

V. Status of Accounting

1. Preparation Methods of Consolidated Financial Statements and Unconsolidated Financial Statements

The consolidated financial statements of the Company are prepared based on the “Ordinance on the Terminology, Forms and Preparation Methods of Consolidated Financial Statements” (Ordinance of the Ministry of Finance No. 28 of 1976).

2. Audit Certification

In accordance with Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements for the consolidated fiscal year (from April 1, 2023 to March 31, 2024) and the Company’s unconsolidated financial statements for the 158th fiscal year (from April 1, 2023 to March 31, 2024) were audited by Deloitte Touche Tohmatsu LLC.

3. Special efforts to ensure the appropriateness of the consolidated financial statements, etc.

The Company makes special efforts to ensure the appropriateness of the consolidated financial statements, etc. Specifically, in order to develop a system that enables appropriate understanding of the contents of accounting standards, etc. and proper responses to any changes in accounting standards, etc., the Company has joined the Financial Accounting Standards Foundation and participates in seminars held by the Foundation.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

(Unit: Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	93,840	73,183
Notes receivable - trade	*5 4,602	*5 6,557
Accounts receivable - trade	96,932	107,855
Inventories	*1 177,169	*1 182,510
Other	34,149	39,426
Allowance for doubtful accounts	(66)	(52)
Total current assets	406,627	409,481
Non-current assets		
Property, plant and equipment		
Buildings and structures	181,794	190,774
Accumulated depreciation	(116,985)	(121,749)
Buildings and structures, net	64,809	69,024
Machinery, equipment and vehicles	591,652	663,018
Accumulated depreciation	(516,850)	(544,768)
Machinery, equipment and vehicles, net	74,802	118,249
Tools, furniture and fixtures	33,018	35,054
Accumulated depreciation	(27,942)	(29,797)
Tools, furniture and fixtures, net	5,076	5,257
Land	35,639	36,547
Construction in progress	75,803	79,871
Total property, plant and equipment	*2 256,130	*2 308,949
Intangible assets		
Goodwill	338	85
Other	10,853	10,687
Total intangible assets	11,191	10,773
Investments and other assets		
Investment securities	*3 67,914	*3 80,023
Deferred tax assets	2,425	2,394
Retirement benefit asset	7,648	13,977
Other	*3 13,707	*3 13,602
Allowance for doubtful accounts	(40)	(33)
Total investments and other assets	91,656	109,964
Total non-current assets	358,978	429,688
Total assets	765,606	839,169

(Unit: Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,167	62,184
Short-term borrowings	36,267	31,758
Short-term bonds payable	30,000	27,000
Current portion of bonds payable	30,000	10,000
Current portion of long-term borrowings	*6 12,742	*6 16,291
Income taxes payable	5,343	6,378
Provision for repairs	3,565	—
Other	46,768	55,191
Total current liabilities	220,856	208,804
Non-current liabilities		
Bonds payable	100,000	90,000
Long-term borrowings	*6 108,823	*6 124,741
Deferred tax liabilities	14,394	23,677
Provision for retirement benefits for directors	71	36
Provision for repairs	—	1,344
Provision for environmental measures	122	102
Retirement benefit liability	4,735	2,710
Asset retirement obligations	1,170	1,198
Other	4,995	11,691
Total non-current liabilities	234,314	255,503
Total liabilities	455,170	464,308
Net assets		
Shareholders' equity		
Share capital	36,275	36,275
Capital surplus	132	0
Retained earnings	204,529	233,115
Treasury shares	(15,716)	(15,895)
Total shareholders' equity	225,221	253,496
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,906	43,319
Deferred gains or losses on hedges	43	(14)
Foreign currency translation adjustments	33,519	53,371
Remeasurements of defined benefit plans	3,519	8,723
Total accumulated other comprehensive income	69,988	105,399
Non-controlling interests	15,225	15,964
Total net assets	310,435	374,861
Total liabilities and net assets	765,606	839,169

(ii) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Unit: Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	538,026	558,056
Cost of sales	*1,*6 392,214	*1,*6 398,776
Gross profit	145,811	159,280
Selling, general and administrative expenses	*2,*6 98,303	*2,*6 96,887
Operating profit	47,508	62,393
Non-operating income		
Interest income	697	1,565
Dividend income	3,277	2,367
Share of profit of entities accounted for using equity method	2,335	2,067
Foreign exchange gains	—	1,339
Rental income from non-current assets	482	472
Subsidy income	147	344
Other	696	794
Total non-operating income	7,637	8,952
Non-operating expenses		
Interest expenses	1,432	1,666
Foreign exchange losses	201	—
Bond issuance costs	1	2
Donations	550	370
Other	925	909
Total non-operating expenses	3,111	2,949
Ordinary profit	52,035	68,396
Extraordinary income		
Gain on disposal of non-current assets	*3 74	*3 155
Gain on sales of investment securities	4,208	11,198
Subsidy income	513	—
Gain on sales of investments in capital of subsidiaries and associates	722	—
Total extraordinary income	5,519	11,354
Extraordinary losses		
Loss on retirement of non-current assets	*4 1,524	*4 819
Impairment losses	—	*5 1,668
Loss on tax purpose reduction entry of non-current assets	513	—
Loss on valuation of investment securities	—	506
Loss on sale of shares of subsidiaries and associates	—	723
Loss on liquidation of business	548	—
Total extraordinary losses	2,587	3,718
Profit before income taxes	54,967	76,032
Income taxes - current	13,055	17,113
Income taxes - deferred	270	2,374
Total income taxes	13,326	19,487
Net profit	41,641	56,545
Net profit attributable to non-controlling interests	958	710
Net profit attributable to owners of parent	40,682	55,834

Consolidated Statements of Comprehensive Income

(Unit: Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Net profit	41,641	56,545
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,910)	10,416
Deferred gains or losses on hedges	15	(58)
Foreign currency translation adjustments	7,579	20,144
Remeasurements of defined benefit plans	(942)	5,229
Share of other comprehensive income of entities accounted for using equity method	89	700
Total other comprehensive income	*1 2,831	*1 36,432
Comprehensive income	44,473	92,977
Comprehensive income attributable to		
owners of parent	43,353	91,245
non-controlling interests	1,119	1,732

(iii) Consolidated Statements of Changes in Equity

Year ended March 31, 2023

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, April 1, 2022	36,275	14	174,500	(6,090)	204,699
Changes during the year					
Dividends of surplus			(10,653)		(10,653)
Net profit attributable to owners of parent			40,682		40,682
Restricted stock awards		(8)		375	366
Repurchase of treasury stock				(10,000)	(10,000)
Retirement of treasury stock					—
Disposal of treasury stock		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		126			126
Net changes of items other than shareholders' equity in the year					
Total changes during the year	—	117	30,029	(9,625)	20,521
Balance, March 31, 2024	36,275	132	204,529	(15,716)	225,221

	Accumulated other comprehensive income					Non-controlling interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
Balance, April 1, 2023	36,813	27	25,966	4,509	67,317	7,526	279,544
Changes during the year							
Dividends of surplus							(10,653)
Net profit attributable to owners of parent							40,682
Restricted stock awards							366
Repurchase of treasury stock							(10,000)
Retirement of treasury stock							—
Disposal of treasury stock							0
Change in ownership interest of parent due to transactions with non-controlling interests							126
Net changes of items other than shareholders' equity in the year	(3,907)	15	7,553	(990)	2,671	7,699	10,370
Total changes during the year	(3,907)	15	7,553	(990)	2,671	7,699	30,891
Balance, March 31, 2024	32,906	43	33,519	3,519	69,988	15,225	310,435

Year ended March 31, 2024

(Unit: Millions of Yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance, April 1, 2023	36,275	132	204,529	(15,716)	225,221
Changes during the year					
Dividends of surplus			(12,861)		(12,861)
Net profit attributable to owners of parent			55,834		55,834
Restricted stock awards			134	294	428
Repurchase of treasury stock				(15,000)	(15,000)
Retirement of treasury stock		(6)	(14,520)	14,526	—
Disposal of treasury stock					—
Change in ownership interest of parent due to transactions with non-controlling interests		(125)			(125)
Net changes of items other than shareholders' equity in the year					
Total changes during the year	—	(131)	28,586	(179)	28,274
Balance, March 31, 2024	36,275	0	233,115	(15,895)	253,496

	Accumulated other comprehensive income					Non-controlling interests	Total equity
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Remeasurements of defined benefit plans	Total		
Balance, April 1, 2023	32,906	43	33,519	3,519	69,988	15,225	310,435
Changes during the year							
Dividends of surplus							(12,861)
Net profit attributable to owners of parent							55,834
Restricted stock awards							428
Repurchase of treasury stock							(15,000)
Retirement of treasury stock							—
Disposal of treasury stock							—
Change in ownership interest of parent due to transactions with non-controlling interests						(100)	(225)
Net changes of items other than shareholders' equity in the year	10,413	(58)	19,851	5,204	35,411	839	36,250
Total changes during the year	10,413	(58)	19,851	5,204	35,411	738	64,425
Balance, March 31, 2024	43,319	(14)	53,371	8,723	105,399	15,964	374,861

(iv) Consolidated Statements of Cash Flows

(Unit: Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	54,967	76,032
Depreciation	31,516	33,644
Impairment loss	—	1,668
Amortization of goodwill	59	59
Increase (decrease) in provision for environmental measures	(16)	(20)
Interest and dividends income	(3,975)	(3,933)
Interest expenses	1,432	1,666
Share of loss (profit) of entities accounted for using equity method	(2,335)	(2,067)
Loss (gain) on disposal of non-current assets	(74)	(155)
Loss on retirement of non-current assets	1,524	819
Loss (gain) on sales of investment securities	(4,208)	(11,198)
Loss (gain) on sales of investments in capital of subsidiaries and associates	(722)	—
Loss (gain) on sales of shares of subsidiaries and associates	—	723
Loss (gain) on valuation of investment securities	—	506
Loss on liquidation of business	548	—
Decrease (increase) in trade receivables	4,498	(6,177)
Decrease (increase) in inventories	(31,875)	1,420
Increase (decrease) in trade payables	(8,701)	487
Other, net	(7,365)	(4,967)
Subtotal	35,274	88,510
Interest and dividends received	6,063	5,921
Interest paid	(1,372)	(1,433)
Income taxes paid	(14,425)	(16,901)
Income taxes refund	1,308	633
Net cash provided by (used in) operating activities	26,847	76,729
Cash flows from investing activities		
Net decrease (increase) in time deposits	(208)	(4,236)
Purchase of property, plant and equipment	(47,386)	(65,618)
Proceeds from sales of property, plant and equipment	318	6,318
Purchase of intangible assets	(4,537)	(3,590)
Purchase of investment securities	(365)	(1,232)
Proceeds from sales and redemption of investment securities	8,677	13,216
Proceeds from sales of investments in capital of subsidiaries and associates	1,125	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	466
Loan advances	(807)	(513)
Proceeds from collection of loans receivable	445	809
Other, net	(1,353)	(992)
Net cash provided by (used in) investing activities	(44,093)	(55,374)

