

NGK INSULATORS, LTD. and Consolidated Subsidiaries

Consolidated Financial Statements
for the Year Ended March 31, 2025, and
Independent Auditor's Report

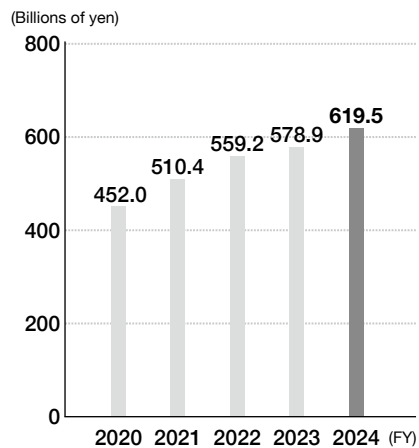
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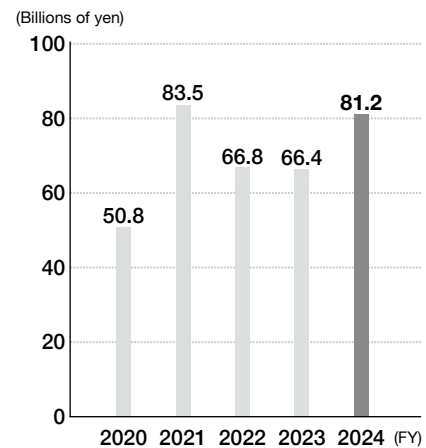
Financial Highlights

The following data includes financial results of consolidated subsidiaries
(17 domestic, 29 overseas companies as of March 31, 2025)

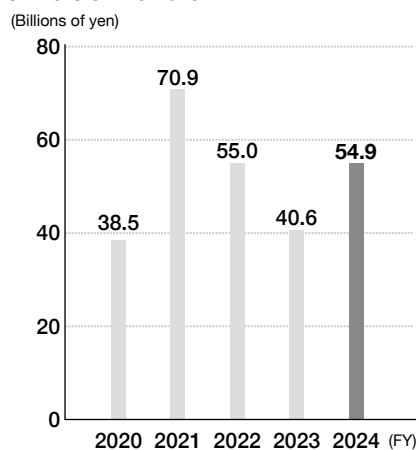
Net Sales



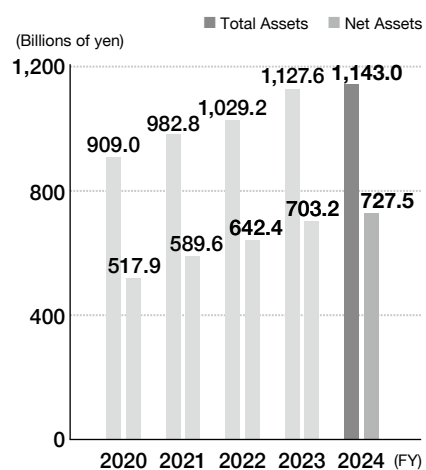
Operating Income



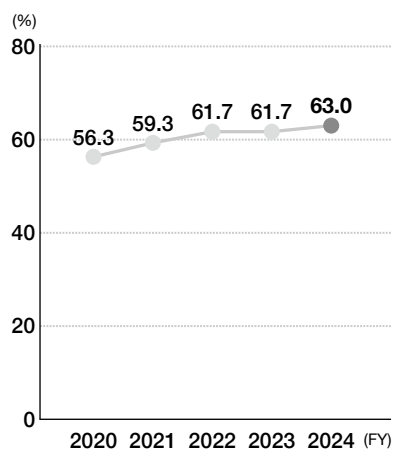
Net Income Attributable to Owners of the Parent



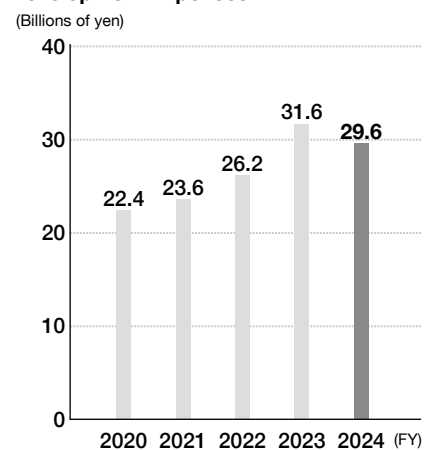
Total Assets/Net Assets



Equity Ratio

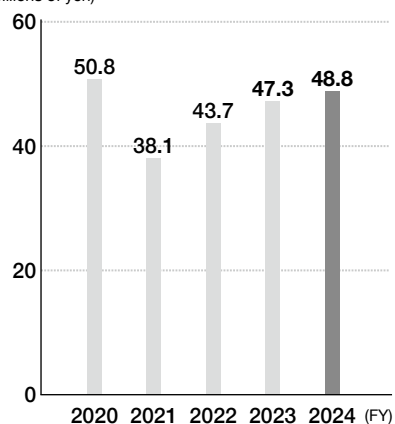


Research and Development Expenses



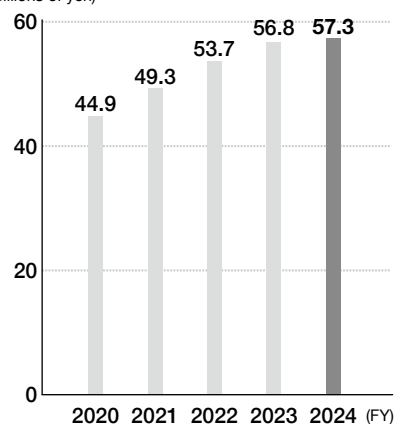
Capital Expenditures

(Billions of yen)



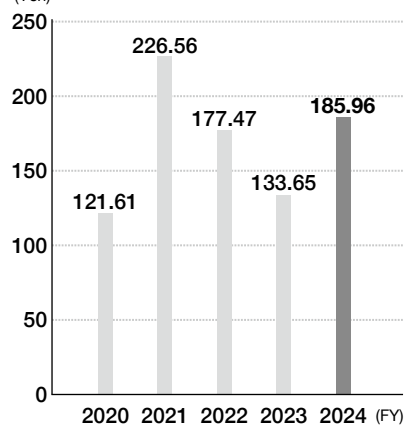
Depreciation and Amortization

(Billions of yen)



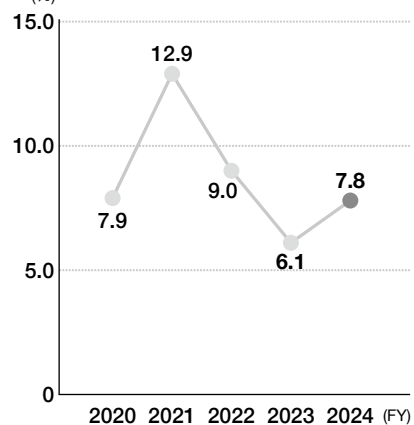
Net Income per Share

(Yen)



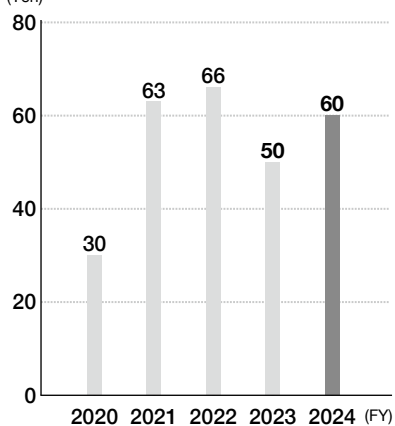
Return on Equity

(%)



Dividends

(Yen)



Stock Price

FY	2020	2021	2022	2023	2024
Highest (Yen)	2,153	2,106	2,038	2,085	2,188
Lowest (Yen)	1,171	1,539	1,638	1,642	1,602

