NGK Corporation

NGK Corporation
and Consolidated Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2026, and
Independent Auditor's Report

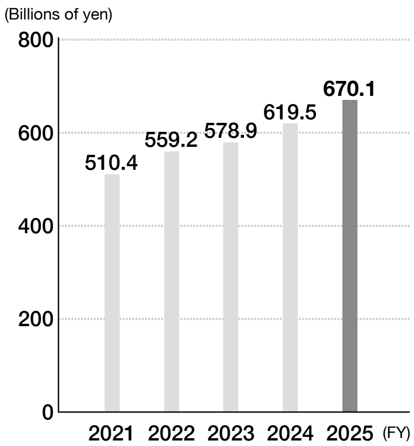
NGK Corporation
Former NGK INSULATORS, LTD.

Contents

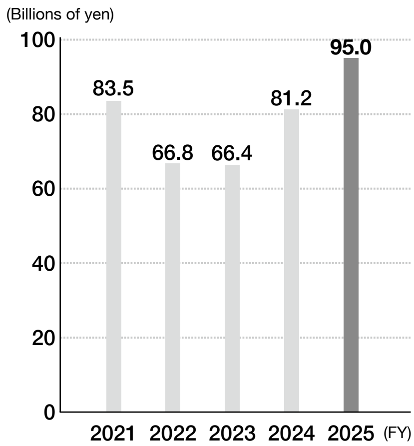
Financial Highlights

The following data includes financial results of consolidated subsidiaries (17 domestic, 29 overseas companies as of March 31, 2026)

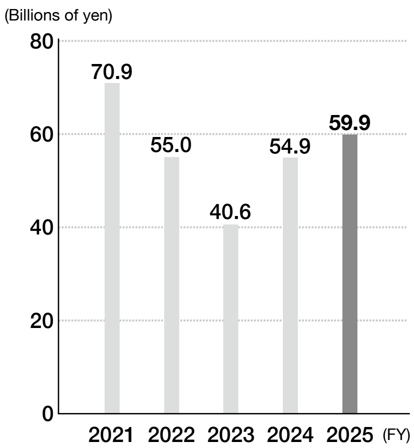
Net Sales



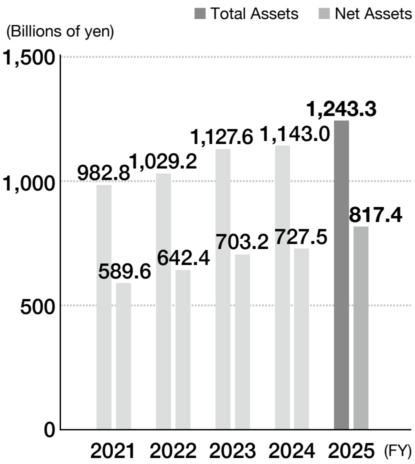
Operating Income



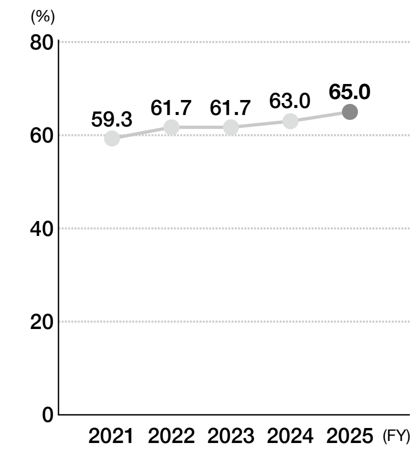
Net Income Attributable to Owners of the Parent



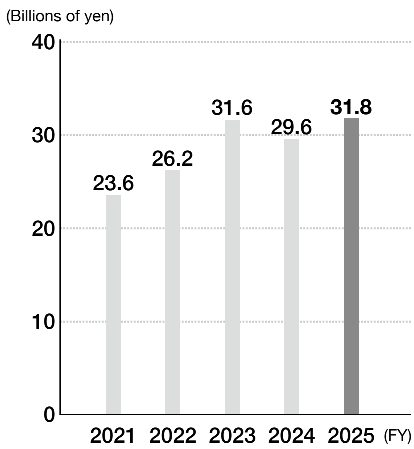
Total Assets/Net Assets



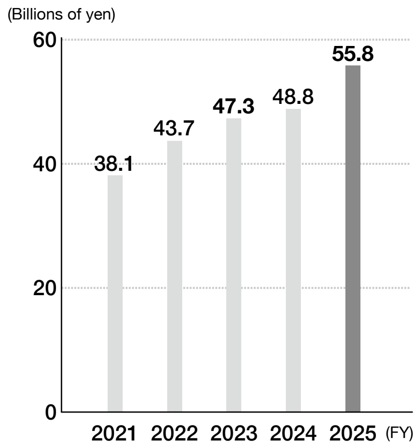
Equity Ratio



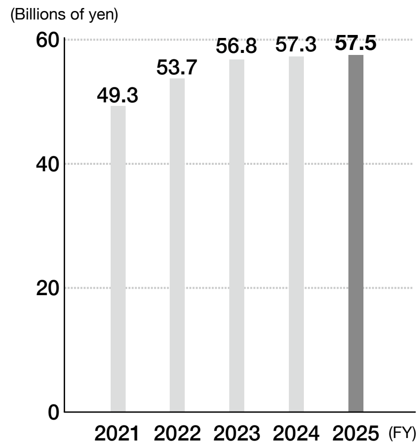
Research and Development Expenses



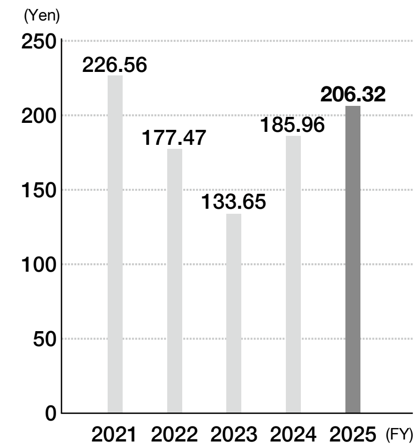
Capital Expenditures



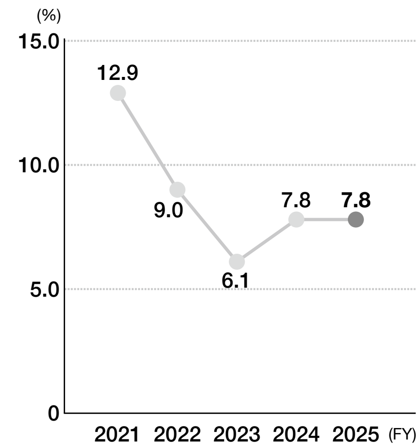
Depreciation and Amortization



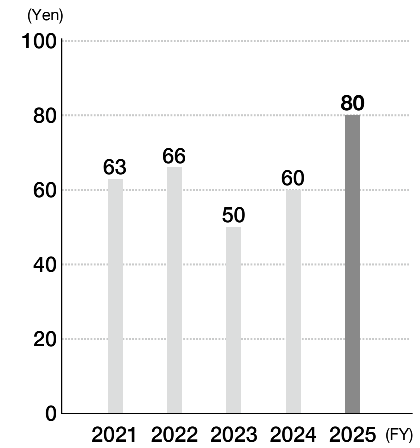
Net Income per Share



Return on Equity



Dividends



Stock Price

FY	2021	2022	2023	2024	2025
Highest (Yen)	2,106	2,038	2,085	2,188	**4,587**
Lowest (Yen)	1,539	1,638	1,642	1,602	**1,540**

Consolidated Balance Sheet

NGK Corporation and Consolidated Subsidiaries

March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
ASSETS	**2026**	2025	**2026**
CURRENT ASSETS:			
Cash and cash equivalents (Note 14)	**¥ 199,644**	¥ 177,709	**$ 1,247,774**
Time deposits (Note 14)	**29,323**	37,265	**183,266**
Marketable securities (Notes 4 and 14)	**93,955**	48,895	**587,217**
Notes and accounts receivable:			
Trade notes and accounts (Notes 12 and 14)	**134,256**	121,472	**839,102**
Other	**20,784**	18,500	**129,902**
Allowance for doubtful accounts	**(509)**	(166)	**(3,182)**
Total	**154,531**	139,806	**965,822**
Inventories (Note 5)	**232,835**	241,936	**1,455,222**
Prepaid expenses and other current assets	**20,351**	23,263	**127,192**
Total current assets	**730,639**	668,874	**4,566,493**
PROPERTY, PLANT AND EQUIPMENT (Notes 6):			
Land	**34,634**	33,457	**216,462**
Buildings and structures	**302,044**	273,035	**1,887,773**
Machinery and equipment	**808,059**	732,645	**5,050,369**
Construction in progress	**27,214**	32,516	**170,088**
Other	**7,408**	6,003	**46,298**
Total	**1,179,359**	1,077,656	**7,370,990**
Accumulated depreciation	**(810,174)**	(721,020)	**(5,063,586)**
Net property, plant and equipment	**369,185**	356,636	**2,307,404**
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 4 and 14)	**84,891**	68,517	**530,568**
Investments in unconsolidated subsidiaries and associated companies	**361**	376	**2,260**
Intangible assets	**6,192**	6,153	**38,700**
Net defined benefit assets (Notes 3.a and 8)	**34,284**	25,564	**214,274**
Deferred tax assets (Notes 3.b and 11)	**13,657**	12,878	**85,356**
Other assets	**4,122**	3,988	**25,762**
Total investments and other assets	**143,507**	117,476	**896,920**
TOTAL	**¥ 1,243,331**	¥ 1,142,986	**$ 7,770,817**

(Continued)

LIABILITIES AND EQUITY	Millions of Yen 2026	2025	Thousands of U.S. Dollars (Note 1) 2026
CURRENT LIABILITIES:			
Short-term borrowings (Note 7)	**¥ 7,364**	¥ 20,260	**$ 46,023**
Current portion of long-term debt (Notes 7 and 14)	**35,586**	36,216	**222,412**
Notes and accounts payable:			
Trade notes and accounts	**48,669**	45,661	**304,182**
Other	**18,119**	18,685	**113,242**
Total	**66,788**	64,346	**417,424**
Accrued expenses	**29,864**	31,442	**186,650**
Income taxes payable (Note 11)	**12,530**	8,001	**78,315**
Other current liabilities	**14,925**	18,648	**93,280**
Total current liabilities	**167,057**	178,913	**1,044,104**
LONG-TERM LIABILITIES:			
Long-term debt (Notes 7 and 14)	**201,686**	195,767	**1,260,539**
Net defined benefit liability (Notes 3.a and 8)	**19,158**	20,046	**119,740**
Deferred tax liabilities (Notes 3.b and 11)	**17,061**	13,896	**106,633**
Provision for product warranties	**488**	307	**3,052**
Provision for business restructuring (Notes 3.c)	**12,270**	–	**76,690**
Other long-term liabilities	**8,258**	6,551	**51,606**
Total long-term liabilities	**258,921**	236,567	**1,618,260**
CONTINGENT LIABILITIES (Note 16)			
EQUITY (Note 9):			
Common stock:			
Authorized — 735,030 thousand shares			
Issued — 292,243 thousand shares and 297,957 thousand shares at March 31, 2026 and 2025	**70,064**	70,064	**437,902**
Capital surplus	**70,390**	70,390	**439,935**
Stock acquisition rights (Note 10)	**685**	777	**4,279**
Retained earnings (Note 18)	**492,020**	464,800	**3,075,122**
Treasury stock — at cost: 4,632 thousand shares and 4,862 thousand shares at March 31, 2026 and 2025, respectively (Note 9.c)	**(10,459)**	(8,828)	**(65,367)**
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	**45,342**	32,853	**283,390**
Deferred loss on derivatives under hedge accounting	**(45)**	(101)	**(281)**
Foreign currency translation adjustments	**121,551**	76,770	**759,695**
Defined retirement benefit plans	**19,690**	13,856	**123,060**
Total	**809,238**	720,581	**5,057,735**
Noncontrolling interests	**8,115**	6,925	**50,718**
Total equity	**817,353**	727,506	**5,108,453**
TOTAL	**¥ 1,243,331**	¥ 1,142,986	**$ 7,770,817**

See notes to consolidated financial statements.

(Concluded)

Consolidated Statement of Income

NGK Corporation and Consolidated Subsidiaries
Year ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	**2026**
NET SALES (Note 12)	**¥ 670,125**	¥ 619,513	**$ 4,188,282**
COST OF SALES (Note 13)	**474,963**	443,540	**2,968,522**
Gross profit	**195,162**	175,973	**1,219,760**
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 13)	**100,164**	94,731	**626,024**
Operating income	**94,998**	81,242	**593,736**
OTHER INCOME (EXPENSES):			
Interest and dividends income	**5,270**	4,073	**32,936**
Interest expense	**(3,269)**	(3,913)	**(20,433)**
Loss on sales of and disposals of property, plant and equipment — net	**(958)**	(331)	**(5,988)**
Foreign exchange gain (loss)	**3,114**	(3,606)	**19,463**
(Loss) gain on valuation of derivatives	**(2,687)**	781	**(16,792)**
Gain on sales of investment securities — net	**13,186**	3,605	**82,414**
Impairment loss on long-lived assets (Notes 6)	**(4,764)**	(5,819)	**(29,774)**
Depreciation	**(739)**	(1,189)	**(4,619)**
Subsidy income	**1,126**	236	**7,037**
Loss on valuation of investment securities	**–**	(484)	**–**
Loss on liquidation of subsidiaries and associates	**(2,564)**	(241)	**(16,025)**
Loss on compensation	**–**	(3,000)	**–**
Business Restructuring expenses (Notes 3.c)	**(19,960)**	–	**(124,748)**
Other — net	**1,080**	1,103	**6,748**
Other expenses — net	**(11,165)**	(8,785)	**(69,781)**
INCOME BEFORE INCOME TAXES	**83,833**	72,457	**523,955**
INCOME TAXES (Notes 3.b and 11):			
Current	**28,690**	21,304	**179,314**
Deferred	**(5,183)**	(3,852)	**(32,394)**
Total income taxes	**23,507**	17,452	**146,920**
NET INCOME	**60,326**	55,005	**377,035**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**389**	72	**2,430**
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	**¥ 59,937**	¥ 54,933	**$ 374,605**

	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.x and 18):			
Basic net income	**¥ 206.32**	¥ 185.96	**$ 1.289**
Diluted net income	**206.02**	185.66	**1.288**
Cash dividends applicable to the year	**80.00**	60.00	**0.500**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

NGK Corporation and Consolidated Subsidiaries
Year ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	**2026**
NET INCOME	**¥ 60,326**	¥ 55,005	**$ 377,035**
OTHER COMPREHENSIVE INCOME (LOSS) (Note 17):			
Unrealized gain (loss) on available-for-sale securities	**12,490**	(5,993)	**78,065**
Deferred gain (loss) on derivatives under hedge accounting	**59**	(112)	**368**
Foreign currency translation adjustments	**45,615**	(5,537)	**285,099**
Defined retirement benefit plans	**5,831**	6,389	**36,442**
Total other comprehensive income (loss)	**63,995**	(5,253)	**399,974**
COMPREHENSIVE INCOME	**¥ 124,321**	¥ 49,752	**$ 777,009**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	**¥ 123,097**	¥ 49,742	**$ 769,360**
Noncontrolling interests	**1,224**	10	**7,649**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