(Unit: Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	13,413	(5,690)
Net increase (decrease) in short-term bonds payable	29,998	(3,002)
Proceeds from long-term borrowings	15,074	29,489
Repayments of long-term borrowings	(13,107)	(12,852)
Redemption of bonds	(10,003)	(30,000)
Proceeds from share issuance to non-controlling shareholders	7,200	—
Purchase of treasury shares	(10,000)	(15,000)
Proceeds from sale of treasury shares	0	—
Dividends paid	(10,651)	(12,859)
Dividends paid to non-controlling interests	(742)	(893)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(200)
Repayments of lease liabilities	(1,224)	(1,363)
Net cash provided by (used in) financing activities	19,956	(52,373)
Effect of exchange rate change on cash and cash equivalents	2,795	5,932
Net increase (decrease) in cash and cash equivalents	5,506	(25,084)
Cash and cash equivalents, beginning of year	87,986	93,493
Cash and cash equivalents, end of year	*1 93,493	*1 68,408

[Notes]

(Significant matters that serve as the basis for preparing consolidated financial statements)

1. Matters regarding the scope of consolidation

(1) Number of consolidated subsidiaries: 59

The status of the Company's major consolidated subsidiaries is described in "I. Overview of the Company, 4. Status of Subsidiaries and Associates," and is therefore omitted.

Daicel Medical Ltd. is included in the scope of consolidation because it was newly established during the consolidated fiscal year under review.

Daicel Pyrotechnics Co., Ltd. was excluded from the scope of consolidation because its shares were sold.

(2) Names, etc. of principal unconsolidated subsidiaries

Principal unconsolidated subsidiary: Chrom Tech Ltd.

(Reasons for exclusion from the scope of consolidation)

Unconsolidated subsidiaries are small in size and their respective sums of total assets, net sales, net profit/loss during the year (amount proportionate to equity interests), retained earnings (amount proportionate to equity interests), etc. have no significant impact on the consolidated financial statements.

2. Matters regarding the application of the equity method

(1) Number of affiliated companies accounted for by the equity method: 8

Name of principal company: Polyplastics Evonik Co., Ltd.

(2) The unconsolidated subsidiary (Chrom Tech Ltd.) and affiliated companies (Toyoshina Photo Film Co., Ltd., etc.) that are not accounted for by the equity method are excluded from the scope of application of the equity method because their respective effects on net income/loss for the current fiscal year (amount proportionate to equity interests), retained earnings (amount proportionate to equity interests), etc. are minor and are also insignificant as a whole.

(3) As for Xi'an Huida Chemical Industries Co., Ltd. and one other company whose fiscal year-end dates are different from the consolidated fiscal year-end date among the companies accounted for by the equity method, the financial statements based on the provisional settlement of accounts implemented as of the consolidated fiscal year-end date is used. As for other companies whose fiscal year-end dates are different from the consolidated fiscal year-end date, the financial statements for the fiscal year of each company are used.

3. Matters regarding fiscal years of consolidated subsidiaries

The fiscal year-end dates of Daicel (China) Investment Co., Ltd. and 13 other companies are mainly December 31, and the financial statements based on the provisional settlement of accounts implemented as of the consolidated fiscal year-end date are used.

4. Matters regarding accounting policies

(1) Valuation standards and methods for significant assets

(i) Securities

Available-for-sale securities

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

Stated at fair value (The valuation differences are directly included in a separate component of net assets, and the cost of securities sold is determined principally by the moving-average method.)

Shares, etc. that do not have a market price

Mainly stated at cost determined by the moving-average method.

(ii) Derivatives

Stated at fair value

(iii) Inventories

Stated at cost determined principally by the moving-average method (Balance sheet values are determined by writing down the book values based on a decline in profitability.)

(2) Depreciation method for significant depreciable assets

(i) Property, plant and equipment

The Company and its consolidated domestic subsidiaries use mainly the declining-balance method (However, buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998 and facilities attached to buildings and structures acquired on or after April 1, 2016 are depreciated by the straight-line method.) Consolidated overseas subsidiaries use mainly the straight-line method.

Leased assets under finance lease transactions that do not transfer ownership of the leased assets to the lessee are depreciated by the straight-line method, in which the lease period is deemed as the useful life and the residual value is set as zero.

Principal useful lives are as follows:

Buildings and structures: 3 to 75 years

Machinery, equipment and vehicles: 4 to 15 years

(ii) Intangible assets

Straight-line method

Software for internal use is amortized using the straight-line method over the internal availability period (5 years).

(3) Accounting standards for significant allowances

(i) Allowance for doubtful accounts

To prepare for losses on uncollectible receivables, the estimated uncollectible amount is recorded based on the historical write-off ratio for general receivables and based on an individual assessment of collectability for specific receivables such as doubtful receivables.

(ii) Provision for retirement benefits for directors

To prepare for the payment of retirement benefits for directors, consolidated domestic subsidiaries record the amount required to be paid at the end of the consolidated fiscal year under review based on the regulations on retirement benefits for directors.

(iii) Provision for repairs

To prepare for the payment of periodic repair expenses related to the main machinery and equipment, etc. of business offices where large-scale periodic repairs are conducted once every two years, the estimated amount of expenses to be borne in the consolidated fiscal year under review out of the estimated amount of expenditure is recorded.

(iv) Provision for environmental measures

To prepare for the disposal of PCB (polychlorinated biphenyl) waste, the estimated future cost is recorded.

(4) Accounting methods for retirement benefits

(i) Method of attributing projected retirement benefits to periods

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

(ii) Method of amortizing actuarial differences and past service costs

Actuarial differences are amortized using the straight-line method over a certain period (10 years) within the employees' average remaining service period at the time of occurrence during each consolidated fiscal year, starting from the following consolidated fiscal year.

Past service costs are amortized using the straight-line method over a certain period (5 years) within the employees' average remaining service period at the time of occurrence.

(iii) Adoption of simplified method in small subsidiaries, etc.

Certain consolidated subsidiaries apply a simplified method to calculate retirement benefit liabilities and retirement benefit expenses, in which the amount of retirement benefits to be paid for voluntary retirement at the end of the fiscal year is treated as retirement benefit obligations.

(5) Accounting standards for significant revenues and expenses

The Group recognizes revenue in accordance with an amount that reflects the consideration to which it expects to be entitled in exchange for the transfer of goods or services to customers by applying the following five-step approach:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group manufactures and sells products and others in the fields of Medical/Healthcare, Smart, Safety, Materials and Engineering Plastics.

Revenue from sales of each business is recognized at the following timing.

For domestic sales, revenue is recognized mainly at the time of shipment of products as significant risks and economic value associated with the products are transferred to the customer and the Companies become entitled to receive payment.

For export sales, revenue is recognized at the time of delivery in accordance with the trade terms set forth in Incoterms as substantial ownership of products and significant risks associated with the products are transferred to the customer and the Companies become entitled to receive payment.

Revenue is calculated at a price based on the consideration promised in a contract with a customer less discounts, rebates, etc.

Consideration for transactions does not include significant financial components as it is primarily received within one year after satisfaction of the performance obligation.

(6) Translation standards of significant assets or liabilities denominated in foreign currencies into Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the consolidated fiscal year-end date, and translation differences are treated as profit or loss. The assets and liabilities of overseas subsidiaries, etc. are translated into Japanese yen at the spot exchange rate on the consolidated fiscal year-end date, and revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustments and non-controlling interests in net assets.

(7) Significant hedge accounting method

(i) Hedge accounting method

In principle, deferred hedge accounting is applied.

(ii) Hedging instrument and hedged item

<u>Hedging instrument:</u>	<u>Hedged item:</u>
Interest rate swaps	Borrowings

(iii) Hedging policy

The Company hedges interest rate fluctuation risks at the maximum amount for the period within the range set forth in the regulations and policies approved by the Board of Directors, etc.

(iv) Method of evaluating hedge effectiveness

The effectiveness of hedging is evaluated by comparing the cumulative fluctuations in market price or cash flow of the hedged item and the cumulative fluctuations in market price or cash flow of the hedging instrument on a semi-annual basis and determined based on their fluctuation amounts, etc.

(8) Amortization method and period of goodwill

Goodwill is amortized by the straight-line method over a period of up to 10 years during which the effects of the goodwill become apparent. However, those that are not material are amortized as incurred.

(9) Scope of funds in the consolidated statements of cash flows

Funds comprise cash on hand, deposits that can be withdrawn at any time, and short-term investments that can be easily converted to cash and are due for redemption within three months from the date of acquisition with an insignificant risk of changes in value.

(10) Other significant matters for the preparation of consolidated financial statements

Accounting method for deferred assets

Bond issuance cost

The entire amount is treated as an expense at the time of expenditure.

(Significant accounting estimates)

(Valuation of property, plant and equipment at TOPAS Advanced Polymers GmbH (“TAPG”), an engineering plastics business subsidiary)

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Property, plant and equipment	22,551 million yen
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(2) Information regarding the content of significant accounting estimates for identified items

In order to operate the engineering plastics business, the Group owns tangible fixed assets, such as production facilities, at TAPG. The Companies’ assets are grouped by SBU or BU as a minimum unit, and consolidated subsidiaries’ assets are primarily grouped by subsidiary as a minimum unit.

During the consolidated fiscal year under review, TAPG was constructing a new plant to reinforce its production facilities. However, in the construction of the plant, the operation was postponed due to changes in plant design, and the amount of investment increased. As a result, the investment recovery period may become longer or the recovery of the investment amount may become difficult.

As a result of reviewing the business plan reflecting changes in the future market environment and competitive environment in the medical materials and circular economy markets, as well as the postponement of operations and an increase in investment amounts, no significant deterioration in future product sales volume or sales prices was identified, and there was no indication of impairment loss.

The calculation of the business plan is based on important assumptions and estimates, such as future sales volume and sales prices, which form the basis of the business plan.

If there is a significant change in the conditions and assumptions on which these estimates are based, an indication of impairment may be identified and impairment loss may be recognized in the consolidated financial statements of the following fiscal year and thereafter.

(Accounting standards, etc. not yet applied)

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

The accounting standards and guidance pertain to the classification of corporate tax when other comprehensive income is subject to taxation and the treatment of tax effects upon the sale of subsidiary company shares when the taxation system for group companies is applied.