Consolidated Balance Sheet

NGK INSULATORS, LTD. and Consolidated Subsidiaries
March 31, 2025

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
CURRENT ASSETS:			
Cash and cash equivalents (Note 15)	¥ 177,709	¥ 171,432	\$ 1,184,724
Time deposits (Note 15)	37,265	33,125	248,439
Marketable securities (Notes 5 and 15)	48,895	38,116	325,968
Notes and accounts receivable:			
Trade notes and accounts (Notes 13 and 15)	121,472	117,763	809,811
Other	18,500	17,671	123,330
Allowance for doubtful accounts	(166)	(166)	(1,104)
Total	139,806	135,268	932,037
Inventories (Note 6)	241,936	239,063	1,612,908
Prepaid expenses and other current assets	23,263	25,148	155,084
Total current assets	668,874	642,152	4,459,160
PROPERTY, PLANT AND EQUIPMENT (Notes 7):			
Land	33,457	33,376	223,051
Buildings and structures	273,035	268,360	1,820,232
Machinery and equipment	732,645	725,487	4,884,299
Construction in progress	32,516	23,298	216,774
Other	6,003	5,939	40,022
Total	1,077,656	1,056,460	7,184,378
Accumulated depreciation	(721,020)	(684,556)	(4,806,802)
Net property, plant and equipment	356,636	371,904	2,377,576
INVESTMENTS AND OTHER ASSETS:			
Investment securities (Notes 5 and 15)	68,517	76,198	456,780
Investments in unconsolidated subsidiaries and associated companies	376	512	2,502
Intangible assets	6,153	6,659	41,020
Net defined benefit assets (Notes 3.a and 9)	25,564	16,319	170,429
Deferred tax assets (Notes 3.b and 12)	12,878	9,936	85,854
Other assets	3,988	3,897	26,585
Total investments and other assets	117,476	113,521	783,170
TOTAL	¥ 1,142,986	¥ 1,127,577	\$ 7,619,906

(Continued)

LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
CURRENT LIABILITIES:			
Short-term borrowings (Note 8)	¥ 20,260	¥ 11,343	\$ 135,067
Current portion of long-term debt (Notes 8 and 15)	36,216	40,898	241,437
Notes and accounts payable:			
Trade notes and accounts	45,661	49,953	304,405
Other	18,685	15,289	124,567
Total	64,346	65,242	428,972
Accrued expenses	31,442	29,165	209,613
Income taxes payable (Note 12)	8,001	6,735	53,340
Other current liabilities	18,648	22,421	124,323
Total current liabilities	178,913	175,804	1,192,752
LONG-TERM LIABILITIES:			
Long-term debt (Notes 8 and 15)	195,767	207,086	1,305,111
Net defined benefit liability (Notes 3.a and 9)	20,046	20,907	133,643
Provision for product warranties	307	425	2,050
Deferred tax liabilities (Notes 3.b and 12)	13,896	13,464	92,638
Other long-term liabilities	6,551	6,665	43,672
Total long-term liabilities	236,567	248,547	1,577,114
CONTINGENT LIABILITIES (Note 17)			
EQUITY (Note 10):			
Common stock:			
Authorized — 735,030 thousand shares			
Issued — 297,957 thousand shares and			
311,957 thousand shares at March 31, 2025 and 2024	70,064	70,064	467,095
Capital surplus	70,390	70,397	469,266
Stock acquisition rights (Note 11)	777	853	5,181
Retained earnings (Note 19)	464,800	451,550	3,098,668
Treasury stock — at cost: 4,862 thousand shares			
and 14,029 thousand shares at March 31, 2025 and 2024,			
respectively (Note 10.c)	(8,828)	(25,155)	(58,855)
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	32,853	38,845	219,014
Deferred (loss) gain on derivatives under hedge accounting	(101)	6	(671)
Foreign currency translation adjustments	76,770	82,251	511,800
Defined retirement benefit plans	13,856	7,468	92,374
Total	720,581	696,279	4,803,872
Noncontrolling interests	6,925	6,947	46,168
Total equity	727,506	703,226	4,850,040
TOTAL	¥ 1,142,986	¥ 1,127,577	\$ 7,619,906

See notes to consolidated financial statements.

(Concluded)

Consolidated Statement of Income

NGK INSULATORS, LTD. and Consolidated Subsidiaries
Year ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET SALES (Note 13)	¥ 619,513	¥ 578,914	\$ 4,130,089
COST OF SALES (Note 14)	443,540	423,060	2,956,937
Gross profit	175,973	155,854	1,173,152
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	94,731	89,456	631,541
Operating income	81,242	66,398	541,611
OTHER INCOME (EXPENSES):			
Interest and dividends income	4,073	2,975	27,160
Interest expense	(3,913)	(4,016)	(26,088)
Loss on sales of and disposals of property, plant and equipment — net	(331)	(161)	(2,207)
Equity in earnings of unconsolidated subsidiary and associated company	27	1,567	178
Foreign exchange loss	(3,606)	(2,466)	(24,039)
Gain (Loss) on valuation of derivatives	781	(1,060)	5,206
Gain on sales of investment securities — net	3,605	947	24,034
Impairment loss on long-lived assets (Notes 7)	(5,819)	(6,960)	(38,796)
Depreciation	(1,189)	(783)	(7,926)
Subsidy income	236	641	1,575
Loss on valuation of investment securities	(484)	(957)	(3,227)
Loss on business of subsidiary	—	(377)	—
Loss on compensation	(3,000)	—	(20,000)
Other — net	835	427	5,563
Other expenses — net	(8,785)	(10,223)	(58,567)
INCOME BEFORE INCOME TAXES	72,457	56,175	483,044
INCOME TAXES (Notes 3.b and 12):			
Current	21,304	17,995	142,024
Deferred	(3,852)	(2,524)	(25,683)
Total income taxes	17,452	15,471	116,341
NET INCOME	55,005	40,704	366,703
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	72	141	481
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	¥ 54,933	¥ 40,563	\$ 366,222
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Notes 2.w and 19):			
Basic net income	¥ 185.96	¥ 133.65	\$ 1.240
Diluted net income	185.66	133.42	1.238
Cash dividends applicable to the year	60.00	58.00	0.400

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

NGK INSULATORS, LTD. and Consolidated Subsidiaries
Year ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2025	2024	2025
NET INCOME	¥ 55,005	¥ 40,704	\$ 366,703
OTHER COMPREHENSIVE (LOSS) INCOME (Note 18):			
Unrealized (loss) gain on available-for-sale securities	(5,993)	21,759	(39,955)
Deferred (loss) gain on derivatives under hedge accounting	(112)	17	(748)
Foreign currency translation adjustments	(5,537)	40,526	(36,916)
Share of other comprehensive loss in associated companies	—	(63)	—
Defined retirement benefit plans	6,389	2,134	42,594
Total other comprehensive (loss) income	(5,253)	64,373	(35,025)
COMPREHENSIVE INCOME	¥ 49,752	¥ 105,077	\$ 331,678
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 49,742	¥ 104,181	\$ 331,610
Noncontrolling interests	10	896	68

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

NGK INSULATORS, LTD. and Consolidated Subsidiaries

Year ended March 31, 2025

	Thousands					
	Outstanding Number of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock
Balance at March 31, 2023 (April 1, 2023, as previously reported)	306,291	¥ 69,955	¥ 70,306	¥ 882	¥ 440,530	¥ (10,295)
Net income attributable to owners of the parent	—	—	—	—	40,563	—
Cash dividends, ¥58 per share	—	—	—	—	(17,768)	—
Purchase of treasury stock	(8,502)	—	—	—	—	(14,882)
Disposal of treasury stock	12	—	7	—	—	22
Restricted stock compensation	127	109	109	—	—	—
Change in scope of equity method	—	—	—	—	(11,775)	—
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	(25)	—	—	—
Net change in the year	—	—	—	(29)	—	—
Balance at March 31, 2024	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)

	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock
Balance at March 31, 2024	\$ 467,095	\$ 469,314	\$ 5,685	\$ 3,010,334	\$ (167,701)
Net income attributable to owners of the parent	—	—	—	366,222	—
Cash dividends, \$0.37 per share	—	—	—	(108,678)	—
Purchase of treasury stock	—	—	—	—	(62,672)
Disposal of treasury stock	—	(12)	—	—	516
Cancellation of treasury stock	—	(169,485)	—	—	169,485
Transfer from retained earnings to capital surplus	—	169,210	—	(169,210)	—
Restricted stock compensation	—	239	—	—	1,517
Net change in the year	—	—	(504)	—	—
Balance at March 31, 2025	\$ 467,095	\$ 469,266	\$ 5,181	\$ 3,098,668	\$ (58,855)

See notes to consolidated financial statements.

