to indicate that the Japanese yen amounts shown can be converted to United States dollars at the above rate.

Consolidated Statements of Changes in Net Assets  
For FY2023

(Millions of Yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | ¥18,942              | ¥13,613         | ¥182,400          | (¥6,111)        | ¥208,844                   |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (22,973)          |                 | (22,973)                   |
| Net income attributable to owners of parent          |                      |                 | 38,033            |                 | 38,033                     |
| Share repurchase                                     |                      |                 |                   | (10,006)        | (10,006)                   |
| Disposal of treasury shares                          |                      |                 |                   | 40              | 40                         |
| Cancellation of treasury shares                      |                      |                 | (15,133)          | 15,133          | -                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | -               | (73)              | 5,167           | 5,094                      |
| Balance at end of current period                     | ¥18,942              | ¥13,613         | ¥182,327          | (¥943)          | ¥213,939                   |

|  | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | ¥7,678  | ¥1,735                                  | ¥159                                    | ¥9,574                                       | ¥3,107                    | ¥221,526         |
| Changes of items during period                       |   |   |   |  |                           |                  |
| Dividends of surplus                                 |   |   |   |  |                           | (22,973)         |
| Net income attributable to owners of parent          |   |   |   |  |                           | 38,033           |
| Share repurchase                                     |   |   |   |  |                           | (10,006)         |
| Disposal of treasury shares                          |   |   |   |  |                           | 40               |
| Cancellation of treasury shares                      |   |   |   |  |                           | -                |
| Net changes of items other than shareholders' equity | 559   | 2,490                                   | 907                                     | 3,956  | 325                       | 4,282            |
| Total changes of items during period                 | 559   | 2,490                                   | 907                                     | 3,956  | 325                       | 9,376            |
| Balance at end of current period                     | ¥8,238  | ¥4,226                                  | ¥1,066                                  | ¥13,531                                      | ¥3,432                    | ¥230,903         |

For FY2022

(Millions of Yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | ¥18,942              | ¥13,613         | ¥172,393          | (¥8,261)        | ¥196,688                   |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (20,084)          |                 | (20,084)                   |
| Net income attributable to owners of parent          |                      |                 | 41,087            |                 | 41,087                     |
| Change in scope of consolidation                     |                      |                 | 101               |                 | 101                        |
| Share repurchase                                     |                      |                 |                   | (9,002)         | (9,002)                    |
| Disposal of treasury shares                          |                      |                 |                   | 55              | 55                         |
| Cancellation of treasury shares                      |                      |                 | (11,097)          | 11,097          | -                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | -               | 10,006            | 2,150           | 12,156                     |
| Balance at end of current period                     | ¥18,942              | ¥13,613         | ¥182,400          | (¥6,111)        | ¥208,844                   |

|  | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | ¥8,304  | ¥898                                    | ¥21                                     | ¥9,223                                       | ¥2,097                    | ¥208,009         |
| Changes of items during period                       |   |   |   |  |                           |                  |
| Dividends of surplus                                 |   |   |   |  |                           | (20,084)         |
| Net income attributable to owners of parent          |   |   |   |  |                           | 41,087           |
| Change in scope of consolidation                     |   |   |   |  |                           | 101              |
| Share repurchase                                     |   |   |   |  |                           | (9,002)          |
| Disposal of treasury shares                          |   |   |   |  |                           | 55               |
| Cancellation of treasury shares                      |   |   |   |  |                           | -                |
| Net changes of items other than shareholders' equity | (625)   | 837                                     | 138                                     | 350  | 1,009                     | 1,360            |
| Total changes of items during period                 | (625)   | 837                                     | 138                                     | 350  | 1,009                     | 13,516           |
| Balance at end of current period                     | ¥7,678  | ¥1,735                                  | ¥159                                    | ¥9,574                                       | ¥3,107                    | ¥221,526         |

For FY2023

(Thousands of U.S. dollars)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period               | \$125,112            | \$89,914        | \$1,204,756       | (\$40,363)      | \$1,379,419                |
| Changes of items during period                       |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (151,737)         |                 | (151,737)                  |
| Net income attributable to owners of parent          |                      |                 | 251,209           |                 | 251,209                    |
| Share repurchase                                     |                      |                 |                   | (66,090)        | (66,090)                   |
| Disposal of treasury shares                          |                      |                 |                   | 264             | 264                        |
| Cancellation of treasury shares                      |                      |                 | (99,954)          | 99,954          | -                          |
| Net changes of items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes of items during period                 | -                    | -               | (482)             | 34,128          | 33,646                     |
| Balance at end of current period                     | \$125,112            | \$89,914        | \$1,204,273       | (\$6,229)       | \$1,413,071                |

|  | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance at beginning of current period               | \$50,713  | \$11,460                                | \$1,050                                 | \$63,236                                     | \$20,522                  | \$1,463,184      |
| Changes of items during period                       |   |   |   |  |                           |                  |
| Dividends of surplus                                 |   |   |   |  |                           | (151,737)        |
| Net income attributable to owners of parent          |   |   |   |  |                           | 251,209          |
| Share repurchase                                     |   |   |   |  |                           | (66,090)         |
| Disposal of treasury shares                          |   |   |   |  |                           | 264              |
| Cancellation of treasury shares                      |   |   |   |  |                           | -                |
| Net changes of items other than shareholders' equity | 3,692   | 16,446                                  | 5,991                                   | 26,129                                       | 2,147                     | 28,283           |
| Total changes of items during period                 | 3,692   | 16,446                                  | 5,991                                   | 26,129                                       | 2,147                     | 61,929           |
| Balance at end of current period                     | \$54,412  | \$27,913                                | \$7,041                                 | \$89,373                                     | \$22,668                  | \$1,525,119      |

## Notes to Consolidated Financial Statements

### 1. Basis for Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, the related accounting regulations, and the accounting principles generally accepted in Japan ("J-GAAP"), which differ in certain aspects from the application and disclosure requirements of the accounting principles generally accepted in the United States of America ("US-GAAP") and International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassification and rearrangements have been made to the consolidated financial statements issued in Japan in order to present them in a form that is more familiar to readers in other countries.

### 2. Summary of Significant Accounting Policies

#### a. Consolidation

The consolidated financial statements as of March 31, 2024 include the account of Nissan Chemical Corporation. (the "Company") and its ten (nine in FY2022) main subsidiaries (together, the "Companies"). The Company does not consolidate other subsidiaries due to their immateriality in terms of consolidated total assets, net sales, net income, and retained earnings.

Under the control or influence concept, those companies in which the Company, either directly or indirectly, is able to exercise control over operations are fully consolidated. Those companies over which the Company has the ability to exercise significant influence are accounted for by the equity method. Investments in two (two in FY2022) affiliated companies are accounted for by the equity method.

The assets and liabilities of the newly consolidated subsidiaries are stated at fair value as of the respective dates on which they were acquired.

All significant inter-company balances and transactions have been eliminated in consolidation.

All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

For companies accounted for by the equity method that have different fiscal year-ends, the financial statements of those companies for their respective fiscal years are used.

#### b. Securities

The Company's marketable securities are reported at fair value. Unrealized holding gains and losses, net of the related tax effect, on marketable securities are excluded from earnings. Instead, they are reported as a separate component of other comprehensive income until realized.

Realized gains and losses for securities are included in earnings, and are derived using the moving average method for determining the cost of securities sold.

Non-marketable securities in companies over which the Company is incapable of exercising significant influence are stated at cost and reviewed periodically for impairment.

#### c. Inventories

Inventories are stated at the lower of cost or net realizable value. The cost is determined by the weighted average method.

#### d. Property, Plant and Equipment (excluding Leased Assets)

Property, plant and equipment are stated at cost. In general, the depreciation of property, plant and equipment is computed by the declining-balance method over the estimated useful lives of these assets.

The estimated useful life ranges are 2 years to 50 years for buildings and structures, and 2 years to 12 years for machinery, equipment and vehicles.

#### e. Goodwill and Other Intangible Assets (excluding Leased Assets)

Goodwill is amortized by the straight-line method within 20 years. Other intangible assets are also amortized using the straight-line method.

The main useful lives of major intangible assets are as follows:

|                         |            |
|-------------------------|------------|
| Software                | 5 years    |
| Other intangible assets | 5~16 years |

#### f. Leased Assets

Leased assets arising from finance lease transactions which do not transfer ownership to the lessee are depreciated by the straight-line method with no residual value, using the contract term as the useful life.

#### g. Allowance for Doubtful Accounts

Allowance for doubtful accounts is the Companies' best estimate for the amount of probable credit losses in the Companies' existing trade receivables.