(2) Scheduled date of application

The accounting standards and guidance will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of the application of the accounting standards, etc.

The effect of application on the consolidated financial statements is currently being evaluated.

- “Treatment of Accounting and Disclosure of Corporate Tax, etc. Under the Global Minimum Taxation System” (Practical Issues Task Force No. 46, March 22, 2024)

(1) Overview

This pertains to the treatment of accounting and disclosure of corporate tax, etc. (current taxes) under the global minimum taxation system.

(2) Scheduled date of application

The accounting standard will be applied from the beginning of the fiscal year ending March 31, 2025.

(3) Effect of the application of the accounting standard

The effect of application on the consolidated financial statements is currently being evaluated.

(Relating to consolidated balance sheets)

*1 Items and amounts included in inventories are as follows:

	As of March 31, 2023	As of March 31, 2024
Merchandise and finished goods	91,035 million yen	92,938 million yen
Work in process	25,554	24,110
Raw materials and supplies	60,579	65,461

*2 Accumulated reduction entry due to the receipt of government subsidies, etc. deducted from the acquisition cost of property, plant and equipment

	As of March 31, 2023	As of March 31, 2024
Buildings and structures	2,186 million yen	2,186 million yen
Machinery, equipment and vehicles	2,629	2,545
Land	3,104	3,104

*3. Investments in unconsolidated subsidiaries and affiliates are as follows:

	As of March 31, 2023	As of March 31, 2024
Investment securities (stock)	6,386 million yen	5,013 million yen
“Other” (investments in capital) in investments and other assets	9,396	9,837

4. Guarantee obligations

The Company guarantees obligations and enters into guarantee contracts for borrowings from financial institutions of the following associated company, etc.

(1) Guarantee of obligation

	As of March 31, 2023		As of March 31, 2024
Employees (Housing loans payable)	6 million yen	Employees (Housing loans payable)	3 million yen

(2) Advance guarantee contracts

	As of March 31, 2023		As of March 31, 2024
Hirohata Terminal Co., Ltd. (Borrowing obligations)	113 million yen	Hirohata Terminal Co., Ltd. (Borrowing obligations)	97 million yen

*5 Notes matured at the end of the fiscal year

For accounting treatment of notes matured at the end of the fiscal year, settlement processing is performed on the date of note exchange. As the last day of the consolidated fiscal year under review fell on a bank holiday, the notes matured at the end of the next fiscal year are included in the balance at the end of the consolidated fiscal year under review.

	As of March 31, 2023	As of March 31, 2024
Notes receivable - trade	— million yen	99 million yen

*6 Financial covenants

On February 22, 2021, the Company signed a syndicated loan agreement with Sumitomo Mitsui Banking Corporation and MUFG Bank, Ltd. as the lead arrangers.

This agreement has following financial covenants.

(1) The total amount of net assets stated in the consolidated balance sheets as of the end of the fiscal year ended March 31, 2022 and the end of each fiscal year thereafter shall be maintained at least the amount equivalent to 75% of the total amount of net assets stated in the consolidated balance sheets as of the end of each previous fiscal year.

(2) No operating profit or loss shall be recorded two consecutive years in the consolidated statements of income as of the end of each fiscal year.

The amounts of borrowings as of the ends of the fiscal year ended March 31, 2023 and the fiscal year ended March 31, 2024 are as follows.

	As of March 31, 2023	As of March 31, 2024
Long-term borrowings	50,000 million yen	50,000 million yen
(Current portion of long-term borrowings)	(-million yen)	(-million yen)

(Relating to consolidated statements of income)

*1 The ending inventory is the amount after the book value is written down due to the decline in profitability, and the following loss on valuation of inventory assets is included in cost of sales.

	Year ended March 31, 2023	Year ended March 31, 2024
	306 million yen	1,654 million yen

*2. The major items and amounts of selling, general and administrative expenses are as follows:

	Year ended March 31, 2023	Year ended March 31, 2024
Freight and packing costs	24,390 million yen	19,839 million yen
Employees' salaries and allowances	22,906	22,374
Retirement benefit expenses	547	593
Research and development costs	20,646	22,286

*3 This was due to the sale of unnecessary assets.

*4. This was due to the disposal of unnecessary facilities.

*5. The Group recorded an impairment loss for the following asset groups:

Year ended March 31, 2023

Not applicable.

Year ended March 31, 2024

Location	Use	Classification	Amount (Millions of Yen)
—	Other, net	Goodwill	224
United States of America	Business assets	Intangible assets (Other)	1,182
		Machinery, equipment and others	149
		Trademark rights, etc.	111
Total			1,668

(Grouping method)

In the Group, the Company's assets are grouped by SBU or BU as a minimum unit, and consolidated subsidiaries' assets are primarily grouped by subsidiary as a minimum unit.

(Background to recognition of impairment loss)

As a decline in profitability has been recognized due to factors such as a decrease in sales to European customers resulting from the protracted conflict in Ukraine and inventory adjustments by customers, the book values of the goodwill and business assets of Biodiscovery, LLC (“Arbor”), a consolidated subsidiary of the Company, were written down to the recoverable amounts and the decreased amounts were recorded as impairment losses.

(Method of calculating the recoverable values)

The recoverable values were determined based on value in use. The goodwill and business assets of Arbor were calculated by discounting future cash flow at a rate of 16.0%.

*6 Total amount of research and development costs included in general and administrative expenses and manufacturing expenses for the fiscal year under review

	Year ended March 31, 2023	Year ended March 31, 2024
	21,878 million yen	23,393 million yen

(Relating to consolidated statements of comprehensive income)

*1 Reclassification adjustments and tax effects related to other comprehensive income

	Year ended March 31, 2023	Year ended March 31, 2024
Valuation difference on available-for-sale securities:		
Gains (losses) arising during the year	(1,491) million yen	26,188 million yen
Reclassification adjustments to profit or loss	(4,220)	(11,238)
Amount before income tax effect	(5,712)	14,950
Income tax effect	1,801	(4,533)
Valuation difference on available-for-sale securities	(3,910)	10,416
Deferred gains or losses on hedges:		
Adjustments arising during the year	(2)	(63)
Reclassification adjustments to profit or loss	18	—
Amount before income tax effect	15	(63)
Income tax effect	—	4
Deferred gains or losses on hedges	15	(58)
Foreign currency translation adjustments:		
Adjustments arising during the year	7,936	20,144
Reclassification adjustments to profit or loss	(357)	—
Amount before income tax effect	7,579	20,144
Income tax effect	—	—
Foreign currency translation adjustments	7,579	20,144
Remeasurements of defined benefit plans:		
Adjustments arising during the year	(38)	8,386
Reclassification adjustments to profit or loss	(1,338)	(873)
Amount before income tax effect	(1,376)	7,512
Income tax effect	434	(2,283)
Remeasurements of defined benefit plans	(942)	5,229
Share of other comprehensive income of entities accounted for using the equity method:		
Gains arising during the year	89	700
Total other comprehensive income	2,831	36,432

(Relating to consolidated statements of changes in equity)

Year ended March 31, 2023

1. Matters concerning issued shares

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock (thousand shares)	302,942	—	—	302,942

2. Matters concerning treasury shares

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock (thousand shares)	7,234	10,519	445	17,307

(Notes) 1. The increase of 10,519 thousand shares in the number of treasury shares of common stock was due to an increase of 10,516 thousand shares resulting from the acquisition of treasury stock by a resolution of the Board of Directors, an increase of 2 thousand shares resulting from the acquisition of restricted stock without consideration, and an increase of 0 thousand shares resulting from the purchase of shares less than one unit.

2. The decrease of 445 thousand shares in the number of treasury shares of common stock was due to the disposal of 445 thousand shares through restricted stock compensation and the disposal of 0 thousand shares of treasury stock.

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
June 22, 2022 Annual General Meeting of Shareholders	Common stock	5,322	18.00	March 31, 2022	June 23, 2022
November 2, 2022 Board of Directors meeting	Common stock	5,330	18.00	September 30, 2022	December 2, 2022

(2) Dividends for which the record date is in the current consolidated fiscal year and the effective date is in the next consolidated fiscal year

Resolution	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2023 Annual General Meeting of Shareholders	Common stock	Retained earnings	5,712	20.00	March 31, 2023	June 26, 2023

Year ended March 31, 2024

1. Matters concerning issued shares

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock (thousand shares)	302,942	—	16,000	286,942

(Note) The decrease of 16,000 thousand shares in the number of issued shares of common stock was due to a decrease of 16,000 thousand shares resulting from the retirement of treasury stock by a resolution of the Board of Directors.

2. Matters concerning treasury shares

Class of shares	As of April 1, 2023	Increase	Decrease	As of March 31, 2024
Common stock (thousand shares)	17,307	10,143	16,324	11,126

(Notes) 1. The increase of 10,143 thousand shares in the number of treasury shares of common stock was due to an increase of 10,137 thousand shares resulting from the acquisition of treasury stock by a resolution of the Board of Directors, an increase of 4 thousand shares resulting from the acquisition of restricted stock without consideration, and an increase of 0 thousand shares resulting from the purchase of shares less than one unit.

2. The decrease of 16,324 thousand shares in the number of treasury shares of common stock was due to a decrease of 16,000 thousand shares resulting from the cancellation of treasury stock by a resolution of the Board of Directors and a decrease of 324 thousand shares resulting from the disposal of restricted stock compensation.

3. Matters concerning dividends

(1) Dividends paid

Resolution	Class of shares	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
June 23, 2023 Annual General Meeting of Shareholders	Common stock	5,712	20.00	March 31, 2023	June 26, 2023
November 2, 2023 Board of Directors meeting	Common stock	7,148	25.00	September 30, 2023	December 4, 2023

(2) Dividends for which the record date is in the current consolidated fiscal year and the effective date is in the next consolidated fiscal year

Resolution	Class of shares	Source of dividends	Total dividends (Millions of Yen)	Dividend per share (Yen)	Record date	Effective date
June 21, 2024 Annual General Meeting of Shareholders	Common stock	Retained earnings	6,895	25.00	March 31, 2024	June 24, 2024

(Relating to consolidated statements of cash flows)

*1. Relationship between the year-end balance of cash and cash equivalents and the amounts of items listed on the consolidated balance sheet

	Year ended March 31, 2023	Year ended March 31, 2024
Cash and deposits	93,840 million yen	73,183 million yen
Securities account	—	—
Time deposits with deposit terms of more than three months	(346)	(4,774)
Short-term investments with a redemption period of more than three months	—	—
Cash and cash equivalents	93,493	68,408

(Relating to lease transactions)

(On the borrower's side)

Operating lease transactions

Future lease payments

(Unit: Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Due within one year	35	467
Due after one year	77	481
Total	112	949

(Financial instruments)

1. Matters regarding the status of financial instruments

(1) Policy for financial instruments

The Group raises necessary funds through bank borrowings and issuance of corporate bonds in light of its capital financing plan. Temporary surplus funds are invested in low risk financial assets and short-term operating funds are provided through bank borrowings and issuance of short-term corporate bonds. The Group follows the policy of using derivative transactions not for speculative purposes, but for hedging foreign currency exchange fluctuation risk and interest rate risk.