Millions of Yen						
Accumulated Other Comprehensive Income						
Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
¥ 17,102	¥ (10)	¥ 42,850	¥ 5,010	¥ 636,330	¥ 6,116	¥ 642,446
-	-	-	-	40,563	-	40,563
-	-	-	-	(17,768)	-	(17,768)
-	-	-	-	(14,882)	-	(14,882)
-	-	-	-	29	-	29
-	-	-	-	218	-	218
-	-	-	-	(11,775)	-	(11,775)
-	-	-	-	(25)	-	(25)
21,743	16	39,401	2,458	63,589	831	64,420
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)
¥ 32,852	¥ (101)	¥ 76,771	¥ 13,856	¥ 720,581	¥ 6,925	¥ 727,506

Thousands of U.S. Dollars (Note 1)						
Accumulated Other Comprehensive Income						
Unrealized Gain on Available-for-Sale Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Noncontrolling Interests	Total Equity
\$ 258,969	\$ 41	\$ 548,333	\$ 49,787	\$ 4,641,857	\$ 46,314	\$ 4,688,171
-	-	-	-	366,222	-	366,222
-	-	-	-	(108,678)	-	(108,678)
-	-	-	-	(62,672)	-	(62,672)
-	-	-	-	504	-	504
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	1,756	-	1,756
(39,955)	(712)	(36,533)	42,587	(35,117)	(146)	(35,263)
\$ 219,014	\$ (671)	\$ 511,800	\$ 92,374	\$ 4,803,872	\$ 46,168	\$ 4,850,040

Consolidated Statement of Cash Flows

NGK INSULATORS, LTD. and Consolidated Subsidiaries
Year ended March 31, 2025

	Millions of Yen		Thousands of U.S. Dollars (Note
	2025	2024	2025
OPERATING ACTIVITIES:			
Income before income taxes	¥ 72,457	¥ 56,175	\$ 483,044
Adjustments for:			
Income taxes — paid	(19,934)	(15,822)	(132,893)
Depreciation and amortization	57,253	56,807	381,689
Impairment loss on long-lived assets	5,819	6,960	38,796
Equity in earnings of unconsolidated subsidiary and associated company	(27)	(1,567)	(178)
Gain on sales of investment securities — net	(3,605)	(947)	(24,034)
Changes in assets and liabilities:			
(Increase) decrease in notes and accounts receivable — trade	(4,678)	1,234	(31,188)
Increase in inventories	(4,348)	(10,092)	(28,987)
Decrease (increase) in other current assets	1,542	(6,781)	10,277
(Decrease) increase in notes and accounts payable — trade	(4,109)	3,861	(27,393)
(Decrease) increase in other current liabilities	(1,646)	6,440	(10,976)
Other — net	(2,066)	2,891	(13,769)
Total adjustments	24,201	42,984	161,344
Net cash provided by operating activities	96,658	99,159	644,388
INVESTING ACTIVITIES:			
Purchases of marketable securities	(119,883)	(73,899)	(799,219)
Proceeds from sales and redemption of marketable securities	111,000	69,671	739,997
Proceeds from sales and redemption of investment securities	5,136	2,226	34,242
Purchases of investment securities	(3,921)	(3,229)	(26,140)
Purchases of property, plant and equipment	(41,799)	(42,812)	(278,657)
Purchase of intangible assets	(1,950)	(2,324)	(13,002)
Increase in time deposits	(4,259)	(18,566)	(28,392)
Other — net	595	340	3,963
Net cash used in investing activities	(55,081)	(68,593)	(367,208)
FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings — net	8,886	(783)	59,237
Proceeds from long-term debt	25,070	35,250	167,133
Repayments of long-term debt	(40,766)	(36,376)	(271,770)
Purchase of treasury stock	(9,401)	(14,882)	(62,672)
Cash dividends	(16,302)	(17,768)	(108,678)
Other — net	(1,706)	(1,564)	(11,378)
Net cash used in financing activities	(34,219)	(36,123)	(228,128)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(1,081)	8,125	(7,208)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,277	2,568	41,844
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	171,432	168,864	1,142,880
CASH AND CASH EQUIVALENTS, END OF YEAR	¥ 177,709	¥ 171,432	\$ 1,184,724

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

NGK INSULATORS, LTD. and Consolidated Subsidiaries
Year ended March 31, 2025

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 2024 consolidated financial statements to conform to the classifications used in 2025.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which NGK INSULATORS, Ltd. (“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 ¥150 to \$1, the approximate rate of exchange at March 31, 2025. 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, 2025 include the accounts of the Company and its 46 (47 in 2024) 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. Eight 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 6). Write-downs of inventories in the amounts of ¥3,383 million (\$22,553 thousand) and ¥1,570 million for the years ended March 31, 2025 and 2024, respectively, were included in cost of sales. 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.

- 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. 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 and manufactures, sells products and provides services related to industrial equipment, primarily corrosion-resistant ceramic apparatuses for chemical industries, gas analyzer, industrial heating systems, refractory products and 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, as well as metal-related products, mainly beryllium copper products and metal molds.

(Energy & Industry business)

The Group manufactures and sells products and provides services related to insulators, current limiting arching horn, bushing shells, fuse cut-outs, APM, line arrester, and manufactures, sells and provides services related to energy storage-related products, primarily NAS[®] (Sodium/Sulfur Batteries) batteries for electric power storage.

- (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.

- r. **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.
- s. **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.
- t. **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.
- u. **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.

- v. ***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.

- w. ***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.

x. ***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.

- y. **Additional Information**— The Company has resolved, at a meeting of the Board of Directors held on February 18, 2025, to acquire all shares of Deutsche KNM GmbH ("DKNM"), a holding company of Borsig GmbH ("Borsig") and make it a subsidiary. A share transfer agreement was concluded on February 27, 2025.

1. Reason for the acquisition

The Group has decided to convert the German company into a subsidiary to strengthen our competitiveness by fusing the engineering capabilities and knowledge of membrane equipment possessed by Borsig GmbH Group with our ceramic technology.

2. Names of the counterparty to the acquisition of shares: KNM Process Systems Sdn Bhd

3. Name, business, size of the acquired company

(1) Name:	Deutsche KNM GmbH and its 7 group companies
(2) Description of Business:	Manufacturing and sales of such as process heat exchangers and membrane systems
(3) Share capital:	25 thousand EUR

4. Date of share acquisition: After obtaining approvals from relevant authorities

5. Number of shares to be acquired, acquisition costs, and ratio of shares held after acquisition

(1) Number of shares to be acquired:	1 share
(2) Acquisition costs:	270,000 thousand EUR
(3) Ratio of shares after acquisition:	100%

6. Method of financing payment: Allocated from internal funds

3. SIGNIFICANT ACCOUNTING ESTIMATES

a. Retirement and Pension Plans

(1) Carrying amounts

	Millions of Yen	Thousands of U.S. Dollars
	2025	2025
Net defined benefit assets	¥ 25,564	\$ 170,429
Net defined benefit liability	20,046	133,643

(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
	2025	2025
Deferred tax assets	¥ 12,878	\$ 85,854
Deferred tax liabilities	13,896	92,638

(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.

4. ACCOUNTING CHANGE

— *Accounting Standard for Current Income Taxes*

The Company has applied the “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as “Accounting Standard Revised in 2022”) since the beginning of the first quarter of the current consolidated fiscal year.

In the past, the Company recognized corporation tax, municipal tax, business tax, etc. (hereinafter referred to as “income taxes”) in profit (loss) in the amount calculated in accordance with the relevant laws and regulations. However, the Company has chosen to recognize income taxes on income separately in profit (loss), shareholders’ equity, and other comprehensive income, depending on transactions that become the sources of the income tax. Regarding income taxes recognized in accumulated other comprehensive income, the Company has elected to recognize the corresponding tax amount in profit (loss) at the time when the transaction, etc. that caused the income tax to be imposed is recognized in profit (loss).

However, in the case that transactions, etc. are related to shareholders’ equity or other comprehensive income in addition to profit (loss), and that it is difficult to determine the amount of income taxes imposed on shareholders’ equity or other comprehensive income, the Company recognizes the amount of such taxes in profit (loss).