An additional reserve for individual receivable is recorded when the Company becomes aware of a customer's inability to meet its financial obligations, such as when a customer files for bankruptcy or when its operating results or financial position deteriorates.

If the customer's circumstances change, estimates of the recoverability of receivables are further adjusted.

#### h. Provision for Bonuses

The Companies provide accrued bonuses for employees based on the estimated amounts to be paid for the fiscal year.

#### i. Provision for Share Awards for Directors (and Other Officers)

The Company provides for the estimated amount of share benefit obligations as of the end of the current consolidated fiscal year to cover the benefit of shares to the Company's directors, etc., in accordance with the regulations for the delivery of shares to directors, etc.

#### j. Provision for Business Structure Improvement

The Company provides a reserve at the estimated amount to cover the expenses and losses to be incurred in association with structural improvement.

#### k. Provision for Loss on Business of Subsidiaries and Affiliates

The Company provides a reserve at the estimated amount to cover the losses on business of subsidiaries and affiliates in consideration of their financial position.

#### l. Retirement Benefits

The Company has a defined benefit plan and a retirement plan that substantially covers all of its employees.

The method for calculating the estimated amount of all retirement benefits to be paid at future retirement dates is based on the benefit formula.

Actuarial gains and losses are primarily amortized using the declining-balance method over the average of the estimated remaining service years (16 years) commencing from the period which the gains and losses occur.

Past service costs are primarily amortized using the declining-balance method over the average of the estimated remaining service years (16 years) commencing from the period which the costs occur.

Certain consolidated subsidiaries use a simplified method for calculating retirement benefits.

In this method, the retirement benefit obligation is the same amount as the necessary payment related to retirement benefits.



#### m. Basis for Recording Significant Revenues and Expenses

The Company and its consolidated subsidiaries are principally engaged in the manufacture and sale of chemicals, functional materials, agrochemicals, healthcares, wholesaling and other businesses. The main performance obligations in these businesses are as stated below.

The Company recognizes revenue at the time of shipment to the customer, based on the terms and conditions of the trade, since the performance obligation is deemed to be satisfied when the customer has obtained control over the product, etc., in light of the terms and conditions of the contract.

For transactions in which the Company's role in providing goods to customers constitutes that of an agent, the Company recognizes revenue at the net amount received from the customer less the amount paid to the supplier of the goods.

For transactions that include variable consideration in the contract with a customer, only the portion of the transaction price that is likely not to be significantly reduced when the uncertainty is resolved after the fact is included in the transaction price.

Revenue from the granting of licenses is recognized over a specified period of time if the nature of the commitment in granting the license to the customer is the right to access the intellectual property over the term of the license, or at a point in time if the right to use the intellectual property is at the time the license is granted. A portion of revenue related to licensing is recognized when uncertainties are resolved based on sales reported by customers.

#### n. Translation of Foreign Currency

The assets and liabilities of the Company's subsidiaries located outside Japan are translated into Japanese yen at the spot exchange rate in effect on the balance sheet date. Revenue and expense items are translated at the prevailing average exchange rates for the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from the translation of financial statements are excluded from the statements of income. Instead, they are accumulated in net assets as a component of accumulated other comprehensive income (loss).

#### o. Derivatives and Hedge Accounting

The Company enters into interest rate swap contracts to hedge the risk of changes in interest rates over borrowings.

Derivatives are carried at fair value with all changes in unrealized gains and losses charged to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gains or losses, net of the applicable income taxes, are reported as components of accumulated other comprehensive income (loss).

If interest rates swap contracts meet certain criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract is executed.

#### p. Cash and Cash Equivalent

The Companies consider cash equivalents include all highly fluid investments, which have been purchased with original maturities of three months or less.

#### q. Other Important Matters for Preparation of Consolidated Financial Statements

Group tax sharing system is applied.

### 3. U.S. Dollar Amounts

The accompanying consolidated financial statements are expressed in Japanese yen as of and for the year ended March 31, 2024 after being converted from the currency of the country in which the Company operates. The translation of Japanese yen amounts to United States dollar amounts is included solely for the convenience of the readers outside Japan, and has been made at the rate of ¥151.40 to US \$1, which is the approximate closing exchange rate reported by the Tokyo Foreign Exchange Market on March 29, 2024. This translation should not be construed to indicate that the Japanese yen amounts shown can be converted to United States dollars at the above rate.

### 4. Significant Accounting Estimates

#### a. Loss on Valuation of Inventories

(1) Amount recorded in the consolidated financial statements

|                                  | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|----------------------------------|-------------------|--------|-----------------------------|
|                                  | FY2023            | FY2022 | FY2023                      |
| Loss on valuation of inventories | ¥286              | ¥0     | \$1,889                     |

(2) Information on the nature of significant accounting estimates for identified items

- Calculation method

In valuing inventories at the end of the fiscal year, if the net realizable value is lower than the book value, the book value is reduced to the net realizable value, and the amount of the reduction is recorded as a loss on valuation of inventories.

- Main assumptions

For finished goods and merchandise, the net realizable value is estimated based on historical experience of sales deductions and transportation costs from total sales. For raw materials, the net realizable value is the replacement cost estimated based on the last purchase price.

- Effect on the consolidated financial statements for the following fiscal year

In estimating valuation losses, the Company makes judgments based on past purchasing and shipping records, information available at the time of valuation, and other factors considered reasonable. However, if the market environment deteriorates more than expected and the net realizable value declines, it may be necessary to record additional valuation losses.

## b. Valuation of Intangible Assets and Other

(1) Amount recorded in the consolidated financial statements

- The fungicide "Quinoxifen" business

|   | (Millions of Yen) |        |                     | (Thousands of U.S. dollars) |
|---|-------------------|--------|---------------------|-----------------------------|
|   | FY2023            | FY2022 | Amortization Period | FY2023                      |
|   | Amount            | Amount |                     | Amount                      |
| Intangible fixed assets and others (Product registration right) | ¥1,939            | ¥3,251 | 9 years             | \$12,807                    |
| Intangible fixed assets and others (Non-competition agreement)  | 147               | 331    | 6 years             | 971                         |
| Intangible fixed assets and others (Goodwill)                   | -                 | 103    | 5 years             | -                           |
| Total   | ¥2,086            | ¥3,685 |                     | \$13,778                    |
| Impairment losses   | ¥823              | -      |                     | \$5,436                     |

(2) Information on the nature of significant accounting estimates for identified items

- Calculation method

When there is an indication of impairment of an asset group, including intangible and other assets, the Group estimates the undiscounted future cash flows to be derived from the asset group, and if the carrying amount exceeds the total undiscounted future cash flows, the carrying amount is written down to the recoverable amount and recorded the reduction as a loss for the current fiscal year. Goodwill and intangible assets and other of the Group are mainly related to the Quinoxifen and Manzeb businesses. Impairment losses was recognized for the Quinoxifen business in the current fiscal year because the total undiscounted future cash flows from the asset group, including intangible assets and others related to the Quinoxifen business, were lower than its carrying amount.

- Main assumptions

Undiscounted future cash flows from asset groups, including intangible and other assets related to the Quinoxifen business, are calculated based on the budget for the next fiscal year approved by the Board of Directors and the expected performance of such asset groups thereafter.

The earnings estimates are based on historical experience and external and internal information. The primary assumptions used in estimating future cash flows are net sales and cost of sales, which reflect the measures taken in the earnings forecast.

- Effect on the consolidated financial statements for the following fiscal year

Uncertain future economic conditions and changes in the Company's operating conditions could materially affect estimates of future cash flows, which could have a significant impact on the consolidated financial statements in the following fiscal years and beyond.

## 5. New Accounting Standards Not Yet Applied

· "Accounting Standard for Current Income Taxes" (Accounting Standard Board of Japan ("ASBJ") Statement No. 27, October 28, 2022)

· "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022)

· "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022)

(1) Outline

These standards prescribe the categories in which income tax expense should be recorded when other comprehensive income is subject to taxation and the tax treatment of income taxes on sales of shares of subsidiaries and other securities in case where group corporate taxation is applied.

(2) Scheduled date of application

The Company plans to apply the new standards from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of Application of the Accounting Standards

The impact of the application of the said accounting standards is immaterial.