NGK Corporation and Consolidated Subsidiaries

Year ended March 31, 2026

	Thousands					
	Outstanding Number of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock
Balance at March 31, 2024 (April 1, 2024, as previously reported)	297,928	¥ 70,064	¥ 70,397	¥ 853	¥ 451,550	¥ (25,155)
Net income attributable to owners of the parent	–	–	–	–	54,933	–
Cash dividends, ¥55 per share	–	–	–	–	(16,302)	–
Purchase of treasury stock	(5,002)	–	–	–	–	(9,401)
Disposal of treasury stock	43	–	(1)	–	–	77
Cancellation of treasury stock	–	–	(25,423)	–	–	25,423
Transfer from retained earnings to capital surplus	–	–	25,381	–	(25,381)	–
Restricted stock compensation	126	–	36	–	–	228
Net change in the year	–	–	–	(76)	–	–
Balance at March 31, 2025	293,095	70,064	70,390	777	464,800	(8,828)
Net income attributable to owners of the parent	–	–	–	–	59,937	–
Cash dividends, ¥68 per share	–	–	–	–	(19,842)	–
Purchase of treasury stock	(5,715)	–	–	–	–	(15,005)
Disposal of treasury stock	51	–	(9)	–	–	102
Cancellation of treasury stock	–	–	(12,899)	–	–	12,899
Transfer from retained earnings to capital surplus	–	–	12,875	–	(12,875)	–
Restricted stock compensation	180	–	33	–	–	373
Net change in the year	–	–	–	(92)	–	–
Balance at March 31, 2026	**287,611**	**¥ 70,064**	**¥ 70,390**	**¥ 685**	**¥ 492,020**	**¥ (10,459)**

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock
Balance at March 31, 2025	$ 437,902	$ 439,937	$ 4,857	$ 2,905,001	$ (55,177)
Net income attributable to owners of the parent	–	–	–	374,605	–
Cash dividends, $0.43 per share	–	–	–	(124,011)	–
Purchase of treasury stock	–	–	–	–	(93,779)
Disposal of treasury stock	–	(57)	–	–	636
Cancellation of treasury stock	–	(80,620)	–	–	80,620
Transfer from retained earnings to capital surplus	–	80,473	–	(80,473)	–
Restricted stock compensation	–	202	–	–	2,333
Net change in the year	–	–	(578)	–	–
Balance at March 31, 2026	**$ 437,902**	**$ 439,935**	**$ 4,279**	**$ 3,075,122**	**$ (65,367)**

See notes to consolidated financial statements.

Millions of Yen						
Accumulated Other Comprehensive Income						
Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
¥ 38,845	¥ 6	¥ 82,251	¥ 7,468	¥ 696,279	¥ 6,947	¥ 703,226
–	–	–	–	54,933	–	54,933
–	–	–	–	(16,302)	–	(16,302)
–	–	–	–	(9,401)	–	(9,401)
–	–	–	–	76	–	76
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	264	–	264
(5,993)	(107)	(5,480)	6,388	(5,268)	(22)	(5,290)
32,853	(101)	76,770	13,856	720,581	6,925	727,506
–	–	–	–	59,937	–	59,937
–	–	–	–	(19,842)	–	(19,842)
–	–	–	–	(15,005)	–	(15,005)
–	–	–	–	93	–	93
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	406	–	406
12,489	56	44,781	5,834	63,068	1,190	64,258
¥ 45,342	**¥ (45)**	**¥ 121,551**	**¥ 19,690**	**¥ 809,238**	**¥ 8,115**	**¥ 817,353**

Thousands of U.S. Dollars (Note 1)						
Accumulated Other Comprehensive Income						
Unrealized Gain on Available-for-Sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
$ 205,326	$ (629)	$ 479,812	$ 86,601	$ 4,503,630	$ 43,283	$ 4,546,913
–	–	–	–	374,605	–	374,605
–	–	–	–	(124,011)	–	(124,011)
–	–	–	–	(93,779)	–	(93,779)
–	–	–	–	579	–	579
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	2,535	–	2,535
78,064	348	279,883	36,459	394,176	7,435	401,611
$ 283,390	**$ (281)**	**$ 759,695**	**$ 123,060**	**$ 5,057,735**	**$ 50,718**	**$ 5,108,453**

Consolidated Statement of Cash Flows

NGK Corporation and Consolidated Subsidiaries

Year ended March 31, 2026

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2026	2025	**2026**
OPERATING ACTIVITIES:			
Income before income taxes	**¥ 83,833**	¥ 72,457	**$ 523,955**
Adjustments for:			
Income taxes — paid	**(24,013)**	(19,934)	**(150,080)**
Depreciation and amortization	**57,488**	57,253	**359,298**
Impairment loss on long-lived assets	**4,764**	5,819	**29,774**
Increase in provision for business restructuring	**12,270**	–	**76,690**
Gain on sales of investment securities — net	**(13,186)**	(3,605)	**(82,414)**
Loss on liquidation of subsidiaries and associates	**2,564**	241	**16,025**
Changes in assets and liabilities:			
Increase in notes and accounts receivable — trade	**(4,301)**	(4,678)	**(26,880)**
Decrease (increase) in inventories	**22,094**	(4,348)	**138,090**
Decrease in other current assets	**1,970**	1,542	**12,313**
Increase (decrease) in notes and accounts payable — trade	**1,161**	(4,109)	**7,257**
Decrease in other current liabilities	**(5,608)**	(1,646)	**(35,047)**
Other — net	**(1,046)**	(2,334)	**(6,546)**
Total adjustments	**54,157**	24,201	**338,480**
Net cash provided by operating activities	**137,990**	96,658	**862,435**
INVESTING ACTIVITIES:			
Purchases of marketable securities	**(190,108)**	(119,883)	**(1,188,172)**
Proceeds from sales and redemption of marketable securities	**149,613**	111,000	**935,079**
Proceeds from sales and redemption of investment securities	**14,943**	5,136	**93,394**
Purchases of investment securities	**(4,110)**	(3,921)	**(25,688)**
Purchases of property, plant and equipment	**(53,189)**	(41,799)	**(332,430)**
Purchase of intangible assets	**(2,282)**	(1,950)	**(14,265)**
Decrease (increase) in time deposits	**8,251**	(4,259)	**51,569**
Other — net	**(240)**	595	**(1,499)**
Net cash used in investing activities	**(77,122)**	(55,081)	**(482,012)**
FINANCING ACTIVITIES:			
(Decrease) increase in short-term borrowings — net	**(14,503)**	8,886	**(90,641)**
Proceeds from long-term debt	**40,000**	25,070	**250,000**
Repayments of long-term debt	**(36,898)**	(40,766)	**(230,612)**
Purchase of treasury stock	**(15,005)**	(9,401)	**(93,779)**
Cash dividends	**(19,842)**	(16,302)	**(124,011)**
Other — net	**(2,029)**	(1,706)	**(12,690)**
Net cash used in financing activities	**(48,277)**	(34,219)	**(301,733)**
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	**9,344**	(1,081)	**58,405**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**21,935**	6,277	**137,095**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**177,709**	171,432	**1,110,679**
CASH AND CASH EQUIVALENTS, END OF YEAR	**¥ 199,644**	¥ 177,709	**$ 1,247,774**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NGK Corporation and Consolidated Subsidiaries
Year ended March 31, 2026

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in accordance with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2025 consolidated financial statements to conform to the classifications used in 2026.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NGK Corporation (“the Company”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥160 to $1, the approximate rate of exchange at March 31, 2026. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. ***Consolidation—*** The consolidated financial statements as of March 31, 2026 include the accounts of the Company and its 46 (46 in 2025) significant subsidiaries (together, the “Group”).

Under the control and influence concepts, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The investment in one unconsolidated subsidiary is accounted for by the equity method.

Investments in the remaining unconsolidated subsidiaries and associated company are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated. The fiscal years of subsidiaries are not necessarily the same as that of the Company. Seven foreign consolidated subsidiaries in China and Mexico, etc. have different fiscal years. Those subsidiaries prepared provisional financial information at March 31 for the consolidation.

b. ***Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—*** Under Accounting Standards Board of Japan (“ASBJ”) Practical Issues Task Force (“PITF”) No. 18, “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements,” the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements. However, financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards (“IFRS”) or generally accepted accounting principles in the United States of America (“US GAAP”) tentatively may be used for the consolidation process, except for the following items that should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material:

(a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign subsidiary elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

c. ***Unification of Accounting Policies Applied to Foreign Associated Companies for the Equity Method—*** ASBJ Statement No. 16, "Accounting Standard for Equity Method of Accounting for Investments," requires adjustments to be made to conform the associate's accounting policies for similar transactions and events under similar circumstances to those of the parent company when the associate's financial statements are used in applying the equity method, unless it is impracticable to determine such adjustments. In addition, financial statements prepared by foreign associated companies in accordance with either IFRS or US GAAP tentatively may be used in applying the equity method if the following items are adjusted so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss of pensions that has been recorded in equity through other comprehensive income; (c) expensing capitalized development costs of R&D; (d) cancellation of the fair value model of accounting for property, plant and equipment and investment properties and incorporation of the cost model of accounting; and (e) recording a gain or loss through profit or loss on the sale of an investment in an equity instrument for the difference between the acquisition cost and selling price, and recording impairment loss through profit or loss for other-than-temporary declines in the fair value of an investment in an equity instrument, where a foreign associate elects to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument.

d. ***Business Combinations—*** Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date. A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of noncontrolling interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Any difference between the fair value of the consideration received or paid and the amount by which the noncontrolling interest is adjusted is accounted for as capital surplus as long as the parent retains control over its subsidiary.

e. ***Cash Equivalents—*** Cash equivalents are short-term investments that are readily convertible into cash and that are exposed to insignificant risk of changes in value.

Cash equivalents include time deposits, certificates of deposit, and investment trusts that represent short-term investments, all of which mature or become due within three months of the date of acquisition.

f. ***Inventories—*** Inventories are stated at the lower of cost, determined principally by the average method for finished products, work in process, and raw materials, or net selling value (see Note 5). Write-downs of inventories in the amounts of ¥9,370 million ($58,563 thousand) and ¥3,383 million for the years ended March 31, 2026 and 2025, respectively, were included in cost of sales and business restructuring expenses under other expenses. Costs of contracts in progress are stated at cost, determined by the specific identification method.

g. ***Allowance for Doubtful Accounts—*** To provide for the loss from doubtful accounts, the allowance for doubtful accounts is calculated using the historical rate of actual losses for normal receivables and the estimated nonrecoverable amount for specific doubtful receivables after considering the recoverability of each account.

h. ***Marketable and Investment Securities—*** Marketable and investment securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, for which there is a positive intent and ability to hold to maturity, are reported at amortized cost; and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Nonmarketable available-for-sale equity securities are stated at cost, determined by the moving-average method. For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

With respect to investments in investment limited partnerships and other similar partnerships (deemed to be securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the Company recognizes the amount corresponding to its equity interest on a net basis, based on the most recent financial statements available as of the financial reporting date stipulated in the partnership agreements.

i. ***Property, Plant and Equipment—*** Property, plant, and equipment are stated at cost.
Depreciation of property, plant and equipment of the Company and its consolidated subsidiaries is computed by the straight-line method.

The range of useful lives is principally from 10 to 50 years for buildings and structures and from 3 to 12 years for machinery and equipment.

j. ***Long-Lived Assets—*** The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset, or the net selling price at disposition.

k. ***Intangible Assets—*** Intangible assets are amortized by the straight-line method. For internally developed software, the estimated useful life is based on the expected internal usage period of five years.

l. ***Loss on Compensation—*** Year ended March 31, 2025 (From April 1, 2024 to March 31, 2025)
We paid for losses that were generated by a business partner of a consolidated subsidiary of the Company, in accordance with our agreement with the business partner.

m. ***Retirement and Pension Plans***— Net defined benefit liability (asset) is accounted for based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a benefit-formula basis. Actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income) after adjusting for tax effects.

Actuarial gains and losses are amortized and charged to expense on a straight-line basis over 10 years within the expected average remaining service period of the employees from the consolidated fiscal year following the year when they occur. Past service costs are amortized and charged to expense on a straight-line basis, mainly over 10 years, within the expected average remaining service period of the employees.

Certain domestic consolidated subsidiaries apply the simplified method to state the liability based on the amount that would be paid if employees retired at the consolidated balance sheet date.

n. ***Stock Options***— The cost of employee stock options is measured based on the fair value at the date of grant and recognized as compensation expenses over the vesting period as consideration for receiving goods or services. In the consolidated balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised.

o. ***Research and Development Costs***— Research and development costs are charged to income as incurred.

p. ***Provision for Product Warranties Costs***— The Company and certain consolidated subsidiaries estimate and accrue the costs of warranty repair for products sold in reserve for future expenses.

q. ***Provision for Business Restructuring***—The Company recognized a provision for business restructuring for expenses or losses expected to be incurred in the future in connection with the discontinuation of manufacturing and sales activities of NAS batteries (sodium-sulfur batteries).

r. ***Revenue Recognition***—

(i) Main performance obligations of major businesses. The Group applies its unique ceramic technology to manufacture and sell a variety of products that support the foundation of society and contribute to environmental conservation. The main performance obligations by business segment are as follows.

(Environment business)

The Group manufactures and sells automotive ceramics for exhaust gas purification and sensor as well as manufactures, sells products and provides services related to industrial equipment, primarily corrosion-resistant ceramic apparatuses for chemical industries, ceramic membranes for liquids and gases, industrial heating systems, refractory products and low-level radioactive waste treatment systems.

(Digital Society business)

The Group manufactures and sells components for semiconductor manufacturing equipment, as well as manufactures and sells ceramic components for electronics, mainly electronic industrial products, and manufactures and sells metal-related products, mainly beryllium copper products and metal molds.

(Energy & Industry business)

The Group manufactures and sells products and provides services related to energy storage-related products, primarily NAS batteries for electric power storage, and manufactures and sells products and provides services related to insulators, equipment for power transmission, substation, and distribution, and insulator washing equipment.