(2) Details of financial instruments and risks arising from them

Trade receivables, such as notes and accounts receivables, are exposed to customer credit risk. In addition, trade receivables denominated in foreign currencies that arise in the course of doing business overseas are exposed to foreign currency exchange fluctuation risk, which is hedged, except for those within the scope of trade payables in the same foreign currencies, by using forward exchange contracts, in principle.

Securities and investment securities are exposed to market price fluctuation risk. They are mainly shares of companies with business relationships and bonds for temporary investment of surplus funds, and the fair values of the shares and bonds are monitored on a regular basis.

Trade payables, such as notes and accounts payable, are due within one year. Although payables in foreign currencies are exposed to foreign currency exchange fluctuation risk, the amounts of those payables are constantly within the range of the balance of accounts receivable denominated in the same foreign currencies.

Borrowings, corporate bonds, and lease obligations pertaining to finance lease transactions are mainly for the purpose of procuring funds necessary for capital investments and other similar investments, and the redemption date is six years and nine months at the maximum after the fiscal year-end date. Some of the long-term borrowings, to which floating interest rates are applied, are exposed to foreign currency exchange fluctuation risk and are hedged by using derivatives transactions (interest swap transactions).

Derivative transactions consist of forward exchange contracts, Non-Deliverable Forwards (NDFs) and currency swap transactions, which are used to hedge the risk of foreign currency exchange fluctuation associated with trade receivables and payables denominated in foreign currencies, and interest rate swaps, which are used to hedge risks from changes in interest rate of bank loans. For hedging instruments and hedged items related to hedge accounting, hedging policies, evaluation methods for the effectiveness of hedging, etc., please refer to the foregoing “Significant matters that serve as the basis for preparing consolidated financial statements, ‘4. Matters regarding accounting policies, (7) Significant hedge accounting methods.’”

(3) Risk management system for financial instruments

(i) Management of credit risk (risk associated with nonperformance of contracts by counterparties, etc.)

In accordance with the Company’s internal regulations, the business management department regularly monitors the status of major customers with regard to operating receivables and manages the due dates and balances for each customer. In addition, the Company works to quickly identify and mitigate any concerns about collection due to deterioration in the financial position and other problems. Consolidated subsidiaries also conduct management in the same way in accordance with each company’s regulation.

In order to mitigate counterparty risk, the Company enters into derivative transactions only with highly rated financial institutions.

(ii) Management of market risks (risks of fluctuations in exchange rate, interest rates, etc.)

The Company and some of its consolidated subsidiaries use forward exchange contracts, Non-Deliverable Forwards (NDFs) and currency swap transactions to hedge the exchange fluctuation risk associated with trade receivables and payables denominated in foreign currencies. Depending on the status of foreign exchange rates, forward foreign currency contracts are used for trade receivables denominated in foreign currencies that are certain to arise from forecasted export transactions. In addition, the Company and some of its consolidated subsidiaries use interest swap transactions to reduce the risk of fluctuations in interest rates on borrowings.

Securities and investment securities are managed by monitoring fair values, financial position of issuer (counterparty

companies), etc. on a regular basis, and shares with which the Company has business relationships are managed by continuously reviewing the holding status in consideration of the relationship with counterparty companies.

With regard to derivative transactions, the maximum limit of annual transactions is approved by the Board of Directors based on the guidelines concerning derivative transactions which prescribe the authority and the limit for each transaction. According to the approved limit, the derivative transactions executing department conducts transactions, and the person in charge of administrative management records entries and verifies the balance with the counterparty. In addition, personnel are allocated to ensure the independence of the execution of derivative transactions and the administrative management. Consolidated subsidiaries also conduct risk management based on each company's regulation on derivative transactions. The transaction balance and the status of risk management are regularly reported to the officer in charge who is responsible for derivative transactions, the Board of Directors of the Company, etc.

(iii) Management of liquidity risk associated with fund procurement (risk of failure to make payments on due dates)

In accordance with reports from each department and consolidated subsidiary of the Company, the Accounting & Finance Group of the Corporate Support Headquarters of the Company prepares and updates financing plans and maintains liquidity on hand at a certain level, thereby managing liquidity risk.

(4) Supplementary explanation of matters concerning fair values, etc. of financial instruments

As the calculation of fair values of financial instruments incorporates variable factors, the fair value may fluctuate due to the adoption of different assumptions. In addition, the contract amounts related to derivative transactions stated in the note "Relating to derivative transactions" do not indicate the market risks associated with derivative transactions.

2. Matters regarding fair values of financial instruments

Carrying amounts on consolidated balance sheets, fair values and the differences between them are as follows:

As of March 31, 2023

	Carrying amount on the consolidated balance sheets (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
(1) Securities and investment securities (*2 *3)	59,393	59,393	—
Total assets	59,393	59,393	—
(1) Corporate bonds	130,000	128,925	(1,074)
(2) Long-term borrowings	121,566	119,950	(1,616)
Total liabilities	251,566	248,876	(2,690)
Derivative transactions (*4)	[324]	[324]	—

*1. As “cash and deposits,” “notes receivable - trade,” “accounts receivable,” “notes and accounts payable,” “short-term borrowings,” “short-term bonds payable” and “income taxes payable” are settled in cash and in a short period of time, the fair values are not stated because they approximate to the carrying amounts.

*2. Shares etc. that do not have a market price are not included in “(1) Securities and investment securities.” The carrying amount of the financial instruments on the consolidated balance sheets is as follows:

Category	As of March 31, 2023 (Millions of Yen)
Unlisted shares, etc.	7,749

*3. For investments in partnerships and other similar entities that are recorded on the consolidated balance sheets at a net amount equivalent to the Company’s equity interest, the description is omitted. The carrying amount of the financial instruments on the consolidated balance sheets is as follows:

Category	As of March 31, 2023 (Millions of Yen)
Investment in investment limited partnerships and similar entities	771

*4. Net receivables and payables arising from derivative transactions are presented on a net basis. Items for which net payables are incurred in total are presented in brackets.

As of March 31, 2024

	Carrying amount on the consolidated balance sheets (Millions of Yen)	Fair value (Millions of Yen)	Difference (Millions of Yen)
(1) Securities and investment securities (*2 *3)	72,286	72,286	—
Total assets	72,286	72,286	—
(1) Corporate bonds	100,000	98,557	(1,442)
(2) Long-term borrowings	141,032	140,677	(355)
Total liabilities	241,032	239,234	(1,798)
Derivative transactions (*4)	[921]	[921]	—

*1. As “cash and deposits,” “notes receivable - trade,” “accounts receivable,” “notes and accounts payable,” “short-term borrowings,” “short-term bonds payable” and “income taxes payable” are settled in cash and in a short period of time, the fair values are not stated because they approximate to the carrying amounts.

*2. Shares etc. that do not have a market price are not included in “(1) Securities and investment securities.” The carrying amount of the financial instruments on the consolidated balance sheets is as follows:

Category	As of March 31, 2024 (Millions of Yen)
Unlisted shares, etc.	6,972

*3. For investments in partnerships and other similar entities that are recorded on the consolidated balance sheets at a net amount equivalent to the Company’s equity interest, the description is omitted. The carrying amount of the financial instruments on the consolidated balance sheets is as follows:

Category	As of March 31, 2024 (Millions of Yen)
Investment in investment limited partnerships and similar entities	764

*4. Net receivables and payables arising from derivative transactions are presented on a net basis. Items for which net payables are incurred in total are presented in brackets.

3. Redemption schedule after the consolidated fiscal year-end date for monetary claims and securities with maturity

As of March 31, 2023

	Due in 1 year or less (Millions of Yen)	Due after 1 year through 5 years (Millions of Yen)	Due after 5 years through 10 years (Millions of Yen)	Due after 10 years (Millions of Yen)
Cash and deposits	93,840	—	—	—
Notes receivable - trade	4,602	—	—	—
Accounts receivable - trade -	96,932	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity				
(1) Bonds				
(i) Government bonds, municipal bonds, etc.	—	—	—	—
(ii) Corporate bonds	—	—	—	—
(iii) Other	—	—	—	—
(2) Other	—	—	—	—
Total	195,375	—	—	—

As of March 31, 2024

	Due in 1 year or less (Millions of Yen)	Due after 1 year through 5 years (Millions of Yen)	Due after 5 years through 10 years (Millions of Yen)	Due after 10 years (Millions of Yen)
Cash and deposits	73,183	—	—	—
Notes receivable - trade	6,557	—	—	—
Accounts receivable - trade -	107,855	—	—	—
Securities and investment securities				
Available-for-sale securities with maturity				
(1) Bonds				
(i) Government bonds, municipal bonds, etc.	—	—	—	—
(ii) Corporate bonds	—	—	—	—
(iii) Other	—	—	—	—
(2) Other	—	—	—	—
Total	187,596	—	—	—

4. Repayment schedule after the consolidated fiscal year-end date for bonds and long-term borrowings

As of March 31, 2023

	Due in 1 year or less (Millions of Yen)	Due after 1 year through 2 years (Millions of Yen)	Due after 2 years through 3 years (Millions of Yen)	Due after 3 years through 4 years (Millions of Yen)	Due after 4 years through 5 years (Millions of Yen)	Due after 5 years (Millions of Yen)
Short-term borrowings	36,267	—	—	—	—	—
Short-term bonds	30,000	—	—	—	—	—
Corporate bonds	30,000	10,000	20,000	—	40,000	30,000
Long-term borrowings	12,742	13,008	12,989	6,542	5,059	71,223
Total	109,010	23,008	32,989	6,542	45,059	101,223

As of March 31, 2024

	Due in 1 year or less (Millions of Yen)	Due after 1 year through 2 years (Millions of Yen)	Due after 2 years through 3 years (Millions of Yen)	Due after 3 years through 4 years (Millions of Yen)	Due after 4 years through 5 years (Millions of Yen)	Due after 5 years (Millions of Yen)
Short-term borrowings	31,758	—	—	—	—	—
Short-term bonds	27,000	—	—	—	—	—
Corporate bonds	10,000	20,000	—	40,000	—	30,000
Long-term borrowings	16,291	16,310	10,588	8,905	37,695	51,241
Total	85,049	36,310	10,588	48,905	37,695	81,241

5. Matters regarding breakdown, etc. of financial instruments by level within fair value hierarchy

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used in making fair value measurements:

Level 1: Fair values measured by using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair values measured by using inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly

Level 3: Fair values measured by using unobservable inputs for the assets or liabilities

If multiple inputs are used that have a significant impact on the measurement of fair value, fair value is categorized at the lowest level in the fair value measurement among the levels to which each of these inputs belongs.