## 6. Notes to Consolidated Balance Sheets

(1) Notes and accounts receivable - trade, and contract assets arising from contracts with customers are as follows.

|                             | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|-----------------------------|-------------------|--------|-----------------------------|
|                             | FY2023            | FY2022 | FY2023                      |
| Notes receivable - trade    | ¥4,301            | ¥4,291 | \$28,408                    |
| Accounts receivable - trade | 84,499            | 78,153 | 558,118                     |
| Contract assets             | -                 | 225    | -                           |

(2) Contract liabilities in "Other" of "Current liabilities" are as follows .

|                      | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|----------------------|-------------------|--------|-----------------------------|
|                      | FY2023            | FY2022 | FY2023                      |
| Contract liabilities | ¥133              | ¥136   | \$878                       |

(3) Collateral assets and liabilities

Collateral assets and liabilities of FY2023 and FY2022 are as follows:

|                       | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|-----------------------|-------------------|--------|-----------------------------|
|                       | FY2023            | FY2022 | FY2023                      |
| Investment securities | ¥224              | ¥221   | \$1,480                     |
| Guarantee deposits    | 10                | 10     | 66                          |

|                          | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|--------------------------|-------------------|--------|-----------------------------|
|                          | FY2023            | FY2022 | FY2023                      |
| Accounts payable - trade | ¥441              | ¥332   | \$2,913                     |

(4) The amounts due to unconsolidated subsidiaries and affiliated companies are as follows.

|  | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|--|-------------------|--------|-----------------------------|
|  | FY2023            | FY2022 | FY2023                      |
| Investment securities (stocks)                                 | ¥6,734            | ¥8,000 | \$44,478                    |
| Investments and other assets<br>Other (investments in capital) | 826               | 826    | 5,456                       |

(5) Guaranteed liabilities

The Company guarantees loans from financial institutions for employees and companies other than consolidated companies, etc.

|                                     | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|-------------------------------------|-------------------|--------|-----------------------------|
|                                     | FY2023            | FY2022 | FY2023                      |
| Toyama Kyodo Jikahatsuden Co., Ltd. | ¥4,875            | ¥2,875 | \$32,199                    |
| Total                               | ¥4,875            | ¥2,875 | \$32,199                    |

(6) For accounting treatment of notes maturing on the last day of the consolidated fiscal year, although the last day of the consolidated fiscal year was a holiday of financial institutions, the notes are treated as if they were settled on the maturity date.

The amounts of notes maturing at the end of the current consolidated fiscal year are as follows:

|   | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|---|-------------------|--------|-----------------------------|
|   | FY2023            | FY2022 | FY2023                      |
| Notes receivable                        | ¥90               | -      | \$594                       |
| Electronically recorded monetary claims | 215               | -      | 1,420                       |
| Notes payable                           | 0                 | -      | 0                           |
| Electronically recorded obligations     | 99                | -      | 654                         |

(7) Loan commitments

The Company and its consolidated subsidiaries have entered into revolving credit line agreements with subsidiaries and affiliates and have established maximum loan amounts. The following are unused lines of credit based on these agreements as of the end of the current fiscal year.

|                            | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|----------------------------|-------------------|--------|-----------------------------|
|                            | FY2023            | FY2022 | FY2023                      |
| Total amount of loan limit | ¥5,499            | ¥5,065 | \$36,321                    |
| Outstanding loans          | 2,152             | 3,044  | 14,214                      |
| Net unused loan balance    | ¥3,346            | ¥2,020 | \$22,100                    |

The total amount of loan limit, outstanding loans and net unused loan balance include foreign currencies.

## 7. Notes to Consolidated Statements of Income

### (1) Revenue from contracts with customers

Revenues are not broken down into revenues from contracts with customers and other revenues.

The amount of revenue arising from contracts with customers is presented in Note 15.

Revenue Recognition, (1) Information that disaggregates revenue arising from contracts with customers.

### (2) Major items of selling, general and administrative expenses

|   | (Millions of Yen) |        | (Thousands of U.S. dollars) |
|---|-------------------|--------|-----------------------------|
|   | FY2023            | FY2022 | FY2023                      |
| Transportation expenses                                       | ¥1,050            | ¥1,022 | \$6,935                     |
| Labor cost  | 18,132            | 17,500 | 119,762                     |
| (Of which, retirement benefit expenses)                       | 486               | 611    | 3,210 )                     |
| (Of which, provision for bonuses)                             | 1,817             | 1,714  | 12,001 )                    |
| Provision for share awards for directors (and other officers) | 43                | 130    | 284                         |
| Test cost   | 5,153             | 5,149  | 34,036                      |
| Depreciation and amortization                                 | 4,311             | 4,072  | 28,474                      |
| Allowance for doubtful accounts                               | 1                 | 2      | 7                           |

### (3) Research and development expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for FY2023 and FY2022 are as follows:

|  | (Millions of Yen) |         | (Thousands of U.S. dollars) |
|--|-------------------|---------|-----------------------------|
|  | FY2023            | FY2022  | FY2023                      |
|  | ¥17,334           | ¥16,838 | \$114,491                   |

### (4) Impairment losses

The breakdown of assets for which impairment losses were recognized in FY2023 is as follows:

| Use             | Classification    | Location       | (Millions of Yen) | (Thousands of U.S. dollars) |
|-----------------|-------------------|----------------|-------------------|-----------------------------|
|                 |                   |                | Impairment losses | Impairment losses           |
| Business assets | Intangible assets | Chuo-ku, Tokyo | ¥823              | \$5,436                     |
|                 | Other             |                |                   |                             |
| Total           |                   |                | ¥823              | \$5,436                     |

### (Asset grouping method)

In principle, our asset grouping is based on the smallest unit that generates independent cash flow.

### (Background leading to the recognition of impairment losses)

The book value of the business assets for the Quinoxifen business was reduced to its recoverable amount and the reduced amount was recognized as "Impairment losses" of "Extraordinary losses" because the Company no longer expects the Quinoxifen business to generate the initially anticipated earnings.

### (Calculation method of recoverable amount)

The recoverable amount of this asset group is measured by its value in use, which is calculated by discounting future cash flows at a rate of 5.82%.

## 8. Comprehensive Income

|   | (Millions of Yen) |         | (Thousands of U.S. dollars) |
|---|-------------------|---------|-----------------------------|
|   | FY2023            | FY2022  | FY2023                      |
| Valuation difference on available-for-sale securities:                              |                   |         |                             |
| Gains (losses) arising during the year  | ¥2,135            | ¥597    | \$14,102                    |
| Reclassification adjustment   | (1,332)           | (1,496) | (8,798)                     |
| Amount before tax effect  | 802               | (898)   | 5,297                       |
| Tax effect  | (243)             | 272     | (1,605)                     |
| Valuation difference on available-for-sale securities, net of tax                   | 559               | (625)   | 3,692                       |
| Foreign currency translation adjustment:  |                   |         |                             |
| Gains (losses) arising during the year  | 2,788             | 760     | 18,415                      |
| Reclassification adjustment   | -                 | -       | -                           |
| Amount before tax effect  | 2,788             | 760     | 18,415                      |
| Tax effect  | -                 | -       | -                           |
| Foreign currency translation adjustment, net of tax                                 | 2,788             | 760     | 18,415                      |
| Remeasurements of defined benefit plans:  |                   |         |                             |
| Gains (losses) arising during the year  | 1,333             | (276)   | 8,804                       |
| Reclassification adjustment   | (30)              | 307     | (198)                       |
| Amount before tax effect  | 1,302             | 30      | 8,600                       |
| Tax effect  | (395)             | 107     | (2,609)                     |
| Remeasurements of defined benefit plans, net of tax                                 | 907               | 138     | 5,991                       |
| Share of other comprehensive income of entities accounted for using equity methods: |                   |         |                             |
| Gains (losses) arising during the year  | 0                 | 0       | 0                           |
| Total other comprehensive income  | ¥4,254            | ¥273    | \$28,098                    |

## 9. Common Shares

### (1) Dividends

Cash dividends charged to retained earnings for the years ended March 31, 2024 and 2023 represent the dividends paid out during those years. The accompanying consolidated financial statements do not include any provisions for a dividend approved by the Annual Shareholders Meeting of 94 yen (0.62 U.S. dollars) per share with an aggregate 13,043 million yen (86,149 thousands of U.S. dollars) for the year ended March 31, 2024.

### (2) Retained Earnings

Retained earnings on a consolidated basis consist of legal reserve and retained earnings. In accordance with provisions of the Companies Act of Japan (the "Act"), the Company has provided a legal reserve as an appropriation of retained earnings. The Act states that while neither legal capital surplus nor legal retained earnings are available for dividends, both may be used to reduce or eliminate a deficit by a resolution of the shareholders' meeting, or may be transferred to stated capital common stock by a resolution of the Board of Directors. Legal reserve in the accompanying consolidated financial statement includes only that of the Company. Retained earnings of the Company and its consolidated subsidiaries include a certain special reserve for the purpose of obtaining tax benefits in accordance with the Special Taxation Law of Japan.