(ii) Normal point in time at which performance obligations are satisfied (normal point in time at which revenue is recognized)

Except for a and b below, the Group recognizes domestic sales revenue based on the judgment that the Group has the right to receive consideration for the provided assets, etc., which is mainly at the time when the product arrives at the customer or when the customer's acceptance inspection is completed. For export sales, the revenue is recognized mainly at the time when the risk is determined to have been transferred to the customer based on the trade conditions specified by Incoterms, etc., and that legal ownership, physical possession, material risks, etc. are transferred to the customer and hence the control over the assets has been transferred to the customer.

a. Service contract

The Group recognizes revenue over a certain period of time as it fulfills its performance obligations to transfer products or services to customers for service contracts concluded primarily in the environment business and energy & industry business. Progress in meeting performance obligations is measured based on the ratio of costs incurred by the end of each reporting period to the total expected costs. In addition, the Group recognizes revenue on a cost recovery basis if it is not possible to reasonably estimate the progress in meeting performance obligations, but it is expected to recover costs incurred in meeting the performance obligations. For service contracts for which it is expected to completely fulfill performance obligations within a very short period of time from the transaction start date, the Group applies alternative treatment and does not recognize revenue over a certain period of time, and does so when the performance obligations are fully met.

b. Sale of products accompanied by the provision of services

With respect to the sales of products mainly in the environment business and energy & industry business, even if the provision of services such as installation work and commissioning related to the sales of the products is concluded as a separate contract, the Group recognizes revenue based on the judgment that the sales of the products and the service provision contract attached thereto are considered as a single performance obligation, and the control over the assets, etc. has been transferred to the customer at the time of completing provision of the services.

s. ***Income Taxes***— The provision for current income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t. ***Leases***— Foreign consolidated subsidiaries, which apply IFRS, recognize all leases as both assets and liabilities on their balance sheets in principle. Effective April 1, 2019, these subsidiaries adopted IFRS16, Leases. Foreign consolidated subsidiaries, which apply U.S. GAAP, recognize all operating leases as both assets and liabilities on their balance sheets in principle. Effective April 1, 2022, these subsidiaries adopted ASC Topic 842, Leases.

u. ***Foreign Currency Transactions***— All short-term and long-term monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statement of income to the extent that they are not hedged by forward exchange contracts.

v. ***Foreign Currency Financial Statements***— The balance sheet accounts of the consolidated foreign subsidiaries are translated into Japanese yen at the current exchange rate as of the balance sheet date except for equity, which is translated at the historical rate. Differences arising from such translation are shown as "Foreign currency translation adjustments" under accumulated other comprehensive income in a separate component of equity. Revenue and expense accounts of consolidated foreign subsidiaries are translated into yen at the average exchange rate.

w. ***Derivatives and Hedging Activities***— The Group uses derivative financial instruments to manage its exposures to fluctuations in foreign exchange and interest rates. Foreign exchange forward contracts, interest rate and currency swaps, and interest rate swaps are utilized by the Group to reduce foreign currency exchange and interest rate risks. The Group does not enter into derivatives for trading or speculative purposes.

Derivative financial instruments are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statement of income; and (2) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Foreign currency forward contracts employed to hedge foreign exchange exposures for export sales and import purchases are measured at fair value and the unrealized gains/losses are recognized in income. Forward contracts applied for forecasted (or committed) transactions are also measured at fair value but the unrealized gains/losses are deferred until the underlying transactions are completed.

Interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential paid or received under the swap agreements is recognized and included in interest expense.

Long-term debt denominated in foreign currencies for which currency and interest rate swaps are used to hedge the foreign currency and interest rate fluctuations is also translated at the contracted rate and the differential paid or received under the swap agreements is recognized and included in interest expense when currency and interest swaps meet the above criteria.

When commodity swaps are used to hedge the risk of fluctuations in procurement prices related to energy and other resources, the differential paid or received under the swap agreements is recognized and included in energy costs.

x. ***Per Share Information***— Basic net income per share is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding stock acquisition rights.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the year.

y. ***New Accounting Pronouncements***

– “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024, by Accounting Standards Board of Japan)

– “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024, by Accounting Standards Board of Japan) and others

(1) Overview
As part of the effort to make Japanese accounting standards internationally consistent, the Accounting Standards Board of Japan (ASBJ) considered the development of an accounting standard for leases that requires recognition of assets and liabilities related to all leases of a lessee. As a result, ASBJ has announced an accounting standard for leases and others. In terms of the basic policy, although the standard is based on the single accounting treatment model of IFRS No. 16, the standard does not adopt all the provisions of IFRS No. 16, but incorporates the main provisions with the intention of making the standard simple and highly convenient while basically not requiring any amendment even if the provisions of IFRS No. 16 are applied to unconsolidated financial statements.

For the accounting treatment of a lessee, as with IFRS No. 16, a single accounting treatment model that requires recognition of depreciation related to right-of-use assets and the amount equivalent to interest related to lease liabilities, in connection with all leases, regardless of whether a lease is a finance lease or operating lease, will be applied to the method of allocating the lessee's lease expenses.

(2) Scheduled application date
The standards will be applied from the beginning of the fiscal year ending March 2028.

(3) Effects from the application of the relevant accounting standards, etc.
The Company is currently evaluating the financial impact on its consolidated financial statements resulting from the application of the "Accounting Standard for Leases" etc.

– "Accounting Standard for Subsequent Events" (ASBJ Statement No. 41, January 9, 2026, by Accounting Standards Board of Japan)
– "Implementation Guidance on Accounting Standard for Subsequent Events" (ASBJ Implementation Guidance No. 35, January 9, 2026, by Accounting Standards Board of Japan)

(1) Overview
The Accounting Standard for Subsequent Events and related guidance establish accounting treatment and disclosure requirements for subsequent events. These standards were developed as a priority project to establish a comprehensive accounting framework covering the definition, accounting treatment, and disclosure of subsequent events. As a basic policy, the standards generally follow the accounting-related guidance set forth in Auditing Standards Committee Statement No. 560, Practical Guideline No. 1, Audit Consideration Relating to Subsequent Events, issued by the Auditing and Assurance Standards Committee of the Japanese Institute of Certified Public Accountants (JICPA), and transfer such guidance into accounting standards issued by the Accounting Standards Board of Japan (ASBJ). In addition, the standards revise certain wording and clarify the assessment period for subsequent events. They also introduce new disclosure requirements, including a note regarding the approval of financial statements for issuance.

(2) Scheduled application date
The standard will be applied from the beginning of the fiscal year ending March 2028.

3. SIGNIFICANT ACCOUNTING ESTIMATES

a. Retirement and Pension Plans

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2026	**2026**
Net defined benefit assets	**¥ 34,284**	**$ 214,274**
Net defined benefit liability	**19,158**	**119,740**

(2) Information on the significant accounting estimate

The Group accounts for net defined benefit liability (assets) by deducting the amount of plan assets from the projected benefit obligations ("PBO"). PBO is calculated by discounting projected contribution based on certain assumptions, such as turnover rate, mortality rate and salary increase rate. Plan assets are measured at fair value at the end of fiscal year. Significant assumptions in PBO, plan assets and pension cost are discount rate and expected rate of return. Discount rate is based on a net yield of high-grade long-term bond. Expected rate of return is based on components of plan assets, result of return and change in interest market. Variety of the actuarial premise such as drastic fluctuation in interest market and unforeseen change in management environment may affect the amount of profit and loss.

b. Deferred Tax Accounting

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2026	**2026**
Deferred tax assets	**¥ 13,657**	**$ 85,356**
Deferred tax liabilities	**17,061**	**106,633**

(2) Information on the significant accounting estimate

The Group accounts for deferred tax assets (liabilities) based on the temporary difference between the carrying amount of assets or liabilities in the consolidated balance sheet and their tax base, and tax loss carryforward. Deferred tax assets are recorded when the future taxable profit is sufficient enough to utilize the future deductible temporary differences and tax loss carryforward. Deferred tax liabilities are recognized for all future taxable temporary differences. Deferred tax assets (liabilities) for the current period are measured at the tax rates that are expected to apply to the period when the assets are realized or the liabilities are settled, based on tax laws and tax rates that have been enacted or substantively enacted by the end of the reporting period. The Group compares the deductible temporary differences with future taxable profit estimated based on business plan authorized by management, taxable income in prior years and tax planning opportunities available. Variety of the factors such as both unforeseen change in management environment and tax reform, which the Group considered in evaluating the recoverability of deferred tax assets, may provoke additional impact to taxable profit or the temporary difference, consequently it affects the profit and loss.

c. ***Provision for Business Restructuring***

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2026	**2026**
Provision for Business Restructuring	**¥ 12,270**	**$ 76,690**
Business Restructuring Expenses	**19,960**	**124,748**

(2) Information on the significant accounting estimate

The Group recognized a provision for business restructuring for expenses or losses expected to be incurred in the future in connection with the discontinuation of manufacturing and sales activities of NAS batteries. The main items and methods of estimation are as follows.

(i) Costs for disposal of inventories

In connection with the discontinuation of manufacturing and sales activities of NAS batteries, the Group estimated the costs required to complete the disposal of inventories related to this business, which are required to be disposed of pursuant to the relevant laws and regulations, in accordance with the future disposal schedule and recorded the estimated costs as a provision for business restructuring.

Disposal costs have been estimated by multiplying the disposal unit cost set for each inventory type by the estimated disposal quantity. The disposal unit cost consists of the unit cost of consignment to waste disposal contractors, work-related costs expected to be incurred by the Company and other related expenses. The unit cost is reasonably calculated by estimating the unit cost applicable at the time of disposal in the future, based on past disposal records and taking into consideration assumptions related to the disposal method for each inventory among other factors.

Changes in laws and regulations applicable to the disposal of NAS batteries, price trends, and changes in the external environment surrounding disposal methods may cause the assumptions for disposal costs to change. If a significant change arises in these assumptions, an additional provision for business restructuring or a reversal of the provision for business restructuring may be recorded.

(ii) Expenses or losses related to services to be provided under the responsibility of the Company

It is the Group's policy to responsibly provide the services necessary for the safe use of our products, not only those already sold and delivered but also those to be delivered in the future, even after the discontinuation of manufacturing and sales activities. The expenses or losses related to these services are recorded as a provision for business restructuring.

In recording a provision for business restructuring related to such services, the Company considers the period during which customers are expected to use NAS batteries and the nature of the services that will likely be required to be provided in the future and makes a reasonable estimate of expenses or losses, such as personnel costs and various other expenses expected to be incurred in the future, based on past experience and the latest transaction unit prices.

Changes in laws and regulations applicable to the use of NAS batteries, changes in customer usage and requirements for the provision of such services, and other changes in the economic environment may cause the assumptions underlying such expenses or losses to change. If a significant change arises in these assumptions, an additional provision for business restructuring or a reversal of the provision for business restructuring may be recorded.

4. MARKETABLE INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Current:			
Investment trusts and other	**¥ 37,082**	¥ 28,901	**$ 231,765**
Debt securities	**56,873**	19,994	**355,452**
Total	**¥ 93,955**	¥ 48,895	**$ 587,217**
Noncurrent:			
Equity securities and other	**¥ 84,891**	¥ 68,517	**$ 530,568**
Total	**¥ 84,891**	¥ 68,517	**$ 530,568**

The costs and aggregate fair values of marketable and investment securities at March 31, 2026 and 2025, were as follows:

	Millions of Yen			
March 31, 2026	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 15,998**	**¥ 64,131**	**¥ 4**	**¥ 80,125**
Investment trusts and other	**36,291**	**936**	**145**	**37,082**
Held-to-maturity:				
Debt securities	**56,873**	**1**	**123**	**56,751**

	Millions of Yen			
March 31, 2025	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 17,757	¥ 46,289	¥ 28	¥ 64,018
Investment trusts and other	28,455	571	124	28,902
Held-to-maturity:				
Debt securities	19,994	2	24	19,972

	Thousands of U.S. Dollars			
March 31, 2026	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 99,988**	**$ 400,814**	**$ 25**	**$ 500,777**
Investment trusts and other	**226,821**	**5,851**	**907**	**231,765**
Held-to-maturity:				
Debt securities	**355,452**	**7**	**766**	**354,693**

Proceeds from sales of available-for-sale securities (including marketable securities and investment securities) for the years ended March 31, 2026 and 2025 were ¥15,710 million ($98,189 thousand) and ¥5,647 million, respectively. Realized gains on these sales, computed on the moving-average cost basis, were ¥13,305 million ($83,159 thousand) and ¥3,743 million for the years ended March 31, 2026 and 2025, respectively. Realized losses on these sales, computed on the moving-average cost basis, were ¥4 million ($26 thousand) and ¥2 million for the year ended March 31,2026 and 2025, respectively.

5. INVENTORIES

Inventories at March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Finished products	**¥ 109,366**	¥ 120,127	**$ 683,537**
Work in process	**27,000**	23,784	**168,752**
Raw materials and supplies	**92,846**	96,071	**580,287**
Cost of contracts in progress	**3,623**	1,954	**22,646**
Total	**¥ 232,835**	¥ 241,936	**$ 1,455,222**

6. LONG-LIVED ASSETS

The Group reviewed its long-lived assets for impairment as of March 31, 2026. As a result, the Group recognized an impairment loss of ¥4,764 million ($29,774 thousand) as other expense mainly in the following group which included idle assets. The carrying amounts of the relevant assets were written down to their recoverable amounts for the year ended March 31, 2026.

			Millions of Yen	Thousands of U.S. Dollars
Groups	Asset Category	Location	**2026**	**2026**
AMB Substrates for Power Modules Business	Machinery and equipment, Construction in progress and other	Japan and Malaysia	**¥ 2,392**	**$ 14,951**
Package Business	Machinery and equipment, Construction in progress and other	Japan and Malaysia	**1,291**	**8,067**

The Group recognized impairment losses for the year ended March 31, 2026, as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2026	**2026**
Buildings and structures	**¥ 288**	**$ 1,801**
Machinery and equipment	**1,636**	**10,222**
Construction in progress	**2,526**	**15,787**
Other	**314**	**1,964**
Total	**¥ 4,764**	**$ 29,774**

The Group reviewed its long-lived assets for impairment as of March 31, 2025. As a result, the Group recognized an impairment loss of ¥5,819 million as other expense mainly in the following group which included idle assets. The carrying amounts of the relevant assets were written down to their recoverable amounts for the year ended March 31, 2025.

			Millions of Yen
Groups	Asset Category	Location	2025
DCB and AMB Substrates for Power Modules Business	Machinery and equipment, Construction in progress and other	Japan and Malaysia	¥ 2,518
Package Business	Machinery and equipment, Construction in progress and other	Japan and Malaysia	1,674

The Group recognized impairment losses for the year ended March 31, 2025, as follows:

	Millions of Yen
	2025
Buildings and structures	¥ 428
Machinery and equipment	3,499
Construction in progress	1,516
Other	376
Total	¥ 5,819

7. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2026 and 2025, consisted of notes to banks. The weighted-average interest rates on short-term borrowings as of March 31, 2026 and 2025, were 2.3% and 2.9%, respectively.

Long-term debt at March 31, 2026 and 2025, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Borrowings from banks and other financial institutions due serially through 2044, with weighted-average interest rates of 1.4% (2026) and 1.4% (2025)	**¥ 175,272**	¥ 174,983	**$ 1,095,451**
Unsecured 0.657% yen bonds due July 27, 2032	**10,000**	10,000	**62,500**
Unsecured 0.860% yen bonds due July 26, 2038	**15,000**	15,000	**93,750**
Unsecured 0.180% yen bonds due December 21, 2028	**10,000**	10,000	**62,500**
Unsecured 0.305% yen bonds due November 24, 2027	**5,000**	5,000	**31,250**
Unsecured 0.583% yen bonds due November 24, 2028	**12,000**	12,000	**75,000**
Unsecured 0.910% yen bonds due November 26, 2029	**5,000**	5,000	**31,250**
Unsecured 1.611% yen bonds due December 4, 2030	**5,000**	–	**31,250**
Total	**237,272**	231,983	**1,482,951**
Less: portion due within one year	**(35,586)**	(36,216)	**(222,412)**
Long-term debt, less current portion	**¥ 201,686**	¥ 195,767	**$ 1,260,539**

Annual maturities of long-term debt at March 31, 2026, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2026	¥ 35,586	$ 222,412
2027	21,822	136,386
2028	30,543	190,892
2029	25,022	156,390
2030	25,022	156,390
2031 and thereafter	99,277	620,481
Total	¥ 237,272	$ 1,482,951

8. RETIREMENT AND PENSION PLANS

The Company and certain consolidated subsidiaries have severance payment plans for employees.