With respect to the revision to the accounting classification of income taxes (taxation on other comprehensive income), the Company follows the transitional treatment provided for in the proviso of Paragraph 20-3 of the Accounting Standard Revised in 2022. The Company has applied the new accounting policy since the beginning of the current fiscal year, and the cumulative amount affected by the retrospective application of the new accounting policy prior to the beginning of the initial year of application is added to or subtracted from retained earnings at the beginning of the initial year of application, and the corresponding amount is added to or subtracted from an appropriate classification among capital surplus, valuation and transaction adjustments or other comprehensive income. The Company follows the transitional treatment provided for in the proviso of Paragraph 65-2 (2) of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as “Implementation Guidance Revised in 2022”). The Company has applied the new accounting policy since the beginning of the current fiscal year, and the cumulative amount affected by the retrospective application of the new accounting policy prior to the beginning of the initial year of application is added to or subtracted from retained earnings at the beginning of the initial year of application, and the corresponding amount is added to or subtracted from capital surplus at the beginning of the fiscal year.

In addition, regarding the revision related to changes in treatment in consolidated financial statements in the case of deferring gains or losses from sales of stocks, etc. of subsidiaries between consolidated companies for tax purposes, the Company has applied the Implementation Guidance Revised in 2022 since the beginning of the first quarter of the current consolidated fiscal year. These changes in accounting policies were applied retrospectively, and the consolidated financial statements for the previous fiscal year are those after retroactive application.

The effects on the consolidated financial statements are immaterial.

— *Practical Solution on the Accounting for and Disclosure of Current Taxes Related to Global Minimum Tax Rules, etc.*

The Company has applied the Practical Solution on the Accounting for and Disclosure of Current Taxes Related to Global Minimum Rules, etc. (ASBJ PITF No. 46, March 22, 2024) since the beginning of the first quarter of the current consolidated fiscal year.

Income taxes payable under the Global Minimum Tax Rules that will become due after one year from the day following the consolidated balance sheet date is presented as “Other” in the long-term liabilities section of the consolidated balance sheets. In addition, in the consolidated statement of income, Income taxes under the Global Minimum Tax Rules are included in “Income taxes-current.”

The effects on the consolidated financial statements are immaterial.

5. MARKETABLE INVESTMENT SECURITIES

Marketable and investment securities as of March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Current:			
Investment trusts and other	¥ 28,901	¥ 18,615	\$ 192,677
Debt securities	19,994	19,501	133,291
Total	¥ 48,895	¥ 38,116	\$ 325,968
Noncurrent:			
Equity securities and other	¥ 68,517	¥ 76,198	\$ 456,780
Total	¥ 68,517	¥ 76,198	\$ 456,780

The costs and aggregate fair values of marketable and investment securities at March 31, 2025 and 2024, were as follows:

	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2025				
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
	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
March 31, 2024				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 19,290	¥ 53,873	¥ 2	¥ 73,161
Investment trusts and other	17,924	697	6	18,615
Held-to-maturity:				
Debt securities	19,501	—	6	19,495

March 31, 2025	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	\$ 118,381	\$ 308,596	\$ 188	\$ 426,789
Investment trusts and other	189,698	3,806	827	192,677
Held-to-maturity:				
Debt securities	133,291	13	154	133,150

Proceeds from sales of available-for-sale securities (including marketable securities and investment securities) for the years ended March 31, 2025 and 2024 were ¥5,647 million (\$37,643 thousand) and ¥3,002 million, respectively. Realized gains on these sales, computed on the moving-average cost basis, were ¥3,743 million (\$24,953 thousand) and ¥1,051 million for the years ended March 31, 2025 and 2024, respectively. Realized losses on these sales, computed on the moving-average cost basis, was ¥2 million (\$10 thousand) for the year ended March 31, 2025.

6. INVENTORIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Finished products	¥ 120,127	¥ 112,548	\$ 800,847
Work in process	23,784	20,821	158,563
Raw materials and supplies	96,071	99,346	640,471
Cost of contracts in progress	1,954	6,348	13,027
Total	¥ 241,936	¥ 239,063	\$ 1,612,908

7. LONG-LIVED ASSETS

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 (\$38,796 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, 2025.

Groups	Asset Category	Location	Millions of Yen	Thousands of U.S. Dollars
			2025	2025
DCB and AMB	Machinery and equipment,	Japan and	¥ 2,518	\$ 16,787
Substrates for Power	Construction in progress	Malaysia		
Modules Business	and other			
Package Business	Machinery and equipment,	Japan and	1,674	11,160
	Construction in progress	Malaysia		
	and other			

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

	Millions of Yen	Thousands of U.S. Dollars
	2025	2025
Buildings and structures	¥ 428	\$ 2,853
Machinery and equipment	3,499	23,328
Construction in progress	1,516	10,107
Other	376	2,508
Total	¥ 5,819	\$ 38,796

The Group reviewed its long-lived assets for impairment as of March 31, 2024. As a result, the Group recognized an impairment loss of ¥6,960 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, 2024.

Groups	Asset Category	Location	Millions of Yen 2024
Package Business	Machinery and equipment, Construction in progress and other	Japan and Malaysia	¥ 4,877
Industrial processes Business	Machinery and equipment, Construction in progress and other	Japan	941

The Group recognized impairment losses for the year ended March 31, 2024, as follows:

	Millions of Yen 2024
Buildings and structures	¥ 457
Machinery and equipment	2,909
Construction in progress	2,576
Other	1,018
Total	¥ 6,960

8. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2025 and 2024, consisted of notes to banks. The weighted-average interest rates on short-term borrowings as of March 31, 2025 and 2024, were 2.9% and 3.5%, respectively.

Long-term debt at March 31, 2025 and 2024, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Borrowings from banks and other financial institutions due serially through 2044, with weighted-average interest rates of 1.4% (2025) and 1.6% (2024)	¥ 174,983	¥ 195,984	\$ 1,166,548
Unsecured 0.657% yen bonds due July 27, 2032	10,000	10,000	66,667
Unsecured 0.860% yen bonds due July 26, 2038	15,000	15,000	100,000
Unsecured 0.180% yen bonds due December 21, 2028	10,000	10,000	66,667
Unsecured 0.305% yen bonds due November 24, 2027	5,000	5,000	33,333
Unsecured 0.583% yen bonds due November 24, 2028	12,000	12,000	80,000
Unsecured 0.910% yen bonds due November 26, 2029	5,000	—	33,333
Total	231,983	247,984	1,546,548
Less: portion due within one year	(36,216)	(40,898)	(241,437)
Long-term debt, less current portion	¥ 195,767	¥ 207,086	\$ 1,305,111

Annual maturities of long-term debt at March 31, 2025, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2025	¥ 36,216	\$ 241,437
2026	34,611	230,742
2027	21,544	143,623
2028	30,283	201,884
2029	25,022	166,816
2030 and thereafter	84,307	562,046
Total	¥ 231,983	\$ 1,546,548

9. 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, 2025 and 2024 (except for the plans to which the simplified method was applied), were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥ 79,411	¥ 79,241	\$ 529,411
Current service cost	3,308	3,289	22,050
Interest cost	1,211	1,189	8,071
Actuarial losses	(10,497)	(1,026)	(69,980)
Benefits paid	(3,906)	(3,690)	(26,037)
Past service cost	273	—	1,817
Others	(179)	408	(1,194)
Balance at end of year	¥ 69,621	¥ 79,411	\$ 464,138

- (2) The changes in plan assets for the years ended March 31, 2025 and 2024 (except for the plans to which the simplified method was applied), were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥ 77,086	¥ 74,079	\$ 513,911
Expected return on plan assets	595	569	3,963
Actuarial gains (losses)	(179)	2,380	(1,195)
Contributions from the employer	3,071	2,942	20,471
Benefits paid	(2,988)	(2,945)	(19,919)
Others	(106)	61	(708)
Balance at end of year	¥ 77,479	¥ 77,086	\$ 516,523

- (3) The changes in net defined benefit liability, where the simplified method was applied to measure the liability, for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Balance at beginning of year	¥ 2,262	¥ 2,235	\$ 15,083
Pension costs	357	318	2,383
Benefits paid	(207)	(205)	(1,381)
Contributions to pension plans	(73)	(86)	(487)
Balance at end of year	¥ 2,339	¥ 2,262	\$ 15,598