## 10. Investment Securities

|                                   | (Millions of Yen) |         | (Thousands of U.S. dollars) |
|-----------------------------------|-------------------|---------|-----------------------------|
|                                   | FY2023            | FY2022  | FY2023                      |
| Equity securities                 | ¥17,135           | ¥16,923 | \$113,177                   |
| Unlisted securities of affiliates | 6,734             | 8,000   | 44,478                      |
| Unlisted securities               | 2,250             | 2,399   | 14,861                      |
| Total                             | ¥26,119           | ¥27,322 | \$172,517                   |

## 11. Financial Instruments

(1) Matters concerning the status of financial instruments

The Group limits fund management to short-term deposits, etc., and procures necessary funds mainly through bank loans.

Trade receivables such as notes and accounts receivable-trade and accounts receivable-other related to the purchase of raw materials on behalf of customers are exposed to customer credit risk. The Company manages this risk by controlling due dates and outstanding balances for each counterparty in accordance with credit management rules, etc., and by periodically monitoring the credit status of major counterparties. Loans receivable is mainly to affiliated companies.

Investment securities, which are stocks, are exposed to the risk of market price fluctuations, but are mainly stocks of companies with which the Company has business relationships. The fair values of these securities are reported to the Board of Directors on a regular basis. Trade payables, trade notes and accounts payable, are due within one year.

In addition, the Company hedges against the risk of exchange rate fluctuations related to foreign currency-denominated trade receivables and trade payables mainly through the use of foreign currency-denominated borrowings and other instruments.

Of the loans payable, short-term loans payable are mainly to finance operating transactions, and long-term loans payable are mainly to finance capital expenditures. In addition, trade payables and borrowings are exposed to liquidity risk (risk of being unable to make payments on due dates). However, the Finance Department prepares appropriate cash management plans and maintains liquidity on hand.

Since variable factors are incorporated in the calculation of the fair value of financial instruments, such values may vary due to the adoption of different assumptions and other factors.

(2) Matters related to fair value of financial instruments

Consolidated balance sheet amount, fair value and their differences are as follows:.

| FY2022                        |                                   |              | (Millions of Yen) |
|-------------------------------|-----------------------------------|--------------|-------------------|
|                               | Consolidated balance sheet amount | Market value | Difference        |
| (1) Investments in securities |                                   |              |                   |
| Available-for-sale securities | ¥16,923                           | ¥16,923      | -                 |
| Total assets                  | ¥16,923                           | ¥16,923      | -                 |
| (1) Long-term loans payable   | 1,962                             | 1,966        | ¥4                |
| Total liabilities             | ¥1,962                            | ¥1,966       | ¥4                |

(Notes)1. "Cash and deposits," "Notes and accounts receivable-trade," "Accounts receivable-other," "Short-term loans receivable," "Notes and accounts payable-trade" and "Short-term loans payable" are not stated because they are cash or their fair values approximate their book values due to their short maturities.

2. Non-marketable equity securities are not included in "(1) Investment securities".

The consolidated balance sheet amounts of such financial instruments are as follows:

| Year ending March 31, 2023 | (Millions of Yen) |
|----------------------------|-------------------|
| Unlisted stocks            | ¥10,399           |

| FY2023                        |                                   |              | (Millions of Yen) |
|-------------------------------|-----------------------------------|--------------|-------------------|
|                               | Consolidated balance sheet amount | Market value | Difference        |
| (1) Investments in securities |                                   |              |                   |
| Available-for-sale securities | ¥17,135                           | ¥17,135      | -                 |
| Total assets                  | ¥17,135                           | ¥17,135      | -                 |
| (1) Long-term loans payable   | 1,918                             | 1,922        | ¥4                |
| Total liabilities             | ¥1,918                            | ¥1,922       | ¥4                |

| FY2023                        |                                   |              | (Thousands of U.S. dollars) |
|-------------------------------|-----------------------------------|--------------|-----------------------------|
|                               | Consolidated balance sheet amount | Market value | Difference                  |
| (1) Investments in securities |                                   |              |                             |
| Available-for-sale securities | \$113,177                         | \$113,177    | -                           |
| Total assets                  | \$113,177                         | \$113,177    | -                           |
| (1) Long-term loans payable   | 12,668                            | 12,695       | \$26                        |
| Total liabilities             | \$12,668                          | \$12,695     | \$26                        |

(Notes)1. "Cash and deposits," "Notes and accounts receivable-trade," "Accounts receivable-other," "Short-term loans receivable," "Notes and accounts payable-trade" and "Short-term loans payable" are not stated because they are cash or their fair values approximate their book values due to their short maturities.

2. Non-marketable equity securities are not included in "(1) Investment securities".

The consolidated balance sheet amounts of such financial instruments are as follows:

| Year ending March 31, 2024 | (Millions of Yen) | (Thousands of U.S. dollars) |
|----------------------------|-------------------|-----------------------------|
| Unlisted stocks            | ¥8,983            | \$59,333                    |

Scheduled redemption amount of monetary claims after the consolidated balance sheet date

|  | (Millions of Yen) |                               |                                     |               |
|--|-------------------|-------------------------------|-------------------------------------|---------------|
| FY2022   | Within 1 year     | Over 1 year<br>within 5 years | 5 years or more<br>10 years or less | Over 10 years |
| Cash on hand and in banks                              | ¥29,647           | -                             | -                                   | -             |
| Notes, accounts receivable - trade and contract assets | 82,670            | -                             | -                                   | -             |
| Accounts receivable - other                            | 2,113             | -                             | -                                   | -             |
| Short-term loans receivable                            | 3,088             | -                             | -                                   | -             |
| Total  | ¥117,520          | -                             | -                                   | -             |

|  | (Millions of Yen) |                               |                                     |               |
|--|-------------------|-------------------------------|-------------------------------------|---------------|
| FY2023   | Within 1 year     | Over 1 year<br>within 5 years | 5 years or more<br>10 years or less | Over 10 years |
| Cash on hand and in banks                              | ¥22,738           | -                             | -                                   | -             |
| Notes, accounts receivable - trade and contract assets | 88,800            | -                             | -                                   | -             |
| Accounts receivable - other                            | 2,956             | -                             | -                                   | -             |
| Short-term loans receivable                            | 2,152             | -                             | -                                   | -             |
| Total  | ¥116,647          | -                             | -                                   | -             |

|  | (Thousands of U.S. dollars) |                               |                                     |               |
|--|-----------------------------|-------------------------------|-------------------------------------|---------------|
| FY2023   | Within 1 year               | Over 1 year<br>within 5 years | 5 years or more<br>10 years or less | Over 10 years |
| Cash on hand and in banks                              | \$150,185                   | -                             | -                                   | -             |
| Notes, accounts receivable - trade and contract assets | 586,526                     | -                             | -                                   | -             |
| Accounts receivable - other                            | 19,524                      | -                             | -                                   | -             |
| Short-term loans receivable                            | 14,214                      | -                             | -                                   | -             |
| Total  | \$770,456                   | -                             | -                                   | -             |

Scheduled repayment of long-term debt and other interest-bearing liabilities after the consolidated balance sheet date

|                          | (Millions of Yen) |                               |                               |                               |                               |              |
|--------------------------|-------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| FY2022                   | Within 1 year     | Over 1 year<br>within 2 years | Over 2 year<br>within 3 years | Over 3 year<br>within 4 years | Over 4 year<br>within 5 years | Over 5 years |
| Short-term loans payable | ¥25,327           | -                             | -                             | -                             | -                             | -            |
| Long-term loans payable  | 624               | ¥518                          | ¥398                          | ¥266                          | ¥156                          | -            |
| Total                    | ¥25,951           | ¥518                          | ¥398                          | ¥266                          | ¥156                          | -            |

|                          | (Millions of Yen) |                               |                               |                               |                               |              |
|--------------------------|-------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| FY2023                   | Within 1 year     | Over 1 year<br>within 2 years | Over 2 year<br>within 3 years | Over 3 year<br>within 4 years | Over 4 year<br>within 5 years | Over 5 years |
| Short-term loans payable | ¥39,062           | -                             | -                             | -                             | -                             | -            |
| Long-term loans payable  | 634               | ¥514                          | ¥382                          | ¥272                          | ¥116                          | -            |
| Total                    | ¥39,696           | ¥514                          | ¥382                          | ¥272                          | ¥116                          | -            |

|                          | (Thousands of U.S. dollars) |                               |                               |                               |                               |              |
|--------------------------|-----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------|
| FY2023                   | Within 1 year               | Over 1 year<br>within 2 years | Over 2 year<br>within 3 years | Over 3 year<br>within 4 years | Over 4 year<br>within 5 years | Over 5 years |
| Short-term loans payable | \$258,005                   | -                             | -                             | -                             | -                             | -            |
| Long-term loans payable  | 4,188                       | \$3,395                       | \$2,523                       | \$1,797                       | \$766                         | -            |
| Total                    | \$262,193                   | \$3,395                       | \$2,523                       | \$1,797                       | \$766                         | -            |

(3) Matters concerning the breakdown of the fair value of financial instruments by level, etc.