The Company and certain domestic subsidiaries have unfunded lump-sum payment plans, defined benefit pension plans, and other.

Furthermore, additional retirement benefits that are not included in net defined benefit liability are paid in certain cases.

Certain subsidiaries have defined contribution plans such as smaller enterprise retirement allowance mutual aid plans.

The simplified calculation method was applied to measure the liability and the cost of defined benefit plans and lump-sum payment plans for insignificant domestic subsidiaries.

a. *Defined Benefit Pension Plans*

(1) The changes in defined benefit obligation for the years ended March 31, 2026 and 2025 (except for the plans to which the simplified method was applied), were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Balance at beginning of year	**¥ 69,621**	¥ 79,411	**$ 435,130**
Current service cost	**3,016**	3,308	**18,851**
Interest cost	**1,836**	1,211	**11,472**
Actuarial losses	**(7,221)**	(10,497)	**(45,130)**
Benefits paid	**(4,124)**	(3,906)	**(25,775)**
Past service cost	**—**	273	**—**
Other	**307**	(179)	**1,922**
Balance at end of year	**¥ 63,435**	¥ 69,621	**$ 396,470**

(2) The changes in plan assets for the years ended March 31, 2026 and 2025 (except for the plans to which the simplified method was applied), were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Balance at beginning of year	**¥ 77,479**	¥ 77,086	**$ 484,240**
Expected return on plan assets	**586**	595	**3,666**
Actuarial gains (losses)	**2,238**	(179)	**13,987**
Contributions from the employer	**3,595**	3,071	**22,471**
Benefits paid	**(3,026)**	(2,988)	**(18,913)**
Other	**86**	(106)	**535**
Balance at end of year	**¥ 80,958**	¥ 77,479	**$ 505,986**

(3) The changes in net defined benefit liability, where the simplified method was applied to measure the liability, for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Balance at beginning of year	**¥ 2,339**	¥ 2,262	**$ 14,623**
Pension costs	**409**	357	**2,558**
Benefits paid	**(277)**	(207)	**(1,732)**
Contributions to pension plans	**(75)**	(73)	**(467)**
Balance at end of year	**¥ 2,396**	¥ 2,339	**$ 14,982**

(4) Reconciliation between the asset and the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Funded defined benefit obligation	**¥ 48,747**	¥ 53,886	**$ 304,672**
Plan assets	**(81,889)**	(78,368)	**(511,804)**
	(33,142)	(24,482)	**(207,132)**
Unfunded defined benefit obligation	**18,016**	18,964	**112,598**
Net liability arising from defined benefit obligation	**¥ (15,126)**	¥ (5,518)	**$ (94,534)**

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Net defined benefit liability	**¥ 19,158**	¥ 20,046	**$ 119,740**
Net defined benefit asset	**(34,284)**	(25,564)	**(214,274)**
Net liability arising from defined benefit obligation	**¥ (15,126)**	¥ (5,518)	**$ (94,534)**

(5) The components of net periodic benefit costs for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Service cost	**¥ 3,016**	¥ 3,308	**$ 18,851**
Interest cost	**1,836**	1,211	**11,472**
Expected return on plan assets	**(586)**	(595)	**(3,666)**
Recognized actuarial losses	**(688)**	(183)	**(4,297)**
Amortization of past service cost	**(370)**	(398)	**(2,315)**
Benefit costs measured by the simplified method	**409**	357	**2,558**
Net periodic benefit costs	**¥ 3,617**	¥ 3,700	**$ 22,603**

(6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Actuarial losses	**¥ 8,827**	¥ 10,124	**$ 55,172**
Prior service cost	**(370)**	(670)	**(2,315)**
Total	**¥ 8,457**	¥ 9,454	**$ 52,857**

(7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Unrecognized actuarial gains	**¥ 27,197**	¥ 18,370	**$ 169,983**
Unrecognized past service cost	**1,224**	1,594	**7,651**
Total	**¥ 28,421**	¥ 19,964	**$ 177,634**

(8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2026 and 2025, consisted of the following:

	2026	2025
Assets in an insurer's general account	**44 %**	46 %
Equity investments	**9**	11
Debt investments	**32**	33
Cash and cash equivalents	**0**	0
Others	**15**	10
Total	**100 %**	100 %

b. Method of determining the expected rate of return on plan assets

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

(9) Assumptions used for the years ended March 31, 2026 and 2025, were set forth as follows:

	2026	2025
Discount rate	**Primarily 3.7%**	Primarily 2.6%
Expected rate of return on plan assets	**Primarily 0.75%**	Primarily 0.75%
Expected rate of future salary increase	**Primarily 3.3%－5.7%**	Primarily 3.3%－6.0%

b. ***Defined Contribution Pension Plans***

The Group's contributions to defined contribution pension plan funds for the years ended March 31, 2026 and 2025, were ¥860 million ($5,376 thousand) and ¥781 million, respectively.

9. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. ***Dividends***

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the Company has prescribed so in its articles of incorporation. However, the Company does not meet all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the Company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. ***Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus***

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

c. ***Treasury Stock and Treasury Stock Acquisition Rights***

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by a specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

10. STOCK OPTIONS

The stock options outstanding as of March 31, 2026 were as follows:

Stock Option Scheme	Persons Originally Granted	Number of Options Originally Granted	Date of Grant	Exercise Price	Exercise Period
2007 Stock Option Scheme	12 directors 10 officers	Common shares 62,000 shares	August 30, 2007	¥1 ($0.01)	From August 31, 2007 to June 30, 2037
2008 Stock Option Scheme	11 directors 9 officers	Common shares 57,000 shares	August 13, 2008	¥1 ($0.01)	From August 14, 2008 to June 30, 2038
2009 Stock Option Scheme	12 directors 10 officers	Common shares 62,000 shares	August 17, 2009	¥1 ($0.01)	From August 18, 2009 to June 30, 2039
2010 Stock Option Scheme	12 directors 11 officers	Common shares 64,000 shares	August 16, 2010	¥1 ($0.01)	From August 17, 2010 to June 30, 2040
2011 Stock Option Scheme	11 directors 11 officers	Common shares 62,000 shares	August 15, 2011	¥1 ($0.01)	From August 16, 2011 to June 30, 2041
2012 Stock Option Scheme	10 directors 14 officers	Common shares 66,000 shares	August 15, 2012	¥1 ($0.01)	From August 16, 2012 to June 30, 2042
2013 Stock Option Scheme	9 directors 16 officers	Common shares 61,000 shares	August 16, 2013	¥1 ($0.01)	From August 17, 2013 to June 30, 2043
2014 Stock Option Scheme	10 directors 13 officers	Common shares 57,000 shares	August 19, 2014	¥1 ($0.01)	From August 20, 2014 to June 30, 2044

Stock Option Scheme	Persons Originally Granted	Number of Options Originally Granted	Date of Grant	Exercise Price	Exercise Period
2015 Stock Option Scheme	10 directors 10 officers	Common shares 52,000 shares	August 18, 2015	¥1 ($0.01)	From August 19, 2015 to June 30, 2045
2016 Stock Option Scheme	10 directors 13 officers	Common shares 60,000 shares	August 16, 2016	¥1 ($0.01)	From August 17, 2016 to June 30, 2046
2017 Stock Option Scheme	10 directors 12 officers	Common shares 58,000 shares	August 16, 2017	¥1 ($0.01)	From August 17, 2017 to June 30, 2047
2018 Stock Option Scheme	9 directors 13 officers	Common shares 55,000 shares	July 12, 2018	¥1 ($0.01)	From July 13, 2018 to June 30, 2048
2019 Stock Option Scheme	9 directors 15 officers	Common shares 61,000 shares	July 9, 2019	¥1 ($0.01)	From July 10, 2019 to June 30, 2049
2020 Stock Option Scheme	10 directors 15 officers	Common shares 64,000 shares	July 15, 2020	¥1 ($0.01)	From July 16, 2020 to June 30, 2050
2021 Stock Option Scheme	6 directors 21 officers	Common shares 116,000 shares	July 14, 2021	¥1 ($0.01)	From July 15, 2021 to June 30, 2051

The stock option activity is as follows:

	2007 Stock Option	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option
			(Shares)		
For the year ended March 31, 2025					
Non-vested					
April 1, 2024 —Outstanding	–	–	–	–	–
Granted	–	–	–	–	–
Canceled	–	–	–	–	–
Vested	–	–	–	–	–
March 31, 2025 —Outstanding	–	–	–	–	–
Vested					
April 1, 2024 —Outstanding	2,000	4,000	4,000	8,000	10,000
Vested	–	–	–	–	–
Exercised	–	–	–	2,000	2,000
Canceled	–	–	–	–	–
March 31, 2025 —Outstanding	2,000	4,000	4,000	6,000	8,000
For the year ended March 31, 2026					
Non-vested					
March 31, 2025 —Outstanding	–	–	–	–	–
Granted	–	–	–	–	–
Canceled	–	–	–	–	–
Vested	–	–	–	–	–
March 31, 2026 —Outstanding	–	–	–	–	–
Vested					
March 31, 2025 —Outstanding	**2,000**	**4,000**	**4,000**	**6,000**	**8,000**
Vested	–	–	–	–	–
Exercised	–	–	–	**2,000**	**2,000**
Canceled	–	–	–	–	–
March 31, 2026 —Outstanding	**2,000**	**4,000**	**4,000**	**4,000**	**6,000**
Exercise price	**¥1 (\$0.01)**	**¥1 (\$0.01)**	**¥1 (\$0.01)**	**¥1 (\$0.01)**	**¥1 (\$0.01)**
Average stock price at exercise	–	–	–	**¥1,796 (\$11.23)**	**¥1,796 (\$11.23)**
Fair value price at grant date	**¥3,658 (\$22.86)**	**¥1,434 (\$8.96)**	**¥2,072 (\$12.95)**	**¥1,289 (\$8.06)**	**¥1,100 (\$6.88)**

	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
			(Shares)		
For the year ended March 31, 2025					
Non-vested					
April 1, 2024					
—Outstanding	–	–	–	–	–
Granted	–	–	–	–	–
Canceled	–	–	–	–	–
Vested	–	–	–	–	–
March 31, 2025					
—Outstanding	–	–	–	–	–
Vested					
April 1, 2024					
—Outstanding	12,000	16,000	22,000	28,000	44,000
Vested	–	–	–	–	–
Exercised	2,000	2,000	2,000	1,000	7,000
Canceled	–	–	–	–	–
March 31, 2025					
—Outstanding	10,000	14,000	20,000	27,000	37,000
For the year ended March 31, 2026					
Non-vested					
March 31, 2025					
—Outstanding	–	–	–	–	–
Granted	–	–	–	–	–
Canceled	–	–	–	–	–
Vested	–	–	–	–	–
March 31, 2026					
—Outstanding	–	–	–	–	–
Vested					
March 31, 2025					
—Outstanding	**10,000**	**14,000**	**20,000**	**27,000**	**37,000**
Vested	–	–	–	–	–
Exercised	**4,000**	**4,000**	**3,000**	**7,000**	**8,000**
Canceled	–	–	–	–	–
March 31, 2026					
—Outstanding	**6,000**	**10,000**	**17,000**	**20,000**	**29,000**
Exercise price	**¥1**	**¥1**	**¥1**	**¥1**	**¥1**
	($0.01)	**($0.01)**	**($0.01)**	**($0.01)**	**($0.01)**
Average stock price at exercise	**¥1,789**	**¥1,789**	**¥1,787**	**¥1,947**	**¥2,359**
	($11.18)	**($11.18)**	**($11.17)**	**($12.17)**	**($14.74)**
Fair value price at grant date	**¥923**	**¥1,276**	**¥2,510**	**¥2,850**	**¥2,060**
	($5.77)	**($7.98)**	**($15.69)**	**($17.81)**	**($12.88)**

	2017 Stock Option	2018 Stock Option	2019 Stock Option	2020 Stock Option	2021 Stock Option
			(Shares)		
For the year ended March 31, 2025					
Non-vested					
April 1, 2024 —Outstanding	–	–	–	–	–
Granted	–	–	–	–	–
Canceled	–	–	–	–	–
Vested	–	–	–	–	–
March 31, 2025 —Outstanding	–	–	–	–	–
Vested					
April 1, 2024 —Outstanding	52,000	55,000	61,000	61,000	116,000
Vested	–	–	–	–	–
Exercised	14,000	7,000	4,000	–	–
Canceled	–	–	–	–	–
March 31, 2025 —Outstanding	38,000	48,000	57,000	61,000	116,000
For the year ended March 31, 2026					
Non-vested					
March 31, 2025 —Outstanding	–	–	–	–	–
Granted	–	–	–	–	–
Canceled	–	–	–	–	–
Vested	–	–	–	–	–
March 31, 2026 —Outstanding	–	–	–	–	–
Vested					
March 31, 2025 —Outstanding	**38,000**	**48,000**	**57,000**	**61,000**	**116,000**
Vested	–	–	–	–	–
Exercised	**7,000**	**8,000**	**4,000**	**2,000**	–
Canceled	–	–	–	–	–
March 31, 2026 —Outstanding	**31,000**	**40,000**	**53,000**	**59,000**	**116,000**
Exercise price	**¥1 ($0.01)**	**¥1 ($0.01)**	**¥1 ($0.01)**	**¥1 ($0.01)**	**¥1 ($0.01)**
Average stock price at exercise	**¥2,617 ($16.36)**	**¥3,436 ($21.48)**	**¥3,518 ($21.99)**	**¥3,620 ($22.63)**	–
Fair value price at grant date	**¥1,897 ($11.86)**	**¥1,725 ($10.78)**	**¥1,362 ($8.51)**	**¥1,246 ($7.79)**	**¥1,727 ($10.79)**

11. INCOME TAXES

The Company and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 30.6% for the years ended March 31, 2026 and 2025.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Deferred tax assets:			
Inventories	**¥ 12,919**	¥ 10,436	**$ 80,741**
Accounts payable and accrued expenses	**3,855**	3,761	**24,092**
Enterprise taxes payable	**906**	624	**5,659**
Property, plant and equipment	**16,366**	14,671	**102,285**
Pension and severance cost	**5,512**	5,765	**34,451**
Tax loss carryforwards	**15,281**	13,246	**95,506**
Investment securities	**1,460**	2,017	**9,123**
Tax deduction of foreign subsidiaries	**–**	494	**–**
Provision for product warranties	**184**	140	**1,149**
Provision for business restructuring	**3,860**	–	**24,127**
Other	**7,929**	7,345	**49,569**
Total	**68,272**	58,499	**426,702**
Less: valuation allowance	**(22,716)**	(20,420)	**(141,973)**
Deferred tax assets	**¥ 45,556**	¥ 38,079	**$ 284,729**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**¥ 19,832**	¥ 13,926	**$ 123,948**
Reserve for tax purpose reduction entry of non-current assets	**1,005**	1,057	**6,278**
Undistributed earnings of foreign subsidiaries	**10,854**	10,290	**67,836**
Fixed assets	**5,340**	4,413	**33,376**
Net defined benefit assets	**10,553**	7,809	**65,958**
Securities contributed to retirement benefit trust	**1,114**	1,114	**6,962**
Other	**262**	488	**1,648**
Deferred tax liabilities	**48,960**	39,097	**306,006**
Net deferred tax liabilities	**¥ (3,404)**	¥ (1,018)	**$ (21,277)**

The reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statement of income for the year ended March 31, 2026, with the corresponding figures for 2025, were as follows:

	2026	2025
Normal effective statutory tax rate	**30.6 %**	30.6 %
Expenses not deductible for income tax purposes	**4.4**	3.2
Income excluded from income tax, such as dividends received	**(2.0)**	(2.2)
Change in valuation allowance	**2.7**	(1.1)
Undistributed earnings of foreign subsidiaries	**1.1**	0.6
Lower income tax rates applicable to income in certain foreign countries	**(3.4)**	(2.6)
Tax credit of foreign subsidiaries	**(0.2)**	(0.2)
Tax credits such as research and development costs	**(4.6)**	(4.1)
Other — net	**(0.6)**	(0.1)
Actual effective tax rate	**28.0 %**	24.1 %

12. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2026, and 2025, were as follows:

	Millions of Yen			
	2026			
	Reportable Segment			
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	**¥ 300,699**	**–**	**–**	**¥ 300,699**
Sensors	**68,080**	**–**	**–**	**68,080**
Industrial processes	**30,690**	**–**	**–**	**30,690**
Components for semiconductor manufacturing equipment	**–**	**¥ 143,252**	**–**	**143,252**
Electronics components	**–**	**33,896**	**–**	**33,896**
Metal related	**–**	**28,255**	**–**	**28,255**
Energy storage	**–**	**–**	**¥ 11,772**	**11,772**
Insulators	**–**	**–**	**53,481**	**53,481**
Total	**¥ 399,469**	**¥ 205,403**	**¥ 65,253**	**¥ 670,125**
Geographical areas:				
Japan	**¥ 53,512**	**¥ 47,756**	**¥ 44,578**	**¥ 145,846**
North America	**77,989**	**52,546**	**14,059**	**144,594**
Europe	**141,753**	**5,638**	**472**	**147,863**
Asia	**121,061**	**99,273**	**2,683**	**223,017**
Other	**5,154**	**190**	**3,461**	**8,805**
Total	**¥ 399,469**	**¥ 205,403**	**¥ 65,253**	**¥ 670,125**
Timing of revenue recognition:				
Goods and services transferred at a point in time	**¥ 387,786**	**¥ 205,403**	**¥ 63,916**	**¥ 657,105**
Goods and services transferred over time	**11,683**	**–**	**1,337**	**13,020**
Total	**¥ 399,469**	**¥ 205,403**	**¥ 65,253**	**¥ 670,125**

	Millions of Yen			
	2025			
	Reportable Segment			
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	¥ 294,863	–	–	¥ 294,863
Sensors	61,730	–	–	61,730
Industrial processes	33,779	–	–	33,779
Components for semiconductor manufacturing equipment	–	¥ 113,835	–	113,835
Electronics components	–	31,293	–	31,293
Metal related	–	26,460	–	26,460
Energy storage	–	–	¥ 6,473	6,473
Insulators	–	–	51,080	51,080
Total	¥ 390,372	¥ 171,588	¥ 57,553	¥ 619,513
Geographical areas:				
Japan	¥ 53,031	¥ 47,724	¥ 34,982	¥ 135,737
North America	78,857	44,610	11,391	134,858
Europe	130,258	4,475	3,911	138,644
Asia	123,847	74,551	3,647	202,045
Other	4,379	228	3,622	8,229
Total	¥ 390,372	¥ 171,588	¥ 57,553	¥ 619,513
Timing of revenue recognition:				
Goods and services transferred at a point in time	¥ 377,392	¥ 171,588	¥ 56,452	¥ 605,432
Goods and services transferred over time	12,980	–	1,101	14,081
Total	¥ 390,372	¥ 171,588	¥ 57,553	¥ 619,513

	Thousands of U.S. Dollars			
	2026			
	Reportable Segment			
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	**$ 1,879,369**	**–**	**–**	**$ 1,879,369**
Sensors	**425,502**	**–**	**–**	**425,502**
Industrial processes	**191,813**	**–**	**–**	**191,813**
Components for semiconductor manufacturing equipment	**–**	**$ 895,319**	**–**	**895,319**
Electronics components	**–**	**211,851**	**–**	**211,851**
Metal related	**–**	**176,596**	**–**	**176,596**
Energy storage	**–**	**–**	**$ 73,575**	**73,575**
Insulators	**–**	**–**	**334,257**	**334,257**
Total	**$ 2,496,684**	**$ 1,283,766**	**$ 407,832**	**$ 4,188,282**
Geographical areas:				
Japan	**$ 334,449**	**$ 298,474**	**$ 278,616**	**$ 911,539**
North America	**487,433**	**328,412**	**87,869**	**903,714**
Europe	**885,954**	**35,235**	**2,952**	**924,141**
Asia	**756,635**	**620,459**	**16,766**	**1,393,860**
Other	**32,213**	**1,186**	**21,629**	**55,028**
Total	**$ 2,496,684**	**$ 1,283,766**	**$ 407,832**	**$ 4,188,282**
Timing of revenue recognition:				
Goods and services transferred at a point in time	**$ 2,423,665**	**$ 1,283,766**	**$ 399,473**	**$ 4,106,904**
Goods and services transferred over time	**73,019**	**–**	**8,359**	**81,378**
Total	**$ 2,496,684**	**$ 1,283,766**	**$ 407,832**	**$ 4,188,282**

(2) Basic Information to Understand Revenues from Contracts with Customers

a. Information on contracts with customers and performance obligations
The Group has transactions with product warranty obligations to repair or replace products that have failed due to defects, etc. developed after delivery without charge. The warranty obligations provide customers with a guarantee that the product, etc. will function as intended in accordance with the specifications set forth in contracts with customers. Therefore, the Group estimates the costs of repair or replacement as necessary as provision for product warranties.

The Group receives consideration approximately three months after the product is delivered to or accepted by the customer. For certain performance obligations that fall under the category of service contracts, the Group receives consideration in stages according to the initial payment or the progress in meeting performance obligations.

Since contracts the Group concludes do not include any significant financial elements, the Group does not make any adjustments equivalent to interest rates.

b. Information on the calculation of the transaction prices
As certain contracts of the Group include transactions with the following variable consideration, the Group reflects them in the transaction prices.
(i) Provisional unit price
Until the formal transaction unit price is settled, the Group has performance obligations to conduct transactions at the provisional unit price based on the agreement with the customer. With respect to the performance obligations carried out at the provisional unit price, the Group estimates the transaction unit price expected to be settled and recognizes revenue.
(ii) Rebate
Based on contracts with customers, the Group offers volume rebates, etc. that provide discounts when customers purchase a certain amount within a certain period of time. For volume rebates, etc. the Group recognizes revenue at a value that reflects a discount in accordance with a target quantity that is estimated to be highly likely to be achieved.

c. Information on the time of fulfillment of the performance obligations
For transactions applicable to service contracts of the Group, as the Group has the enforceable right to receive consideration for assets that cannot be converted to other uses and for the portion of the obligations that have been fulfilled, the Group judges that the performance obligations are to be fulfilled over a certain period of time, estimates the progress of fulfillment of the performance obligations, and recognizes revenue based on the progress.

As the progress of cost accrual for such service contracts is similar to the fulfillment of the Group's performance obligations, the Group recognizes revenue over a certain period of time based on inputs built on cost accrual.

Progress is measured for each performance obligation based on the ratio of costs incurred by the balance sheet date to the estimated total costs. If progress cannot be reasonably estimated, the Group recognizes revenue in the same amount as the portion of costs incurred that is expected to be recovered (revenue recognition on a cost recovery basis).

(3) Contract Balances

Receivables from contract with customers, contract assets and contract liabilities at the beginning and end of the years ended March 31, 2026 and 2025 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Receivables from contracts with customers:			
Balance at beginning of year	**¥ 121,472**	¥ 117,763	**$ 759,198**
Balance at end of year	**134,256**	121,472	**839,102**
Contract assets:			
Balance at beginning of year	**14,000**	16,499	**87,497**
Balance at end of year	**9,674**	14,000	**60,460**
Contract liabilities:			
Balance at beginning of year	**12,030**	12,687	**75,190**
Balance at end of year	**7,520**	12,030	**46,999**

A contract asset is the consideration for which the Company has not issued an invoice to its customer although the Company satisfied part or all of its performance obligation for goods or services that are the objects of the concluded agreement, typically a work contract (to complete a certain task), etc. on the final day of a fiscal year. A contract asset is reclassified as a type of accounts receivable that has arisen from the contract with the customer at the time when the right to receive consideration becomes unconditional. A contract liability is related to a payment that the Company has received before its performance obligation based on a work contract, etc. is satisfied. A contract liability is reversed as the revenue is recognized.

Revenue recognized for the fiscal year ended March 31, 2026 that was included in the contract liability balance as of March 31, 2025 was ¥10,936 million ($68,352 thousand).

In addition, contract assets decreased by ¥4,326 million from the beginning balance in the fiscal year ended March 31, 2026. The main reason was the transfer from contract assets to receivables arising from contracts with customers with respect to a large transaction under a construction contract, as the customer's acceptance inspection was completed during the fiscal year under review and consideration was billed to the customer.

Contract liabilities decreased by ¥4,510 million from the beginning balance. The main reason was the reversal of contract liabilities upon revenue recognition for a large project for which an advance payment had been received from the customer.

The amount of revenue arising from performance obligations satisfied (or partially satisfied) in prior periods that was recognized in the fiscal year under review is immaterial.

Revenue recognized for the fiscal year ended March 31, 2025 that was included in the contract liability balance as of March 31, 2024 was ¥7,772 million.

The amount of revenue arising from performance obligations satisfied (or partially satisfied) in prior periods that was recognized in the fiscal year under review is immaterial.

(4) *Transaction Prices Allocated to Remaining Performance Obligations*

Remaining (or partially remaining) performance obligations were ¥33,668 million ($210,423 thousand) at March 31, 2026. Approximately 55% of the performance obligations are recognized as revenue within one year after the balance sheet date, approximately 35% within one to three years after the balance sheet date, and approximately 10% over three years after the balance sheet date. In addition, the Group applies a practical expedient to the notes on the transaction value allocated to the remaining performance obligations, and excludes contracts with an initial expected term of one year or less in the notes.

Remaining (or partially remaining) performance obligations were ¥42,153 million at March 31, 2025. Approximately 55% of the performance obligations are recognized as revenue within one year after the balance sheet date, approximately 30% within one to three years after the balance sheet date, and approximately 15% over three years after the balance sheet date. In addition, the Group applies a practical expedient to the notes on the transaction value allocated to the remaining performance obligations, and excludes contracts with an initial expected term of one year or less in the notes.

13. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥31,787 million ($198,669 thousand) and ¥29,590 million for the years ended March 31, 2026 and 2025, respectively, which included consigned research costs of ¥866 million ($5,414 thousand) and ¥815 million for the years ended March 31, 2026 and 2025, respectively.

14. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) *Group Policy for Financial Instruments*

The Group raises funds through borrowings from banks or other financial institutions. Temporary excess funds are invested mainly in low-risk financial assets. It is the Group’s policy to use derivatives not for speculation, but for hedging the risks from operating receivables, payables, and borrowings.

(2) *Nature and Extent of Risks Arising from Financial Instruments and Risk Management for Financial Instruments*

The credit risks from receivables, such as trade notes and trade accounts, are managed by each business unit according to the characteristics of the customers. Although receivables in foreign currencies are exposed to the market risk of fluctuation in foreign currency exchange rates, a certain percentage of the position, net of payables in foreign currencies, is hedged by using forward foreign currency contracts.

Marketable and investment securities, which consist mainly of held-to-maturity bonds and the capital stocks of customers or suppliers, are exposed to market risk. The risk is insignificant with respect to the held-to-maturity bonds because investments in bonds are limited to highly rated bonds. To manage the risk, the market price and the financial position of the issuers are reviewed constantly. Moreover, with respect to those other than held-to-maturity, the portfolio is constantly reviewed considering market circumstances and relationships with the issuers.

Payment terms of most trade payables, including notes and accounts, are less than four months.

The borrowings from banks, other financial institutions, and debenture bonds are principally raised for capital investment, and their maximum maturities do not exceed 18 years after the balance sheet date.

Derivatives consist of forward currency contracts, which are for hedging currency risks from the trade receivables and payables denominated in foreign currencies; currency and interest rate swaps, which are for hedging foreign exchange risks from the borrowings denominated in foreign currencies and interest rate risk; interest rate swaps, which are for reducing cash outflow from interest payments of borrowings; and commodity swap, which are for hedging against the fluctuation risk of procurement prices related to energy, etc. The Company's management believes that the credit risks from those transactions are not significant because the transactions are entered into only with highly rated financial institutions. Derivative transactions are strictly managed complying with internal policies for approval and reporting. For more details about hedge accounting, including hedging instruments, hedged items, hedge policies, and hedge effectiveness, please see Note 2.w.