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

As of March 31, 2023

Category	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	58,378	—	1,014	59,393
Corporate bonds	—	—	—	—
Total assets	58,378	—	1,014	59,393
Derivative transactions				
Foreign currency forward contracts	—	324	—	324
Interest rate swaps	—	—	—	—
Total liabilities	—	324	—	324

As of March 31, 2024

Category	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	70,258	—	2,027	72,286
Corporate bonds	—	—	—	—
Total assets	70,258	—	2,027	72,286
Derivative transactions				
Foreign currency forward contracts	—	901	—	901
Interest rate swaps	—	19	—	19
Total liabilities	—	921	—	921

(2) Financial instruments other than financial instruments measured at the fair values in the consolidated balance sheet

As of March 31, 2023

Category	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	—	128,925	—	128,925
Long-term borrowings	—	119,950	—	119,950
Total liabilities	—	248,876	—	248,876

As of March 31, 2024

Category	Fair value (Millions of Yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	—	98,557	—	98,557
Long-term borrowings	—	140,677	—	140,677
Total liabilities	—	239,234	—	239,234

(Note) Description of the valuation methodologies and inputs used for measurement of the fair value of assets and liabilities

Securities and investment securities

Listed equity securities and corporate bonds are valued using the quoted market prices. Since listed equity securities are traded in active markets, the fair values of listed equity securities are categorized as Level 1. On the other hand, the corporate bonds are not considered to be in active markets due to low market transactions, the fair values of corporate bonds are categorized as Level 2.

For unlisted equity securities that are valued by market values, the comparable multiple valuation method is used, and their fair values are categorized as Level 3.

Derivative transactions

The fair value of derivative transactions is measured at the quoted price obtained from the counterparty financial institution and is categorized as Level 2.

Corporate bonds

The fair value of corporate bonds is measured mainly at quoted market prices and is categorized as Level 2.

Long-term borrowings

For long-term borrowings, their present values are measured by discounting the total amount of principal and interest of the long-term borrowings segmented by a certain period of time at an interest rate reflecting remaining maturities and credit risk for the borrowings, and their fair value is categorized as Level 2.

(3) The change in fair value of financial instruments categorized as Level 3 is as follows:

(Unit: Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Balance at beginning of year	1,113	1,014
Purchases	—	—
Sales of settlements	—	—
Other comprehensive income (*)	368	1,012
Capital reduction	(467)	—
Net profit (loss)	—	—
Balance at end of year	1,014	2,027

* Related to financial assets that are measured at fair value through other comprehensive income and are included in the net change in fair value of financial assets measured through other comprehensive income. No significant transfers from Level 3 were made.

(4) Valuation process for Level 3

The valuation policies and procedures for the fair value of unlisted equity securities are determined by outside experts, who determine the valuation method and measure the fair value of each financial asset. Fair value measurement results are reviewed by the appropriate authority.

(5) Quantitative information on assets categorized as Level 3

The information regarding the valuation method and significant unobservable inputs for financial assets categorized as Level 3, which are measured at fair value on a recurring basis, is as follows:

	Fair value (Millions of Yen)	Valuation method	Unobservable inputs	Range
Equity securities	2,027	Market approach	EBITDA Ratio	x6.2
			Illiquidity discount	30.0%

(6) Sensitivity analysis of changes in significant unobservable inputs

For financial instruments categorized as Level 3, no significant increase or decrease in fair value is expected when unobservable inputs are changed to reasonably possible alternative assumptions.

(Securities and investment securities)

1. Available-for-sale securities

As of March 31, 2023

Type		Carrying amount on the consolidated balance sheets (Millions of Yen)	Acquisition cost (Millions of Yen)	Difference (Millions of Yen)
Securities whose carrying amounts on the consolidated balance sheets exceed their acquisition costs	(1) Equity securities	58,550	12,040	46,510
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
Subtotal		58,550	12,040	46,510
Securities whose carrying amounts on the consolidated balance sheets do not exceed their acquisition costs	(1) Equity securities	842	1,000	(157)
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
Subtotal		842	1,000	(157)
Total		59,393	13,040	46,353

As of March 31, 2024

Type		Carrying amount on the consolidated balance sheets (Millions of Yen)	Acquisition cost (Millions of Yen)	Difference (Millions of Yen)
Securities whose carrying amounts on the consolidated balance sheets exceed their acquisition costs	(1) Equity securities	72,286	10,982	61,303
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
Subtotal		72,286	10,982	61,303
Securities whose carrying amounts on the consolidated balance sheets do not exceed their acquisition costs	(1) Equity securities	—	—	—
	(2) Bonds			
	(i) Government bonds, municipal bonds, etc.	—	—	—
	(ii) Corporate bonds	—	—	—
	(iii) Other	—	—	—
	(3) Other	—	—	—
Subtotal		—	—	—
Total		72,286	10,982	61,303

2. Available-for-sale securities sold

Year ended March 31, 2023

Type	Proceeds from sale (Millions of Yen)	Total gain on sales (Millions of Yen)	Total loss on sales (Millions of Yen)
(1) Equity securities	6,277	4,208	0
(2) Bonds			
(i) Government bonds, municipal bonds, etc.	—	—	—
(ii) Corporate bonds	2,400	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	8,677	4,208	0

Year ended March 31, 2024

Type	Proceeds from sale (Millions of Yen)	Total gain on sales (Millions of Yen)	Total loss on sales (Millions of Yen)
(1) Equity securities	13,216	11,198	—
(2) Bonds			
(i) Government bonds, municipal bonds, etc.	—	—	—
(ii) Corporate bonds	—	—	—
(iii) Other	—	—	—
(3) Other	—	—	—
Total	13,216	11,198	—

3. Securities for which impairment losses were recognized

In the consolidated fiscal year ended March 31, 2023, no impairment loss for securities was recognized. In the consolidated fiscal year ended March 31, 2024, an impairment loss of ¥506 million for available-for-sale securities was recognized.

In addition, for shares, etc. that do not have a market price, the fair value is deemed to be the actual value calculated from the financial position of the issuer and impairment losses are recognized in consideration of the possibility of recovery based on the business plan, etc.

(Derivative transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency related

As of March 31, 2023

Category	Type of transactions	Contract amount (Millions of Yen)	Contract amount due after one year (Millions of Yen)	Fair value (Millions of Yen)	Unrealized gain/(loss) (Millions of Yen)
Off-market transactions	Foreign currency forward contracts:				
	Selling				
	U.S.\$	17,641	—	(136)	(136)
	Euro	3,985	—	(67)	(67)
	Buying				
	U.S.\$	4,870	—	(29)	(29)
	Japanese yen	621	—	(1)	(1)
	Malaysia Ringgit	508	—	(1)	(1)
	Non-deliverable forward foreign exchange transaction (NDF)				
	Selling				
	Indian Rupee	2,448	—	(88)	(88)
Total		30,075	—	(324)	(324)

As of March 31, 2024

Category	Type of transactions	Contract amount (Millions of Yen)	Contract amount due after one year (Millions of Yen)	Fair value (Millions of Yen)	Unrealized gain/(loss) (Millions of Yen)
Off-market transactions	Foreign currency forward contracts:				
	Selling				
	U.S.\$	19,188	—	(450)	(450)
	Euro	5,292	—	(167)	(167)
	Buying				
	U.S.\$	4,184	—	42	42
	Japanese yen	488	—	(5)	(5)
	Malaysia Ringgit	537	—	(0)	(0)
	Non-deliverable forward foreign exchange transaction (NDF)				
	Selling				
	Indian Rupee	4,018	—	(320)	(320)
Total		33,709	—	(901)	(901)

2. Derivative transactions to which hedge accounting is applied

Interest related

As of March 31, 2023

Hedge accounting method	Type of transactions	Major hedged item	Contract amount (Millions of Yen)	Contract amount due after one year (Millions of Yen)	Fair value (Millions of Yen)
Principle method	Interest rate swaps: Fixed rate payment, floating rate receipt	Long-term borrowings	—	—	—
Total			—	—	—

As of March 31, 2024

Hedge accounting method	Type of transactions	Major hedged item	Contract amount (Millions of Yen)	Contract amount due after one year (Millions of Yen)	Fair value (Millions of Yen)
Principle method	Interest rate swaps: Fixed rate payment, floating rate receipt	Long-term borrowings	629	629	(19)
Total			629	629	(19)

(Retirement benefits)

1. Outline of the retirement benefit plan adopted

The Company has defined benefit corporate pension, lump sum severance payment and defined contribution plans. Additionally, the Company has a retirement benefit trust.

Certain consolidated subsidiaries have defined benefit corporate pension and lump-sum severance payment plans as defined benefit plans, while other consolidated subsidiaries have defined contribution plans.

Of the consolidated subsidiaries that have defined benefit plans, certain consolidated subsidiaries have adopted the simplified method to calculate their retirement benefit liabilities and retirement benefit cost.

2. Defined benefit plan

(1) Reconciliations between retirement benefit obligations at beginning and end of year (excluding those for plans using simplified method)

	Year ended March 31, 2023	Year ended March 31, 2024
Balance of retirement benefit obligations at beginning of year	38,954 million yen	38,728 million yen
Service cost	1,881	1,806
Interest cost	239	243
Actuarial gains and losses	(425)	14
Retirement benefits paid	(2,311)	(2,340)
Amount transferred due to change from simplified method to principle method	798	—
Decrease due to exclusion from consolidation	(525)	(42)
Others	117	276
Balance of retirement benefit obligations at end of year	38,728	38,688

(2) Reconciliations of beginning and ending balances of plan assets (excluding plans using simplified method)

	Year ended March 31, 2023	Year ended March 31, 2024
Plan assets at beginning of year	44,551 million yen	44,118 million yen
Expected return on plan assets	547	519
Actuarial gains and losses	(469)	8,334
Contributions from employer	386	325
Retirement benefits paid	(947)	(1,054)
Others	49	165
Balance of plan assets at end of year	44,118	52,408

(3) Reconciliations of beginning and ending balances of liabilities of retirement benefit for plans using simplified method

	Year ended March 31, 2023	Year ended March 31, 2024
Liabilities for retirement benefit at beginning of year	3,534 million yen	2,476 million yen
Retirement benefit cost	770	279
Retirement benefits paid	(1,083)	(205)
Contributions to plans	(82)	(77)
Amount transferred due to change from simplified method to principle method	(798)	—
Others	135	(18)
Liabilities for retirement benefit at end of year	2,476	2,453

(4) Reconciliations between the year-end balance of retirement benefit obligation and plan assets and the retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	As of March 31, 2023	As of March 31, 2024
Funded retirement benefit obligation	39,599 million yen	39,608 million yen
Plan assets	(44,903)	(53,301)
	(5,304)	(13,692)
Unfunded retirement benefit obligation	2,391	2,425
Net liability (and asset) on the consolidated balance sheet	(2,912)	(11,266)
Retirement benefit liability	4,735	2,710
Retirement benefit asset	(7,648)	(13,977)
Net liability (and asset) on the consolidated balance sheet	(2,912)	(11,266)

(Note) Including plans using the simplified method

(5) Retirement benefit cost and components thereof

	Year ended March 31, 2023	Year ended March 31, 2024
Service cost	1,881 million yen	1,806 million yen
Interest cost	239	243
Expected return on plan assets	(547)	(519)
Recognized actuarial losses	(1,306)	(1,039)
Past service cost	166	166
Retirement benefit cost calculated by the simplified method	771	279
Retirement benefit cost related to defined benefit plans	1,204	937

(6) Remeasurements of retirement benefits

The components of the items recorded as remeasurements of retirement benefits (before income tax effects) are as follows.