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

Level 1 fair value: Fair value calculated based on (unadjusted) quoted prices in active markets for identical assets or liabilities

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

Level 3 fair value: Fair value calculated using unobservable inputs

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

① Financial instruments carried on the consolidated balance sheets at fair value

(Millions of Yen)

| FY2022                        | Market value |        |        |         |
|-------------------------------|--------------|--------|--------|---------|
|                               | Level1       | Level2 | Level3 | Total   |
| Investments in securities     |              |        |        |         |
| Available-for-sale securities |              |        |        |         |
| Stocks                        | ¥16,923      | -      | -      | ¥16,923 |
| Total                         | ¥16,923      | -      | -      | ¥16,923 |

(Millions of Yen)

| FY2023                        | Market value |        |        |         |
|-------------------------------|--------------|--------|--------|---------|
|                               | Level1       | Level2 | Level3 | Total   |
| Investments in securities     |              |        |        |         |
| Available-for-sale securities |              |        |        |         |
| Stocks                        | ¥17,135      | -      | -      | ¥17,135 |
| Total                         | ¥17,135      | -      | -      | ¥17,135 |

(Thousands of U.S. dollars)

| FY2023                        | Market value |        |        |           |
|-------------------------------|--------------|--------|--------|-----------|
|                               | Level1       | Level2 | Level3 | Total     |
| Investments in securities     |              |        |        |           |
| Available-for-sale securities |              |        |        |           |
| Stocks                        | \$113,177    | -      | -      | \$113,177 |
| Total                         | \$113,177    | -      | -      | \$113,177 |

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Investments in securities

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

② Financial instruments other than those recorded on the consolidated balance sheets at fair value

(Millions of Yen)

| FY2022                  | Market value |        |        |        |
|-------------------------|--------------|--------|--------|--------|
|                         | Level1       | Level2 | Level3 | Total  |
| Long-term loans payable | -            | ¥1,966 | -      | ¥1,966 |
| Total liabilities       | -            | ¥1,966 | -      | ¥1,966 |

(Millions of Yen)

| FY2023                  | Market value |        |        |        |
|-------------------------|--------------|--------|--------|--------|
|                         | Level1       | Level2 | Level3 | Total  |
| Long-term loans payable | -            | ¥1,922 | -      | ¥1,922 |
| Total liabilities       | -            | ¥1,922 | -      | ¥1,922 |

(Thousands of U.S. dollars)

| FY2023                  | Market value |          |        |          |
|-------------------------|--------------|----------|--------|----------|
|                         | Level1       | Level2   | Level3 | Total    |
| Long-term loans payable | -            | \$12,695 | -      | \$12,695 |
| Total liabilities       | -            | \$12,695 | -      | \$12,695 |

(Note) Explanation of valuation techniques used in the calculation of fair value and inputs related to the calculation of fair value

Long-term loans payable

The fair value of long-term loans payable is determined using the discounted present value method based on the sum of the principal interest rate and an interest rate that takes into account the remaining term of the debt and credit risk, and is classified as Level 2 fair value.



## 12. Securities

### (1) Other securities

|   | (Millions of Yen)   |                   |            |
|---|---|-------------------|------------|
|   | Consolidated balance sheet<br>amount as of the consolidated<br>balance sheet date | Acquisition costs | Difference |
| FY2022  |   |                   |            |
| Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost        |   |                   |            |
| Stocks  | ¥16,613   | ¥5,138            | ¥11,474    |
| Bond  | -   | -                 | -          |
| Other   | -   | -                 | -          |
| Subtotal  | 16,613  | 5,138             | 11,474     |
| Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost |   |                   |            |
| Stocks  | 309   | 499               | (189)      |
| Bond  | -   | -                 | -          |
| Other   | -   | -                 | -          |
| Subtotal  | 309   | 499               | (189)      |
| Total   | ¥16,923   | ¥5,638            | ¥11,284    |

(Note) Unlisted stocks (consolidated balance sheet amount: 10,399 million yen) are not included in "Other securities" in the above table.

|   | (Millions of Yen)   |                   |            |
|---|---|-------------------|------------|
|   | Consolidated balance sheet<br>amount as of the consolidated<br>balance sheet date | Acquisition costs | Difference |
| FY2023  |   |                   |            |
| Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost        |   |                   |            |
| Stocks  | ¥16,845   | ¥4,740            | ¥12,105    |
| Bond  | -   | -                 | -          |
| Other   | -   | -                 | -          |
| Subtotal  | 16,845  | 4,740             | 12,105     |
| Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost |   |                   |            |
| Stocks  | 289   | 499               | (209)      |
| Bond  | -   | -                 | -          |
| Other   | -   | -                 | -          |
| Subtotal  | 289   | 499               | (209)      |
| Total   | ¥17,135   | ¥5,240            | ¥11,895    |

(Note) Unlisted stocks (consolidated balance sheet amount: 8,983 million yen) are not included in "Other securities" in the above table.

|   | (Thousands of<br>U.S. dollars)  |                   |            |
|---|---|-------------------|------------|
|   | Consolidated balance sheet<br>amount as of the consolidated<br>balance sheet date | Acquisition costs | Difference |
| FY2023  |   |                   |            |
| Securities whose reported amounts in the consolidated balance sheets exceed acquisition cost        |   |                   |            |
| Stocks  | \$111,262   | \$31,308          | \$79,954   |
| Bond  | -   | -                 | -          |
| Other   | -   | -                 | -          |
| Subtotal  | 111,262   | 31,308            | 79,954     |
| Securities whose reported amounts in the consolidated balance sheets do not exceed acquisition cost |   |                   |            |
| Stocks  | 1,909   | 3,296             | (1,380)    |
| Bond  | -   | -                 | -          |
| Other   | -   | -                 | -          |
| Subtotal  | 1,909   | 3,296             | (1,380)    |
| Total   | \$113,177   | \$34,610          | \$78,567   |

(Note) Unlisted stocks (consolidated balance sheet amount: 59,333 thousands of U.S. dollars) are not included in "Other securities" in the above table.

## (2) Other securities sold

|        | (Millions of Yen)   |                      |                     |
|--------|---------------------|----------------------|---------------------|
|        | Proceeds from sales | Total gains on sales | Total loss on sales |
| FY2022 |                     |                      |                     |
| Stocks | ¥2,526              | ¥1,504               | ¥7                  |
| Bond   | -                   | -                    | -                   |
| Other  | -                   | -                    | -                   |
| Total  | ¥2,526              | ¥1,504               | ¥7                  |

(Note) Sales of unlisted stocks and other securities (sales amount: 0 million yen, total loss on sales: 35 million yen) are not included in the above table.

|        | (Millions of Yen)   |                      |                     |
|--------|---------------------|----------------------|---------------------|
|        | Proceeds from sales | Total gains on sales | Total loss on sales |
| FY2023 |                     |                      |                     |
| Stocks | ¥1,746              | ¥1,332               | -                   |
| Bond   | -                   | -                    | -                   |
| Other  | -                   | -                    | -                   |
| Total  | ¥1,746              | ¥1,332               | -                   |

|        | (Thousands of U.S. dollars) |                      |                     |
|--------|-----------------------------|----------------------|---------------------|
|        | Proceeds from sales         | Total gains on sales | Total loss on sales |
| FY2023 |                             |                      |                     |
| Stocks | \$11,532                    | \$8,798              | -                   |
| Bond   | -                           | -                    | -                   |
| Other  | -                           | -                    | -                   |
| Total  | \$11,532                    | \$8,798              | -                   |

## (3) Securities for which impairment losses were recognized

In the last consolidated fiscal year, impairment losses of 650 million yen (650 million yen for stocks of other securities) was recognized for marketable securities.

In the current consolidated fiscal year, impairment losses of 353 million yen (353 million yen (2,332 thousands of U.S. dollars) for stocks of other securities) was recognized for marketable securities.