(3) *Fair Values of Financial Instruments*

The contract or notional amounts of derivatives that are shown in Note 15 do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Fair value of financial instruments

	Millions of Yen		
March 31, 2026	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	**¥ 174,079**	**¥ 173,958**	**¥ (121)**
Long-term debt, including current portion	**(237,272)**	**(216,953)**	**20,319**
Derivatives	**(2,860)**	**(2,860)**	**–**

	Millions of Yen		
March 31, 2025	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	¥ 112,914	¥ 112,893	¥ (21)
Long-term debt, including current portion	(231,982)	(219,001)	12,981
Derivatives	183	183	–

	Thousands of U.S. Dollars		
March 31, 2026	Carrying Amount	Fair Value	Unrealized Gain/Loss
Marketable and investment securities	**$ 1,087,994**	**$ 1,087,236**	**$ (758)**
Long-term debt, including current portion	**(1,482,951)**	**(1,355,954)**	**126,997**
Derivatives	**(17,878)**	**(17,878)**	**–**

Carrying amount of investments in equity instruments that do not have a quoted market price in an active market

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Unlisted equity instruments:			
Stock of associated companies	**¥ 362**	¥ 375	**$ 2,260**
Other	**4,766**	4,499	**29,791**

(4) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen			
March 31, 2026	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 years
Cash and cash equivalents	**¥ 199,644**	–	–	–
Time deposits	**29,323**	–	–	–
Notes and accounts receivable:				
Trade notes and accounts	**133,692**	**¥ 564**	–	–
Held-to-maturity securities:				
Debt securities	**56,873**	–	–	–
Available-for-sale securities:				
Debt securities	–	–	–	–
Investment trusts and other	**30,000**	–	–	–
Total	**¥ 449,532**	**¥ 564**	–	–

	Millions of Yen			
March 31, 2025	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 years
Cash and cash equivalents	¥ 177,709	–	–	–
Time deposits	37,265	–	–	–
Notes and accounts receivable:				
Trade notes and accounts	119,996	¥ 1,476	–	–
Held-to-maturity securities:				
Debt securities	19,994	–	–	–
Available-for-sale securities:				
Debt securities	–	–	–	–
Investment trusts and other	26,000	–	–	–
Total	¥ 380,964	¥ 1,476	–	–

	Thousands of U.S. Dollars			
March 31, 2026	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 years
Cash and cash equivalents	**$ 1,247,774**	–	–	–
Time deposits	**183,266**	–	–	–
Notes and accounts receivable:				
Trade notes and accounts	**835,574**	**$ 3,528**	–	–
Held-to-maturity securities:				
Debt securities	**355,452**	–	–	–
Available-for-sale securities:				
Debt securities	–	–	–	–
Investment trusts and other	**187,500**	–	–	–
Total	**$ 2,809,566**	**$ 3,528**	–	–

Financial Instruments Categorized by 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) The financial assets and liabilities measured at the fair values in the consolidated balance sheet

	Millions of Yen			
March 31, 2026	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	**¥ 75,187**	**¥ 4,938**	**–**	**¥ 80,125**
Other	**–**	**7,082**	**–**	**7,082**
Total assets	**¥ 75,187**	**¥ 12,020**	**–**	**¥ 87,207**
Derivative transactions:				
Foreign currency forward contracts	**–**	**¥ 621**	**–**	**¥ 621**
Interest rate swaps	**–**	**12**	**–**	**12**
Commodity swaps	**–**	**–**	**¥ 2,227**	**2,227**
Total liabilities	**–**	**¥ 633**	**¥ 2,227**	**¥ 2,860**

	Millions of Yen			
March 31, 2025	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥ 60,659	¥ 3,359	–	¥ 64,018
Other	–	2,902	–	2,902
Derivative transactions:				
Foreign currency forward contracts	–	330	–	330
Total assets	¥ 60,659	¥ 6,591	–	¥ 67,250
Derivative transactions:				
Interest rate swaps	–	¥ 4	–	¥ 4
Commodity swaps	–	–	¥ 143	143
Total liabilities	–	¥ 4	¥ 143	¥ 147

March 31, 2026	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	**$ 469,917**	**$ 30,860**	**–**	**$ 500,777**
Other	**–**	**44,265**	**–**	**44,265**
Total assets	**$ 469,917**	**$ 75,125**	**–**	**$ 545,042**
Derivative transactions:				
Foreign currency forward contracts	**–**	**$ 3,886**	**–**	**$ 3,886**
Interest rate swaps	**–**	**75**	**–**	**75**
Commodity swaps	**–**	**–**	**$ 13,917**	**13,917**
Total liabilities	**–**	**$ 3,961**	**$ 13,917**	**$ 17,878**

(2) The financial assets and liabilities not measured at the fair values in the consolidated balance sheet

March 31, 2026	Millions of Yen Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Government bonds, Local government bonds	**–**	**¥ 5,944**	**–**	**¥ 5,944**
Corporate bonds	**–**	**50,807**	**–**	**50,807**
Available-for-sale securities:				
Other	**–**	**60,800**	**–**	**60,800**
Total assets	**–**	**¥ 117,551**	**–**	**¥ 117,551**
Long-term debt, including current portion	**–**	**¥ 216,953**	**–**	**¥ 216,953**
Total liabilities	**–**	**¥ 216,953**	**–**	**¥ 216,953**

March 31, 2025	Millions of Yen Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Corporate bonds	–	¥ 19,972	–	¥ 19,972
Available-for-sale securities:				
Other	–	43,000	–	43,000
Total assets	–	¥ 62,972	–	¥ 62,972
Long-term debt, including current portion	–	¥ 219,001	–	¥ 219,001
Total liabilities	–	¥ 219,001	–	¥ 219,001

March 31, 2026	Thousands of U.S. Dollars Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Government bonds, Local government bonds	–	$ 37,152	–	$ 37,152
Corporate bonds	–	317,541	–	317,541
Available-for-sale securities:				
Other	–	380,000	–	380,000
Total assets	–	$ 734,693	–	$ 734,693
Long-term debt, including current portion	–	$ 1,355,954	–	$ 1,355,954
Total liabilities	–	$ 1,355,954	–	$ 1,355,954

(*1) The following is a description of valuation methodologies and inputs used for measurement of the fair value of assets and liabilities:

Marketable and Investment Securities

The fair values of listed equity securities are measured at the quoted market prices and are classified primarily within Level 1 of the fair value hierarchy. The fair values of investment trusts are measured at the publicly available net asset values and are classified within Level 2 of the fair value hierarchy. The fair values of government bonds, local government bonds, and corporate bonds are measured at the prices provided by financial institutions and are classified within Level 2 of the fair value hierarchy. The fair values of negotiable certificates of deposit and similar instruments included in other securities are approximately equal to their carrying amounts; accordingly, such carrying amounts are used as fair values and are classified within Level 2 of the fair value hierarchy.

Derivatives

The fair values of interest rate swaps and foreign currency forward contracts are measured by using discounted present value techniques considering observable inputs such as interest rates and foreign currency exchange rate are categorized as Level 2.

The fair values of commodity swaps are measured by using discounted cash flow techniques considering unobservable input such as estimated foreign currency exchange rate, electricity purchase volume and forecasted energy price are categorized as Level 3.

Long-Term Debt

The fair values of long-term debt are measured by using discounted present value techniques considering assumptions including expected future cash flows and discount rates taking into account maturity and credit risk, and are categorized as Level 2.

(*2) The following information relates to financial instruments classified under Level 3 fair value which is recorded at fair value on the consolidated balance sheet.

(1) Quantitative information related to significant unobservable inputs
Regarding financial instruments classified under Level 3 fair value, since the Company does not estimate inputs related to the calculation of fair value that the Company itself cannot observe, notes on quantitative information concerning significant unobservable inputs employed in the calculation of fair value are omitted.

(2) Adjustment table from beginning balance to closing balance, and valuation gain or loss that was recorded in profit or loss.

	Derivatives*1 Commodity swaps	
March 31, 2026	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of the period:	**¥ (143)**	**$ (891)**
Profit or loss and other comprehensive income for the period		
Gains (losses) recognized in profit or loss*2	**¥ (2,067)**	**$ (12,924)**
Gains (losses) recognized in other comprehensive income*3	**107**	**672**
Purchase, Sales, Issuance, Settlements	**–**	**–**
Transfer to Level 3	**–**	**–**
Transfer from Level 3	**–**	**–**
Other	**(124)**	**(774)**
Balance at end of the period:	**¥ (2,227)**	**$ (13,917)**
Fair value gains or losses on financial instruments held as of the consolidated balance sheet date, included in the statement of profit or loss for the current reporting period	**¥ (2,068)**	**$ (12,923)**

	Derivatives*1 Commodity swaps
March 31, 2025	Millions of Yen
Balance at beginning of the period:	–
Profit or loss and other comprehensive income for the period	
Gains (losses) recognized in profit or loss*2	¥ (10)
Gains (losses) recognized in other comprehensive income*3	(133)
Purchase, Sales, Issuance, Settlements	–
Transfer to Level 3	–
Transfer from Level 3	–
Other	–
Balance at end of the period:	¥ (143)
Fair value gains or losses on financial instruments held as of the consolidated balance sheet date, included in the statement of profit or loss for the current reporting period	¥ (10)

(*1) Net credit and debt arising from derivative transactions are presented on a net basis and in brackets since they are net debt in total.

(*2) Included in "(Loss) gain on valuation of derivatives" under "Other income (expense)" in the consolidated statement of income.

(*3) Included in "Deferred gain (loss) on derivatives under hedge accounting" under "Other comprehensive income (loss)" in the consolidated statement of comprehensive income.

(3) Explanation of the fair value valuation process

Regarding financial instruments classified under Level 3, staff in charge of valuation measured and analyzed the fair value by employing a valuation model that most appropriately reflects the nature and characteristics of financial instruments. In addition, the calculated prices were verified in terms of reasonableness by the department in charge and outside experts.

15. DERIVATIVES

The Group enters into derivative financial instruments ("derivatives"), including foreign exchange forward contracts, interest rate and currency swaps, interest rate swap, and commodity swap contracts. The foreign exchange forward contracts are entered into in order to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. The interest rate and currency swaps are entered into as a means of managing interest rate risk and foreign exchange risk for loans denominated in foreign currencies. The interest rate swap contracts are entered into as a means of managing the interest rate risk for loans from financial institutions. The commodity swap contracts are entered into in order to hedge against the fluctuation risk of procurement prices related to energy, etc. The Group does not hold or issue derivatives for trading or speculative purposes.

Because the counterparties to these derivatives are limited to major international financial institutions, the Group does not anticipate any losses arising from credit risk.

Derivative transactions entered into by the Group have been made in accordance with internal policies that require approval and reporting of all derivative transactions.

Derivative transactions to which hedge accounting is not applied at March 31, 2026 and 2025, were as follows:

	Millions of Yen			
March 31, 2026	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling U.S.$	**¥ 31,049**	**–**	**¥ (656)**	**¥ (656)**
Selling Euro	**–**	**–**	**–**	**–**
Buying U.S.$	**379**	**–**	**(1)**	**(1)**
Buying Japanese yen	**4**	**–**	**(1)**	**(1)**
Currency swaps:				
U.S.$ payment, Thai baht receipt	**3,249**	**¥ 2,166**	**36**	**36**
Total	**¥ 34,681**	**¥ 2,166**	**¥ (622)**	**¥ (622)**

	Millions of Yen			
March 31, 2025	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling U.S.$	¥ 24,678	–	¥ 439	¥ 439
Selling Euro	1,594	–	(19)	(19)
Buying U.S.$	191	–	(1)	(1)
Buying Japanese yen	–	–	–	–
Currency swaps:				
U.S.$ payment, Thai baht receipt	3,922	¥ 2,941	(89)	(89)
Total	¥ 30,385	¥ 2,941	¥ 330	¥ 330

March 31, 2026	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/(Loss)
Foreign currency forward contracts:				
Selling U.S.$	**$ 194,060**	**–**	**$ (4,107)**	**$ (4,107)**
Selling Euro	**–**	**–**	**–**	**–**
Buying U.S.$	**2,366**	**–**	**(4)**	**(4)**
Buying Japanese yen	**26**	**–**	**(3)**	**(3)**
Currency swaps:				
U.S.$ payment, Thai baht receipt	**20,306**	**$ 13,537**	**227**	**227**
Total	**$ 216,758**	**$ 13,537**	**$ (3,887)**	**$ (3,887)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

March 31, 2026	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/(Loss)
Interest rate swaps:				
(Fixed rate payment, fixed rate receipt)	**¥ 5,000**	**¥ 5,000**	**¥ (10)**	**¥ (10)**
Total	**¥ 5,000**	**¥ 5,000**	**¥ (10)**	**¥ (10)**

March 31, 2025	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/(Loss)
Interest rate swaps:				
(Fixed rate payment, fixed rate receipt)	¥ 5,000	¥ 5,000	¥ (13)	¥ (13)
Total	¥ 5,000	¥ 5,000	¥ (13)	¥ (13)

March 31, 2026	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value	 Unrealized Gain/(Loss)
Interest rate swaps:				
(Fixed rate payment, fixed rate receipt)	**$ 31,250**	**$ 31,250**	**$ (65)**	**$ (65)**
Total	**$ 31,250**	**$ 31,250**	**$ (65)**	**$ (65)**

The fair value of derivative transactions is measured at the quoted price obtained from the financial institutions.

Derivative transactions to which hedge accounting is applied at March 31, 2026 and 2025, were as follows:

There were no currency swaps to which hedge accounting is applied at March 31, 2026.

March 31, 2025	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Currency swaps:				
(Japanese yen payment, U.S.$ receipt)*	Long-term debt	¥ 1,500	–	–
Total		¥ 1,500	–	–

* The above currency swaps that qualify for hedge accounting are not remeasured at fair value, but the fair value of the swap is included in that of hedged items (i.e., long-term debt) in Note 14.

March 31, 2026	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Interest rate swaps:				
(Fixed rate payment, floating rate receipt)*	Long-term debt	**¥ 188**	**–**	**¥ (2)**
Total		**¥ 188**	**–**	**¥ (2)**

March 31, 2025	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Interest rate swaps:				
(Fixed rate payment, floating rate receipt)*	Long-term debt	¥ 2,251	¥ 170	¥ 9
Total		¥ 2,251	¥ 170	¥ 9

March 31, 2026	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Interest rate swaps:				
(Fixed rate payment, floating rate receipt)*	Long-term debt	**$ 1,172**	**–**	**$ (10)**
Total		**$ 1,172**	**–**	**$ (10)**

March 31, 2026	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Commodity swaps:				
(Fixed rate payment, floating rate receipt)	Electricity charge	**¥ 18,033**	**¥ 16,230**	**¥ (2,227)**
Total		**¥ 18,033**	**¥ 16,230**	**¥ (2,227)**

March 31, 2025	Hedged Item	Millions of Yen Contract Amount	 Contract Amount Due after One Year	 Fair Value
Commodity swaps:				
(Fixed rate payment, floating rate receipt)	Electricity charge	¥ 15,936	¥ 15,936	¥ (143)
Total		¥ 15,936	¥ 15,936	¥ (143)

March 31, 2026	Hedged Item	Thousands of U.S. Dollars Contract Amount	 Contract Amount Due after One Year	 Fair Value
Commodity swaps:				
(Fixed rate payment, floating rate receipt)	Electricity charge	**$ 112,708**	**$ 101,437**	**$ (13,917)**
Total		**$ 112,708**	**$ 101,437**	**$ (13,917)**

16. GUARANTEES OBLIGATION

(1) Guarantee Obligations

At March 31, 2026, the Group had guarantee obligations as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee for deposit of subsidiary	**¥ 2,182**	**$ 13,636**
Guarantees for bank borrowings of a business-related company	**21**	**129**

(2) Contingent Liabilities

On July 6, 2021, a lawsuit was filed against the Company in Nagoya District Court and the Company received the complaint on October 29, 2021 that PT Paiton Energy ("Paiton"), its insurance companies and their reinsurer companies ("the Plaintiffs") filed a claim against the Company for compensation for damages of US$151,392,337.48 (¥16,828,772,234) and the amount of the relevant delay charges. Thereafter, the Plaintiffs issued petition for amendment of claim on January 11, 2022, the amount of the claim increased by US$41.36 (¥4,796) to US$151,392,378.84 (¥16,828,777,030) and the relevant delay changes. The value of yen for the damage compensation is the amount stated in the complaint and the petition to amend the claim and is converted into yen at a different exchange rate from that used by the Company to prepare the consolidated financial statements.

In January 2018, a fire incident allegedly occurred in a transformer ("Transformer") installed in a thermal power plant ("Power Plant") in Indonesia operated by Paiton. In connection with this accident, the plaintiffs filed a claim against the Company for damages and relevant delay charges based on alleged product liability and torts.

The Company was a distributor of the bushing (manufactured in 2010) incorporated in the Transformer. The Company delivered the bushing to a third-party transformer manufacturer that incorporated the same into the Transformer. The Transformer was then delivered to the Power Plant through a plant engineering manufacturer. The company has consistently taken the position that there is no basis for liability and has sought dismissal of the Plaintiffs' claims.