	Year ended March 31, 2023	Year ended March 31, 2024
Prior service cost	166 million yen	166 million yen
Actuarial losses	(1,542)	7,346
Total	(1,376)	7,512

(7) Accumulated remeasurements of retirement benefits

The components of the items recorded as accumulated remeasurements of retirement benefits (before tax effects) are as follows:

	As of March 31, 2023	As of March 31, 2024
Unrecognized prior service cost	(166) million yen	— million yen
Unrecognized actuarial losses	5,106	12,452
Total	4,940	12,452

(8) Plan assets

(i) Components of plan assets

The ratios of plan assets by major category to the total plan assets are as follows:

	As of March 31, 2023	As of March 31, 2024
Debt investments	20%	21%
Equity investments	42	52
General accounts of insurance companies	14	10
Short-term assets	19	13
Others	5	4
Total	100	100

(Note) Total plan assets consisting of a retirement benefit trust set for the corporate pension plans were 10% for the year ended March 31, 2023 and 5% for the year ended March 31, 2024.

(ii) Method of determining the expected long-term rate of return on plan assets

The expected long-term rate of return on plan assets is determined considering the current and expected allocation of plan assets and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(9) Matters related to the actuarial calculation basis

Principal actuarial calculation basis (expressed as a weighted average)

	As of March 31, 2023	As of March 31, 2024
Discount rate	0.6%	0.6%
Expected long-term rate of return on plan assets	1.2	1.2
Lump sum election rate	71.1	73.2

3. Defined benefit plan

The amounts of contributions to defined contribution plans for the Company and its consolidated subsidiaries were ¥834 million for the year ended March 31, 2023 and ¥873 million for the year ended March 31, 2024.

(Tax effect accounting)

1. Components of deferred tax assets and deferred tax liabilities by major causes

	As of March 31, 2023	As of March 31, 2024
Deferred tax assets:		
Accrued enterprise taxes	391 million yen	509 million yen
Accrued bonuses	2,210	2,302
Retirement benefit liability	929	—
Provision for environmental measures	37	31
Investment securities	57	212
Tax loss carryforwards	3,995	4,945
Intercompany profits	3,002	2,823
Depreciation	3,360	2,281
Other	6,287	5,801
Deferred tax assets (Subtotal)	20,273	18,909
Less valuation allowance for tax loss carryforwards (Note)	(3,493)	(4,286)
Less valuation allowance for temporary differences	(2,606)	(3,490)
Valuation allowance (Subtotal)	(6,099)	(7,777)
Deferred tax assets (Total)	14,174	11,131
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	13,172	17,705
Tax purpose reserves regulated by Japanese tax law	553	510
Undistributed earnings of foreign subsidiaries	10,792	11,070
Retirement benefit liability	—	1,276
Other	1,625	1,852
Deferred tax liabilities (Total)	26,143	32,415
Net deferred tax liabilities	11,969	21,283

(Note) Tax loss carryforwards and deferred tax assets by carryforward period

As of March 31, 2023 (Unit: Millions of Yen)

	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (Note)	623	488	392	111	124	2,254	3,995
Less valuation allowances for tax loss carryforwards	(133)	(488)	(392)	(111)	(124)	(2,241)	(3,493)
Net deferred tax assets relating to tax loss carryforwards	489	—	—	—	—	12	502

(Note) Tax loss carryforwards are determined by multiplying by the statutory effective tax rates.

As of March 31, 2024 (Unit: Millions of Yen)

	1 year or less	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	Total
Deferred tax assets relating to tax loss carryforwards (Note)	604	439	199	133	245	3,322	4,945
Less valuation allowances for tax loss carryforwards	(143)	(439)	(199)	(133)	(245)	(3,125)	(4,286)
Net deferred tax assets relating to tax loss carryforwards	461	—	—	—	—	197	658

(Note) Tax loss carryforwards are determined by multiplying by the statutory effective tax rates.

2. Components by major items that caused any difference between the statutory effective tax rate and the corporate tax rate after the application of tax effect accounting

	As of March 31, 2023	As of March 31, 2024
Effective statutory tax rate	30.58%	30.58%
(Adjustments)		
Increase or decrease of valuation allowances	(2.11)	1.62
Effect of investment return accounted for using equity method	(1.30)	(0.83)
Amortization of goodwill	0.03	0.02
Tax credit for research and development costs	(2.45)	(2.88)
Credit for foreign tax	(0.40)	(0.37)
Difference in applicable tax rate of overseas subsidiaries	(3.53)	(2.76)
Foreign exchange effect on foreign subsidiaries' retained earnings	0.47	1.14
Other	2.95	(0.89)
Effective corporate tax rate after the application of tax effect accounting	24.24	25.63

3. Accounting treatment of corporate tax and local corporate tax or accounting treatment of tax effect accounting related thereto
The Company and certain domestic consolidated subsidiaries apply the group tax sharing system. In addition, the accounting treatment of corporate tax and local corporate tax or the accounting treatment and disclosure of tax-effect accounting related thereto are based on the "Practical Solution on the Accounting and Disclosure under the Group Tax Sharing System" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 42, August 12, 2021).

(Asset retirement obligations) s

1. Asset retirement obligations recorded in the consolidated balance sheet

(a) Overview of the asset retirement obligations

The asset retirement obligations are the costs for removing asbestos at the time of demolition of company-owned buildings, etc. according to the Ordinance on Prevention of Health Impairment due to Asbestos and the obligation to restore sites to their original condition under the real estate lease contracts of the consolidated subsidiaries.

(b) Calculation method of the amount of the asset retirement obligations

The expected period of use is estimated to be 5 to 50 years from the acquisition. For the asbestos removal costs at the time of demolition of company-owned buildings, etc., the amount of asset retirement obligations is calculated without using a discount rate because the effect on the financial figures is insignificant, and for the restoration obligations under real estate lease contracts of consolidated subsidiaries, the amount is calculated by using the long-term risk-free interest rate.

(c) Increase (decrease) in the total amount of the asset retirement obligations

	Year ended March 31, 2023	Year ended March 31, 2024
Balance at beginning of year	1,450 million yen	1,170 million yen
Reconciliations associated with passage of time	6	15
Reduction associated with settlement of asset retirement obligations	(15)	(30)
Other	(270)	43
Balance at end of year	1,170	1,198

2. Asset retirement obligations other than those recorded in the consolidated balance sheet

The Company and some of its consolidated subsidiaries have obligations related to the restoration of certain offices, etc. used under real estate lease contracts upon their evacuation from the premises. However, the period of use of the leased assets related to such obligations is unclear, and asset retirement obligations cannot be reasonably estimated. Therefore, asset retirement obligations commensurate with such obligations are not recorded.

(Real estate for rent, etc.)

The Company and some of its consolidated subsidiaries hold real estate (mainly land) for rent in Osaka Prefecture and other areas. In the fiscal year ended March 31, 2023, the profit or loss on the real estate for rent, etc. was ¥481 million (recorded as non-operating income). In the fiscal year ended March 31, 2024, the profit or loss on the real estate for rent, etc. was ¥472 million (recorded as non-operating income).

The carrying amount of the real estate for rent, etc. on the consolidated balance sheet, the increase or decrease for the fiscal year ended March 31, 2024, and the fair value are as follows:

(Unit: Millions of Yen)

	Year ended March 31, 2023	Year ended March 31, 2024
Carrying amount on the consolidated balance sheets		
Balance at beginning of year	2,684	2,419
Increase (decrease) during the period	(265)	24
Balance at end of year	2,419	2,443
Fair value at end of year	18,946	19,347

- (Notes) 1. The details of the increase or decrease in the real estate for rent, etc. during the consolidated fiscal year ended March 31, 2024 are omitted due to their immateriality.
2. The carrying amount on the consolidated balance sheet is the acquisition cost less accumulated depreciation and accumulated impairment losses.
3. The fair value at the end of the consolidated fiscal ended March 31, 2024 is mainly the amount calculated by the Company based on the “Real Estate Appraisal Standards” (including those adjusted using indicators, etc.).

(Revenue recognition)

(1) Disaggregation of revenue

The Group's organization is structured based on the Medical/Healthcare business, Smart business, Safety business, Materials business, Engineering Plastics business and Others business. The Company's Board of Directors regularly examines these businesses in order to determine the allocation of management resources and evaluate business performance. Therefore, revenues recorded from these businesses are presented as sales revenue. Sales revenue is disaggregated by region based on the location of customers. The relationship between these disaggregated sales revenues and the sales revenues of each reportable segment is shown in the table below.

Information on the disaggregation of revenue arising from contracts with customers for the year ended March 31, 2023 was prepared based on the reportable segment categories for the year ended March 31, 2024 after the change in the reportable segment categories as stated in "(Segment information, etc.), Segment information, 4. Information regarding changes, etc. in reportable segments."

Year ended March 31, 2023

(Unit: Millions of Yen)

	Reportable segment					Others (Notes)	Total
	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics		
Japan	3,722	23,270	15,515	54,608	94,935	8,852	200,905
China	2,951	1,295	28,488	9,973	63,320	2	106,032
Asia	2,520	4,461	11,967	46,202	54,024	16	119,193
Other	7,386	571	28,009	49,965	25,782	179	111,894
Revenues from contracts with customers	16,581	29,599	83,981	160,750	238,062	9,051	538,026
Other revenue	—	—	—	—	—	—	—
Sales to external customers	16,581	29,599	83,981	160,750	238,062	9,051	538,026

(Note) The category of "Others" is a business segment not included in reportable segments and includes the membrane business and the transportation warehousing business.