- (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, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Funded defined benefit obligation	¥ 53,886	¥ 62,829	\$ 359,242
Plan assets	(78,368)	(78,018)	(522,452)
	(24,482)	(15,189)	(163,210)
Unfunded defined benefit obligation	18,964	19,777	126,424
Net liability arising from defined benefit obligation	¥ (5,518)	¥ 4,588	\$ (36,786)

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Net defined benefit liability	¥ 20,046	¥ 20,907	\$ 133,643
Net defined benefit asset	(25,564)	(16,319)	(170,429)
Net liability arising from defined benefit obligation	¥ (5,518)	¥ 4,588	\$ (36,786)

- (5) The components of net periodic benefit costs for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Service cost	¥ 3,308	¥ 3,289	\$ 22,050
Interest cost	1,211	1,189	8,071
Expected return on plan assets	(595)	(569)	(3,963)
Recognized actuarial losses	(183)	34	(1,217)
Amortization of past service cost	(398)	(398)	(2,651)
Benefit costs measured by the simplified method	357	318	2,383
Net periodic benefit costs	¥ 3,700	¥ 3,863	\$ 24,673

- (6) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Actuarial losses	¥ 10,124	¥ 3,537	\$ 67,494
Prior service cost	(670)	(398)	(4,468)
Total	¥ 9,454	¥ 3,139	\$ 63,026

- (7) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrecognized actuarial gains	¥ 18,370	¥ 8,246	\$ 122,465
Unrecognized past service cost	1,594	2,264	10,630
Total	¥ 19,964	¥ 10,510	\$ 133,095

- (8) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2025 and 2024, consisted of the following:

	2025	2024
Assets in an insurer's general account	46 %	48 %
Equity investments	11	13
Debt investments	33	31
Cash and cash equivalents	0	0
Others	10	8
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, 2025 and 2024, were set forth as follows:

	2025	2024
Discount rate	Primarily 2.6%	Primarily 1.4%
Expected rate of return on plan assets	Primarily 0.75%	Primarily 0.75%
Expected rate of future salary increase	Primarily 3.3%—6.0%	Primarily 3.0%—5.8%

b. *Defined Contribution Pension Plans*

The Group's contributions to defined contribution pension plan funds for the years ended March 31, 2025 and 2024, were ¥781 million (\$5,209 thousand) and ¥690 million, respectively.

10. 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.

11. STOCK OPTIONS

The stock options outstanding as of March 31, 2025 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
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

Stock Option Scheme	Persons Originally Granted	Number of Options Originally Granted	Date of Grant	Exercise Price	Exercise Period
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)		
<u>For the year ended March 31, 2024</u>					
<u>Non-vested</u>					
April 1, 2023					
— Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2024					
— Outstanding	—	—	—	—	—
<u>Vested</u>					
April 1, 2023					
— Outstanding	2,000	4,000	4,000	8,000	10,000
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Canceled	—	—	—	—	—
March 31, 2024					
— Outstanding	2,000	4,000	4,000	8,000	10,000
<u>For the year ended March 31, 2025</u>					
<u>Non-vested</u>					
March 31, 2024					
— Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2025					
— Outstanding	—	—	—	—	—
<u>Vested</u>					
March 31, 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
Exercise price	¥1	¥1	¥1	¥1	¥1
	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Average stock price at exercise	—	—	—	¥1,875 (\$12.50)	¥1,875 (\$12.50)
Fair value price at grant date	¥3,658 (\$24.39)	¥1,434 (\$9.56)	¥2,072 (\$13.81)	¥1,289 (\$8.59)	¥1,100 (\$7.33)

	2012 Stock Option	2013 Stock Option	2014 Stock Option (Shares)	2015 Stock Option	2016 Stock Option
<u>For the year ended March 31, 2024</u>					
<u>Non-vested</u>					
April 1, 2023					
— Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2024					
— Outstanding	—	—	—	—	—
<u>Vested</u>					
April 1, 2023					
— Outstanding	12,000	16,000	22,000	34,000	50,000
Vested	—	—	—	—	—
Exercised	—	—	—	6,000	6,000
Canceled	—	—	—	—	—
March 31, 2024					
— Outstanding	12,000	16,000	22,000	28,000	44,000
<u>For the year ended March 31, 2025</u>					
<u>Non-vested</u>					
March 31, 2024					
— Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2025					
— Outstanding	—	—	—	—	—
<u>Vested</u>					
March 31, 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
Exercise price	¥1	¥1	¥1	¥1	¥1
	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Average stock price at exercise	¥1,875	¥1,875	¥1,875	¥1,977	¥1,924
	(\$12.50)	(\$12.50)	(\$12.50)	(\$13.18)	(\$12.83)
Fair value price at grant date	¥923	¥1,276	¥2,510	¥2,850	¥2,060
	(\$6.15)	(\$8.51)	(\$16.73)	(\$19.00)	(\$13.73)

	2017 Stock Option	2018 Stock Option	2019 Stock Option (Shares)	2020 Stock Option	2021 Stock Option
<u>For the year ended March 31, 2024</u>					
<u>Non-vested</u>					
April 1, 2023					
— Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2024					
— Outstanding	—	—	—	—	—
<u>Vested</u>					
April 1, 2023					
— Outstanding	52,000	55,000	61,000	61,000	116,000
Vested	—	—	—	—	—
Exercised	—	—	—	—	—
Canceled	—	—	—	—	—
March 31, 2024					
— Outstanding	52,000	55,000	61,000	61,000	116,000
<u>For the year ended March 31, 2025</u>					
<u>Non-vested</u>					
March 31, 2024					
— Outstanding	—	—	—	—	—
Granted	—	—	—	—	—
Canceled	—	—	—	—	—
Vested	—	—	—	—	—
March 31, 2025					
— Outstanding	—	—	—	—	—
<u>Vested</u>					
March 31, 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
Exercise price	¥1	¥1	¥1	¥1	¥1
	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)
Average stock price at exercise	¥1,984	¥1,923	¥1,771	—	—
	(\$13.23)	(\$12.82)	(\$11.81)		
Fair value price at grant date	¥1,897	¥1,725	¥1,362	¥1,246	¥1,727
	(\$12.65)	(\$11.50)	(\$9.08)	(\$8.31)	(\$11.51)

12. 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, 2025 and 2024.

The tax effects of significant temporary differences and tax loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Deferred tax assets:			
Inventories	¥ 10,436	¥ 8,629	\$ 69,572
Accounts payable and accrued expenses	3,761	3,405	25,075
Enterprise taxes payable	624	561	4,163
Property, plant and equipment	14,671	15,125	97,804
Pension and severance cost	5,765	6,123	38,434
Tax loss carryforwards	13,246	12,486	88,308
Investment securities	2,017	1,661	13,449
Tax deduction of foreign subsidiaries	494	929	3,294
Provision for product warranties	140	171	932
Other	7,345	6,439	48,963
Total	58,499	55,529	389,994
Less: valuation allowance	(20,420)	(21,234)	(136,134)
Deferred tax assets	¥ 38,079	¥ 34,295	\$ 253,860
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ 13,926	¥ 15,799	\$ 92,840
Reserve for tax purpose reduction entry of non-current assets	1,057	1,063	7,044
Undistributed earnings of foreign subsidiaries	10,290	9,782	68,598
Fixed assets	4,413	5,007	29,418
Net defined benefit assets	7,809	4,951	52,061
Securities contributed to retirement benefit trust	1,114	1,082	7,426
Other	488	139	3,257
Deferred tax liabilities	39,097	37,823	260,644
Net deferred tax liabilities	¥ (1,018)	¥ (3,528)	\$ (6,784)

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, 2025, with the corresponding figures for 2024, were as follows:

	2025	2024
Normal effective statutory tax rate	30.6%	30.6 %
Expenses not deductible for income tax purposes	3.2	1.3
Income excluded from income tax, such as dividends received	(2.2)	(5.2)
Change in valuation allowance	(1.1)	6.2
Undistributed earnings of foreign subsidiaries	0.6	2.8
Lower income tax rates applicable to income in certain foreign countries	(2.6)	(1.0)
Tax credit of foreign subsidiaries	(0.2)	(1.6)
Tax credits such as research and development costs	(4.1)	(5.2)
Equity in earnings of unconsolidated subsidiaries and associated companies	(0.0)	(0.8)
Other — net	(0.1)	0.4
Actual effective tax rate	24.1%	27.5 %

Note:

In accordance with “Act on Partial Revision of the Income Tax Act, etc.,” enacted by the Diet on March 31, 2025 (Act No. 13 of 2025), a “special corporation tax for national defense” is due to be imposed from the consolidated financial year that commences on April 1, 2026.