After the subsequent proceedings, in October 2025, the Nagoya District Court rendered a judgment that dismissed all claims brought by the Plaintiffs, and such judgment has become final and binding.

This judgment fully upholds the Company's position, and there is no impact on the financial results of the Group.

17. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2026	2025	**2026**
Unrealized gain (loss) on available-for-sale securities:			
Gains (losses) arising during the year	**¥ 31,706**	¥ (3,970)	**$ 198,164**
Reclassification adjustments to profit or loss	**(13,310)**	(3,863)	**(83,188)**
Amount before income tax effect	**18,396**	(7,833)	**114,976**
Income tax effect	**(5,906)**	1,840	**(36,911)**
Total	**¥ 12,490**	¥ (5,993)	**$ 78,065**
Deferred gain (loss) on derivatives under hedge accounting:			
Losses arising during the year	**¥ (1,988)**	¥ (151)	**$ (12,426)**
Reclassification adjustments to profit or loss	**2,068**	10	**12,923**
Amount before income tax effect	**80**	(141)	**497**
Income tax effect	**(21)**	29	**(129)**
Total	**¥ 59**	¥ (112)	**$ 368**
Foreign currency translation adjustments:			
Adjustments arising during the year	**¥ 42,366**	¥ (5,537)	**$ 264,794**
Reclassification adjustments to profit or loss	**3,249**	(0)	**20,305**
Total	**¥ 45,615**	¥ (5,537)	**$ 285,099**
Defined retirement benefit plans:			
Gains arising during the year	**¥ 9,515**	¥ 10,034	**$ 59,470**
Reclassification adjustments to profit or loss	**(1,058)**	(580)	**(6,613)**
Amount before income tax effect	**8,457**	9,454	**52,857**
Income tax effect	**(2,626)**	(3,065)	**(16,415)**
Total	**¥ 5,831**	¥ 6,389	**$ 36,442**
Total other comprehensive income (loss)	**¥ 63,995**	¥ (5,253)	**$ 399,974**

18. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2026 and 2025, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2026	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	**¥ 59,937**	**290,508**	**¥ 206.32**	**$ 1.289**
Effect of dilutive securities:				
Stock options	**–**	**422**		
Diluted EPS—Net income for computation	**¥ 59,937**	**290,930**	**¥ 206.02**	**$ 1.288**
Year Ended March 31, 2025				
Basic EPS—Net income available to common shareholders	¥ 54,933	295,410	¥ 185.96	
Effect of dilutive securities:				
Stock options	–	468		
Diluted EPS—Net income for computation	¥ 54,933	295,878	¥ 185.66	

19. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2026, was approved at the Company's shareholders' meeting held on June 29, 2026:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥42 ($0.26) per share	**¥ 12,080**	**$ 75,498**

b. Organizational restructuring

The Company resolved, at the Board of Directors meeting held on October 31, 2025, to conduct a company split (a simplified absorption-type company split), effective April 1, 2026, whereby the sales division of its wholly owned subsidiary, NGK ELECTRONICS DEVICES, INC. ("NGKED"), was succeeded by the Company (the "Company Split").

In addition, it implemented an absorption-type merger (the "Merger"), under which NGK CERAMIC DEVICE CO., LTD. ("NCDK"), a wholly owned subsidiary of the Company, became the surviving entity. Through the Merger, NCDK absorbed NGKED and acquired its manufacturing division. (NGKED was dissolved as a result of the Merger.)

This organizational restructuring was executed by first implementing the Company Split, followed by the Merger on the same day.

1. Purpose of the Organizational restructuring

The ceramic package segment of the Company's group was fully managed by NGKED, which handled development, manufacturing, and sales functions. However, due to the difficulty in securing human resources and the need to improve operational efficiency, maintaining and strengthening competitiveness became a key challenge. To achieve sustainable growth and enhance competitiveness in the electronics components business, including the ceramic package segment, by fully leveraging the Group's proprietary ceramic technologies, the Company implemented the following organizational restructuring, including the Company Split:

· The Company succeeded to the sales division of NGKED through a simplified absorption-type company split, aiming to improve efficiency. In addition, the Company newly took on the development of the ceramic package segment to enhance synergies with other fields and strengthen development capabilities.

· It implemented the Merger, under which NCDK, a wholly owned subsidiary of the Company entrusted with manufacturing operations, became the surviving entity. Through the Merger, NCDK absorbed NGKED and acquired its manufacturing division. NGKED was dissolved as a result of the Merger.

2. Overview of the Company Split

(1) Schedule of the Company Split

Date of the Board of Directors' resolution	October 31, 2025
Date of execution of the absorption-type company split agreement	January 29, 2026
Effective date of the absorption-type company split	April 1, 2026

(Note)
Since the Company Split falls under a simplified absorption-type company split as stipulated in Article 796, Paragraph 2 of the Companies Act, it has been carried out without obtaining approval by a resolution of a general meeting of shareholders.

(2) Type of the Company Split
This is an absorption-type company split in which the Company becomes the succeeding company and NGKED becomes the splitting company.

3. Overview of the companies involved in the Company Split (As of March 31, 2026)

	Succeeding company	Splitting company
Company Name	NGK INSULATORS, LTD.	NGK ELECTRONICS DEVICES, INC.
Financial condition and operating results for the latest fiscal year	Fiscal year ended March 31, 2026 (consolidated)	Fiscal year ended March 31, 2026 (non-consolidated)
Net assets	817,352 million yen	(17,736 million yen)
Total assets	1,243,330 million yen	11,443 million yen

(Note)
Effective April 1, 2026, the Company changed its corporate name from NGK Insulators, Ltd. to NGK Corporation.

4. Overview of the business division has been split and succeeded to in the Company Split

(1) Description of the business division has been split and succeeded to
Sales division of NGKED

(2) Operating results of the division has been split and succeeded to (Fiscal year ended March 31, 2026)
Net sales: 15,436 million yen

5. Outline of the accounting method has been implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company Split has been accounted for as a transaction under common control in the fiscal year ending March 31, 2027.

c. ***Acquisition and Cancellation of Treasury Shares***

The Company resolved, at the Board of Directors meeting held on April 30, 2026, to acquire its own shares pursuant to the provisions of Article 156 of the Companies Act, applied by replacing terms pursuant to the provisions of Article 165, paragraph 3 of said Act, and to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act. The acquisition of treasury shares in connection with this resolution was completed on May 1, 2026, and the cancellation of treasury shares was completed on June 1, 2026.

1. Reasons for the acquisition of own shares and cancellation of treasury shares

To improve capital efficiency and to achieve the Company's capital policy in response to the changing managerial environment.

2. Details of the acquisition of own shares

(1)	Types of shares acquired	Shares of common stock
(2)	Total number of shares acquired	6,250,000 shares
(3)	Total value of shares acquired	31,006,250,000 yen
(4)	Acquisition date	May 1, 2026
(5)	Acquisition method	Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange

3. Details of the cancellation of treasury shares

(1)	Types of shares cancelled	Shares of common stock
(2)	Total number of shares cancelled	6,250,000 shares
(3)	Cancellation date	June 1, 2026

20. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

(1) Description of Reportable Segments

The Group's reportable business segments are components of the Group for which separate financial information is available that is evaluated regularly by the Company's management in deciding how to allocate resources and in assessing performance. The Group develops and conducts its operations under three business segments: the Environment Business Segment, Digital Society Business Segment, Energy & Industry Business Segment, while planning a comprehensive strategy for domestic and overseas markets. Consequently, the Group defines those three business segments as its reportable business segments.

Business Segment	Main products
Environment	Automotive ceramics for exhaust gas purification, sensors, corrosion-resistant ceramic apparatuses for chemical industries, ceramic membranes for liquids and gases, industrial heating systems, refractory products and low-level radioactive waste treatment systems
Digital Society	Components for semiconductor manufacturing equipment, electronics components, beryllium copper products, and molds
Energy & Industry	NAS (sodium-sulfur) batteries, insulators, equipment for power transmission, substation, and distribution and insulator washing equipment

(2) Methods of Measurement for the Amounts of Sales, Profit (Loss), Assets, and Other Items for Each Reportable Segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES."

(3) Information about Sales, Profit (Loss), Assets, and Other Items

	Millions of Yen					
	2026					
	Reportable Segments					
	Environment	Digital Society	Energy & Industry	Total	Reconciliations	Consolidated
Sales:						
Sales to customers	**¥ 399,469**	**¥ 205,403**	**¥ 65,253**	**¥ 670,125**	**–**	**¥ 670,125**
Intersegment sales or transfers	**1,973**	**7**	**660**	**2,640**	**¥ (2,640)**	**–**
Total	**¥ 401,442**	**¥ 205,410**	**¥ 65,913**	**¥ 672,765**	**¥ (2,640)**	**¥ 670,125**
Segment profit (loss)	**¥ 68,618**	**¥ 28,105**	**¥ (1,323)**	**¥ 95,400**	**¥ (402)**	**¥ 94,998**
Segment assets	**539,163**	**242,783**	**71,460**	**853,406**	**389,925**	**1,243,331**
Other:						
Depreciation and amortization	**39,814**	**15,887**	**1,787**	**57,488**	**–**	**57,488**
Impairment losses on long-lived assets	**451**	**3,683**	**608**	**4,742**	**22**	**4,764**
Increase in property, plant, and equipment and intangible assets	**14,941**	**22,873**	**2,752**	**40,566**	**15,282**	**55,848**

	Millions of Yen					
	2025					
	Reportable Segments					
	Environment	Digital Society	Energy & Industry	Total	Reconciliations	Consolidated
Sales:						
Sales to customers	¥ 390,372	¥ 171,588	¥ 57,553	¥ 619,513	–	¥ 619,513
Intersegment sales or transfers	426	4	815	1,245	¥ (1,245)	–
Total	¥ 390,798	¥ 171,592	¥ 58,368	¥ 620,758	¥ (1,245)	¥ 619,513
Segment profit (loss)	¥ 68,255	¥ 17,192	¥ (4,197)	¥ 81,250	¥ (8)	¥ 81,242
Segment assets	515,907	216,367	83,861	816,135	326,851	1,142,986
Other:						
Depreciation and amortization	39,950	15,556	1,747	57,253	–	57,253
Impairment losses on long-lived assets	801	4,193	825	5,819	–	5,819
Increase in property, plant, and equipment and intangible assets	16,722	14,355	1,550	32,627	16,180	48,807

	Thousands of U.S. Dollars					
	2026					
	Reportable Segments					
	Environment	Digital Society	Energy & Industry	Total	Reconciliations	Consolidated
Sales:						
Sales to customers	**$ 2,496,684**	**$ 1,283,766**	**$ 407,832**	**$ 4,188,282**	**–**	**$ 4,188,282**
Intersegment sales or transfers	**12,334**	**43**	**4,126**	**16,503**	**$ (16,503)**	**–**
Total	**$ 2,509,018**	**$ 1,283,809**	**$ 411,958**	**$ 4,204,785**	**$ (16,503)**	**$ 4,188,282**
Segment profit (loss)	**$ 428,859**	**$ 175,659**	**$ (8,268)**	**$ 596,250**	**$ (2,514)**	**$ 593,736**
Segment assets	**3,369,767**	**1,517,392**	**446,625**	**5,333,784**	**2,437,033**	**7,770,817**
Other:						
Depreciation and amortization	**248,833**	**99,296**	**11,169**	**359,298**	**–**	**359,298**
Impairment losses on long-lived assets	**2,817**	**23,018**	**3,803**	**29,638**	**136**	**29,774**
Increase in property, plant, and equipment and intangible assets	**93,380**	**142,957**	**17,201**	**253,538**	**95,512**	**349,050**

Notes:

1. Reconciliation of segment profit is the adjustment of intersegment transactions.
2. The amount of general corporate assets included in the reconciliation of segment assets was ¥401,890 million ($2,511,814 thousand) and ¥336,886 million at March 31, 2026 and 2025, respectively, mainly consisting of surplus funds (cash and marketable securities), long-term investment funds (investment securities), and the assets of administrative departments.
3. The increase in property, plant, and equipment and intangible assets in reconciliations relates to the increase in corporate departments.

Information about Geographical Areas

(1) Sales

Millions of Yen								
2026								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Germany	Others	China	Others		
¥ 145,846	**¥ 131,634**	**¥ 12,960**	**¥ 51,059**	**¥ 96,804**	**¥ 102,614**	**¥ 120,403**	**¥ 8,805**	**¥ 670,125**

Millions of Yen								
2025								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Germany	Others	China	Others		
¥ 135,737	¥ 121,602	¥ 13,256	¥ 51,574	¥ 87,070	¥ 100,571	¥ 101,474	¥ 8,229	¥ 619,513

Thousands of U.S. Dollars								
2026								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Germany	Others	China	Others		
$ 911,539	**$ 822,713**	**$ 81,001**	**$ 319,119**	**$ 605,023**	**$ 641,342**	**$ 752,517**	**$ 55,028**	**$ 4,188,282**

Sales are attributed to countries based on the location of the customers.

(2) Property, plant, and equipment

Millions of Yen								
2026								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Poland	Others	China	Others		
¥ 178,788	**¥ 36,505**	**¥ 13,821**	**¥ 71,279**	**¥ 16,298**	**¥ 29,339**	**¥ 22,961**	**¥ 194**	**¥ 369,185**

Millions of Yen								
2025								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Poland	Others	China	Others		
¥ 166,788	¥ 36,118	¥ 13,445	¥ 72,434	¥ 15,680	¥ 30,896	¥ 20,931	¥ 344	¥ 356,636

Thousands of U.S. Dollars								
2026								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Poland	Others	China	Others		
$ 1,117,426	**$ 228,154**	**$ 86,381**	**$ 445,495**	**$ 101,862**	**$ 183,370**	**$ 143,502**	**$ 1,214**	**$ 2,307,404**

(4) Reclassifications in Segments

The Company decided to change the categories of its business segment at the meeting of the directors of the Company held on January 29, 2026. The change of organization effective on April 1, 2026, the low-level radioactive waste treatment systems which included in the "Environment" has been changed to the "Energy & Industry" from the fiscal year ending March 31, 2027.

Listed below are main products of the respective new business segments.