Year ended March 31, 2024

(Unit: Millions of Yen)

	Reportable segment					Others (Notes)	Total
	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics		
Japan	4,191	23,821	17,638	52,120	89,653	5,558	192,983
China	3,096	1,107	31,947	10,996	62,333	2	109,484
Asia	2,416	5,065	11,981	67,282	48,357	14	135,116
Other	4,223	719	34,006	54,942	26,477	101	120,471
Revenues from contracts with customers	13,927	30,715	95,574	185,341	226,821	5,676	558,056
Other revenue	—	—	—	—	—	—	—
Sales to external customers	13,927	30,715	95,574	185,341	226,821	5,676	558,056

(Note) The category of "Others" is a business segment not included in reportable segments and includes the membrane business and the transportation warehousing business.

1. Medical/Healthcare business

In the Medical/Healthcare business, the Company manufactures and sells health foods, optical isomer separation columns and others, and its customers are mainly users of the products.

For sales of products in the Medical/Healthcare business, revenues are recognized mainly at the time of delivery to the customer since the significant risks and economic value associated with the product are transferred to the customer and the Company becomes entitled to receive payment. For domestic sales, revenues are recognized at the time of shipment if the period of the

time, from the shipment to the time when control of the product is transferred to the customer, is normal. Revenues from the sale of these products are measured at the transaction price based on the contract with the customer. The consideration for the transaction is received within one year from the time when the performance obligation is satisfied and does not include significant financial factors.

2. Smart business

In the Smart business, the Company manufactures and sells cellulose acetate for liquid crystal protective films, functional products for electronic materials, high-performance films and others, and its customers are mainly users of the products.

For sales of products in the Smart business, revenues are recognized mainly at the time of delivery to the customer since the significant risks and economic value associated with the product are transferred to the customer and the Company becomes entitled to receive payment. For domestic sales, revenues are recognized at the time of shipment if the period of the time, from the shipment to the time when control of the product is transferred to the customer, is normal. Revenues from the sale of these products are measured at the transaction price based on the contract with the customer. The consideration for the transaction is received within one year from the time when the performance obligation is satisfied and does not include significant financial factors.

3. Safety business

In the Safety business, the Company manufactures and sells automobile airbag inflators and others, and its customers are mainly users of the products.

For sales of products in the Safety business, revenues are recognized mainly at the time of delivery to the customer since the legal ownership of products, physical possession, significant risks and economic value associated with the product are transferred to the customer and the Company becomes entitled to receive payment. For domestic sales, revenues are recognized at the time of shipment if the period of the time, from the shipment to the time when control of the product is transferred to the customer, is normal. Revenues from the sale of these products are measured at the transaction price based on the contract with the customer. The consideration for the transaction is received within one year from the time when the performance obligation is satisfied and does not include significant financial factors.

4. Materials business

In the Material business, the Company manufactures and sells acetate tow, acetic acid derivatives, caprolactone derivatives, epoxy compounds, raw materials for cosmetics and others, and its customers are mainly users of the products.

For sales of products in the Materials business, revenues are recognized mainly at the time of delivery to the customer since the legal ownership of products, physical possession, significant risks and economic value associated with the product are transferred to the customer and the Company becomes entitled to receive payment. For domestic sales, revenues are recognized at the time of shipment if the period of the time, from the shipment to the time when control of the product is transferred to the customer, is normal. Revenues from the sale of these products are measured at the transaction price based on the contract with the customer. The consideration for the transaction is received within one year from the time when the performance obligation is satisfied and does not include significant financial factors.

5. Engineering plastics business

In the Engineering plastics business, the Company manufactures and sells polyacetal resin, ABS resin, engineering plastic alloy resin and others, and its customers are mainly users of the products.

For sales of products in the Engineering plastics business, revenues are recognized mainly at the time of delivery to the customer since the legal ownership of products, physical possession, significant risks and economic value associated with the product are transferred to the customer and the Company becomes entitled to receive payment. For domestic sales, revenues are recognized at the time of shipment if the period of the time, from the shipment to the time when control of the product is transferred to the customer, is normal. Revenues from the sale of these products are measured at the transaction price based on the contract with the customer. The consideration for the transaction is received within one year from the time when the performance obligation is satisfied and does not include material financial factors.

(2) Contract balance

Information on receivables from contracts with customers and contract liabilities is as follows:

(Unit: Millions of Yen)

	As of March 31, 2023	As of March 31, 2024
Receivables from contracts with customers	101,534	114,413
Contract liabilities	5,416	4,480

Contract liabilities mainly relate to consideration received in advance from customers.

(3) Transaction prices allocated to the remaining performance obligations

As the Group has no material transactions with individual expected contract terms exceeding one year, the practical expedient method is used and information on residual performance obligations is omitted.

In addition, there are no material amounts of consideration arising from contracts with customers that are not included in the transaction price.

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available that is reviewed on a regular basis by the Board of Directors in determining how to allocate the Company's management resources and evaluate its performance.

The Company has adopted an organization centered on "Strategic Business Units (SBUs)," and each SBU formulates comprehensive domestic and overseas strategies and conducts business activities.

Accordingly, the Company has categorized its businesses into five reportable segments: "Medical/Healthcare business," "Smart business," "Safety business," "Materials business," and "Engineering Plastics business."

The main products in the reportable segments are as follows:

<Main Products>

Segment	Main products
Medical/Healthcare business	Health food, optical isomer separation columns and others
Smart business	Cellulose acetate (for films for LCD), high-performance optical films, resistpolymers for semiconductors, solvents for electronic materials and others
Safety business	Automobile airbag inflators, Pyro-Fuses and others
Materials business	Acetic acid and acetic acid derivatives, cellulose acetate (other than for films for LCD), acetate tow, caprolactone derivatives, epoxy compounds, raw materials for cosmetics and others
Engineering plastics business	Polyacetal resin, PBT resin, liquid crystal polymer, ABS resin, engineering plastic alloy resin, various synthetic resin processed products and others
Others	Defense-related products, separation membrane modules for water treatment processes, transportation and warehousing and others

2. Methods of measurement for the amount of sales, profit or loss, assets and other items for each reportable segment

The accounting policies reported of the business segments are consistent with those described in "Significant matters that serve as the basis for preparing consolidated financial statements."

The profit of each reportable segments is based on operating profit.

Intersegment revenues and transfers are mainly based on market prices and manufacturing costs.

3. Information on the amount of sales, profit or loss, assets and other items for each reportable segment

Year ended March 31, 2023

(Unit: Millions of Yen)

	Reportable segment						Others (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Total				
Net sales										
Net sales to external customers	16,581	29,599	83,981	160,750	238,062	528,975	9,051	538,026	—	538,026
Intersegment net sales or transfers	196	289	—	12,913	288	13,687	12,414	26,102	(26,102)	—
Total	16,777	29,888	83,981	173,663	238,350	542,662	21,465	564,128	(26,102)	538,026
Segment profit (loss)	1,260	(642)	517	20,715	25,310	47,161	347	47,508	—	47,508
Segment assets	20,118	38,466	113,611	224,311	265,325	661,833	15,586	677,420	88,186	765,606
Other										
Depreciation	1,455	2,466	6,278	9,766	8,496	28,463	584	29,048	1,787	30,835
Amortization of goodwill	59	—	—	—	—	59	—	59	—	59
Investments in entities accounted for by the equity method	—	—	—	10,117	3,407	13,525	—	13,525	—	13,525
Increase in property, plant and equipment and intangible assets	2,072	3,931	8,742	7,706	30,506	52,960	1,215	54,176	2,132	56,308

(Notes) 1. The category of “Others” is a business segment not included in reportable segments and includes the membrane business, transportation warehousing and others.

2. The reconciliation of segment assets consists of elimination of intersegment receivables of ¥(2,015) million and unallocated corporate assets of ¥90,202 million. Corporate assets consist of surplus operating funds (cash and deposits), long-term investment funds (investment securities), properties held or used by the administration departments, basic research departments, etc. and others.

3. The total amounts of segment profit or loss are consistent with operating profits in the consolidated statements of income.

Year ended March 31, 2024

(Unit: Millions of Yen)

	Reportable segment						Others (Note 1)	Total	Reconciliations (Note 2)	Consolidated (Note 3)
	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Total				
Net sales										
Net sales to external customers	13,927	30,715	95,574	185,341	226,821	552,379	5,676	558,056	—	558,056
Intersegment net sales or transfers	—	290	—	10,820	152	11,263	13,682	24,946	(24,946)	—
Total	13,927	31,005	95,574	196,161	226,974	563,643	19,359	583,003	(24,946)	558,056
Segment profit (loss)	791	(2,855)	2,991	42,741	18,301	61,971	422	62,393	—	62,393
Segment assets	15,866	45,990	120,871	237,644	312,250	732,622	6,621	739,244	99,924	839,169
Other										
Depreciation	989	2,681	6,906	11,741	8,132	30,451	549	31,001	1,969	32,970
Amortization of goodwill	59	—	—	—	—	59	—	59	—	59
Investments in entities accounted for by the equity method	—	—	—	10,485	3,658	14,143	—	14,143	—	14,143
Increase in property, plant and equipment and intangible assets	1,892	2,482	9,333	16,896	45,696	76,301	402	76,703	754	77,458

(Notes) 1. The category of “Others” is a business segment not included in reportable segments and includes the membrane business, transportation warehousing and others.

2. The reconciliation of segment assets consists of elimination of intersegment receivables of ¥(1,653) million and unallocated corporate assets of ¥101,578 million. Corporate assets consist of surplus operating funds (cash and deposits), long-term investment funds (investment securities), properties held or used by the administration departments, basic research departments, etc. and others.

3. The total amounts of segment profit or loss are consistent with operating profits in the consolidated statements of income.

4. Information regarding changes, etc. in reportable segments

From the first quarter of the consolidated fiscal year under review, the cosmetic ingredient, 1, 3-butylene glycol, which was previously included in the “Medical/Healthcare” segment, has been reclassified to the “Materials” segment, and research and development function regarding the new medical device, which was previously included in the “Safety” segment, has been reclassified to “Medical/Healthcare.”

The segment information for the fiscal year ended March 31, 2023 is presented based on the reclassified segment.