Accordingly, deferred tax assets and deferred tax liabilities in relation to temporary differences that are expected to be eliminated after the consolidated financial year that commences on April 1, 2026 were calculated after changing the statutory effective tax rate from 30.6% to 31.5%.

The impact of this tax rate change on the consolidated financial statements for the consolidated fiscal year under review is minimal.

13. REVENUE

(1) Disaggregation of Revenue

Revenues from contracts with customers on a disaggregated basis for the years ended March 31, 2025, and 2024, were as follows:

	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

Millions of Yen				
2024				
Reportable Segment				
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	¥ 297,299	—	—	¥ 297,299
Sensors	64,638	—	—	64,638
Industrial processes	28,808	—	—	28,808
Components for semiconductor manufacturing equipment	—	¥ 86,455	—	86,455
Electronics components	—	26,129	—	26,129
Metal related	—	25,567	—	25,567
Energy storage	—	—	¥ 2,089	2,089
Insulators	—	—	47,929	47,929
Total	¥ 390,745	¥ 138,151	¥ 50,018	¥ 578,914
Geographical areas:				
Japan	¥ 55,978	¥ 44,516	¥ 32,104	¥ 132,598
North America	73,458	39,088	11,013	123,559
Europe	136,152	3,969	297	140,418
Asia	117,539	50,430	3,048	171,017
Other	7,618	148	3,556	11,322
Total	¥ 390,745	¥ 138,151	¥ 50,018	¥ 578,914
Timing of revenue recognition:				
Goods and services transferred at a point in time	¥ 376,176	¥ 138,151	¥ 49,227	¥ 563,554
Goods and services transferred over time	14,569	—	791	15,360
Total	¥ 390,745	¥ 138,151	¥ 50,018	¥ 578,914

Thousands of U.S. Dollars				
2025				
Reportable Segment				
	Environment	Digital Society	Energy & Industry	Total
Products and services:				
Automotive ceramics for exhaust gas purification	\$ 1,965,754	—	—	\$ 1,965,754
Sensors	411,530	—	—	411,530
Industrial processes	225,195	—	—	225,195
Components for semiconductor manufacturing equipment	—	\$ 758,903	—	758,903
Electronics components	—	208,618	—	208,618
Metal related	—	176,397	—	176,397
Energy storage	—	—	\$ 43,157	43,157
Insulators	—	—	340,535	340,535
Total	<u>\$ 2,602,479</u>	<u>\$ 1,143,918</u>	<u>\$ 383,692</u>	<u>\$ 4,130,089</u>
Geographical areas:				
Japan	\$ 353,541	\$ 318,159	\$ 233,215	\$ 904,915
North America	525,713	297,398	75,941	899,052
Europe	868,388	29,834	26,071	924,293
Asia	825,643	497,010	24,313	1,346,966
Other	29,194	1,517	24,152	54,863
Total	<u>\$ 2,602,479</u>	<u>\$ 1,143,918</u>	<u>\$ 383,692</u>	<u>\$ 4,130,089</u>
Timing of revenue recognition:				
Goods and services transferred at a point in time	\$ 2,515,947	\$ 1,143,918	\$ 376,347	\$ 4,036,212
Goods and services transferred over time	86,532	—	7,345	93,877
Total	<u>\$ 2,602,479</u>	<u>\$ 1,143,918</u>	<u>\$ 383,692</u>	<u>\$ 4,130,089</u>

Note:

Effective from the current fiscal year, the Industrial Process Business which included in the “Energy & Industry” has been changed to the “Environment.”

Information for disaggregated revenue recognized from contracts with customers for the fiscal year has been reclassified based on the revised reportable segment classifications.

(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, 2025 and 2024 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Receivables from contracts with customers:			
Balance at beginning of year	¥ 117,763	¥ 111,074	\$ 785,087
Balance at end of year	121,472	117,763	809,811
Contract assets:			
Balance at beginning of year	16,499	9,045	109,994
Balance at end of year	14,000	16,499	93,330
Contract liabilities:			
Balance at beginning of year	12,687	6,080	84,581
Balance at end of year	12,030	12,687	80,203

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, 2025 that was included in the contract liability balance as of March 31, 2024 was ¥7,772 million (\$51,811 thousand).

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, 2024 that was included in the contract liability balance as of March 31, 2023 was ¥3,571 million.

In addition, contract assets increased ¥7,454 million from the beginning balance in the fiscal year under review. The main reason was an increase in the consideration for a large transaction falling under the category of work contracts, for which the Company has not issued an invoice to its customer, although it satisfied all or part of its performance obligations by the fiscal year end date.

In addition, contract liabilities increased ¥6,607 million from the beginning balance in the fiscal year under review. The main reason was that advance money was received from the customer, associated with the conclusion of the contract for a large project.

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 ¥42,153 million (\$281,019 thousand) 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.

Remaining (or partially remaining) performance obligations were ¥46,515 million at March 31, 2024. Approximately 60% 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 5% 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.

14. RESEARCH AND DEVELOPMENT COSTS

Research and development costs charged to income were ¥29,590 million (\$197,267 thousand) and ¥31,605 million for the years ended March 31, 2025 and 2024, respectively, which included consigned research costs of ¥815 million (\$5,434 thousand) and ¥1,686 million for the years ended March 31, 2025 and 2024, respectively.

15. 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 19 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.v.

(3) Fair Values of Financial Instruments

The contract or notional amounts of derivatives that are shown in Note 16 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		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2025			
Marketable and investment securities	¥ 112,914	¥ 112,893	¥ (21)
Long-term debt, including current portion	(231,982)	(219,001)	12,981
Derivatives	183	183	—
	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2024			
Marketable and investment securities	¥ 111,276	¥ 111,271	¥ (5)
Long-term debt, including current portion	(247,984)	(242,091)	5,893
Derivatives	(1,180)	(1,180)	—
	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gain/Loss
March 31, 2025			
Marketable and investment securities	\$ 752,757	\$ 752,616	\$ (141)
Long-term debt, including current portion	(1,546,548)	(1,460,005)	86,543
Derivatives	1,221	1,221	—

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
	2025	2024	2025
Unlisted equity instruments:			
Stock of associated companies	¥ 375	¥ 512	\$ 2,501
Other	4,499	3,038	29,991

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

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 years
March 31, 2025				
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	—	—

	Millions of Yen			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 years
March 31, 2024				
Cash and cash equivalents	¥ 171,432	—	—	—
Time deposits	33,125	—	—	—
Notes and accounts receivable:				
Trade notes and accounts	117,592	¥ 171	—	—
Held-to-maturity securities:				
Debt securities	19,501	—	—	—
Available-for-sale securities:				
Debt securities	—	—	—	—
Investment trusts and other	16,000	—	—	—
Total	¥ 357,650	¥ 171	—	—

	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through 10 Years	Due after 10 years
March 31, 2025				
Cash and cash equivalents	\$ 1,184,724	—	—	—
Time deposits	248,439	—	—	—
Notes and accounts receivable:				
Trade notes and accounts	799,974	\$ 9,837	—	—
Held-to-maturity securities:				
Debt securities	133,291	—	—	—
Available-for-sale securities:				
Debt securities	—	—	—	—
Investment trusts and other	173,333	—	—	—
Total	\$ 2,539,761	\$ 9,837	—	—

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, 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
Millions of Yen				
March 31, 2024	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	¥ 69,074	¥ 4,086	—	¥ 73,160
Other	—	2,615	—	2,615
Derivative transactions:				
Interest rate swaps	—	0	—	0
Total assets	¥ 69,074	¥ 6,701	—	¥ 75,775
Derivative transactions:				
Foreign currency forward contracts	—	¥ 1,180	—	¥ 1,180
Total liabilities	—	¥ 1,180	—	¥ 1,180