Business Segment	Main products
Environment	Automotive ceramics for exhaust gas purification, sensors, corrosion-resistant ceramic apparatuses for chemical industries, ceramic membranes for liquids and gases, industrial heating systems and refractory products
Digital Society	Components for semiconductor manufacturing equipment, electronics components, beryllium copper products, and molds
Energy & Industry	Insulator washing equipment, low-level radioactive waste treatment systems, insulators, and equipment for power transmission, substation, and distribution

The segment information for the year ended March 31, 2026 using the new operating segments is as follows:

a. Information about Sales and Profit (Loss) by Business Segment

	Millions of Yen					
	2026					
	Reportable Segments					
	Environment	Digital Society	Energy & Industry	Total	Reconciliations	Consolidated
Sales:						
Sales to customers	**¥ 391,484**	**¥ 205,403**	**¥ 73,238**	**¥ 670,125**	**–**	**¥ 670,125**
Intersegment sales or transfers	**2,101**	**7**	**660**	**2,768**	**¥ (2,768)**	**–**
Total	**¥ 393,585**	**¥ 205,410**	**¥ 73,898**	**¥ 672,893**	**¥ (2,768)**	**¥ 670,125**
Segment profit (loss)	**¥ 67,041**	**¥ 28,105**	**¥ 254**	**¥ 95,400**	**¥ (402)**	**¥ 94,998**

	Thousands of U.S. Dollars					
	2026					
	Reportable Segments					
	Environment	Digital Society	Energy & Industry	Total	Reconciliations	Consolidated
Sales:						
Sales to customers	**$ 2,446,776**	**$ 1,283,766**	**$ 457,740**	**$ 4,188,282**	**–**	**$ 4,188,282**
Intersegment sales or transfers	**13,132**	**43**	**4,126**	**17,301**	**$ (17,301)**	**–**
Total	**$ 2,459,908**	**$ 1,283,809**	**$ 461,866**	**$ 4,205,583**	**$ (17,301)**	**$ 4,188,282**
Segment profit (loss)	**$ 419,002**	**$ 175,659**	**$ 1,589**	**$ 596,250**	**$ (2,514)**	**$ 593,736**

b. Disaggregation of Revenue

	Millions of Yen			
	2026			
	Reportable Segment			
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	**¥ 300,699**	**–**	**–**	**¥ 300,699**
Sensors	**68,080**	**–**	**–**	**68,080**
Industrial processes	**22,705**	**–**	**–**	**22,705**
Components for semiconductor manufacturing equipment	**–**	**¥ 143,252**	**–**	**143,252**
Electronics components	**–**	**33,896**	**–**	**33,896**
Metal related	**–**	**28,255**	**–**	**28,255**
Energy plant	**–**	**–**	**¥ 10,503**	**10,503**
Insulators	**–**	**–**	**50,963**	**50,963**
Other	**–**	**–**	**11,772**	**11,772**
Total	**¥ 391,484**	**¥ 205,403**	**¥ 73,238**	**¥ 670,125**
Geographical areas:				
Japan	**¥ 45,527**	**¥ 47,756**	**¥ 52,563**	**¥ 145,846**
North America	**77,989**	**52,546**	**14,059**	**144,594**
Europe	**141,753**	**5,638**	**472**	**147,863**
Asia	**121,061**	**99,273**	**2,683**	**223,017**
Other	**5,154**	**190**	**3,461**	**8,805**
Total	**¥ 391,484**	**¥ 205,403**	**¥ 73,238**	**¥ 670,125**
Timing of revenue recognition:				
Goods and services transferred at a point in time	**¥ 385,711**	**¥ 205,403**	**¥ 65,991**	**¥ 657,105**
Goods and services transferred over time	**5,773**	**–**	**7,247**	**13,020**
Total	**¥ 391,484**	**¥ 205,403**	**¥ 73,238**	**¥ 670,125**

	Thousands of U.S. Dollars			
	2026			
	Reportable Segment			
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	**$ 1,879,370**	**–**	**–**	**$ 1,879,370**
Sensors	**425,502**	**–**	**–**	**425,502**
Industrial processes	**141,904**	**–**	**–**	**141,904**
Components for semiconductor manufacturing equipment	**–**	**$ 895,319**	**–**	**895,319**
Electronics components	**–**	**211,851**	**–**	**211,851**
Metal related	**–**	**176,596**	**–**	**176,596**
Energy plant	**–**	**–**	**$ 65,645**	**65,645**
Insulators	**–**	**–**	**318,520**	**318,520**
Other	**–**	**–**	**73,575**	**73,575**
Total	**$ 2,446,776**	**$ 1,283,766**	**$ 457,740**	**$ 4,188,282**
Geographical areas:				
Japan	**$ 284,541**	**$ 298,474**	**$ 328,524**	**$ 911,539**
North America	**487,433**	**328,412**	**87,869**	**903,714**
Europe	**885,954**	**35,235**	**2,952**	**924,141**
Asia	**756,635**	**620,459**	**16,766**	**1,393,860**
Other	**32,213**	**1,186**	**21,629**	**55,028**
Total	**$ 2,446,776**	**$ 1,283,766**	**$ 457,740**	**$ 4,188,282**
Timing of revenue recognition:				
Goods and services transferred at a point in time	**$ 2,410,692**	**$ 1,283,766**	**$ 412,446**	**$ 4,106,904**
Goods and services transferred over time	**36,084**	**–**	**45,294**	**81,378**
Total	**$ 2,446,776**	**$ 1,283,766**	**$ 457,740**	**$ 4,188,282**

Independent Auditor’s Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NGK Corporation:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of NGK Corporation (formerly, NGK INSULATORS, Ltd.) and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2026, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, all expressed in Japanese yen.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2026, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

Revenue recognition for product sales	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
By using its one-of-a-kind ceramic technology, the Group manufactures and sells products, such as ceramics for purifying automobile exhaust emissions and components for semiconductor manufacturing equipment. Furthermore, the parent company of the consolidated group, NGK Corporation (the "Company"), is the core company of the consolidated group, and its sales are quantitatively material to the Group's consolidated sales. The process of recognizing revenue for product sales is largely divided into the following three procedures: (1) input order data; (2) register product delivery information and other relevant information; and (3) record sales. The Company uses an ERP system to carry out these procedures. However, for certain sales routes, the Company uses other systems that are used by individual departments or shipping companies to "(2) register product delivery information and other relevant information." This means that a framework has been established in which data are linked between these systems and the ERP system (hereinafter collectively referred to as the "IT System") to ultimately "(3) record sales." For all sales routes, it is observed that the process of recognizing revenue for product sales has been built on the assumption that the IT System will function as expected, and it is recognized that the Company relies on the IT System over a wide area. As seen above, the Company's revenue recognition for product sales is an operating process rooted in the assumption that the automatic interfaces have been established between the IT Systems as expected. Furthermore, each department generally sells products at stable unit prices, but the number of transaction types and the volume of transactions are extremely large. If sales are not properly recorded or are recorded in the wrong fiscal year, the impact of such errors on the financial statements may be significant. Therefore, we identified the appropriateness of the Company's revenue recognition for product sales as a key audit matter.	Our audit procedures over the appropriateness of the Company's revenue recognition for product sales included the following, among others: (1) Internal control evaluation ✧ With the assistance of our IT specialists, we evaluated the design and operating effectiveness of the internal controls described below: • For the IT System used for the sales operating process, we evaluated the design and operating effectiveness of the general IT controls such as controls over development and change management, security management, operations management, and service level management. • We evaluated the design and operating effectiveness of the IT application controls mainly by conducting control total checks for the interfaces established between several relevant IT Systems. • We evaluated the design and operating effectiveness of the IT application controls in place for ensuring the accuracy of sales, such as the edit validation checks that are conducted when inputting order data. ✧ We obtained an understanding of the sales process, including the internal controls established by the Company over the recording of sales, examined the division of duties for the process, and evaluated the design and operating effectiveness of relevant internal controls. (2) Sales transaction test ✧ We conducted an analysis comparing the monthly budget against the actual results of each department and analyzed the sales trends of each department. ✧ We selected high unit price transactions, examined the reasonableness of the content of the transactions by conducting interviews on sales routes, client characteristics, and other topics, and traced their accounting records to vouchers that served as evidence for recording sales. ✧ For the sales of products sold that were not selected above, we first sampled sales transactions and then traced vouchers that served as evidence for recording sales (e.g., purchase orders sent from customers and goods receipts) to the accounting records.

Recognition of provision for business restructuring	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
As described in Note 3.c "Provision for business restructuring" to the consolidated balance sheet, the Company decided during the current fiscal year to discontinue the manufacture and sale of NAS batteries. Accordingly, the Company recognized a provision for business restructuring of ¥12,270 million for expenses and losses expected to be incurred after the end of the current fiscal year. The provision for business restructuring mainly consists of amounts expected to be incurred after the end of the current fiscal year for costs required through completion of the disposal of inventory that must be disposed of in accordance with relevant laws and regulations in connection with the discontinuation of the manufacture and sale of NAS batteries, and for expenses or losses relating to services to be provided under the Company's obligation for products already sold, including products scheduled to be delivered in the future, primarily services related to the maintenance and installation of call centers. The estimate of inventory disposal costs is calculated based on unit charges of waste disposal contractors and other factors. Because such costs may fluctuate due to changes in market conditions and other factors, a certain degree of uncertainty exists in the unit charges predicted by the Company. In addition, expenses or losses relating to services to be provided under the Company's obligation are calculated based on estimates of the future period of use of NAS batteries and personnel expenses and other costs associated with the provision of such services. In estimating the expected remaining useful life of NAS batteries, the Company estimates the future period of use by customers based on the remaining portion of the specified usable period for each NAS battery model. However, this period may vary depending on customers' usage of NAS batteries. Furthermore, with respect to personnel expenses and other costs associated with the provision of services, the Company assumes that the required staffing structure may be changed according to the number of remaining NAS battery projects in each future fiscal year. However, such costs may vary due to changes in the Company's service provision structure and other factors.	Our audit procedures over the recognition of the provision for business restructuring included the following, among others: (1) Internal control evaluation ✧ With respect to matters that have a significant effect on the accounting for the provision, we evaluated the design and operating effectiveness of internal controls under which the relevant departments performed information-sharing procedures with the accounting department and procedures to provide, in a complete and accurate manner, the information forming the basis for judgments in accounting estimates. (2) Testing of the provision for business restructuring ✧ For the estimated inventory disposal costs, we mainly performed the following procedures: • We assessed the reliability of the Company's internal documents summarizing the quantities of inventory subject to disposal by performing our independent physical inventory counts and other procedures. • We confirmed whether the unit disposal costs of inventory were reasonably determined based on quotations and other documents obtained from waste disposal contractors. ✧ For expenses or losses relating to services to be provided under the Company's obligation, we mainly performed the following procedures: • To test the completeness of the list of projects for which the provision of services is expected in the future (the "list of active projects"), we selected samples from NAS batteries operating logs and confirmed that all such samples were included in the list of active projects. • To test whether the future usable periods were calculated based on the specified usable periods and whether the capacity (in W), model type and commencement date of operation of each NAS battery were appropriately reflected in the list of active projects, we selected samples from the list and compared the information with purchase orders and other supporting documents.

Independent Auditor's Report

The above significant assumptions used in estimating the provision for business restructuring involve management's judgments and therefore entail a high degree of uncertainty. In addition, the amount involved is material. Therefore, we identified the recognition of the provision for business restructuring as a key audit matter.	• With respect to personnel expenses and other costs associated with the provision of services, we examined whether they were estimated based on a staffing structure corresponding to the number of remaining NAS battery projects in each future fiscal year, by testing the consistency of those estimates with the list of active projects and performing other procedures.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

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

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

Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

<Fee-Related Information>

Fees for audit and other services for the year ended March 31, 2026, which were charged by us and our network firms to NGK Corporation and its subsidiaries were ¥334 million and ¥247 million, respectively.

Independent Auditor's Report

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

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

Deloitte Touche Tohmatsu LLC
August 4, 2026

Subsidiaries and Affiliated Companies

As of March 31, 2026

JAPAN

JAPAN	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ ENERGY SUPPORT CORPORATION	100	Power distribution equipment
■ AKECHI INSULATORS, LTD.	100	Electrical insulators
■ NGK CHEM-TECH, LTD.	100	Chemical equipment and maintenance
■ NGK FILTECH, LTD.	100	Membrane separation systems
■ NGK ADREC CO., LTD.	100	Refractories/kiln furniture
■ NGK KILNTECH CORPORATION	100	Thermal process engineering & products
■ NGK OKHOTSK, LTD.	100	Jig for ceramics production
■ NGK METEX CORPORATION	100	Beryllium copper wrought products
■ NGK FINE MOLDS, LTD.	100	Molds
■ NGK CERAMIC DEVICE CO., LTD.	100	Ceramic electronic components
■ NGK ELECTRONICS DEVICES, INC.	100	Ceramic packages for semiconductors and ceramic electronic components
■ ENA ELECTRIC POWER CO., LTD.	75	Electricity
■ ABASHIRI ELECTRIC POWER CO., LTD.	85.7	Electricity
● NGK LIFE CO., LTD.	100	Insurance agency service and golf course management

Other Group Companies

■ HOKURIKU ENERGYS CORPORATION
■ ENERGYS SANGYO CORPORATION
■ KANSAI ENERGYS CORPORATION
■ KYUSYU ENERGYS CORPORATION
NGK YU-SERVICE CO., LTD.
NR-POWER LAB CO., LTD.

NORTH AMERICA

NORTH AMERICA	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ NGK NORTH AMERICA, INC.	100	Holding company
■ NGK-LOCKE, INC.	100	Electrical insulators
■ NGK CERAMICS USA, INC.	100	Automotive ceramics
■ NGK AUTOMOTIVE CERAMICS USA, INC.	100	Automotive ceramics
■ NGK CERAMICS MEXICO, S. DE R.L. DE C.V.	95	Automotive ceramics
■ NGK METALS CORPORATION	100	Beryllium copper products
■ NGK ELECTRONICS USA, INC.	100	Ceramics for semiconductor manufacturing equipment
■ FM INDUSTRIES, INC.	100	Modules for semiconductor production equipment

EUROPE AND AFRICA

EUROPE AND AFRICA	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ NGK CERAMICS EUROPE S.A.	100	Automotive ceramics
■ NGK EUROPE GMBH	100	Ceramic products
■ NGK CERAMICS POLSKA SP. Z O.O.	95	Automotive ceramics
■ NGK BERYLCO FRANCE	100	Beryllium copper products
■ NGK BERYLCO U.K. LTD.	100	Beryllium copper products
■ NGK DEUTSCHE BERYLCO GMBH	100	Beryllium copper products

ASIA PACIFIC

ASIA PACIFIC	Company's Direct and Indirect Ownership (%)	Principal Products and Services
■ NGK STANGER PTY. LTD.	100	Power distribution equipment
■ NGK INSULATORS (CHINA) INVESTMENT CO., LTD.	100	Electrical insulators and beryllium copper products
■ P.T. NGK CERAMICS INDONESIA	97.8	Automotive ceramics
■ SIAM NGK TECHNOCERA CO., LTD.	100	Refractories/kiln furniture
■ NGK CERAMICS (THAILAND) CO., LTD.	95	Automotive ceramics
■ NGK CERAMICS SUZHOU CO., LTD.	100	Automotive ceramics
■ NGK TECHNOCERA SUZHOU CO., LTD.	100	Thermal process engineering & products, refractories/kiln furniture

Other Group Companies

■ ENERGY ELECTRIC (SHANGHAI) CORPORATION
■ NGK MATERIAL USA, INC.
■ NGK AUTOMOTIVE CERAMICS MEXICO, S. DE R.L. DE C.V.
■ NGK ELECTRONICS DEVICES (M) SDN. BHD.
■ NGK GLOBETRONICS TECHNOLOGY SDN. BHD.
■ NGK INSULATORS TANGSHAN CO., LTD.
■ LOCKE INSULATORS, INC.
■ NGK CERAMICS SOUTH AFRICA (PTY) LTD.
NGK AUTOMOTIVE CERAMICS KOREA CO., LTD.
NGK TECHNOLOGIES INDIA PVT. LTD.
NGK ITALY S.R.L.

■ Consolidated companies
● Affiliated companies accounted for by the equity method

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