**13. Retirement Benefits**

(1) The liability for retirement benefits as of FY2023 and FY2022 are as follows:

|   | (Millions of Yen) |          | (Thousands of U.S. dollars) |
|---|-------------------|----------|-----------------------------|
|   | FY2023            | FY2022   | FY2023                      |
| Funded retirement benefit obligation                                | ¥13,500           | ¥13,108  | \$89,168                    |
| Plan asset  | (17,237)          | (15,249) | (113,851)                   |
| Unfunded retirement benefit obligation                              | 467               | 377      | 3,085                       |
| Net liability (asset) recognized on the consolidated balance sheets | (3,270)           | (1,763)  | (21,598)                    |
| Net defined benefit liability                                       | 467               | 377      | 3,085                       |
| Net defined benefit asset   | (3,737)           | (2,140)  | (24,683)                    |
| Net liability (asset) recognized on the consolidated balance sheets | (¥3,270)          | (¥1,763) | (\$21,598)                  |

## (2) Actuarial assumptions

The principal actuarial assumptions as of FY2023 and FY2022 are as follows:

|   | FY2023      | FY2022      |
|---|-------------|-------------|
| Discount rate                               | 0.8%        | 0.8%        |
| Long-term expected rate of return           | 2.0%        | 2.0%        |
| Expected rate of salary increase (forecast) | 3.5 to 7.2% | 3.6 to 9.0% |

(Note) Expected rate of salary increase is calculated based on our point system.

#### 14. Income Taxes

The Company and some of its domestic consolidated subsidiaries have adopted the group tax sharing system.

In addition, in accordance with the "Practical Solution on the Accounting and Disclosure Under the group Tax Sharing System" (Practical Issues Task Force No. 42, August 12, 2021), the Company has accounted for and disclosed income taxes and local corporate taxes or tax effect accounting related to these taxes.

The Company is subject to a number of taxes based on income.

The statutory income tax rates were approximately 30.36% for the years ended March 31, 2024 and 2023.

The tax effects on significant temporary differences which resulted in deferred tax assets and liabilities as of FY2023 and FY2022 were as follows:

|   | (Millions of Yen) |         | (Thousands of<br>U.S. dollars) |
|---|-------------------|---------|--------------------------------|
|   | FY2023            | FY2022  | FY2023                         |
| <b>Deferred tax assets:</b>                             |                   |         |                                |
| Provision for bonuses                                   | ¥783              | ¥740    | \$5,172                        |
| Inventory   | 756               | 693     | 4,993                          |
| Loss on devaluation of marketable securities            | 719               | 631     | 4,749                          |
| Overdepreciation  | 666               | 613     | 4,399                          |
| Unrealized gains on inventories                         | 611               | 490     | 4,036                          |
| Prepaid contract testing fees                           | 421               | 495     | 2,781                          |
| Net operating loss carried forward                      | 408               | 82      | 2,695                          |
| Accrued enterprise tax                                  | 369               | 399     | 2,437                          |
| Impairment losses                                       | 249               | -       | 1,645                          |
| Business restructuring expenses                         | -                 | 484     | -                              |
| Other   | 1,249             | 1,420   | 8,250                          |
| Gross deferred tax assets                               | 6,237             | 6,051   | 41,196                         |
| Less: Valuation allowance                               | (416)             | (91)    | (\$2,748)                      |
| Total deferred tax assets                               | 5,821             | 5,960   | 38,448                         |
| <b>Deferred tax liabilities:</b>                        |                   |         |                                |
| Unrealized gain on securities                           | (3,730)           | (3,515) | (24,637)                       |
| Retained earnings of foreign subsidiaries               | (1,422)           | (1,027) | (9,392)                        |
| Net defined benefit asset                               | (1,026)           | (559)   | (6,777)                        |
| Reserve for advanced depreciation of non-current assets | (221)             | (228)   | (1,460)                        |
| Other   | (330)             | (196)   | (2,180)                        |
| Total deferred tax liabilities                          | (6,732)           | (5,527) | (44,465)                       |
| Net deferred tax assets                                 | (¥911)            | ¥433    | (\$6,017)                      |

The differences between the statutory tax rate and the effective tax rate for the years ended FY2023 and FY2022 are as follows:

|  | FY2023  | FY2022  |
|--|---------|---------|
| Statutory tax rate   | 30.36%  | 30.36%  |
| (Reconciliation)   |         |         |
| Dividend and other items excluded permanently from taxable income  | (2.11%) | (2.15%) |
| Elimination of intercompany dividend income  | 2.02    | 1.98    |
| Equity in earnings of affiliates   | (0.31)  | (0.80)  |
| Difference between the Company's statutory tax rate and the overseas consolidated subsidiaries' tax rate | (0.66)  | (0.78)  |
| Retained earnings of foreign subsidiaries  | 0.76    | 1.82    |
| Entertainment and other permanently non-deductible expense   | 0.31    | 0.25    |
| Increase (decrease) in valuation allowance   | 0.27    | (0.03)  |
| Tax credit   | (4.30)  | (2.91)  |
| Other, net   | (0.12)  | (0.92)  |
| Effective tax rate   | 26.22%  | 26.83%  |

## 15. Revenue Recognition

(1) Information that disaggregates revenue arising from contracts with customers

Our revenues are primarily revenues recognized from contracts with customers. Breakdown by our reportable segments by type of goods or services are as follows.

|        |                                       | Millions of Yen       |                        |            |         |         |                    |         |          |
|--------|---------------------------------------|-----------------------|------------------------|------------|---------|---------|--------------------|---------|----------|
| FY2022 | Chemicals                             | Performance Materials | Agricultural Chemicals | Healthcare | Trading | Others  | Adjustments (Note) | Total   |          |
|        | Basic Chemicals                       | ¥14,088               | —                      | —          | —       | —       | —                  | ¥14,088 |          |
|        | Fine chemical                         | 10,081                | —                      | —          | —       | —       | —                  | 10,081  |          |
|        | Functional Materials                  | —                     | ¥66,207                | —          | —       | —       | —                  | 66,207  |          |
|        | Agrochemicals                         | —                     | —                      | ¥69,123    | —       | —       | —                  | 69,123  |          |
|        | Drug discovery                        | —                     | —                      | —          | ¥2,339  | —       | —                  | 2,339   |          |
|        | Finetech                              | —                     | —                      | —          | 4,322   | —       | —                  | 4,322   |          |
|        | Wholesale                             | —                     | —                      | —          | —       | ¥49,815 | —                  | 49,815  |          |
|        | Others                                | —                     | —                      | —          | —       | —       | ¥34                | 12,086  |          |
|        | Revenue from contracts with customers | 24,170                | 66,207                 | 69,123     | 6,662   | 49,815  | 12,052             | 34      | 228,065  |
|        | Net sales to external customers       | ¥24,170               | ¥66,207                | ¥69,123    | ¥6,662  | ¥49,815 | ¥12,052            | ¥34     | ¥228,065 |

Notes:

(1)The "Other" segment is a business segment not included in the reportable segments.

(2)Elimination of (29,212) million yen in proxy transactions resulting from the application of the revenue recognition accounting standard, etc., is included in the adjustment amount in the segment information.

However, this amount is reflected in each reportable segment in the information that breaks down revenues from contracts with customers.

|        |                                       | Millions of Yen       |                        |            |         |         |                    |         |          |
|--------|---------------------------------------|-----------------------|------------------------|------------|---------|---------|--------------------|---------|----------|
| FY2023 | Chemicals                             | Performance Materials | Agricultural Chemicals | Healthcare | Trading | Others  | Adjustments (Note) | Total   |          |
|        | Basic Chemicals                       | ¥14,429               | —                      | —          | —       | —       | —                  | ¥14,429 |          |
|        | Fine chemical                         | 8,036                 | —                      | —          | —       | —       | —                  | 8,036   |          |
|        | Functional Materials                  | —                     | ¥67,182                | —          | —       | —       | —                  | 67,182  |          |
|        | Agrochemicals                         | —                     | —                      | ¥67,120    | —       | —       | —                  | 67,120  |          |
|        | Drug discovery                        | —                     | —                      | —          | ¥2,295  | —       | —                  | 2,295   |          |
|        | Finetech                              | —                     | —                      | —          | 3,932   | —       | —                  | 3,932   |          |
|        | Wholesale                             | —                     | —                      | —          | —       | ¥52,473 | —                  | 52,473  |          |
|        | Others                                | —                     | —                      | —          | —       | —       | ¥11,216            | ¥18     | 11,234   |
|        | Revenue from contracts with customers | 22,465                | 67,182                 | 67,120     | 6,228   | 52,473  | 11,216             | 18      | 226,705  |
|        | Net sales to external customers       | ¥22,465               | ¥67,182                | ¥67,120    | ¥6,228  | ¥52,473 | ¥11,216            | ¥18     | ¥226,705 |