March 31, 2025	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Available-for-sale securities:				
Equity securities	\$ 404,393	\$ 22,396	—	\$ 426,789
Other	—	19,343	—	19,343
Derivative transactions:				
Foreign currency forward contracts	—	2,201	—	2,201
Total assets	<u>\$ 404,393</u>	<u>\$ 43,940</u>	<u>—</u>	<u>\$ 448,333</u>
Derivative transactions:				
Interest rate swaps	—	\$ 30	—	\$ 30
Commodity swaps	—	—	\$ 951	951
Total liabilities	<u>—</u>	<u>\$ 30</u>	<u>\$ 951</u>	<u>\$ 981</u>

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

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	<u>—</u>	<u>¥ 62,972</u>	<u>—</u>	<u>¥ 62,972</u>
Long-term debt, including current portion	—	¥ 219,001	—	¥ 219,001
Total liabilities	<u>—</u>	<u>¥ 219,001</u>	<u>—</u>	<u>¥ 219,001</u>

March 31, 2024	Millions of Yen			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Corporate bonds	—	¥ 19,495	—	¥ 19,495
Available-for-sale securities:				
Other	—	27,900	—	27,900
Total assets	<u>—</u>	<u>¥ 47,395</u>	<u>—</u>	<u>¥ 47,395</u>
Long-term debt, including current portion	—	¥ 242,091	—	¥ 242,091
Total liabilities	<u>—</u>	<u>¥ 242,091</u>	<u>—</u>	<u>¥ 242,091</u>

March 31, 2025	Thousands of U.S. Dollars			
	Level 1	Level 2	Level 3	Total
Marketable and investment securities:				
Held-to-maturity securities:				
Corporate bonds	–	\$ 133,150	–	\$ 133,150
Available-for-sale securities:				
Other	–	286,667	–	286,667
Total assets	–	\$ 419,817	–	\$ 419,817
Long-term debt, including current portion	–	\$ 1,460,004	–	\$ 1,460,004
Total liabilities	–	\$ 1,460,004	–	\$ 1,460,004

(*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, government bonds, municipal bonds and corporate bonds are measured at the quoted market prices. Since listed equity securities and government bonds are traded in active markets, the fair values of listed equity securities and government bonds are categorized as Level 1. As the quoted market prices of municipal bonds and corporate bonds are not considered to be in active markets due to low market transactions, the fair values of municipal bonds and corporate bonds are categorized as Level 2.

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 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 for the fiscal year under review.

	Derivatives*1 Commodity swaps	
	Millions of Yen	Thousands of U.S. Dollars
March 31, 2025		
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)	\$ (65)
Gains (losses) recognized in other comprehensive income*3	(133)	(886)
Purchase, Sales, Issuance, Settlements	—	—
Transfer to Level 3	—	—
Transfer from Level 3	—	—
Other	—	—
Balance at end of the period:	¥ (143)	\$ (951)
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)	\$ (64)

(*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 “Gain on valuation of derivatives” under “Other income” in the consolidated statement of income.

(*3) Included in “Deferred (loss) gain on derivatives under hedge accounting” under “Other comprehensive income” 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.

16. 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, 2025 and 2024, were as follows:

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
March 31, 2025				
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	<u>¥ 30,385</u>	<u>¥ 2,941</u>	<u>¥ 330</u>	<u>¥ 330</u>

	Millions of Yen			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
March 31, 2024				
Foreign currency forward contracts:				
Selling U.S.\$	¥ 23,141	—	¥ (754)	¥ (754)
Selling Euro	2,430	—	7	7
Buying U.S.\$	159	—	(0)	(0)
Buying Japanese yen	2	—	(0)	(0)
Currency swaps:				
U.S.\$ payment, Thai baht receipt	4,635	¥ 3,599	(433)	(433)
Total	<u>¥ 30,367</u>	<u>¥ 3,599</u>	<u>¥ (1,180)</u>	<u>¥ (1,180)</u>

	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
March 31, 2025				
Foreign currency forward contracts:				
Selling U.S.\$	\$ 164,525	—	\$ 2,925	\$ 2,925
Selling Euro	10,623	—	(129)	(129)
Buying U.S.\$	1,274	—	(5)	(5)
Buying Japanese yen	—	—	—	—
Currency swaps:				
U.S.\$ payment, Thai baht receipt	26,146	\$ 19,610	(591)	(591)
Total	<u>\$ 202,568</u>	<u>\$ 19,610</u>	<u>\$ 2,200</u>	<u>\$ 2,200</u>

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

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

Millions of Yen				
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
March 31, 2024				
Interest rate swaps:				
(Fixed rate payment, fixed rate receipt)	¥ 5,000	¥ 5,000	¥ (17)	¥ (17)
Total	¥ 5,000	¥ 5,000	¥ (17)	¥ (17)

Thousands of U.S. Dollars				
	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/(Loss)
March 31, 2025				
Interest rate swaps:				
(Fixed rate payment, fixed rate receipt)	\$ 33,333	\$ 33,333	\$ (90)	\$ (90)
Total	\$ 33,333	\$ 33,333	\$ (90)	\$ (90)

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, 2025 and 2024, were as follows:

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2025	Hedged Item			
Currency swaps:				
(Japanese yen payment, U.S.\$ receipt)*	Long-term debt	¥ 1,500	—	—
Total		¥ 1,500	—	—
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2024	Hedged Item			
Currency swaps:				
(Japanese yen payment, U.S.\$ receipt)*	Long-term debt	¥ 1,500	¥ 1,500	—
Total		¥ 1,500	¥ 1,500	—
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2025	Hedged Item			
Currency swaps:				
(Japanese yen payment, U.S.\$ receipt)*	Long-term debt	\$ 10,000	—	—
Total		\$ 10,000	—	—

* 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 15.

		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2025	Hedged Item			
Interest rate swaps:				
(Fixed rate payment, floating rate receipt)*	Long-term debt	¥ 2,251	¥ 170	¥ 9
Total		¥ 2,251	¥ 170	¥ 9
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2024	Hedged Item			
Interest rate swaps:				
(Fixed rate payment, floating rate receipt)*	Long-term debt	¥ 2,759	¥ 2,210	¥ 17
Total		¥ 2,759	¥ 2,210	¥ 17
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2025	Hedged Item			
Interest rate swaps:				
(Fixed rate payment, floating rate receipt)*	Long-term debt	\$ 15,004	\$ 1,132	\$ 59
Total		\$ 15,004	\$ 1,132	\$ 59
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2025	Hedged Item			
Commodity swaps:				
(Fixed rate payment, floating rate receipt)	Electricity charge	¥ 15,936	¥ 15,936	¥ (143)
Total		¥ 15,936	¥ 15,936	¥ (143)
		Millions of Yen		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2024	Hedged Item			
Commodity swaps:				
(Fixed rate payment, floating rate receipt)	Electricity charge	—	—	—
Total		—	—	—
		Thousands of U.S. Dollars		
		Contract Amount	Contract Amount Due after One Year	Fair Value
March 31, 2025	Hedged Item			
Commodity swaps:				
(Fixed rate payment, floating rate receipt)	Electricity charge	\$ 106,240	\$ 106,240	\$ (951)
Total		\$ 106,240	\$ 106,240	\$ (951)

17. GUARANTEES OBLIGATION

(1) *Guarantee Obligations*

At March 31, 2025, the Group had guarantee obligations as follows:

	Millions of Yen	Thousands of U.S. Dollars
Guarantee for deposit of subsidiary	¥ 2,183	\$ 14,552
Guarantees for bank borrowings of a business-related company	38	256

(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 P.T.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.

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 is 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 believes that it is not liable for the incident described above. Therefore, the Company will take necessary actions in response to the claim to demonstrate the quality of the bushings and the adequacy of the Company’s operations.

Depending on the outcome of this lawsuit, the Company’s financial results may be affected, but at this time, it is difficult to reasonably estimate the impact.

The value in yen terms for the damage compensation in the text is the amount stated in the complaint and is converted into yen at a different exchange rate from that used by the Company to prepare the consolidated financial statements.

18. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss) for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2025	2024	2025
Unrealized (loss) gain on available-for-sale securities:			
(Losses) gains arising during the year	¥ (3,970)	¥ 31,575	\$ (26,464)
Reclassification adjustments to profit or loss	(3,863)	(862)	(25,755)
Amount before income tax effect	(7,833)	30,713	(52,219)
Income tax effect	1,840	(8,954)	12,264
Total	¥ (5,993)	¥ 21,759	\$ (39,955)
Deferred (loss) gain on derivatives under hedge accounting:			
(Losses) gains arising during the year	¥ (151)	¥ 19	\$ (1,004)
Reclassification adjustments to profit or loss	10	—	64
Amount before income tax effect	(141)	19	(940)
Income tax effect	29	(2)	192
Total	¥ (112)	¥ 17	\$ (748)
Foreign currency translation adjustments:			
Adjustments arising during the year	¥ (5,537)	¥ 40,364	\$ (36,914)
Reclassification adjustments to profit or loss	(0)	162	(2)
Total	¥ (5,537)	¥ 40,526	\$ (36,916)
Share of other comprehensive loss in associated companies:			
Losses arising during the year	—	¥ (63)	—
Defined retirement benefit plans:			
Gains arising during the year	¥ 10,034	¥ 3,503	\$ 66,894
Reclassification adjustments to profit or loss	(580)	(364)	(3,868)
Amount before income tax effect	9,454	3,139	63,026
Income tax effect	(3,065)	(1,005)	(20,432)
Total	¥ 6,389	¥ 2,134	\$ 42,594
Total other comprehensive (loss) income	¥ (5,253)	¥ 64,373	\$ (35,025)

19. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share (“EPS”) for the years ended March 31, 2025 and 2024, were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income Attributable to Owners of the Parent	Weighted- Average Shares	EPS	
Year Ended March 31, 2025				
Basic EPS—Net income available to common shareholders	¥ 54,933	295,410	¥ 185.96	\$ 1.240
Effect of dilutive securities: Stock options	<u>—</u>	<u>468</u>		
Diluted EPS—Net income for computation	<u>¥ 54,933</u>	<u>295,878</u>	<u>¥ 185.66</u>	<u>\$ 1.238</u>
Year Ended March 31, 2024				
Basic EPS—Net income available to common shareholders	¥ 40,563	303,510	<u>¥ 133.65</u>	
Effect of dilutive securities: Stock options	<u>—</u>	<u>503</u>		
Diluted EPS—Net income for computation	<u>¥ 40,563</u>	<u>304,013</u>	<u>¥ 133.42</u>	

20. SUBSEQUENT EVENTS

a. Appropriation of Retained Earnings

The following appropriation of retained earnings at March 31, 2025, was approved at the Company’s shareholders’ meeting held on June 26, 2025:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥30 (\$0.20) per share	¥ 8,793	\$ 58,619

21. 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, gas analyzer, industrial heating systems, refractory products and radioactive waste treatment systems
Digital Society	Components for semiconductor manufacturing equipment, ceramic components for electronics, beryllium copper products, and molds
Energy & Industry	NAS [®] (sodium-sulfur) batteries, insulators, hardware for insulator assemblies, current limiting arching horn, bushing shells, fuse cut-outs, APM and line arrester

(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						
2025						
	Reportable Segments				Reconciliations	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
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 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

Millions of Yen						
2024						
	Reportable Segments				Reconciliations	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Sales:						
Sales to customers	¥ 390,746	¥ 138,150	¥ 50,018	¥ 578,914	–	¥ 578,914
Intersegment sales or transfers	200	25	777	1,002	¥ (1,002)	–
Total	¥ 390,946	¥ 138,175	¥ 50,795	¥ 579,916	¥ (1,002)	¥ 578,914
Segment profit (loss)	¥ 64,596	¥ 2,285	¥ (480)	¥ 66,401	¥ (3)	¥ 66,398
Segment assets	537,769	209,412	70,279	817,460	310,117	1,127,577
Other:						
Depreciation and amortization	40,072	15,161	1,574	56,807	–	56,807
Impairment losses on assets	963	5,363	634	6,960	–	6,960
Increase in property, plant, and equipment and intangible assets	16,372	17,656	2,345	36,373	10,924	47,297

Thousands of U.S. Dollars						
2025						
	Reportable Segments				Reconciliations	Consolidated
	Environment	Digital Society	Energy & Industry	Total		
Sales:						
Sales to customers	\$ 2,602,479	\$ 1,143,918	\$ 383,692	\$ 4,130,089	–	\$ 4,130,089
Intersegment sales or transfers	2,842	25	5,434	8,301	\$ (8,301)	–
Total	<u>\$ 2,605,321</u>	<u>\$ 1,143,943</u>	<u>\$ 389,126</u>	<u>\$ 4,138,390</u>	<u>\$ (8,301)</u>	<u>\$ 4,130,089</u>
Segment profit (loss)	\$ 455,031	\$ 114,612	\$ (27,976)	\$ 541,667	\$ (56)	\$ 541,611
Segment assets	3,439,382	1,442,444	559,072	5,440,898	2,179,008	7,619,906
Other:						
Depreciation and amortization	266,338	103,705	11,646	381,689	–	381,689
Impairment losses on assets	5,341	27,956	5,499	38,796	–	38,796
Increase in property, plant, and equipment and intangible assets	111,480	95,700	10,336	217,516	107,867	325,383

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 ¥336,886 million (\$2,245,907 thousand) and ¥318,307 million at March 31, 2025 and 2024, 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.
4. Effective from the current fiscal year, the Industrial Process Business which was included in the “Energy & Industry” has been changed to the “Environment.”
Information for disaggregated revenue recognized from contracts with customers for the fiscal year has been reclassified based on the revised reportable segment classifications.

Information about Geographical Areas

(1) Sales

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
Millions of Yen								
2024								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Germany	Others	China	Others		
¥ 132,598	¥ 113,690	¥ 9,869	¥ 51,811	¥ 88,607	¥ 99,447	¥ 71,570	¥ 11,322	¥ 578,914
Thousands of U.S. Dollars								
2025								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Germany	Others	China	Others		
\$ 904,915	\$ 810,682	\$ 88,370	\$ 343,828	\$ 580,465	\$ 670,476	\$ 676,490	\$ 54,863	\$ 4,130,089

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

(2) Property, plant, and equipment

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
Millions of Yen								
2024								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Poland	Others	China	Others		
¥ 164,167	¥ 37,650	¥ 14,908	¥ 79,025	¥ 15,337	¥ 37,428	¥ 23,028	¥ 361	¥ 371,904
Thousands of U.S. Dollars								
2025								
	North America		Europe		Asia		Other Areas	Total
Japan	USA	Others	Poland	Others	China	Others		
\$ 1,111,919	\$ 240,790	\$ 89,636	\$ 482,895	\$ 104,535	\$ 205,973	\$ 139,537	\$ 2,291	\$ 2,377,576

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of NGK INSULATORS, Ltd.:

<Audit of Consolidated Financial Statements>

Opinion

We have audited the consolidated financial statements of NGK INSULATORS, Ltd. and its consolidated subsidiaries (the "Group"), which comprise the consolidated balance sheet as of March 31, 2025, 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, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

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, 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 Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was 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 the matter.

Member of
Deloitte Touche Tohmatsu Limited

Independent Auditor's Report

Revenue recognition for product sales	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
<p>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 INSULATORS, Ltd. (the "Company"), is the core company of the consolidated group, and its sales are quantitatively material for the Group's consolidated sales.</p> <p>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 Systems") 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 Systems will function as expected, and it is recognized that the Company relies on the IT Systems over a wide area.</p> <p>As seen above, the Company's revenue recognition for product sales is an operating process rooted on the assumption that the automatic interfaces that have been established between the IT Systems will function 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.</p> <p>Therefore, we identified the appropriateness of the Company's revenue recognition for products sales as a key audit matter.</p>	<p>Our audit procedures over the appropriateness of the Company's revenue recognition for products sales included the following, among others:</p> <p>(1) Internal control evaluation</p> <ul style="list-style-type: none"> ✧ With the assistance of our IT specialists, we evaluated the design and operating effectiveness of the internal controls described below: <ul style="list-style-type: none"> • For the IT Systems 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. <p>(2) Sales transaction test</p> <ul style="list-style-type: none"> ✧ 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.

Independent Auditor's Report

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.

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.

Independent Auditor's Report

- 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, 2025, which were charged by us and our network firms to NGK INSULATORS, Ltd. and its subsidiaries were ¥331 million and ¥335 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

July 31, 2025

Subsidiaries and Affiliated Companies

As of March 31, 2025

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

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

	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

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

- Consolidated companies
- Affiliated companies accounted for by the equity method