[Related Information]

Year ended March 31, 2023

1. Information about products and services

(Unit: Millions of Yen)

	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Others	Total
Net sales to external customers	16,581	29,599	83,981	160,750	238,062	9,051	538,026

2. Information about geographical areas

(1) Net sales

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
200,905	106,032	119,193	111,894	538,026

(Note) Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
152,666	43,351	15,263	22,418	22,430	256,130

Year ended March 31, 2024

1. Information about products and services

(Unit: Millions of Yen)

	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Other	Total
Net sales to external customers	13,927	30,715	95,574	185,341	226,821	5,676	558,056

2. Information about geographical areas

(1) Net sales

(Unit: Millions of Yen)

Japan	Asia		Other	Total
	China	Other		
192,983	109,484	135,116	120,471	558,056

(Note) Net sales are classified by country or region based on the location of customers.

(2) Property, plant and equipment

(Unit: Millions of Yen)

Japan	Asia			Other	Total
	China	Malaysia	Other		
156,799	68,795	15,229	31,291	36,833	308,949

[Information on impairment loss of non-current assets for each reportable segment]

Year ended March 31, 2023

Not applicable

Year ended March 31, 2024

(Unit: Millions of Yen)

	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Others	Corporate/ Elimination	Total
Impairment loss	1,668	—	—	—	—	—	—	1,668

(Note) In the Medical/Healthcare business, an impairment loss of ¥1,668 million for goodwill and business assets is recorded.

[Information on amortization and unamortized balance of goodwill for each reportable segment]

Year ended March 31, 2023

(Unit: Millions of Yen)

	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Others	Corporate/ Elimination	Total
Amortization of goodwill	59	—	—	—	—	—	—	59
Goodwill at March 31, 2023	338	—	—	—	—	—	—	338

Year ended March 31, 2024

(Unit: Millions of Yen)

	Medical/ Healthcare	Smart	Safety	Materials	Engineering plastics	Others	Corporate/ Elimination	Total
Amortization of goodwill	59	—	—	—	—	—	—	59
Goodwill at March 31, 2024	85	—	—	—	—	—	—	85

[Information on gain on negative goodwill for each reportable segment]

Year ended March 31, 2023

Not applicable

Year ended March 31, 2024

Not applicable

[Information on related parties]

1. Transactions with related parties

(1) Transactions between the company submitting consolidated financial statements and its related party

Officers, major shareholders (limited to individuals), etc. of the company submitting consolidated financial statements

Year ended March 31, 2023

Type	Name of company or individual	Location	Share capital or investment in capital (Millions of Yen)	Description of business or occupation	Ratio of voting rights holding (or held) (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of Yen)	Account	Balance at end of year (Millions of Yen)
Officer	Takeshi Furuichi	—	—	Director of the Company Representative Director and Vice Chairman, Nippon Life Insurance Company	—	Nippon Life Insurance Company is a lender of the Company.	Borrowings of funds from Nippon Life Insurance Company *1,2	—	Current portion of long-term borrowings	400
							Repayment of borrowings from Nippon Life Insurance Company *1,2	—	Long-term borrowings	6,000
							Payment of interest to Nippon Life Insurance Company *1,2	10	Accrued expenses	11

(Notes) 1. The transaction amount of fund transactions shows the net increase or decrease for the fiscal year under review.

2. *1: Transaction conditions, policies for determining transaction conditions, etc.

The transactions were conducted for the benefit of a third party, and the interest rates on the borrowings were reasonably determined in consideration of market interest rates.

* 2: Mr. Furuichi retired as Representative Director and Vice Chairman of Nippon Life Insurance Company on July 5, 2022, and is no longer a related party of the Company. The transaction amounts and the year-end balances are stated as of the end of July 2022, the month of retirement.

Year ended March 31, 2024

Not applicable

(2) Transactions between a consolidated subsidiary of the company submitting the consolidated financial statements and any related party

Officers, major shareholders (limited to individuals), etc. of the company submitting consolidated financial statements

Year ended March 31, 2023

Type	Name of company or individual	Location	Share capital or investment in capital (Millions of Yen)	Description of business or occupation	Ratio of voting rights holding (or held) (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of Yen)	Account	Balance at end of year (Millions of Yen)
A company in which officers of an important subsidiary and their close relatives own a majority of voting rights	Seiwakogyo Co., Ltd.	Taisho-ku, Osaka-shi	22	Manufacturing industry	—	Purchase transactions	Purchase of products	72	Accounts payable	3

Year ended March 31, 2024

Type	Name of company or individual	Location	Share capital or investment in capital (Millions of Yen)	Description of business or occupation	Ratio of voting rights holding (or held) (%)	Relationship with the related party	Description of transactions	Transaction amount (Millions of Yen)	Account	Balance at end of year (Millions of Yen)
A company in which officers of an important subsidiary and their close relatives own a majority of voting rights	Seiwakogyo Co., Ltd.	Taisho-ku, Osaka-shi	22	Manufacturing industry	—	Purchase transactions	Purchase of products *	7	Accounts payable *	8

(Notes) 1. Transaction conditions, policies for determining transaction conditions, etc.

Transaction conditions are determined in the same way as those of general transactions.

2. The majority of voting rights of Seiwakogyo Co., Ltd. is substantially held by close relatives of Mr. Katsuya Sakamoto, Representative Director and President of Daicel Logistics Service Co., Ltd.

3. Transactions with Daicen Membrane-Systems, Ltd., a consolidated subsidiary.

4. * Mr. Sakamoto retired as Representative Director and President of Daicel Logistics Service Co., Ltd. on June 22, 2023, and is no longer a related party of the Company. The transaction amount and the year-end balance are stated as of the end of June 2023, the month of retirement.

2. Information on the parent company and significant affiliates

(1) Information on the parent company

Not applicable

(2) Condensed financial information of significant affiliates

As there is no significance, the description is omitted.

(Per share information)

	Year ended March 31, 2023	Year ended March 31, 2024
Net assets per share	¥1,033.52	¥1,301.21
Net profit per share	¥138.87	¥197.56

(Notes) 1. Diluted net profit per share is not stated because there are no dilutive shares.

2. The basis for calculation of net profit per share is as follows:

Item	Year ended March 31, 2023	Year ended March 31, 2024
Net profit attributable to owners of the parent (Millions of Yen)	40,682	55,834
Amount not attributable to common shareholders (Millions of Yen)	—	—
Net profit attributable to owners of the parent related to common shares (Millions of Yen)	40,682	55,834
Average number of common shares during the period (thousand shares)	292,957	282,617

(Significant subsequent events)

On June 7, 2024, a ransomware attack was identified on some of the servers of Chiral Technologies Europe S.A.S. (CTE) of the Group. Currently, an investigation has been started with the cooperation of external experts, and the work toward the protection and restoration of the system is being conducted.

The impact of this matter on the Group's future business performance is currently under scrutiny. In the future, we will promptly notify you if any significant impact on our business performance is expected.

(v) Consolidated supplementary schedules

[Schedule of corporate bonds]

Company name	Description	Date of issuance	Balance at beginning of year (Millions of Yen)	Balance at end of year (Millions of Yen)	Interest rates (%)	Collateral	Maturity
		Month/Day/Year					Month/Day/Year
The Company	10th domestic unsecured corporate bond	September 13, 2013	10,000	—	1.05	None	September 13, 2023
The Company	12th domestic unsecured corporate bond	September 15, 2017	10,000	10,000 [10,000]	0.23	None	September 13, 2024
The Company	13th domestic unsecured corporate bond	September 15, 2017	10,000	10,000	0.37	None	September 15, 2027
The Company	14th domestic unsecured corporate bond	December 14, 2020	20,000	—	0.08	None	December 14, 2023
The Company	15th domestic unsecured corporate bond	December 14, 2020	20,000	20,000	0.16	None	December 12, 2025
The Company	16th domestic unsecured corporate bond	December 14, 2020	30,000	30,000	0.38	None	December 14, 2027
The Company	17th domestic unsecured corporate bond	December 14, 2020	30,000	30,000	0.50	None	December 13, 2030
The Company	Short-term corporate bond	March 25, 2024	30,000	27,000 [27,000]	0.101	None	April 30, 2024
Total	—	—	160,000	127,000 [37,000]	—	—	—

(Notes) 1. The numbers in brackets represent the amounts scheduled to be redeemed within one year.

2. The redemption schedule within 5 years after the consolidated fiscal year-end date is as follows:

1 year or less (Millions of Yen)	After 1 year through 2 years (Millions of Yen)	After 2 years through 3 years (Millions of Yen)	After 3 years through 4 years (Millions of Yen)	After 4 years through 5 years (Millions of Yen)
37,000	20,000	—	40,000	—

[Schedule of borrowings, etc.]

Category	Balance at beginning of year (Millions of Yen)	Balance at end of year (Millions of Yen)	Average interest rate (%)	Repayment term
Short-term borrowings	36,267	31,758	1.37	—
Current portion of long-term borrowings	12,742	16,291	1.84	—
Current portion of lease obligations	1,197	1,127	3.56	—
Long-term borrowings (excluding the current portion)	108,823	124,741	1.51	September 30, 2025 to February 28, 2033
Lease obligations (excluding the current portion)	2,943	3,200	3.14	—
Other interest-bearing liabilities	—	—	—	—
Total	161,974	177,118	—	—

(Notes) 1. The interest rate at the end of the year is used to calculate the average interest rate.

2. Certain lease obligations are recorded in the consolidated balance sheets at amounts prior to the deduction of the interest portion included in the total lease payments. Therefore, such lease obligations are not included in the calculation of the “average interest rate.”

3. The repayment schedule of long-term borrowings and lease obligations (excluding the current portion) within five years after the consolidated fiscal year-end date is as follows:

	After 1 year through 2 years (Millions of Yen)	After 2 years through 3 years (Millions of Yen)	After 3 years through 4 years (Millions of Yen)	After 4 years through 5 years (Millions of Yen)
Long-term borrowings	16,310	10,588	8,905	37,695
Lease obligations	862	681	544	448

[Schedule of asset retirement obligations]

As the amounts of asset retirement obligations at the beginning and the end of the consolidated fiscal year ended March 31, 2024 are not more than one percent of the total amount of liabilities and net assets at the beginning and the end of the consolidated fiscal year ended March 31, 2024, the description is omitted pursuant to the provisions of Article 92-2 of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

(2) [Others]

Quarterly information for the fiscal year ended March 31, 2024

(Cumulative period)	1Q	2Q	3Q	Year ended March 31, 2024
Net sales (Millions of Yen)	130,802	271,004	414,276	558,056
Profit before income taxes (Millions of Yen)	20,438	40,070	58,812	76,032
Profit attributable to owners of the parent (Millions of Yen)	14,984	29,751	44,209	55,834
Net profit per share (Yen)	52.46	104.13	155.42	197.56

(Accounting period)	1Q	2Q	3Q	4Q
Net profit per share (Yen)	52.46	51.67	51.28	41.96