|        |                                       | Thousands of U.S. dollars |                        |            |          |           |                    |          |             |
|--------|---------------------------------------|---------------------------|------------------------|------------|----------|-----------|--------------------|----------|-------------|
| FY2023 | Chemicals                             | Performance Materials     | Agricultural Chemicals | Healthcare | Trading  | Others    | Adjustments (Note) | Total    |             |
|        | Basic Chemicals                       | \$95,304                  | —                      | —          | —        | —         | —                  | \$95,304 |             |
|        | Fine chemical                         | 53,078                    | —                      | —          | —        | —         | —                  | 53,078   |             |
|        | Functional Materials                  | —                         | \$443,738              | —          | —        | —         | —                  | 443,738  |             |
|        | Agrochemicals                         | —                         | —                      | \$443,329  | —        | —         | —                  | 443,329  |             |
|        | Drug discovery                        | —                         | —                      | —          | \$15,159 | —         | —                  | 15,159   |             |
|        | Finetech                              | —                         | —                      | —          | 25,971   | —         | —                  | 25,971   |             |
|        | Wholesale                             | —                         | —                      | —          | —        | \$346,585 | —                  | 346,585  |             |
|        | Others                                | —                         | —                      | —          | —        | —         | \$74,082           | \$119    | 74,201      |
|        | Revenue from contracts with customers | 148,382                   | 443,738                | 443,329    | 41,136   | 346,585   | 74,082             | 119      | 1,497,391   |
|        | Net sales to external customers       | \$148,382                 | \$443,738              | \$443,329  | \$41,136 | \$346,585 | \$74,082           | \$119    | \$1,497,391 |

Notes:

(1)The "Other" segment is a business segment not included in the reportable segments.

(2)Elimination of (27,159) million yen ((179,386) thousands of U.S. dollars) in proxy transactions resulting from the application of the revenue recognition accounting standard, etc., is included in the adjustment amount in the segment information.

However, this amount is reflected in each reportable segment in the information that breaks down revenues from contracts with customers.

(2) Information that provides a basis for understanding revenue arising from contracts with customers

Basis for understanding revenues and expenses is as described in "2.m Basis for Recording Significant Revenues and Expenses.

(3) Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from such contracts, and the amount and timing of revenue expected to be recognized from contracts with customers that existed at the end of the current fiscal year and are expected to be recognized in the following fiscal year.

Receivables, contract assets and contract liabilities arising from contracts with customers of FY2022, FY2023 are as follows

| FY2022                                       | Balance at beginning of year | Balance at end of year | (Millions of Yen) |
|--|------------------------------|------------------------|-------------------|
| Claims arising from contracts with customers | ¥79,979                      | ¥82,445                |                   |
| Contract asset                               | 0                            | 225                    |                   |
| Contract liabilities                         | 155                          | 136                    |                   |

Contract assets relate to the rights of the Company and its consolidated subsidiaries to consideration for goods or services completed but unbilled as of the balance sheet date. Contract liabilities consist primarily of advances received from customers and are included in "Other" current liabilities on the consolidated balance sheets.

The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 144 million yen.

| FY2023                                       | Balance at beginning of year | Balance at end of year | (Millions of Yen) |
|--|------------------------------|------------------------|-------------------|
| Claims arising from contracts with customers | ¥82,445                      | ¥88,800                |                   |
| Contract asset                               | 225                          | -                      |                   |
| Contract liabilities                         | 136                          | 133                    |                   |

| FY2023                                       | Balance at beginning of year | Balance at end of year | (Thousands of U.S. dollars) |
|--|------------------------------|------------------------|-----------------------------|
| Claims arising from contracts with customers | \$544,551                    | \$586,526              |                             |
| Contract asset                               | 1,486                        | -                      |                             |
| Contract liabilities                         | 898                          | 878                    |                             |

Contract assets relate to the rights of the Company and its consolidated subsidiaries to consideration for goods or services completed but unbilled as of the balance sheet date. Contract liabilities consist primarily of advances received from customers and are included in "Other" current liabilities on the consolidated balance sheets.

The amount of revenue recognized in the current fiscal year that was included in the contract liability balance at the beginning of the period was 119 million yen (786 thousands of U.S. dollars).

## 16. Segment Information

(1) General information about reportable segments

In regard to reportable segments, the Company is able to obtain discrete financial data from its component units.

Accordingly, its segments are subject to regular review to help the Board of Directors decide how to allocate managerial resources and evaluate business performance.

Divisions by products and services are located at headquarters.

Each division works out a comprehensive strategy applicable to their products and services and carries out their business activities.

Therefore, the Company consists of segments based on the following divisions:

| Segment                | Main Products   |
|------------------------|---|
| Chemicals              | Basic chemicals (melamine*Production ceased in June 2022., sulfuric acid, nitric acid, ammonia, etc.)<br>Fine chemicals (epoxy compound for LED sealants, flame retardants, chlorinated cyanuric acid for sterilizing, etc.)                      |
| Performance Materials  | Display materials (LCD alignment coating, etc.)<br>Semiconductor materials (bottom anti-reflective coating for semiconductors, etc.)<br>Inorganic materials (hard coating materials, electronic information materials, polishing materials, etc.) |
| Agricultural Chemicals | Agrochemicals (herbicides, insecticides, fungicides, combination fungicide and insecticide, and plant growth regulators)<br>Animal health products  |
| Healthcare             | LIVALO®(anti-cholesterol drugs), etc.<br>Custom Chemicals (custom manufacturing and solution proposal business for pharmaceutical companies)  |
| Trading                | Trading, etc.   |
| Others                 | Fertilizer, landscaping, transportation, engineering, production of sulfuric acid, etc.   |

(2) Basis for the measurement of reported segment sales, profit or loss, segment assets, liabilities, and other material items

The accounting policies for the reportable segments are consistent with the Company's accounting policies used in the preparation of its consolidated financial statements.

Intersegment sales and transfers are based on current market prices.

(3) Information on sales, profit (loss), assets, liabilities, and other item amounts by reportable segment

| FY2022   | Millions of Yen |                       |                        |            |         |         |                    | Consolidated Total |
|--|-----------------|-----------------------|------------------------|------------|---------|---------|--------------------|--------------------|
|  | Chemicals       | Performance Materials | Agricultural Chemicals | Healthcare | Trading | Others  | Adjustments (Note) |                    |
| Net sales  |                 |                       |                        |            |         |         |                    |                    |
| Sales to outside customers                                       | ¥26,495         | ¥66,224               | ¥70,266                | ¥6,662     | ¥75,542 | ¥12,052 | (¥29,177)          | ¥228,065           |
| Intersegment sales   | 12,538          | 16,381                | 11,318                 | 11         | 23,524  | 14,332  | (78,107)           | -                  |
| Total  | 39,034          | 82,606                | 81,584                 | 6,673      | 99,066  | 26,384  | (107,285)          | 228,065            |
| Segment profit(loss)   | 1,379           | 25,449                | 23,130                 | 2,990      | 3,701   | 879     | (5,247)            | 52,283             |
| Segment assets   | 34,236          | 61,287                | 103,966                | 7,693      | 36,791  | 13,613  | 41,125             | 298,715            |
| Other items  |                 |                       |                        |            |         |         |                    |                    |
| Depreciation and amortization                                    | 2,477           | 4,565                 | 2,701                  | 376        | 65      | 442     | 249                | 10,878             |
| Amortization of goodwill   | -               | -                     | 101                    | -          | -       | -       | -                  | 101                |
| Increase of property, plant and equipment, and intangible assets | ¥3,659          | ¥8,711                | ¥6,232                 | ¥449       | ¥66     | ¥366    | ¥787               | ¥20,272            |

Notes:

1. Sales from proxy transactions included in net sales to outside customers in each reportable segment are calculated on a gross basis.

Adjustments made on sales from proxy transactions from gross to net amounts are included in "Adjustments".

2. Adjustments are as follows.

(1) The (29,177) million yen adjustments to sales to outside customers includes elimination of proxy transactions of (29,212) million yen and sales of 34 million yen that do not belong to any reportable segment.

(2) The (5,247) million yen adjustments in segment profit includes 267 million yen in intersegment eliminations, 34 million yen sales not allocated to any reporting segments, and (5,550) million yen corporate expenses not allocated to any reporting segments.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(3) The 41,125 million yen adjustments in segment assets includes (17,921) million yen in intersegment eliminations and 59,138 million yen in corporate assets not allocated to any reporting segments.

The corporate assets are mainly group administrative assets which do not belong to segments.

(4) The 249 million yen adjustments in depreciation and amortization is corporate expenses.

(5) The 787 million yen adjustments in increase of property, plant and equipment and intangible assets is corporate assets.

The corporate assets are mainly group administrative assets which do not belong to segments.

| FY2023   | Millions of Yen |                       |                        |            |         |         |                    | Consolidated Total |
|--|-----------------|-----------------------|------------------------|------------|---------|---------|--------------------|--------------------|
|  | Chemicals       | Performance Materials | Agricultural Chemicals | Healthcare | Trading | Others  | Adjustments (Note) |                    |
| Net sales  |                 |                       |                        |            |         |         |                    |                    |
| Sales to outside customers                                       | ¥23,486         | ¥67,205               | ¥67,414                | ¥6,228     | ¥78,296 | ¥11,216 | (¥27,140)          | ¥226,705           |
| Intersegment sales   | 12,076          | 17,362                | 14,699                 | 71         | 25,498  | 18,951  | (88,660)           | -                  |
| Total  | 35,562          | 84,567                | 82,113                 | 6,300      | 103,794 | 30,167  | (115,801)          | 226,705            |
| Segment profit(loss)   | 48              | 22,530                | 23,398                 | 2,814      | 3,701   | 572     | (4,863)            | 48,201             |
| Segment assets   | 33,178          | 70,645                | 119,462                | 8,612      | 40,001  | 21,118  | 30,440             | 323,458            |
| Other items  |                 |                       |                        |            |         |         |                    |                    |
| Depreciation and amortization                                    | 2,731           | 5,986                 | 3,319                  | 367        | 77      | 748     | 471                | 13,700             |
| Amortization of goodwill   | -               | -                     | 101                    | -          | -       | -       | -                  | 101                |
| Increase of property, plant and equipment, and intangible assets | ¥4,194          | ¥9,441                | ¥6,831                 | ¥473       | ¥39     | ¥1,757  | ¥468               | ¥23,204            |

| FY2023   | Thousands of U.S. dollars |                       |                        |            |           |          |                    | Consolidated Total |
|--|---------------------------|-----------------------|------------------------|------------|-----------|----------|--------------------|--------------------|
|  | Chemicals                 | Performance Materials | Agricultural Chemicals | Healthcare | Trading   | Others   | Adjustments (Note) |                    |
| Net sales  |                           |                       |                        |            |           |          |                    |                    |
| Sales to outside customers                                       | \$155,125                 | \$443,890             | \$445,271              | \$41,136   | \$517,147 | \$74,082 | (\$179,260)        | \$1,497,391        |
| Intersegment sales   | 79,762                    | 114,676               | 97,087                 | 469        | 168,415   | 125,172  | (585,601)          | —                  |
| Total  | 234,888                   | 558,567               | 542,358                | 41,612     | 685,561   | 199,254  | (764,868)          | 1,497,391          |
| Segment profit(loss)   | 317                       | 148,811               | 154,544                | 18,587     | 24,445    | 3,778    | (32,120)           | 318,369            |
| Segment assets   | 219,141                   | 466,612               | 789,049                | 56,882     | 264,207   | 139,485  | 201,057            | 2,136,446          |
| Other items  |                           |                       |                        |            |           |          |                    |                    |
| Depreciation and amortization                                    | 18,038                    | 39,538                | 21,922                 | 2,424      | 509       | 4,941    | 3,111              | 90,489             |
| Amortization of goodwill   | —                         | —                     | 667                    | —          | —         | —        | —                  | 667                |
| Increase of property, plant and equipment, and intangible assets | \$27,701                  | \$62,358              | \$45,119               | \$3,124    | \$258     | \$11,605 | \$3,091            | \$153,263          |

Overseas operations, which represent sales to customers outside Japan for FY2023 and FY2022 were as follows:

Notes:

1. Sales from proxy transactions included in net sales to outside customers in each reportable segment are calculated on a gross basis.

Adjustments made on sales from proxy transactions from gross to net amounts are included in "Adjustments".

2. Adjustments are as follows.

(1) The (27,140) million yen ((179,260) thousands of U.S. dollars) adjustments to sales to outside customers includes elimination of proxy transactions of (27,159) million yen ((179,386) thousands of U.S. dollars) and sales of 18 million yen (119 thousands of U.S. dollars) that do not belong to any reportable segment.

(2) The (4,863) million yen ((32,120) thousands of U.S. dollars) adjustments in segment profit includes 478 million yen (3,157 thousands of U.S. dollars) in intersegment eliminations, 21 million yen (139 thousands of U.S. dollars) sales not allocated to any reporting segments, and (5,363) million yen ((35,423) thousands of U.S. dollars) corporate expenses not allocated to any reporting segments.

The corporate expenses are mainly group administrative expenses which do not belong to segments.

(3) The 30,440 million yen (201,057 thousands of U.S. dollars) adjustments in segment assets includes (25,284) million yen ((167,001) thousands of U.S. dollars) in intersegment eliminations and 55,725 million yen (368,065 thousands of U.S. dollars) in corporate assets not allocated to any reporting segments.

The corporate assets are mainly group administrative assets which do not belong to segments.

(4) The 471 million yen (3,111 thousands of U.S. dollars) adjustments in depreciation and amortization is corporate expenses.

(5) The 468 million yen (3,091 thousands of U.S. dollars) adjustments in increase of property, plant and equipment and intangible assets is corporate assets.

The corporate assets are mainly group administrative assets which do not belong to segments.

(Supplementary Information)

(1) Information about geographical areas

(a) Net sales

| FY2022    | Millions of Yen |         |         |            |                              |                    |
|-----------|-----------------|---------|---------|------------|------------------------------|--------------------|
|           | Japan           | China   | Korea   | Other Asia | Europe and the United States | Consolidated Total |
| Net sales | ¥105,937        | ¥30,547 | ¥23,994 | ¥29,255    | ¥38,330                      | ¥228,065           |

  

| FY2023    | Millions of Yen |         |         |            |                              |                    |
|-----------|-----------------|---------|---------|------------|------------------------------|--------------------|
|           | Japan           | China   | Korea   | Other Asia | Europe and the United States | Consolidated Total |
| Net sales | ¥103,027        | ¥36,730 | ¥21,023 | ¥30,579    | ¥35,343                      | ¥226,705           |

  

| FY2023    | Thousands of U.S. dollars |           |           |            |                              |                    |
|-----------|---------------------------|-----------|-----------|------------|------------------------------|--------------------|
|           | Japan                     | China     | Korea     | Other Asia | Europe and the United States | Consolidated Total |
| Net sales | \$680,495                 | \$242,602 | \$138,857 | \$201,975  | \$233,441                    | \$1,497,391        |

(b) Property, plant and equipment

| FY2022                        | Millions of Yen |        |        |                              |                    |
|-------------------------------|-----------------|--------|--------|------------------------------|--------------------|
|                               | Japan           | Korea  | India  | Europe and the United States | Consolidated Total |
| Property, plant and equipment | ¥49,857         | ¥7,630 | ¥6,673 | ¥492                         | ¥64,653            |

  

| FY2023                        | Millions of Yen |         |        |                              |                    |
|-------------------------------|-----------------|---------|--------|------------------------------|--------------------|
|                               | Japan           | Korea   | India  | Europe and the United States | Consolidated Total |
| Property, plant and equipment | ¥57,559         | ¥11,800 | ¥7,504 | ¥508                         | ¥77,372            |

  

| FY2023                        | Thousands of U.S. dollars |          |          |                              |                    |
|-------------------------------|---------------------------|----------|----------|------------------------------|--------------------|
|                               | Japan                     | Korea    | India    | Europe and the United States | Consolidated Total |
| Property, plant and equipment | \$380,178                 | \$77,939 | \$49,564 | \$3,355                      | \$511,044          |

#### 17. Amounts per Share

Net income per share is based on the weighted average number of shares of common stock outstanding during the year.

Cash dividends per share attributable to the period represent dividends declared as applicable to the year.

Amounts per share of net income and cash dividends for FY2023 and FY2022 were as follows:

|                | (Yen)   |         | (U.S. dollars) |
|----------------|---------|---------|----------------|
|                | FY2023  | FY2022  | FY2023         |
| Net income     | ¥272.82 | ¥291.36 | \$1.80         |
| Cash dividends | ¥164.00 | ¥164.00 | \$1.08         |

## Independent Auditors' Report

To the Board of Directors of  
Nissan Chemical Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Nissan Chemical Corporation and its subsidiaries (the Group), which comprise the consolidated balance sheet as at March 31, 2024, 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, 2024, 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.

### **Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements**

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over 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 on the consolidated financial statements based on our audit from an independent point of view. 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. The procedures selected depend on the auditor's judgement. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain an understanding of internal control relevant to the audit in order to assess the risk and design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board 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 Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **Conflicts of Interest**

We have no interest in the Group which should be disclosed in accordance with the Certified Public Accountants Act.

#### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2024 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3 to the consolidated financial statements.

Yaesu Audit & Co.  
Tokyo, Japan  
June 26, 2024

*Yaesu Audit & Co.*